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CIO letter TO



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ECONOMIC DEVELOPMENT, THE CLIMATE WALL AND THE HUMAN FACTOR

PART ONE: HUMAN AFTER ALL

**“IT IS NO MEASURE OF HEALTH TO BE WELL ADJUSTED
TO A PROFOUNDLY SICK SOCIETY”
(JIDDU KRISHNAMURTI)**

The COVID crisis has highlighted just how fragile globalised and deregulated economic models based on free trade are, as well as the intensive use of finite natural resources and taking an overly optimistic view of labour and capital. This model is now showing its limitations, since its effects have become an obvious hindrance to creating economic value: the impact on the climate, biodiversity, deepening social inequalities and the formation of economic bubbles. The path that humanity is currently on has now reached a turning point: for the first time in history, the solution to one of humanity's problems requires cooperation on a global scale. If one of the major economic powers refuses to cooperate, everybody loses. Despite this, the desire for growth at any cost has been promoted by leaders of the world economy as a guarantee of freedom, prosperity and even happiness. This is a strange paradox for a system responsible for causing such a massive problem, that humanity is forced to curb this system in order to resolve the problem. Given that this economic model has spiralled out of control, the relatively clear observation that it is dysfunctional, to the point of threatening the existence of humans on our planet, leads us to ask ourselves the following question: **how can those advocating for this model carry on trying to impose it on as many people as possible by discrediting all alternatives, even though this could lead to our downfall in a relatively short space of time?**

Now is the time to set aside what would be appropriate to write about if we wished to maintain the current system that guarantees a certain social order – which we are likely a part of – as well as a comfortable position and a clear conscience. How so? By looking back at the key periods that contributed to raising the status of a globalised, free trade capitalist model based on the desire for infinite growth to the level of a quasi-religion. Here, we will explore arguments from those who promote alternative paths, with the sole aim of comparing them with what is often presented to us as the only possible option.

How did this model come about? On what grounds? For what purpose? For whose benefit? At whose expense? How was it possible for the greatest number of people to be convinced that this system was the only one capable of creating prosperity? How were we led to believe that regulating free trade and a better distribution of value production between capital and labour could be an obstacle to growth? And above all, what model would allow for more sustainable growth that is consistent with environmental and social issues and could overthrow the current system?

The conclusion we will reach is that this model, which likely remains the “least bad” of all, needs to be adjusted. Of course, we might be tempted to believe the notion that it has helped to reduce poverty, something that no other system has done. There is no question of this if we look at material deprivation as measured by Gross Domestic Product per capita. But it is not so certain if we take other criteria into account. Can’t symptoms of a sick society be seen through relying on money creation and debt to maintain the stability of the system, an increase in illnesses linked to overconsumption and stress, a decline of democratic debates due to the lack of dialogue, withdrawing into distinct communities as a consequence of filter bubbles, a loss of empathy and local solidarity, accepting dominance as the norm, as well as a decrease in inclusivity and acceptance of those who are different?

The subheading of this letter, “Human After All”, is also the title of an album that marked the return of the electro duo Daft Punk in 2005 after an absence of several years. The duo became legendary in the early 2000s through their imaginary transformation into robots. The return to humanity suggested by this title sums up, perhaps single-handedly, the general view of this letter: **the dehumanisation of the economy through a desire for infinite growth based on amassing wealth is leading the system to its demise, and the re-entry of the human factor into the economy seems to be an obvious way to make the transition to a more sustainable economy.** While remaining clear that neither the state nor the capitalist system are close to disappearing, we will try to bring the capitalist economy and the human factor together, concluding with the **belief that creating sustainable economic value requires an increase in the level of collective consciousness in all areas, through inclusion rather than segregation. This seems obvious, but in reality is somewhat inconsistent with the principles of Western civilisations.**

This letter is not a political manifesto, and certainly not an essay on economic theory. As usual, we wish to remain in our role as investors, who are supposed to observe and analyse their environment as best they can. **We are convinced that every investor – from the most inclusive to the most cynical – should carry out this exercise of reflection, since the limitations of our current system are starting to materialise in the form of negative impacts on financial returns and the levels of risk incurred.** Our sole aim is therefore to ensure that our beliefs benefit our management and to share our analyses with our investors, shareholders and the companies and entrepreneurs we support. **In an environment that is increasingly less open to debate, we feel that questioning the relevance of the economic system we live with is, in this way, appropriate, healthy and necessary.**

Something is wrong with our economic model

A first look at the state of the world gives reason for optimism. In the 19th century, liberal capitalism flourished in its least regulated form. Coupled with colonisation and industrial development, it simultaneously created both gigantic fortunes and considerable material and social poverty. However, the 20th century, which was instead characterised by a reduction in inequality, was able to correct these defects, at first glance. The crisis of 1929 and two world wars reshuffled the cards of wealth. The social policies that followed the Second World War, the effects of communist or socialist regimes (which also created other types of inequalities and suffering), the price controls applied in many countries, the rise of the middle classes and, of course, inflation in the 1970s and 1980s also served as shock absorbers for inequality by disadvantaging those receiving money for the benefit of those actually doing the work. In the 21st century, inequality between countries has continued to decrease. In his book “Factfulness”, the statistician Hans Rosling¹ points out that, contrary to existing preconceptions, in 2019 the world is no longer divided between

IN 2019,

75 %

OF THE WORLD LIVED IN
MIDDLE-INCOME COUNTRIES

developed countries and the rest of the world. If we look at other criteria such as access to education, health or electricity, we see the same situation: the world is becoming fairly homogeneous. In 2019, 75% of the world lived in middle-income countries with only 9% living in low-income ones. The same is also true of the cultural references for younger generations. The generation comprising those under the age of 25² is likely the most homogeneous generation that humanity has ever witnessed. These young people share the same experiences and news all around

1. Factfulness – Hans Rosling, 2019
2. BOFA research – OK Zoomer: Gen Z Primer, Nov. 2020 – Haim Israel

the world thanks to the globalisation of information and social media. This generation is also the most educated that humanity has ever seen. The literacy rate for young people aged 15 to 24 is currently 90.4% for women and 92.9% for men³. 60% of the world's population has access to the internet and 50% is active on social media⁴.

We can therefore assume that most of the population is exposed to globalisation and has benefited on the whole from development, technological progress and trade openness. A large majority of Western economists hammer home this idea without casting the slightest doubt on its validity. You simply need to look at the several recent research papers on this subject, such as the one published by Goldman Sachs bank in 2022⁵, to notice this. **The steady increase in average life expectancy is, at the same time, further solid proof. Given the centuries of war and hardship that make up our history, past generations would probably be envious of our contemporary way of life. Technological advances have led to a reduction in famine and have improved access to both education and entertainment.**

Nevertheless, another observation can be made. This development first emerged among observers from outside the Anglo-Saxon culture and was then replicated by Westerners. Inequalities within countries and societies are rising sharply as a result of three factors combined: money creation, globalisation – the main losers of which are the middle classes in developed countries – and

the effects of technology. These factors are changing the balance of power between supply and demand for labour in some areas⁶. According to the investor Ray Dalio⁷, long-term economic cycles can last for several decades. The end of a long cycle is characterised by a significant degree of fiscal dominance and currency devaluation. **At the end of these cycles, debt levels grow so high in relation to the size of the economy that it becomes impossible to nominally deleverage the economy without causing it to collapse. Monetary strategies are then resorted to, which allows the cycle to be prolonged.** The alternative to this process is a deflationary economic collapse; a route that both public and policy-makers around the world rarely opt for. In other words, when the system is pushed to its limits, policy-makers will, without exception, print money. The creativity shown by monetary institutions to increase money creation following the crisis of 1929 confirms this theory⁸. This creativity took on unprecedented proportions after the crisis of 2008 with so-called “Quantitative Easing” policies, which generated a stock of global debt of just under \$300 trillion today, or about three times the global GDP. This rush inevitably calls for more short-term growth in order to justify valuations and debt levels, which encourages

3. World Bank gender statistics – <https://data.worldbank.org/indicator/SE.ADT.1524.LT.FE.ZS>
4. <https://wearesocial.com/fr/blog/2020/01/digital-report-2020> – Digital report 2020
5. Top of Mind – (De)globalization Ahead? – Goldman Sachs Research, April 2022
6. Tikehau CIO letter – Robot Rock, March 2021
7. Ray Dalio is the founder of Bridgewater and author of “The Changing World Order: Why Nations Succeed and Fail”, 2021
8. Tikehau CIO letter – Les QE sont éternels (QE is forever), December 2019

A STOCK OF GLOBAL DEBT OF JUST UNDER

\$300

TRILLION

financial engineering and accounting strategies. In other words, **the extensive and systematic use of debt makes it possible to keep up the illusion of the short-term economic growth that the current economic system needs to maintain its stability. And therein lies the problem, given that this long economic cycle has accelerated under the cumulative impact of the large-scale use of fossil fuels, the overly optimistic view of business results thanks to globalisation, and the contribution of technology in accelerating the path to growth. Because of this, in 2020, humans produced more anthropogenic mass (concrete, asphalt, plastic, glass, rubble) than the mass of all living beings on our planet⁹.** As far back as 1972, the Club of Rome, led by researchers from MIT, published “The Limits to Growth”¹⁰, an incredibly detailed report on how incompatible the desire for infinite short-term growth is in a finite world. Over the last 250 years, i.e., since the first Industrial Revolution, both economic growth and population growth have indeed grown exponentially.

The desire for infinite growth based on financial measures alone has consequences for the climate and biodiversity (E for Environmental), for the growing inequalities (S for Social) and for the misallocation of capital (G for Governance). The recent COVID-19 crisis shows just how vulnerable a system like this is. Our economic model essentially carries the genes of its own destruction, which confirms Sigmund Freud's theory¹¹: “all civilisations, in their domination over nature, plant the seeds of their own destruction.” For example, it is now possible to quantify,

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IN 2020, HUMANS PRODUCED MORE ANTHROPOGENIC MASS (CONCRETE, ASPHALT, PLASTIC, GLASS, RUBBLE) THAN THE MASS OF ALL LIVING BEINGS ON OUR PLANET

9. <https://www.visualcapitalist.com/visualizing-the-accumulation-of-human-made-mass-on-earth/>
10. The Limits to Growth – Dennis and Donella Meadows backed by the Club of Rome, published in 1972 and updated in 2002
11. Das Unbehagen in der Kultur – Civilization and Its Discontents – Sigmund Freud, 1930

or at least estimate, the impact that climate change has on the GDP of our economies. Centres for climate, established by some thirty central banks, are beginning to publish reports with figures demonstrating a potential destabilisation of our financial system. They state that a warming scenario of more than four degrees would make densely populated urban areas uninhabitable; areas with property assets that are currently highly valued would see their value reduced to zero. Parts of the South Bank of the Thames in London (which would be under water) or Singapore (where the combination of temperature and humidity would make the place uninhabitable) feature amongst these areas. As a result, even the most cynical investors, who only consider the financial aspect of their investments, would eventually be punished for failing to take non-financial factors into account. At the same time, indirect effects are also better analysed. For instance, the report published by the Bank of France's climate change centre¹² points out that 42% of the outstanding debt issued in France concerns issuers whose profitability depends on the free exploitation of natural resources that climate change could call into question. For example, nuclear power plants use river water to cool down their reactors. A rise in the temperature of the water in the rivers would make it impossible to continue benefiting from this free resource, which would either force the reactors to be shut down or require alternative systems to be designed, something which would incur significant costs and thus impact the country's GDP.

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DESTABILISATION OF DEMOCRACIES WOULD LEAD TO AN INCREASE IN RISK PREMIUMS

However, environmental aspects also have a social impact. The levels of human migration that could result from uncontrolled global warming would risk destabilising democratic systems. **Western financial markets enjoy the lowest risk premiums thanks to their democratic stability, which guarantees business-friendly laws, proper tax visibility, regulatory transparency and liquidity organised through parties that are somewhat independent. Destabilisation of democracies would lead to an increase in risk premiums. It is therefore clear that failure to take non-financial factors into account exposes investors to serious financial consequences. Not only do financial factors have an extra-financial impact, but the opposite is also true. As a result, over a medium to long period of time, these two aspects are actually two sides of the same coin.**

12. Banque de France – Rapport de suivi et évaluation des engagements climatiques (Monitoring and evaluation report on climate commitments) October 2021

Despite this, the globalised capitalist system continues to be promoted as a factor of value creation all over the world, without necessarily taking into account the faint signals that are, nonetheless, on the increase. In 2003, a report by the UN¹³ already pointed out that 54 countries had become poorer than they were in 1990. The same report stated that life expectancy had declined in 36 of these countries. A 2014 documentary¹⁴ cites the example of Haiti, where opening up to free trade in the 1990s had disastrous effects on the country's economy. For the director, this example is representative of the damage that imposed globalisation can have on a traditional local ecosystem. The forced opening up of the Haitian market to multinational corporations transformed the country from one of the richest Western colonies in the world a few decades ago to the poorest country in the northern hemisphere. Before these reforms, rice production was enough to meet all the local needs. After the liberalisation of the market, it could only meet half of the local needs, making Haiti a net importer of this cereal.

However, social damage from the system is not limited to developing countries. From the COVID crisis to the presidential election, 2020 is likely to have been one of the most turbulent years in modern American history. Hidden behind these events lies data that reflects how emotional and psychological disorders are intensifying amongst the American population. The American journalist Glenn Greenwald¹⁵ refers to a large-scale survey on the mental health of

Americans, conducted by the Centers for Disease Control and Prevention in late June 2020¹⁶ at the height of the pandemic. The survey found that one in four Americans aged 18 to 24 had thought about committing suicide at least once in the 30 days before the survey. For Americans aged 25 to 44, the percentage was 16%. 62.9% of 18- to 24-year-olds surveyed reported having depression or anxiety. 40.9% of people who took part in the survey reported at least one mental health problem, including symptoms of anxiety or depression, that led to them using substances to cope with the stress. According to the journalist, having serious suicidal thoughts is a rare event in a healthy society. A society in which such a large part of the population considers suicide as an option is a society that is failing to provide its citizens with the necessary conditions to lead a fulfilling life. But what makes these trends worrying is that there are indications that collective mental health in the US has been deteriorating since the financial crisis of 2008. In 2019, and therefore prior to COVID-19, the American Psychological Association carried out a study¹⁷ and reported a 33% increase in the rate of deaths from suicide in the US between 1999 and 2017, as well as a 50% increase in suicides amongst

13. United Nations Human Development Report 2003 – http://hdr.undp.org/sites/default/files/reports/264/hdr_2003_en_complete.pdf

14. Capitalism – Ilan Ziv, 2014

15. The Social Fabric of the U.S. Is Fraying Severely, if Not Unravelling: Why, in the world's richest country, is every metric of mental health pathology rapidly worsening? – Glenn Greenwald, August 2020 – <https://theintercept.com/2020/08/28/the-social-fabric-of-the-u-s-is-fraying-severely-if-not-unravelling/>

16. <https://www.cdc.gov/mmwr/volumes/69/wr/mm6932a1.htm>

17. <https://www.apa.org/monitor/2019/03/trends-suicide>

women over the same period. Suicide was the 10th leading cause of death in the United States in 2016. It was the 2nd leading cause of death for people aged 10–34 and the 4th for those aged 35–54. Why are almost all measures of unhappiness increasing so quickly in the richest country in the world, supposedly the land of the free and of opportunity? Professor Laurel Williams, head of the department of psychiatry at Texas Children’s Hospital, suggests an answer mentioned in the article: “The time we spend in front of screens and not in the company of other people is a factor. If you don’t have a community to connect with then your despair has nowhere to go.”

This therefore raises the question of the human factor in economic theory. Economists’ obsession with making their discipline a pure science – one involving formulae and theories – has contributed to the human factor being overshadowed. The rise of economics to an exact science has led some theorists throughout history to make arrangements so that economic systems free of the human factor are legitimised in papers and literature. The economists who promoted these theories were often advisers to expansionist and colonialist governments, or lobbyists for banks. This likely explains why they made these theories absolute truths, for the benefit of their employers. **This, coupled with the fact that large supranational institutions such as the IMF or the World Bank are offshoots of free-market states, may offer an explanation for the failure of most of the remediation policies**

imposed by this profession on countries that are unable to pay their debts or that are not opening up their markets quickly enough.

But this **erasing of the human factor, of respect for local ecosystems and of the informal economy has likely helped sow the seeds for protest movements, religious extremism being the latest manifestation.** At a TED conference, the economist Kate Raworth, a professor at the Environmental Change Institute at the University of Oxford¹⁸ summed up the problem in a few minutes, stating that **promoting globalisation has created an economic, social and political addiction to growth. Consumption has become an element of individual and national dignity.** Gross Domestic Product represents the amount received from selling goods and services that use natural resources to produce what is consumed. It is this measure that has become the sole indicator of happiness. For Kate Raworth, this makes no sense.

In this regard, the French philosopher Edgar Morin agrees. In his book “La Voie” (The Way)¹⁹, he argues that the collapse of communism in 1989 eliminated totalitarianism from the world for a while, but “breathed new life into two other monsters that were believed dead: financial capitalism, which disappeared in its most extreme form after the crisis of 1929, and ethno-religious

¹⁸. Kate Raworth is also Senior Associate at the Cambridge Institute for Sustainability Leadership at the University of Cambridge, https://www.ted.com/talks/kate_raworth_a_healthy_economy_should_be_designed_to_thrive_not_grow?

¹⁹. La Voie – Edgar Morin, 2012



GLOBALISATION HAS CREATED AN ECONOMIC, SOCIAL AND POLITICAL ADDICTION TO GROWTH

bigotry.” Ethno-religious communalism can be interpreted as an overreaction to the omnipotence of financial capitalism that its promoters seek to impose through globalisation and free trade. Why is this the case? At the beginning of the 20th century in Germany, the great sociologist of capitalism Max Weber understood²⁰ that **in order to prevail, capitalism requires a very particular way of thinking which makes work a goal in itself and which establishes technology and law as the only forms of rationality. This way of thinking eliminates those forms of rationality that cannot be standardised.** Max Weber’s views may shed light on Edgar Morin’s belief that religious fundamentalism developed as a response to the capitalist model being imposed on cultures with more informal practices. Western societies are more willing to accept rationality in the form of calculations, standards and laws. Elsewhere, national, ethnic and cultural resistance to Westernisation and the collapse of hope in progress have undermined efforts to convince people that the financial capitalist system generates happiness and prosperity. According to Edgar Morin, in some regions, economic

development has destroyed traditional support systems without creating new ones. Hence the growing rate of individual loneliness. Through the privatisation of public services, the priority given to short-term over long-term financing of economies, deregulation and the injection of liquidity into the monetary system, globalisation has exaggerated all the negative aspects of development. Since the Industrial Revolution, abandoning small-scale farming and favouring industrialised export-oriented monocultures has driven small farmers out of the countryside and into the cities, forcing them from being self-sufficient into consumers often in debt.

Since there is no longer any ideological competition, this globalised capitalism has got so out of hand that it has created vicious circles, such as the reliance on short-termism to maintain the levels of profitability necessary for debt financing. The system’s collapse will probably not be brought about by a major shock, but by minor

²⁰. The Protestant Ethic and the Spirit of Capitalism – Max Weber, 1904

disruptions that will first punish the most disadvantaged, and least affect those close to the heart of the system who will find the financial, material or legal means to get around these disruptions. **Climate hazards, COVID-19, the rise in energy prices, the introduction of working from home and the complexity of regulations are causes of suffering for the least privileged, much more than they are for the dominant classes.**

We maintain our conviction that capitalism, provided that it is conducted over a long period of time that brings both financial and non-financial factors together, and as long as

it embraces the principles of inclusivity and respect for those who are different, remains by far the “least bad” of economic systems. It is clear that the freedom of expression and action that characterises our democracies is much more preferable to the restrictions on freedoms imposed by an authoritarian regime. But how can we not try to understand how it is possible that a system which, in 2020, generated such a high percentage of young Americans who considered committing suicide, can still be “sold” to communities that do not seem to need it, in order to develop a consumer society and open up new markets?

How did we get to this point?

The use of coal during the first Industrial Revolution follows a long pre-industrial period in which land represented the main object of property and wealth. In his book “Affluence and Freedom”, Pierre Charbonnier²¹ points out that **back then, land was a resource, a basis of legitimacy and an object of conquest. Economic and political views therefore developed in an agrarian society that was highly territorial, a world that the industrial coal age threw into disorder.** The industrial era gave rise to new forms of conflict and cooperation. Over the course of the 19th century, the transition from coal to oil as the main source of energy for economic development led to a significant acceleration in creating economic value. This revolution boosted growth, so much so that the two world wars can be analysed in terms of the energy issues faced by the warring sides²².

For instance, over the past 250 years, the economic machine has been running at full speed, with clear evidence of acceleration since the 1980s. During this period, three long-term trends have simultaneously emerged as a powerful tailwind to drive growth: the steady decline in interest rates, the continuing decrease in tax rates on profits and

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FOR INSTANCE, OVER THE PAST 250 YEARS, THE ECONOMIC MACHINE HAS BEEN RUNNING AT FULL SPEED

the globalisation of trade. These three naturally associated patterns have allowed states to sustain growth by using lower interest rates to increase their debt burden and permitted companies to maximise their results by optimising their production costs (through outsourcing), their taxation and even the buffers of capital they were operating with in order to increase the return on equity. But although it has been observed for decades that this model cannot function in the long term – given that it increases inequalities, harms

²¹. Affluence and Freedom: An Environmental History of Political Ideas – Pierre Charbonnier, 2020
²². La Face cachée du pétrole (the dark side of oil) – documentary by the TV channel Arte, 2010

the environment and destroys value through misallocation of capital – why do policy-makers insist on promoting it as the best possible model? Perhaps because all alternative models have failed, and this one can be considered the “least bad” of all. That may be true, but it is nevertheless leading us to an almost certain disaster. So, what other options are there?

Perhaps human nature turns individuals into unconscious predators who are unable to control their thirst for conquest, accumulation and domination over nature and their fellow human beings. Some cynics sadly assert therefore that the prime factor of value creation in the world has always been, and will always be, human exploitation of other humans. Many scholars and philosophers behind political movements have subsequently taken up this theme. Observations over thirty centuries of wars, extortion and subjugation do indeed make this explanation convincing. The most pessimistic out there even regard democracy as being just a short chapter in history between periods of violent confrontation, or even a concealed tool used to maintain human exploitation of one another without having to spend too much money on funding wars. We will explore this idea further in our next letter.

However, there is a less fatalistic alternative to this view: one that sees these centuries throughout history as having a common feature, namely the division of humanity into religious, racial, social or political castes.

According to this hypothesis, the reason for these many clashes and sufferings could be because of the lack of inclusivity and fear of “the Other”. In this regard, the imposition of free trade capitalism by a dominant power (first the British Empire, then the United States) on the rest of the world, and how it is promoted as the key factor for creating prosperity, can be analysed as yet another attempt by a dominant class to force a doxa on the rest of the world that enables them to accumulate wealth. This is accompanied with the incredible marketing argument that this model is synonymous with freedom, material comfort, unlimited consumption and democracy. The argument that liberal capitalism has created far more wealth and lifted far more people out of poverty than any other system makes this model attractive, especially as all alternative systems seem to have failed. We have seen that this is an unshakeable premise if we consider Gross Domestic Product as a measure of wealth creation, or even human happiness. But economic development has transformed a form of poverty typical to traditional agrarian societies, which is contained through mutual aid and local solidarity, into suburban poverty and proletarianisation. This poverty is marked by the devastation of mutual aid systems which come to be replaced by debt²³ and by state intervention as a means of providing for this new form of poverty.

²³. Tikehau CIO letter – Servitude, debt, extortion and war: an optimistic view of 130 centuries of economic growth, June 2019



RISE OF OVERCONSUMPTION TO THE STATUS OF AN EXTERNAL SIGN OF HAPPINESS

Poverty that stems from the traditional agrarian economy comes hand in hand with a system of solidarity and an informal economy. Being well acquainted with cultural practices is a requirement in order to understand these economic systems, given that the poor people who make up these systems have ways of fighting poverty. These methods are rooted in the wealth of relationships, conviviality and solidarity, as well as trade and exchanges that are not based on money. Mutual aid and willingness to create social ties represent a form of wealth. **Poverty that stems from development and migration from rural areas is a very different matter**, because it gives rise to instability and desperation while, at the same time, the capitalist system generates immense fortunes. The problem therefore lies in the fact that development in countries with traditional systems contributes to creating social deprivation where originally there was none. How so? By breaking the bonds of solidarity and introducing

the concept of bank debt, which is coupled with some form of violence (those who cannot pay back go to prison or experience violence). Consumer society, based on exploiting natural resources to produce non-essential goods and services, has taken advantage of the dehumanisation of economic relations. **The breakdown of social ties caused by the formation of large industrial groups, the reliance on debt to survive and the exaggeration of individualistic capitalism at the same time forces the accumulation of wealth to emerge as the sole measure of social success. It also results in empathy, solidarity and inclusivity being relegated to the position of traits that are found in losers of the globalisation game. This rise of overconsumption to the status of an external sign of happiness and success has destroyed any culture of thriftiness, which is the enemy of the desire for exponential growth of the profits characteristic of our economic system.** To try and understand how the theory of free market capitalism built up its power of seduction, let's take a look back at its origins.

How did the capitalist theory come to be?

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Contrary to popular belief, the origin of Western capitalism probably predates Adam Smith's seminal book by 200 years with the discovery of the New World, which began in 1492 in the Caribbean²⁴. It is likely that the conquistadors who organised these expeditions were the first private entrepreneurs to go into debt starting a *business* in order to make their fortune. From the 16th century onwards, economic growth is presented as social progress. The discovery of the New World made it possible for trade to develop between Europe and these new areas. It was in this environment that consumer society was born in the United Kingdom. In the 16th century, the massive acquisition of wealth through trade with the New World of a certain European middle class led to a significant demand for English wool. In order to create vast pastures for flocks of sheep, English landowners therefore put an end to the system that allowed peasants access onto their land to take care of the properties in exchange for housing and usufruct over their crops. In enclosure England, large estates were built to increase productivity, driving peasants out of the self-sufficient state they were living in and forcing them into urban jobs in the mass industry that was emerging. This class of people, who

used to produce the agricultural commodities necessary for their survival, now had to work and go into debt in order to buy these same products. This self-sufficiency did not make them rich, but it did guarantee them a certain freedom. Liberalism as it was practised in England before the Industrial Revolution did not create further poverty because it was limited to local exchanges, to village life. The standard of living of the peasants forced into the cities due to the enclosures would then fall considerably. But at the same time, productivity gains contributed to reducing the price of goods and services, in such a way that they could be consumed by a greater part of the population. By driving small-scale farmers off the lands held by the nobility, enclosure England laid the foundations for the Industrial Revolution to come. Migration from rural areas provided industry with cheap labour. This part of the population's inability to be self-sufficient created a kind of consumer society: small-scale self-sufficient farmers are not good customers when it comes to the growth of Gross Domestic Product, but workers in debt are much more active components of economic growth, since they have to

²⁴. Capitalism – Ilan Ziv, 2014 – <https://www.youtube.com/watch?v=IwjvSejIOd4>

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THIS PART OF THE POPULATION'S INABILITY TO BE SELF-SUFFICIENT CREATED A KIND OF CONSUMER SOCIETY

buy what they need to survive and do so by resorting to debt. And if, a few centuries later, their work made it possible to improve their conditions by allowing them to save money, turning them into a member of the middle class, they would be more likely than self-sufficient farmers to be persuaded to consume products they do not need.

In the 18th century, Adam Smith's book "The Wealth of Nations" acted as the scripture on which capitalism was founded, turning this theory into a quasi-religion, to the extent that some American politicians now claim that any attack on capitalism is an attack on the principle of freedom, and therefore on the values of the United States. For example, Paul Ryan, a United States vice presidential nominee in 2012, declared that attacking capitalist democracy, which protects individualism and freedom, was tantamount to attacking the moral foundations of America. According to him, our rights come from nature and from God, not from the government²⁵. **The rise of economics to an exact science by ridding it of its human factor played a part in justifying violence in social relations. This act of granting nobility to economics also**

made it easier for some entrepreneurs to quickly acquire massive amounts of wealth under questionable conditions by sharing added value. This could be the reason why the second part of Adam Smith's sentence – on the need to preserve some sort of morality for the system to work – was removed from economics textbooks. The ultra-liberal mechanics resulting from interpretations of this book are based on one idea: by drawing on the human motivation that most creates wealth – the aspiration for individual happiness – selfishness creates common interest through the magic of the free market. As a result, the economy is not a zero-sum game and creates value by making optimal use of natural resources. But this implies two things: on the one hand, that resources are infinite and that exploiting them, particularly the waste produced, does not interfere with human living conditions; and on the other, that morality is not cast aside. Indeed, Adam Smith states that the division of labour leads to the dehumanisation of tasks and that retaining a moral aspect is essential. Although he encourages the division of labour, Adam Smith warns against its dehumanising effects. He advocates countering its effects through measures taken by the state, in order to overcome the destructive force of the so-called invisible hand of the market. Smith therefore recommends government regulation in support of workers,

²⁵. Paul Ryan – interview ABC This week, 1 July 2012 – https://abcnews.go.com/Politics/week-transcript-vicki-kennedy-jack-lew-paul-ryan/story?id=16673650#UDT_RsFITRY

which he describes as “just and fair”²⁶. Unfortunately, this concept of morality would later be completely eliminated from the way Adam Smith’s views are applied. **In the book “The Wealth of Nations”, we can therefore already find the two main reasons that condemn capitalist theory in its purest and least regulated form: the finite nature of natural resources and the fact that the system cannot function in a sustainable way without taking the human factor into account.** In this book, the concept of the “invisible hand of the market” is mentioned just once over 400 pages and is used in a context that has nothing to do with free trade. Another liberal scholar, Alexis de Tocqueville, claimed that equal conditions are an important characteristic of a just and free society. In his works on the observation of American society, he feared that “the manufacturing aristocracy which is growing up under our eyes”, “one of the harshest which ever existed in the world” would spell doom for democracy²⁷. These concepts, significantly different from the general perception of the nature of liberalism, can be found in the works of John Dewey, the main opponent of neo-liberal theory in the 1930s.

In his book “Guerres Invisibles” (Invisible Wars)²⁸, Thomas Gomart points out that in Europe, the longest periods of peace correlate with the periods of intense growth of maritime trade in a liberal environment, facilitated by the dominant powers. After the fall of the French Empire in 1815, the UK was able to establish its maritime dominance, as the United States did

after 1945. The imposition of free trade on their trading partners by the victors of armed conflicts was made possible by the undisputed naval superiority of these powers. The Opium Wars that took place between 1839 and 1860, which imposed Western trade rules on China by force and led to the cession of Hong Kong to the British Crown, are an example of this. **The reasons why free trade theories triumphed in the Anglo-Saxon world are debatable. But, in any case, and despite what some believe, this economic regime was perfectly suited to a power that was in a position to dominate trade. All empires are characterised by secure trade routes between the centre of the empire and its provinces. The success of free trade theories can be explained, at least in part, by how compatible they are with an imperial model based on maritime trade, which is, by definition, conducive to trade globalisation.** According to Thomas Gomart, the debate surrounding the views of Adam Smith and Friedrich List shows that **the economic beliefs adopted by states depend, above all, on the circumstances created by the relationships between powers, as well as those between governments and the general public.** Because, in reality, history shows that every country that has promoted free trade aggressively was, originally, fiercely protectionist in order to lay down the foundations for their dominance. **In other words, free trade may have been imposed because it was**

²⁶. Virtues and Justice of the Market in Adam Smith – Benoît Walraevens in *Revue Economique*, 2014, issue 2, volume 65
²⁷. Democracy in America – Alexis de Tocqueville, volume 3, 1848
²⁸. Guerres Invisibles – Thomas Gomart, 2021



INDIVIDUALS ARE HUMAN CAPITAL

consistent with the objectives sought by the UK, and then the United States. However, free trade theories were not what allowed these powers to build their competitive advantage. Both the United Kingdom and the United States were initially protectionist. Free trade then allowed them to develop their international trade by establishing a direct link between trade and peace.

In the early 19th century, David Ricardo took up Smith’s work in a Malthusian context. His theory of free trade justified the Opium Wars, wars which sought to subjugate a China that had already been identified as a preferred economic partner. The economic aspect of colonisation uses Ricardian theory as a justification. Ricardo made economics a pure science, free of its human factor, whereas Smith still took this element into account. The Chicago School, which is based on the works of Adam Smith and David Ricardo, is still considered to be the major school of thought in modern financial capitalism to this day. For this group of economists, individuals are human capital. Rationality can only be practical and formal. According to Gary Becker, leader of the Chicago School along with Milton Friedman and winner of the 1992 Nobel Memorial Prize in Economic Sciences, no behaviour can free itself from a grid of economic intelligibility. In other words, **there is no room for informal, immeasurable and non-standardised aspects.** This type of theory, which reduces humans to the status of capital, thrives on standards by assessing and evaluating individuals in order to control them. The recent large-scale

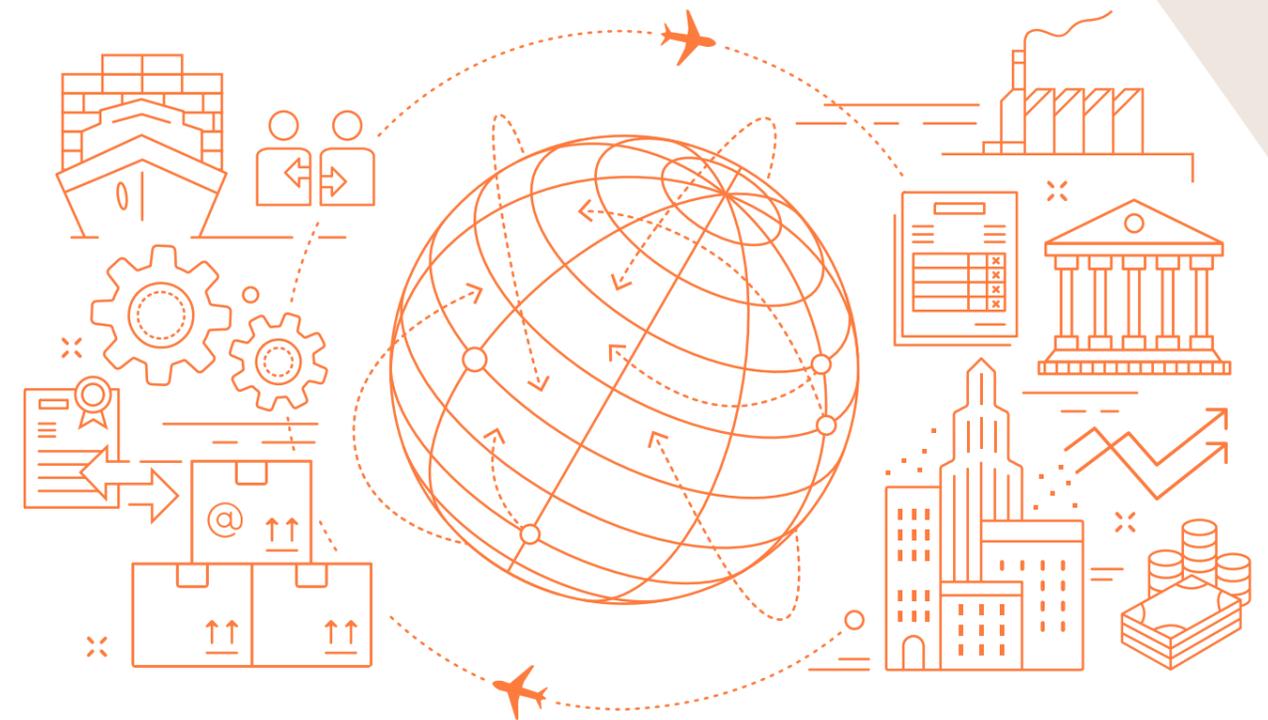
evolution of rating restaurants, taxi drivers and all kinds of services, from rating agencies to best-selling music, is nothing but the culmination of this concept of promoting standards and the efficiency of the system, brought about by the individualistic behaviour of economic actors.

It may seem overly simplistic to treat selfishness as the sole human motivation and to consider empathy and solidarity as being “irrational”. However, the dismissal of these motivations can be found in multiple economic papers. This is perhaps because regarding them as significant is akin to admitting that economics is a science in which the human factor and the role of the environment are especially influential, which makes it much less universal than economists would like. Making do with nature in order to make economics an exact and noble science amounts to the dehumanisation of this discipline... at least until people are reminded of the environment and the human factor in this so-called exact science. From this point on, it is easier to understand how the principles of liberal economics were successfully imposed on colonised or globalised populations, as an undisputed doxa, while local practices and ecosystems were ignored, along with the disastrous consequences that ensued.

Globalisation, the return of imperialism?

After the Second World War, Ricardian theory led to the creation of both the International Monetary Fund and the World Bank, which granted aid to developing countries in exchange for opening up their markets to Western competition. This, in most cases, would ruin their existing economic systems. Until Western countries suffer the effects of this globalisation themselves, at least. The United States has promoted globalisation as a form of progress by establishing themselves as soldiers against imperial ambitions and defenders of freedom. At the beginning of the 21st century, the Chinese market seemed to represent such potential profit for American companies that China was able to enter the World Trade Organization under very favourable conditions, at a time when the country was nearing a peak in its working-age population. This entry into the World Trade Organisation in 2001 without any major quid pro quo exposed manufacturing jobs in developed countries to Chinese competition, making

the middle classes in these countries the biggest losers of globalisation. **This backlash is leading to the concepts imposed on the populations of developing countries becoming deconstructed in developed countries. “Do as I say, not as I do”?** In 1989, the “Washington Consensus” was established as a set of policies promoted by the IMF, the World Bank and the United States Department of the Treasury to get developing countries out of the crisis. This set of policies included fiscal discipline, interest rates that are market determined, trade liberalisation and deregulation of the market. China’s entry onto the world stage, which doubled the global workforce and rooted its growth in exports with enhanced competitiveness thanks to an undervalued currency, led to the Washington Consensus being abandoned and radically opposed policies being implemented in the countries that preached the famous consensus: interest rates manipulated by central banks rather than being defined by the market, budget deficits to boost



economies and protectionism. **This complete reversal of the doctrine imposed on dominated countries calls into question how sustainable the globalised model is:** in recent years, the two countries that most staunchly defended free trade have reverted to aggressive protectionist practices. In the UK, the “National Security and Investment Act”, which came into force in January 2022, allows London to protect its strategic assets. Even the country most in favour of free trade in the world is therefore adopting this type of law to defend its sovereignty. In the United States, protectionist tendencies are justified through the question of national security. For example, the

US communication to the World Trade Organization in 2018 stated: “Issues of national security are political matters not susceptible to review or capable of resolution by a WTO dispute settlement. Each WTO Member has the right to judge for itself the actions necessary for the protection of its essential security interests”²⁹. Globalisation and free trade are therefore promoted by institutions controlled by states seeking to open up new markets for their trade, but which themselves adopt protectionist policies.

²⁹. US submission to the WTO WT/DS548/13, 6 July 2018 – Guerres invisibles, Thomas Gomart, 2021

How was the concept of globalisation established?

In his book "World Order"³⁰, Henry Kissinger highlights the importance of the Peace of Westphalia, concluded in 1648, in the history of international relations. After several decades of conflict, France and Sweden agreed to negotiate with the Holy Roman Empire. This treaty established the state, as opposed to religion, empire or dynasty, as the cornerstone of the European order. This is where the concept of state sovereignty was born. The treaty recognises the right of each of the signatories to have their own internal organisation and religious orientation, with clauses even stating that minority religions may practice their faith in peace. In this way, the Peace of Westphalia lays down the principles of a system of international relations that is based on the mutual recognition of sovereign states governed by rules and limits, rather than on the domination of a single country. **The Westphalian order adopts the principle of multiplicity and, in doing so, represents a step in the process that will lead to trade globalisation.** Diplomatically, the treaty rejected any reunification of Europe on religious grounds, with the Catholic Church losing all legitimacy in its desire to unify Europe by suppressing Protestantism. **This birth of the state as the foundation of the European**

order would spread throughout the world in the centuries that followed. In this letter, we hypothesise that the state will remain the cornerstone of the world order, while also exploring theories, such as anarchism, which challenge this assumption.

Each time the dominant power has changed, the new power has built on the weaknesses of the political and economic model of the declining power. The United States did not hesitate to undermine colonial empires and criticise the British imperial model in order to "sell" their model as the alternative to colonisation. In his book "How to Hide an Empire"³¹, Daniel Immerwahr looks back at the US strategy to build an empire on the colonial model, but doing so by positioning themselves as the alternative to European empires and by never mentioning the term "American Empire". The United States built their dominance by projecting the image of the land of the free, of a republic fighting the imperial powers. Although at the height of their dominance in 1945, the US chose an unprecedented imperial strategy by

³⁰. Henry Kissinger – World Order, 2014

³¹. How to Hide an Empire: A History of the Greater United States – Daniel Immerwahr, 2019

surrendering territories rather than annexing new ones. The United States chose to establish itself as a defender of freedom rather than an oppressive power; as an anti-imperialist republic rather than an empire. This strategy proved successful while, in the face of this, the Soviet Union was increasing its aggressive conquests. Western industrial powers emerged through exploiting the coal present in their own soil, which allowed them to colonise huge territories, appropriate arable land and acquire cheap labour. Oil, with its remarkable energy efficiency, radically changed the situation in the colonies, thanks to the fact that it allowed for an increase in machines and their power, as well as the low labour input required to exploit it. Subjugating entire nations becomes unnecessary when it is enough to secure the support of a few tribal leaders for access to oil concessions. The forms of colonial control therefore shifted from military order to the capitalist one³². This strategy was made possible by the contribution of technology. The ability to move or carry military power by plane and to impose their culture by radio, television or cinema allowed the United States to develop a new, less formal kind of empire, to the point of guaranteeing their conquests and exerting their power under the guise of an extremely salesman-like vocabulary: the words of "globalisation".

From 1944 onwards, the Bretton Woods Agreement established the dollar as the reserve currency in order to boost world trade. Washington-controlled institutions were created to further promote this dominance: the World

Bank, the OECD and the International Monetary Fund. These initiatives were built on the hope that the entry of US trading partners into a virtuous cycle of robust and rapid economic growth would reinforce their acceptance of American economic and military dominance. In addition, if the Soviet system showed signs of economic weakness, US partners would be all the more loyal. Such a system gave the United States a triple advantage: they could secure their supplies, ensure the development of a consumer economy based on the American dream of wealth for their middle class, and contain the spread of communism. In this respect, free-trade capitalism can be seen as the economic component of domination by a power. It is easy to understand why emerging powers such as Germany in the late 19th century and China in the 21st, challenging the dominance of the British and then the American leader, have sought to bypass the rules of free trade in order to catch up economically³³. The acceptance of free trade, which the UK tried to impose on Germany in the 19th century and the US on China in the 20th and 21st, was de facto excluded from these challengers' strategies, who had to find their own rules to challenge the existing leadership. **By considering free trade as an instrument of imperial domination by competing powers, as opposed to the sole route possible for economic development, Germany and then China created opportunities for alternative paths.**

³². Oil, Power, and War: A Dark History – Matthieu Auzanneau, 2015
³³. Beijing's Bismarckian Ghosts: How Great Powers Compete Economically – Markus Brunnermeier, Rush Doshi and Harold James – The Washington Quarterly, 2018

Why does this system not work?

The division of humanity

Let's first look at Ricardian growth, which is based on the notion that individuals and countries should do what they do best and leave the rest. It is essentially a management process that directs investments to where the return on investment is highest. On this basis, both labour and capital productivity can, at any given time, be maximised. The whole world generates output in order to achieve the highest possible return on investment. If we consider the concept of fragility and antifragility developed by the essayist Nassim Taleb³⁴, **optimisation itself is also synonymous with fragility.** This concept of vulnerability of an overly specialised system is taken up by Edgar Morin³⁵. According to him, it is not only our ignorance, but also our knowledge, that blinds us. People in the Western world suffer from two types of cognitive shortcomings. **On the one hand, how blind a mode of knowledge can be when it compartmentalises what people know, while core global issues require cross-disciplinary knowledge. On the other hand, the reign of rationality supported by Western-centrism, which creates the illusion of owning the universe.** The Western concept of

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IT IS NOT ONLY OUR IGNORANCE, BUT ALSO OUR KNOWLEDGE, THAT BLINDS US

the economy is similar to the notion of medicine: theorising, dividing, partitioning, over-specialising to the point of dehumanisation, favouring the complex and esoteric that only specialists can decipher, and treating the affected part instead of considering the whole. Considering the whole forces us to link the sciences together, which therefore inevitably brings the human factor back into the equation. **Development of knowledge also leads to its decline through the dominance exerted by**

³⁴. Antifragile: Things That Gain From Disorder – Nassim Nicholas Taleb, 2014
³⁵. La Voie – Edgar Morin, 2012

fragmented and compartmentalised thinking, at the cost of seeing the big picture. Edgar Morin attributes the degradation of our biosphere to the rampaging processes of globalisation, Westernisation and development that have been unleashed. The system needs to be completely re-designed since capitalism, just like communism, is based on humanity's dominance over nature, whereas it should be protected instead. To do so, **a reform of knowledge is necessary, because we live under the influence of a way of thinking that divides, theorises and makes issues more complex. This results in a fragmented view of the world emerging, which clouds our vision rather than clearing it.** The economy is a good example of this.

This outlook corroborates the Indian philosopher Jiddu Krishnamurti's views. In his book, "Freedom from the Known"³⁶, he attributes **the origin of violence, wars and fears to the ongoing effort to divide mankind, be it religiously, politically, ethnically or economically.** The philosopher summed up these views in a memorable speech given at the United Nations in New York in 1985³⁷: validating the existence of several races, religions, and economic, philosophical or political schools of thought leads to confrontation and explains thirty centuries of human suffering. Unfortunately, our social, political and religious beliefs confine us to this sense of exclusion. According to him, learning to tame our fears and frustrations allows us to understand and listen to the rest of

humanity. **The only way to live in peace with ourselves and with others is to think of mankind as a whole.** In other words, to be inclusive. Racial, political or religious differences are constructs of the mind, and those who use them are seeking to maintain their own dominant position.

Those who exploit these divisions are responsible for wars and various types of extortion (the principle of the Mafia is to generate a debt for dominant parties). The "just war" rhetoric is a marketing concept used to justify actions that are almost always motivated by economic considerations for conquering markets or natural resources. Here we find the notion of a caste: an artificial construct that aims to establish a hierarchy between human beings in order to justify the dominance of one group over the others by asserting ancestral roots or beliefs. According to the American journalist and author Isabel Wilkerson³⁸, castes make use of rigid principles to determine arbitrary boundaries and rules in order to keep the system in place. The author compares the social organisations of American and Indian democracies, the most powerful and the largest existing democracies, respectively³⁹. In her view, despite all the social developments, both democratic systems are still based on a caste system, which justifies the existence of a hierarchy between different people groups, allowing for humans to exploit

³⁶. Freedom from the Known – J. Krishnamurti, 1969
³⁷. <https://www.youtube.com/watch?v=qcga8ATBNh0>
³⁸. Caste: The Lies That Divide Us – Isabel Wilkerson, 2020
³⁹. Tikehau CIO letter – All Inclusive, September 2021



RACISM WOULD THEN REPRESENT NOTHING MORE THAN A SIMPLIFIED OVERVIEW OF THE CASTE SYSTEM

one another. **Racism would then represent nothing more than a simplified overview of the caste system. The division of mankind into castes therefore explains its own suffering and enables the dominant caste to exploit the rest.** This characteristic of humanity can be seen in connection with the birth of capitalism which, as we have already discussed, is contemporaneous with the introduction of the triangular trade that industrialised the use of slavery. In his book "A Wise Man Doesn't Have Ideas"⁴⁰, the sinologist François Jullien returns to this notion of "everything", which is so present in Eastern and Chinese culture in particular. Laozi said the wise man is never for or against anything. Since there is yin and yang in everything, a wise man does not judge, but instead examines the extremes in order to synthesise them.

The vision of a utopian philosopher? Not just. The American entrepreneur and business executive Nick Hanauer supports this idea in his TED talk⁴¹. Nick Hanauer cannot really be called an anti-capitalist intellectual or an idealist. Co-founder of the investment company Second Avenue Partners, venture capital

specialist, early investor in Amazon and founder or director of some thirty companies, some of which were sold to groups such as Microsoft or Boeing, he is a pure product of American financial capitalism. According to Hanauer, although prehistoric men were weaker, slower and more vulnerable than certain animals, their ability to work together and organise themselves made them superior. The theory that individuals pursue their own interests does not hold out in the long run: is a soldier who dies for their country selfish? We cannot say that, so there is something more to it! How can we convince ourselves that the pursuit of individual interests is the best engine of economic growth, that a company's sole aim must be to generate profit for shareholders, without any consideration for the wellbeing of its employees, its customers and its entire ecosystem? **Capitalist theory dictates that the price of something is equal to its value. This concept was conceived at a time when ecosystems were local. But with globalisation, this concept no longer holds true, because the balance of power between labour and capital has changed. My salary is not equal to my value, but to my bargaining power. And with globalisation, the balance of power has shifted in favour of the employer. This is because the contribution of value to the economy is essentially the result of a collaborative system and not an individualistic one.** Nick Hanauer argues that

⁴⁰. A Wise Man Doesn't Have Ideas – François Jullien, 2013
⁴¹. Nick Hanauer - The dirty secret of capitalism - https://www.ted.com/talks/nick_hanauer_the_dirty_secret_of_capitalism_and_a_new_way_forward?language=fr#t-359755

the goal of a company is not to make just its shareholders rich, but to do so for all its actors: employees, suppliers, shareholders, customers. **Inclusivity creates economic value, while exclusivity destroys it. Inclusivity is not a constraint that companies need to deal with as a result of racial violence being in the news. It is a creator of value.**

In this respect, the return of diversity and inclusion policies in companies is a sign of hope. If these policies are implemented effectively, out of conviction and not out of obligation⁴², companies could represent a window of hope for employees who are losing this human connection in society. But we are still a long way off. After the Second World War, the hardship that industrial workers experienced in their jobs was often compensated by a strong spirit of camaraderie, which allowed employees to be with their "mates" in the factories and workshops. This link probably still exists somewhat, but it has

significantly weakened. In the many talks he has given, the business coach Frédéric Laloux puts forward his vision of the company of tomorrow⁴³, indicating three key concepts: self-governance, which refers to the distribution of decision-making processes, integrity and adaptability, because setting rigid goals makes little sense in a constantly changing world. These tenets, which come quite close to anarchist views of society, leave much room for bringing back the human factor.

Meanwhile, Nick Hanauer points out that there was a time when the public sector worked for society. But with globalisation, he laments the fact that the public sector now essentially serves lobbies and companies, i.e. private interests. He argues that a balanced and acceptable capitalist system must be based on a middle class. The breakdown of the American middle class through globalisation is leading to the failure of the system by creating plutocrats and a desperate working class.

According to Edgar Morin, the claim that development is a solution to this problem ignores the fact that Western societies are crisis-ridden precisely because of their development. This blindness results from a techno-economic conception of development that only recognises forms of knowledge that can be calculated. Calculating knowledge not only ignores non-monetary activities such

⁴². Tikehau CIO letter – All inclusive, September 2021
⁴³. Reinventing organisations – Frédéric Laloux, 2017



THE GOAL OF A COMPANY IS NOT TO MAKE JUST ITS SHAREHOLDERS RICH, BUT TO DO SO FOR ALL ITS ACTORS

as housework or mutual aid, but also principles that cannot be measured: joy, suffering, dignity, in other words, the human factor. Development treats very diverse societies and cultures indiscriminately and fails to take their uniqueness into account. It assumes that Western societies constitute the end point of human history. It is put forward as a solution, but it ignores the fact that Western societies are crisis-ridden precisely because of their development. This has led to intellectual, psychological and moral underdevelopment. We are dominated by a purely economic rationale which drives us to think of everything in quantitative and material terms. Hyper-socialisation, hyper-individualism and the loss of solidarity all lead to unhappiness. The appropriation of resources by one social group generates poverty for some sectors of the population. **We live in a society where the very solutions we want to teach others have become our problems...** Globalisation is both the best and the worst thing that has happened to humanity. Mortal threats and fundamental problems create a community of shared destiny for all humanity. The best part is that globalisation has produced the structure of a world-society that allows the Earth to be thought of as a homeland, without denying homelands that already exist but encompassing and protecting them.

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WE LIVE IN A SOCIETY WHERE THE VERY SOLUTIONS WE WANT TO TEACH OTHERS HAVE BECOME OUR PROBLEMS

Manipulative narratives have convinced people that there are no alternatives to the individualistic capitalist model advocated by Western democracies. Margaret Thatcher's famous declaration, "there is no alternative"⁴⁴, confirms this. The media encourages consumption and entertainment through advertising and by promoting a model of overconsumption. At the same time, the ruling classes seek legitimacy by propagating a feeling of insecurity that threatens people's ability to consume and enjoy themselves, an insecurity against which they then stand as a bulwark. **This system, based on the division of people and knowledge, bases its legitimacy on the vast majority of people's belief that there are no credible alternatives and that any different ways of thinking are utopian, terrorist or conspiratorial.** Bertrand Russell

⁴⁴."There is no alternative" – phrase uttered by Margaret Thatcher, British Prime Minister in 1980, during a press conference

was a 20th century British mathematician, philosopher and moralist. In 1916, he published the book "Principles of Social Reconstruction"⁴⁵ and was interested in the notion of compossible goods: when you sell non-compossible goods – for example, a house – you lose ownership of it. Conversely, compossible goods are those with a benefit that can be retained while being sold. For example, I can pass on my interest in wine to others while at the same time retaining it. I can even gain something from doing so. What could be better than sharing a good bottle of wine with friends rather than drinking it alone? For Russell, a healthy society prioritises compossible goods over non-compossible ones, i.e. it favours sharing and solidarity over accumulation.

The problem is that globalisation scares people, because it is harder to accept differences in people who are not like us but who we have to deal with in a global economy, than it is to hide behind differences to create division. This fear generates violent reactions such as communitarianism, racism or religious extremism. Proponents of globalisation should help people overcome these fears in order to adopt an inclusive approach. Instead, they exploit these fears in order to remain on top. In 2020, Sylvain Tesson wrote about the concept of freedom in the context of globalisation and the health crisis⁴⁶. In his view, globalisation

has shifted borders back into the private sphere, which is destructive for society. Political administrations no longer protect the nation and instead aim to protect us from ourselves. This results in physical territorial borders being abolished and electronic security systems being introduced everywhere, it means an end to border controls which are replaced with security guards at the entrance to grocery stores, as well as soldiers being placed in front of churches and concrete blocks being installed to protect public buildings. **"The political limitations that have been abolished in the public sector have been transferred to the private sector. Ideology has removed barriers, but reality has reintroduced them wherever possible: in domestic, interior and familiar settings. The globalised world is being opened up, while the personal sphere is being divided and regulated. We have allowed ourselves to be trapped inside the spirit of openness."**

According to Edgar Morin, **economic development favours individualism and the metastasis of the ego by destroying informal ties, solidarity, non-economic relations, mutual aid and inclusivity. To see clearly, you must put your ego aside. What gives worth to humanity as a unified whole is diversity.**

⁴⁵.Principles of Social Reconstruction – Bertrand Russell, 1916
⁴⁶. Le Figaro, 3 November 2020

Alternatives to capitalism

The myth of infinite growth is associated with the myth of humans conquering nature. In the field of painting or cinema, the second Industrial Revolution comes hand in hand with the elevation of machinery to the status of a god of wellbeing. This is what gave rise to communism, which perpetuated this myth surrounding machinery. The two economic systems, capitalist and socialist, both share this glory of mankind's domination over and instrumentalisation of nature.

The seeds of the communist theory were sown at the same time as Europe bore witness to the Industrial Revolution. According to Karl Marx⁴⁷, free trade ultimately leads to value being transferred to a class of plutocrats, who in turn become increasingly wealthy. Marx's views led to the birth of two opposing schools of thought in the working class: communism, which advocates the introduction of a central state dominated by the proletariat, and anarchism (or libertarian thought), which advocates self-sufficiency as a means of preserving the balance between freedom and equality. Whereas communism espouses the belief that the state apparatus must be mobilised in order to impose communist ideology, anarchism is based on the belief that the state should not exist. Followers of communism have suppressed anarchists as harshly as

they have suppressed other schools of thought. And for good reason: the fathers of anarchism viewed communism as another form of one social class's domination over the others.

The libertarian movement was born in response to the ultra-capitalism of the Industrial Revolution. The term "libertarian" refers to people and organisations that advocate freedom for individuals or citizens as a fundamental value with regard to the state and who, consequently, reject any forms of political authoritarianism either in social organisations or the private sphere. It is also used as a synonym to refer to anarchism. In 1840, Pierre-Joseph Proudhon published "What is property?", which marked the true birth of anarchism. Proudhon wanted to destroy the three forms of dominance simultaneously and through non-violent means: religious (imposed by the concept of God), political (imposed by the state) and economic (imposed by capital). Here, we can identify a parallel between Proudhon's views and those of Krishnamurti, who sought a solution to the human tendency to divide people into social groups, something which makes it possible for people to exploit each other. In a book dedicated to the views of Pierre-Joseph

⁴⁷. Das Kapital (Capital: A Critique of Political Economy) – Karl Marx, 1867

Proudhon, Thibault Isabel, Doctor in Literature,⁴⁸ writes that, according to Proudhon, anarchism is "order without power". **This school of thought does not aim to cause chaos, but to set up a system that places trust in human beings. A system that sees people govern themselves without being controlled and infantilised by a superior authority. Anarchy is therefore concerned with fighting any type of tyranny, including when it is imposed by the bureaucratic system of republican parliamentarism, in order to move towards true democracy.** The rapid and expansive economic development that took place during the Industrial Revolution in the 18th and 19th centuries came hand in hand with bureaucratic complexity and a concentration of political and economic powers, which had a detrimental effect on the quality of human life. It is therefore a question of **allowing populations to organise themselves by trusting in their particular local characteristics, and based on solidarity, while fully integrating the concept of diversity.** According to Proudhon, capitalism is synonymous with freedom and laissez-faire, but it forces human beings into subjugation through pressure from states and private companies. And yet, globalisation, established to develop international trade and a consumer society, uproots people. Thibault Isabel points out that Proudhon even accuses economic ultraliberalism of being a "false anarchism", because a laissez-faire approach actually leads to the insidious establishment of a new form of dominance, alongside that of the state: financial dominance. The financialisation of trade smothers labour relations

under a cloud of indifference. In order to move beyond a utopian stage, Proudhon proposes implementing his theory by using a cooperative mutualistic model which he argues would optimise the advantages of both capitalism (freedom) and communism (regulatory authority). The market economy, coupled with the principle of association, maintains the human factor whilst promoting respect between business and trading partners. Trade is free and regulated by the web of local association. The result is a form of liberalism stripped of its capacity to be predatory. According to Thibault Isabel, **anarchism therefore leads to a less comfortable life, one less disposed to our impulses to accumulate wealth, in order to prevent trade from indulging our greed and the state from placing us under guardianship.**

Proudhon's theory seems surprisingly topical when applied to the context of the COVID-19 crisis: human beings need to live in harmony with their local ecosystem and interact with people they know and trust. Isolation caused by urbanisation and work in a globalised capitalist system creates an impersonal and cold universe which humans are not adapted to. In his book, Thibaut Isabel argues that anarchism can therefore be seen as the radicalisation of liberal democracy. This is how the link between anarchism (or libertarian thought) and liberalism can be understood. The anarchist view is that human beings organise themselves in society in a

⁴⁸. Pierre-Joseph Proudhon: Anarchy Without Disorder, 2017

way that allows them to respect their differences. More recently, the punk movement revived the values of inclusivity and acceptance of differences. It emerged at the end of the 1970s and came to the fore in the early 1980s in reaction to the return of a more pronounced form of financial capitalism in the United States under the presidency of Ronald Reagan and in the United Kingdom with the government of Margaret Thatcher. The French punk band Bérurier Noir's song "Salut à toi" exemplifies these same values⁴⁹.

In his documentary "Ni Dieu ni maître, une histoire de l'anarchisme" (No Gods, No Masters: A History of Anarchism)⁵⁰, Trancrède Ramonet highlights how libertarian views were one of the most feared schools of thought in human history and therefore one of the most repressed by political, economic and religious leaders worldwide, including in countries established on the principle of freedom like the United States, even though these views were originally intended to be non-violent. It is surprising to note that libertarians were as violently repressed by the land of the free as they were anywhere else. It was the violent crushing of the Paris Commune in 1871 that marked a turning point for the libertarian movement, given that this decimated anarchists and made them realise that it would not be possible to escape the capitalist system without violence. Immigration exported anarchism to the United States, where it developed in the north of the country in the context of worker poverty at the end of the 19th century, when the abolition of slavery was imminent. Chicago became

the cradle of American anarchism, in a region where the local economic elites refused any form of social dialogue. It was here that, on 1st May 1886, a demonstration in Haymarket Square resulted in tragedy. This episode reverberated all over the world, so much so that 1st May has been adopted as an international symbol of the workers' struggle in commemoration of the event. From 1st May 1886 onwards, and in the period leading up to the First World War, anarchism became violent, with high-profile assassinations of political figures such as Presidents McKinley in the United States and Sadi Carnot in France, King Umberto I of Italy, and the presidents of Uruguay and El Salvador.

But the violence that was used to repress anarchism everywhere in the world from its conception is perhaps indicative of how threatening it is for political, economic and religious elites, as it is based on the principle of abolishing the factors that divide people in order to bring about a balance between freedom and equality.

The libertarian movement was just as violently repressed in capitalist countries as it was by communist or fascist regimes in countries all across the world, from the United States to Russia, as well as in France, Spain, South America, Japan and even China. After the Haymarket Square massacre, the United States began talking about the "fight against terror" – a now familiar concept in the 21st century – by banning

⁴⁹. <https://genius.com/Berurier-noir-salut-a-toi-lyrics>

⁵⁰. Ni Dieu ni maître, une histoire de l'anarchisme – Trancrède Ramonet, YouTube 2016

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AN EDUCATION ENTIRELY FOUNDED ON THE USE OF REASON

anyone who sympathised with anarchist ideas from entering the country. In Rome in 1898, an international police conference against anarchism, which brought together 21 countries, laid the foundations of Interpol in Europe. In France, the repression of the anarchist movement led to the lois scélérates ("villainous laws") being passed in 1893, which made it possible for the first time to fire citizens for belonging to a school of thought. These laws remained in place until 1992, a hundred years later. They led to anarchist newspapers being shut down, as well as numerous arrests, the dissolution of libertarian organisations and banning the press in general from spreading "anarchist propaganda". These laws were widely criticised, including by opponents of the libertarian movement. Anarchism offered an alternative path, situated between fascism, communism and capitalism; three models based on the dominance by a class that controls the state, and which are all characterised by human dominance over nature. Anarchism advocates a stateless society, based on collective intelligence and local solidarity. Is it a coincidence that all three models have fought against anarchism with all-out violence?

However, libertarian views are probably best exemplified by the Spaniard Francisco Ferrer, founder of the "Modern School". The school is based on an education entirely founded on the use of reason. In 1908, in "The Bulletin of the Modern School"⁵¹, Francisco Ferrer wrote: **"Forming men whose intellectual independence will constitute their greatest strength, who will**

never submit to anything, and who are capable of discerning what is good and who will live a thousand lives in one. Society fears such men and it should not be expected that an education capable of producing them will ever be supported." He willingly confided that in seeking to form free men, it was necessary to accept that they would develop convictions different from his own. It is in this that the modern school would know it was successful. A supporter of non-violence, Ferrer was accused of inciting the general strike in Barcelona in 1909 and was sentenced to death, despite international efforts. His execution provoked the most violent riots since the Commune, particularly in Latin America, the United States, France and Japan.

Here again, we can draw parallels with Krishnamurti's views. In another of his books, "Think on These Things"⁵², the Indian philosopher asserts that society seeks to shape and control ideas through education, so that the mind conforms to established codes and patterns. What we should or should not believe in, what we should and should not do: education imposes limits, compartmentalises knowledge and places

⁵¹. The Bulletin of the Modern School – Francisco Ferrer, 1908
⁵². Think on These Things – Krishnamurti, 1964

society in a straitjacket, which prevents it from thinking of its environment as a whole. These notions are instilled in us and only an inward approach can free us from these attempts to establish division. According to Krishnamurti, “freedom is outside the walls, outside the patterns established by society; but in order to free yourself from them, you must understand their entire contents, that is to say, you must understand your own mind.” He goes on to say that “society does not want individuals who are lively, passionate and revolutionary, because they will not fit into established social patterns, and they may even break them. This is why society seeks to keep your mind in line with its own models, and this is why so-called education encourages you to imitate, submit and conform.” “And when the mind renews itself without creating new patterns ... it retains its originality, its youth and its innocence, and is therefore capable of infinite understanding.”

These concepts may seem very far from the reality of our work as investors, yet, any entrepreneur who reads these words will likely recognise themselves in them. Because entrepreneurship also implies seeking to disrupt existing models. To be entrepreneurial is to break with the norm.

Nevertheless, in the 19th century, the liberal, free trade economy thrived in a climate of significant violence: corruption, insider trading, speculation, the formation of monopolies, market manipulation, exploitation of workforces, and even slavery. Ultra-liberal capitalism in its purest form, advocating state non-intervention and laissez-faire, found its limits in the great crisis of 1929, which revealed its excesses. Neoliberalism was born as an alternative solution to fascism in order to compensate for these excesses.

The birth of neoliberalism

In 1938 in Paris, the American intellectual Walter Lippmann organised the conference that founded neoliberalism, a term that is ambiguous and therefore merits an attempt to explain its origins. In his book “Aux origines du néo-libéralisme en France” (At the origin of neo-liberalism in France)⁵³, François Denord, director of the European Centre for Sociology and Political Science and researcher at the French National Centre for Scientific Research (CNRS), states that it was the philosopher Louis Rougier who facilitated organising the forum in France following the incident with the Popular Front in 1936, a consequence of the financial crisis of 1929. The rise of totalitarianism in Europe, with the beginning of the war in Spain and the advent of fascism in Italy, made it clear that the way forward needed to shift towards rethinking capitalism rather than towards those sorts of violent regimes. Neoliberalism was therefore promoted as a kind of liberalism moderated by the acceptance of state intervention in the economy. Rougier criticises liberalism for creating a monopoly economy. He argues against a command economy and advocates a kind of middle way, neoliberalism, with a legal system that would make it possible to protect a free-market economy. For Rougier, the more an economic system deviates from the conditions of a free-market

economy, the more it sacrifices the interests of consumers for non-economic ends, and the more the economy is planned and falls into arbitrariness and oppression. Here we can see criticism of the communist model. What therefore makes neoliberalism distinct from orthodox liberalism is that it accepts state intervention, provided that its actions remain subordinate to the market.

Walter Lippmann was an American journalist, essayist and diplomat. In 1937, he published “The Good Society”⁵⁴, which served as a manifesto for the colloquium he organised in Paris the following year. He theorises that **neoliberalism is the relationship between human beings and their environment**. This theory draws heavily on Darwinism, which turned everything upside down by revealing that humans are a species that evolve and adapt to their environment. Barbara Stiegler, professor of political philosophy at the University of Bordeaux Montaigne, has studied Lippmann’s work⁵⁵. The Darwinian model implies that, until the 18th century, human beings adapted to their natural environment. But from the second half of the 18th century, the Industrial Revolution, based

⁵³. Aux origines du néo-libéralisme en France – François Denord, 2001
⁵⁴. The Good Society – Walter Lippmann, 1937
⁵⁵. “Il faut s’adapter” – Barbara Stiegler, 2019

on exploiting fossil fuels, led to an exponential acceleration of economic growth. Lippmann argues that our species is not adapted to this acceleration and this phenomenon requires the introduction of a new type of political and economic regime. For neoliberals, salvation does not lie in reinstating the human factor, which would bring it closer to its natural environment, but rather in the existence of a system where the state imposes a norm that allows people to live in this new economic environment. Neoliberalism comes hand in hand with a particular vision of democracy. James Madison and Alexander Hamilton in the 19th century⁵⁶ and later Walter Lippmann in the 20th century, were not democrats. According to these men, people constitute a dangerous mass that must be channelled by electing representatives who will make decisions for them, for their own good. It is therefore necessary to impose a standard, something which the experts should enforce, in the interest of the masses. From 1937–1938, totalitarian regimes prevailed in Europe and Asia. In response to this trend, neoliberalism advocated an ultra-present state. **This need for a strong state emerged in an environment where democracy was becoming a political technique for manufacturing the consent of the masses.** Citizens are constantly bombarded by a mass of information that they are unable to assimilate and analyse, and they

are less and less able to understand how the world or the economy works. Leaders surround themselves with experts who carry out government functions because they are well informed, unlike the rest of the population. Walter Lippmann believed contemporary society was lagging behind the constraints imposed by its environment. He observed that the US economy was dominated by monopolies, not by competing businesses. Lippmann's neoliberalism therefore arose from, on the one hand, this desire to make capitalism competitive and, on the other, the observation that classical liberalism had failed to do so. **He advocates building a strong state, which is strong enough to regulate capitalism, not in order to make it more democratic or egalitarian, but rather to make it more competitive.**

According to Lippmann, education is an instrument for achieving equal opportunities. In his vision of a neoliberal society, inequalities would be based on the intrinsic superiority of each individual and not on acquired privileges. Competition based on talent must be fair and undistorted, which will allow the best to win. This is how neoliberal theory justifies inequalities in the context of Darwinism. **Unlimited accumulation**

⁵⁶ James Madison and Alexander Hamilton published "The Federalist Papers" in 1788, a series of essays that aimed to convince American citizens to ratify the Constitution of the United States. Alexander Hamilton was the first United States Secretary of State in the government of George Washington

would therefore not be considered intrinsic to capitalism, but simply the outcome of the natural inequalities that exist between people. Education is also a way to teach workers the skills that make them flexible and mobile, so they can change jobs regularly and adapt to current needs. **Neoliberalism is therefore so appealing because it emphasises the need for justice: acquired inequalities must be regulated in order to be erased, so that natural inequalities can emerge.**

Alongside neoliberalism, Lippmann envisions a "new democracy" which is based on elections but only allows minimal public intervention. Sovereignty is shared between representatives and experts. The latter, who base their knowledge on the study of social sciences and psychology, are better able to understand what adjustments society requires in order to adapt more effectively to the environment of globalised capitalism. The "engineering of consent", lauded by Edward Bernays⁵⁷, nephew of Sigmund Freud, conditions behaviour industrially to the point of "readapting" the masses to the "Great Society", relying on modern means of communication, propaganda and psychology. We will return to this work in our next letter. This justification for limiting popular sovereignty through the incapacity of individuals to understand a world that has become too complex, results in the glorification of a government of experts.

These experts are responsible for limiting the violence that will inevitably be inflicted on the working classes (likely an allusion to the fascism that was on the rise in 1938) because of the mismatch between the stability of their way of life and the permanent fluxes they are confronted with.

Some might see the action taken by the public in response to the COVID-19 crisis as a contemporary echo of these arguments. To manufacture the consent of the masses requires, on the one hand, relying on experts in human and social sciences and psychiatrists, and on the other, the use of the media. According to Lippmann, those with the power to form and circulate images and exclude alternative worldviews have a non-legislative power to shape our politics. The experts who invade television and radio studios today are all the more credible as they are highly specialised in a field. This is the exact opposite of Edgar Morin's argument that knowledge should not be divided, because this is the only conceivable way humanity can remain an inclusive whole. It also questions the work of psychoanalyst Roland Gori⁵⁸. For Gori, it is the hyper-division of knowledge that encourages the growth of impostors, which we will also discuss in our next letter.

⁵⁷ The Engineering of Consent – Edward Bernays, 1947
⁵⁸ La fabrique des imposteurs (the factory of impostors) – Roland Gori, 2013

For Lippmann, there are only two possible paths: globalism, represented by neoliberalism, or totalitarian nationalism, which advocates for withdrawal... **It is striking how much his work resonates with the current situation in most developed countries, where voter choice is no longer conceived in terms of a left-right divide but in terms of globalism versus nationalism. The problem is that in both cases there is a certain degree of implied Darwinism, with the strong dominating the weak, i.e., a class system that divides the population.** At the time of the COVID-19 crisis, the so-called moderate but interventionist governments therefore came up with nothing new: using the threat of populism or even fascism to justify the omnipresence of a protective state. The state imposes regulations and the deprivation of freedom for the good of the population as a response to this inevitable globalisation that human nature is not adapted to. The relatively spontaneous “Gilet Jaunes” (yellow vests) movement in France, which opposes

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VOTER CHOICE IS NO LONGER CONCEIVED IN TERMS OF A LEFT-RIGHT DIVIDE BUT IN TERMS OF GLOBALISM VERSUS NATIONALISM

the imposition of a centralised norm and calls for the return of local initiatives, is an example of a reaction to the failures of neoliberalism. **In this respect, 2020 seemed to mark a crisis for neoliberalism and its “experts”. The ultra-optimised, globalised model promoted by neoliberal theory has just shown its extraordinary vulnerability. What if reintegrating the human factor into the economy would allow us to explore a model of sustainable growth that is more respectful of the natural environment?**

The human in a liberal capitalist system

Contrary to neoliberalism, which seeks to use state intervention to sever the link between people and their natural environment and to adapt them to their globalised environment, climate change reinstates extra-financial criteria into decisions about how to allocate capital. **What is the relationship between political ideology and investment methodology? Isn't the introduction of environmental, social and governance criteria in investment choices tantamount to reintroducing the human factor in economic decisions, by admitting that financial criteria alone are not enough to create value?**

It is crucial to recognise that, in the long term, failing to consider environmental or social criteria destroys economic value, because it gives a false impression of promoting economics as a pure, noble, theoretical science, stripped of any sully link to humanity. At the end of the Second World War, Karl Polanyi tried to identify the reasons that led to a disaster partially due to economic factors. In his book “The Great Transformation”⁵⁹, Polanyi writes: “Our argument was that

a self-adjusting market is pure fantasy. Such an institution could not exist continuously without annihilating both the human and natural essence of society, destroying humankind and transforming our environment into a desert.”

The excellent blog “Industry 4 good”, which considers industrial issues in the context of respecting the environment and society, features an interview with Gunter Pauli⁶⁰. Founder of the “blue economy” movement⁶¹, and proponent

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WHAT IS THE RELATIONSHIP BETWEEN POLITICAL IDEOLOGY AND INVESTMENT METHODOLOGY?

⁵⁹. The Great Transformation – Karl Polanyi, 1944
⁶⁰. <https://industry4good.substack.com/p/industrie-decarbonee>
⁶¹. Gunter Pauli is a Belgian entrepreneur based in Japan. In 1994, he established the Zero Emissions Research and Initiatives foundation, with the target of “zero pollution”, taking inspiration from nature to satisfy basic needs

of the theory of the circular economy, he argues that **“industry must undergo a fundamental transformation. Not because industry is bad but because now is the perfect time to make industry a human, natural activity that meets everyone’s needs.** An industry that produces opportunities instead of waste. Everything is useful, nothing is merely a weed, but it takes a bit of creativity to see it.” But then, if there are tangible ways to decarbonise our industry, why is this transformation not happening faster? It feels like there has been a proliferation of brilliant initiatives for a few years now, but the fact remains that at this rate we will not achieve carbon neutrality in time. For Gunter Pauli, “the problem is not the engineers or lawyers, but rather the economists”. This is because they have accepted and legitimised an economy that favours the products and services that are most profitable. Pauli does not question the capitalist model itself, but the capitalist model that we have chosen.

Reintroducing the human factor into the economy does not mean destroying the capitalist model, but rather restoring power to the community, to non-financial and informal connections, and putting capitalism back on a long-term, more sustainable path, which rids it of its damaging speculative practices and makes it compatible with climate change, the preservation of biodiversity and the reduction of inequalities. Considering the role of the human factor in a liberal capitalist model was the focus of



REINTRODUCING THE HUMAN FACTOR INTO THE ECONOMY DOES NOT MEAN DESTROYING THE CAPITALIST MODEL, BUT RATHER RESTORING POWER TO THE COMMUNITY

Walter Lippmann’s great opponent, John Dewey, an American writer who was an enthusiastic supporter of pragmatism. The book “Liberalism and Social Action”⁶² appeared in 1935 and put forward a criticism of Roosevelt’s New Deal, which Dewey thought placed too little emphasis on society. John Dewey’s vision of liberalism explains why the term “liberal” in the United States is associated with a so-called “leftist” social policy. The professor and university cooperation officer Guillaume Garreta⁶³ notes that Dewey went on to be accused of being a communist in the 1920s, before he openly criticised the Soviet regime. According to Dewey, since Darwinism tells us that life is a series of forks in the road, it is

⁶². Liberalism and Social Action – John Dewey, 1935

⁶³. L’autre libéralisme de John Dewey (the other liberalism of John Dewey) – France Culture podcast, La suite des idées (following through), 2014

up to each group of people to decide locally what direction they want to go in, through a form of participatory democracy rather than the representative democracy promoted by neoliberalism. Like Lippmann, Dewey sees the crisis of 1929 as representing an acute crisis of liberalism. He changes the meaning of the word liberalism, given that the state has to intervene with a social policy so individuals can express themselves as free individuals. The state therefore guarantees freedoms by reducing inequalities. The book ends with a plea for a liberal and progressive democracy, one that upholds people’s right to experiment with new methods and to collective intelligence, through large educational engagements. **Dewey wants to put people back at the heart of politics and the economy, in order to preserve and reaffirm democracy.**

Contrary to neoliberal theory, Dewey argues that the masses do not lack an identity. Within the general population, there are groups that both identify and connect with each other because they suffer from the same ills; they then come together to try and find out how best to cure their ailments. Knowledge enables them to organise protests. This vision seems particularly relevant in the current climate of openness offered by social networks and search engines. Indeed, neoliberal theory implies, on the one hand, the omnipresence of experts and, on the other, the manipulation of the media to obtain the consent of the masses. This is probably the reason why, in the

21st century, the media is saturated with speeches given by experts of all kinds. But all this was much easier to maintain in closed and compartmentalised ecosystems, where lines could remain blurred as long as the right levers (be they political, media-related, economic, or even military or religious) remained under control. However, paradoxically, the information technology and globalisation lauded by neoliberal theory are opening up our societies. Information circulates quickly and in a way that is difficult to control. “Resistance”, whatever its form and however debatable it may be, can be organised using technology, unless this same technology is used to set up a repressive system, which is the case in some countries. This means that any human rights violations, corruption, objectionable practices, any form of negligence in a factory, building or procedure or any deviation from environmental or socially responsible policies is likely to spread, with enormous repercussions. This therefore represents the limit of the market economy when it is severed from the human factor. **The current popular protest movements in Europe or America, as well as boycotts of certain products and disasters involving the reputations of social networks, could all be interpreted as manifestations of the very high cost of neglecting the human factor in economic and political decisions. In a world inundated with data and information, entrepreneurs and shareholders can of course get rich because they are visionaries, but only if they respect**

others and abide by the rules, or else face sanctions, boycotts or dismissal. Just as technology has the power to eradicate the human factor, it also has the power to revive it.

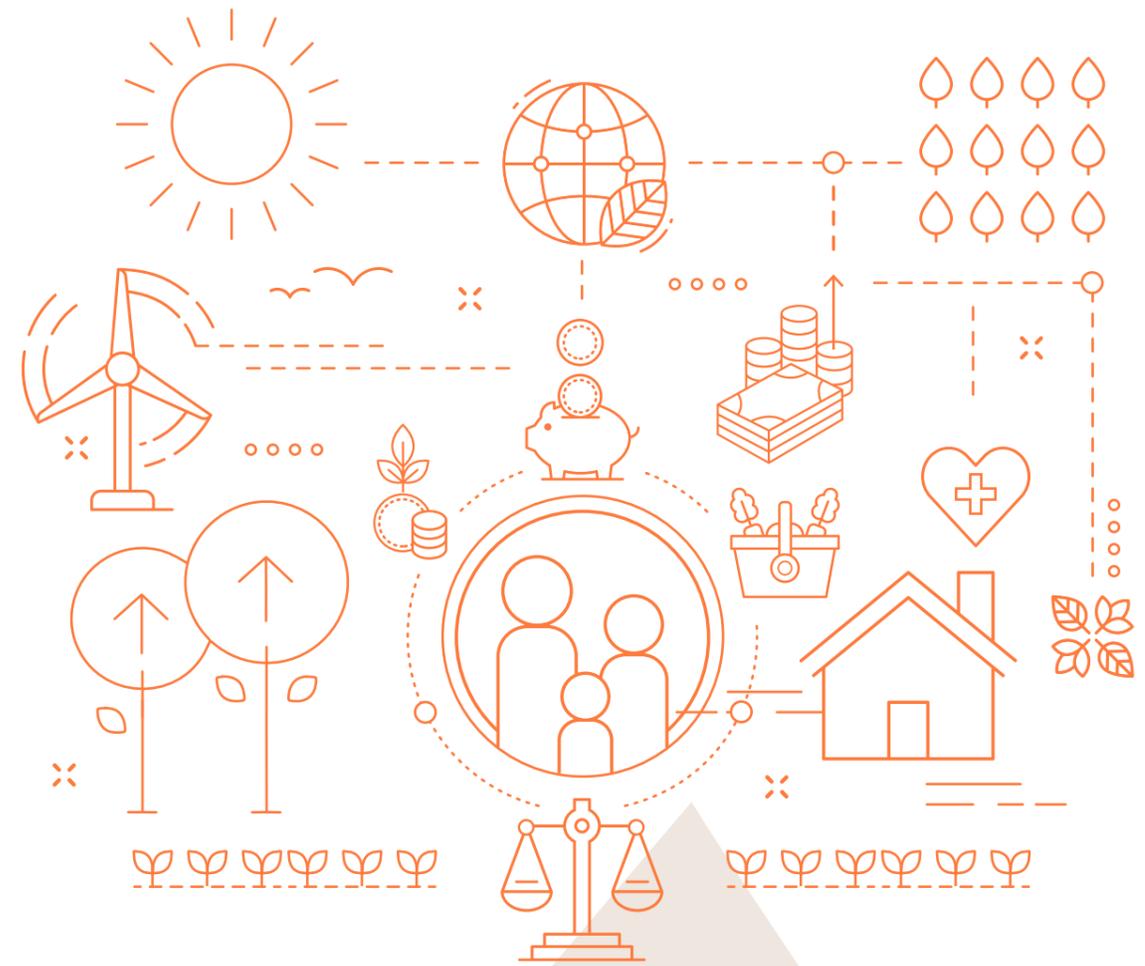
Even if we wanted to be totally cynical and continue to presuppose that human beings' only aspiration is to pursue their individual interests, we still could not ignore the fact that the financial penalty following a dissemination of compromising information is increasingly significant. And things are better this way, because it means that, in a decompartmentalised world, respecting the human factor could be an element for creating long-term economic value. Private interest alone would therefore not be the only driver of capitalism. There would arguably be a place for solidarity, respect and empathy. Is this a sort of soft idealism? Not necessarily. It may well be that the key to fighting inequality lies above all in the private sector: education, training, sponsorship, philanthropy, local solidarity, environmental and social policies, fair governance, promotion of diversity... These are all responsibilities that private companies can and must bear. Those who oppose capital and strive to combat inequality may not like it, but the reward for private companies that succeed in reinstating the human factor will be financial: the creation of economic value and increased performance in the long term.

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RESPECTING THE HUMAN FACTOR COULD BE AN ELEMENT FOR CREATING LONG-TERM ECONOMIC VALUE

The philosopher Gaspard Kœnig takes this point one step further. Unlike neoliberals, in his book “Notre vagabonde liberté” (our wandering freedom)⁶⁴, he advocates simplification. An overly complex legislative or tax system re-establishes arbitrariness. When it is simple, the rule of law is clear: you are either within the law or outside it. However, a complex system favours the powerful, the experts, by granting them the ability to interpret the law in order to decide whether or not they are within it. The wealthiest can hire specialists who will allow them to interpret the complexity of regulations in their favour to act legally, where the most powerless can easily find themselves outside the law. Such a system then re-establishes the power of terror that the powerful possess, which works through imposing incomprehensible tax, social or health regulations. There are so many

⁶⁴. Notre vagabonde liberté – Gaspard Kœnig, 2021



rules, laws and exceptions that people no longer understand what they have the right to do or not do, so much so that it ruins their lives and completely inhibits the spirit of entrepreneurship. Filling in a form or following a complex rule in order to carry out a simple action is therefore experienced as trauma, and the legislator or public authority is then seen as the enemy.

Making regulations simple means trusting people's abilities for judgment and to find solutions in practice. Normative inflation likely betrays a deep contempt for the people who are subjected to it, as well as doubts concerning their ability to exercise their

judgment when dealing with real-life situations. It is assumed that people are not able to lead respectable lives without an elite imposing rules on them. The obsession with the central state praised by neoliberals then leads to conformity with the norm and rejection of diversity. If the virus is absent in one region and present in another, why should the central state apply the same rules to both regions? This is how political, economic and religious leaders come to impose their model on the world, on “others”. The main problem with the ultra-normative model, which seeks to impose its vision of the rules on other people's lives and does not trust people's ability to adapt to their

environment, is that it rejects differences. But it is precisely this acceptance of differences that allows for inclusivity and consideration of humanity as a whole. In his book “Stone Age Economics”, the American writer Marshall Sahlins⁶⁵ notes that money appeared on the outskirts of tribal homes, when they no longer had a choice but to interact with outsiders. The first currencies were created at borders and used for exchanging goods between distant tribes. Within a group, the well-known arrangement of giving and receiving gifts is preferred. And Gaspard Kœnig asks: “Doesn’t refusing a monetary relationship amount to building a common tribe, if only for a few hours?”

To reconnecting with the ancient virtue of exchange, even if I can’t give anything in return? To lifting the social anonymity typical of modernity in order to become a singular being, worthy of trust?” In seeking to impose uniformity, a single norm, globalised neoliberalism has severed informal human ties. Restoring local traditions, ancestral agricultural or artisanal practices and local services would make it possible for us to rebuild the social bonds that allow us to be much less suspicious and defensive towards others, and be more inclusive instead.

⁶⁵ Stone Age Economics – Marshall Sahlins, 1972

Fear the people... hate the people?

But why is this reintroduction of the human factor so difficult and painful? Why are the dominant classes in our societies – be they liberal capitalist, socialist, communist or nationalist – so reluctant to make human connection, inclusivity and acceptance of those who are different a top priority again? Why do they even expend huge amounts of energy attempting to break this human connection?

It may be because devolving power to the local level and to the informal economy would mean that centralised authorities were partially relinquishing their right to intervene in people’s daily lives. This could be one reason why anarchism has been fought so ferociously by every kind of regime. The libertarian ideal involves the absence of any class struggles. Beyond the potentially utopian element present in this type of thinking, it is interesting to observe how the powers that be, whoever they are, have suppressed it. This may be because the people frighten the ruling classes, even those that claim to represent the people, which leads us to

this tendency to divide humanity into castes, preventing us from thinking of humanity as a single whole. In order to guarantee the stability of a class system, the ruling caste must maintain a fear of the Other – anyone who is different – as well as the illusion that only a strong power can protect the most disadvantaged people against these differences. **By maintaining control through normative complexity and by demonising critics of the system with accusations of being unpatriotic, foolish, fanatical, conspiratorial, or even of being terrorists, the ruling class clings onto power by undermining inclusive processes.** The great strength of the defenders of globalised capitalism lies in their ability to discredit alternative views by asserting the idea that theirs is the only system capable of ensuring prosperity as fact. The failure of alternative systems only reinforces this proposition, suggesting that the decline of nationalism would mean the loss of liberty, exclusion and fear of what is different. However, the climate crisis reminds us that this model – seductive though it may be – is not working...

In order to better understand the sense of fear or hatred of the people that might be felt by a centralised power imposing its own norms, it is interesting to take a look at claims made by local indigenous populations. The way in which these claims are treated by the central authorities is telling – whether in modern democracies or in the colonial world – where, by definition, a centralised power seeks to impose its norms on populations that are very different from those of the conquering party. **Indigenous claims often focus on land, keeping the local community more or less autonomous, being able to organise in their own way, and the subject of these people’s relationship with nature, as a norm-imposing power seeks to restrain them or deprive them of their land.** In an interview on the YouTube channel Thinkerview⁶⁶, the Canadian researcher Francis Dupuis-Déri⁶⁷, who studies the dynamics of war and democracy, as well as social movements such as alter-globalisation or antifeminism, shares the story of the Igbo women. This people from Nigeria, despite being under British administration, traditionally held an assembly of women who would deal primarily with issues affecting agricultural production and trade in the local markets. In 1929, what the British dubbed the “Women’s War” broke out after the colonial authorities introduced

new agricultural taxes. Igbo tradition demanded that the women take up arms in order to take back control. The women’s protests were bloodily suppressed by the British army. During the investigation that followed the massacre, soldiers who had fought in the First World War claimed in their testimony that the women had frightened them more than the Germans had back in the war. Parallels can be drawn between these statements and police descriptions of anarchist protests in Europe or the US in the late 19th century, or even of some of the descriptions given concerning France’s “Gilets Jaunes” (yellow vests) movement more recently. The fear that popular anger instils in the powers that be often leads to the demonisation of these protest movements and their suppression with disproportionate violence. Here we can see the neoliberal notion of the people as a dangerous mass that must be controlled by securing their acceptance, which is achieved by taking over the media and through normative complexity. We will revisit the theme of fearing the people in our next letter.

⁶⁶. Démocratie: marketing politique – Thinkerview, 2019
⁶⁷. a professor at MIT and l’Université du Québec à Montréal

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CONSUMERS MUST GO INTO DEBT IN ORDER TO CONSUME NON-ESSENTIAL GOODS AND SERVICES

Another way to control a population is to make it dependent on non-essential needs by developing a consumer society. **Consumers must go into debt in order to consume non-essential goods and services.** The creation of non-essential needs within a consumer culture that relies on debt was, in the 20th century, a key factor in deepening inequality, resulting in immense fortunes alongside populations impoverished to the point of resembling slavery: **slaves to consumption who have lost their capacity for self-sufficiency, with disastrous consequences for the environment.**

A model that restores local power would challenge the role of the ruling classes, religion and political ideas. For this reason, not only would it not be promoted by political, economic and religious leaders, but they might even fight it. Even if this model was kept inside the bounds of capitalism and was set within a realistic context where the state retained its sovereign power, resistance from the most privileged classes would make its implementation difficult. Political, economic, and religious elites have always tried to hold onto their privileges through the application of two principles: dividing humanity into castes and using debt to prevent self-sufficiency. Change is unlikely to come from here. So, where then could it come from? Perhaps from a general elevation of consciousness...

COVID-19 and the elevation of consciousness

In 1933, the biologist Charles Nicolle summed up this relationship: “Knowledge of infectious diseases teaches men that they are brothers and united. We are brothers because the same danger threatens us, united because contagion comes most often from our fellow men. We also, whatever our feelings are towards them, stand together with animals, especially domestic animals which often carry the germs from our diseases.” Surprisingly relevant! Pandemics are one of the consequences of globalisation and climate change. In this sense, our current circumstances may offer some hope. The COVID-19 crisis, the rivalry between the US and China for global domination, and the situation in Ukraine are forcing economic actors to find ways to be more resilient. Globalisation has reached a turning point. The resurgence of inflation is sending interest rates back up. States’ needs for funding will lead to higher corporate tax rates.

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**IN THIS SENSE, OUR
CURRENT CIRCUMSTANCES
MAY OFFER SOME HOPE**

In short, the three fundamental trends that were supposed to produce infinite growth are turning back on themselves at the same time. Businesses need to invest huge sums, particularly in energy transition, to remain competitive and become more resilient. Relocalisation will increase this resilience and could create more stable employment. This investment cycle will tip the scales back in favour of those companies that allocate their capital more effectively, i.e., those employing better governance.

The circle is therefore complete, as in this new environment, ESG criteria will generate financial performance. **At last, the human factor is resurfacing and creating value in a different way.**

Capitalism is the theory of the Industrial Age. The Industrial Revolution was born from intense capitalism. The new Industrial Revolution, based on knowledge and data, is less capital intensive. Therefore, optimists can hold onto the hope that the system really will reform itself. This is certainly a possibility, but the price is a collective elevation of consciousness. **The last few years do seem to have produced greater awareness of the incoherence of a system based exclusively on accumulation, individualism and consumption.** The COVID crisis might have contributed to this by not only offering us a chance to reflect on the environmental impact of the current system, but also by highlighting the phenomenal levels of psychological stress created by isolating people whose local social links have been cut. Growing interest in short-circuit economic systems, local unity, the concept of mission-oriented business and an

associated and cooperative world are likely connected to this awareness of the dead end that our search for infinite growth is leading us to. **Let’s hope that those with an interest in upholding the status quo do not overly discredit the alternatives that are worth exploring, provided that they would fit into a system where freedom of expression and action are preserved. Freedom on its own destroys equality. Equality on its own destroys freedom.** In order to preserve both freedom and equality, our system needs a number of reforms designed to reintroduce “brotherhood” or the human factor into an economic system that is too divided and dehumanised. The climate emergency and the loss of biodiversity is now reminding us how important this is.

Conclusion

Capital and labour are the two fundamental elements that, when combined, create economic value. Capitalism may be the best economic system, but its implementation in the world creates a paradox. How can a system associated with the notions of democracy, liberty, happiness, comfort and modernity be negatively affecting the environment, deepening inequality and even undermining the stability of the economy?

It is clear that Western culture – founded on the rule of law, norms and standards, and the separation of people and knowledge – does not promote inclusive thinking. This model has been “militarised” by an ideology that seeks to associate it with the concepts of liberty and prosperity. An unshakeable faith in this model based on individualism and the consumer society could in fact hold our societies in a kind of “Plato’s Cave”, where we perceive reality in a way that is distorted, and where we become aggressive towards anyone who manages to escape, see what is happening, and warn the rest of us.

This is because, between the market as a whole and the state as a whole, there could be a pluralistic, social and united economic path based on local ecosystems, acceptance of differences and inclusivity. The objective of this alternative path is to produce, consume, save and make decisions in a way that is more respectful of people and their environment. It is not to reverse growth, but rather to achieve sustainable growth. By reuniting ethics, the economy and the environment, this alternative could fit into a global vision. This is the sustainable version of the expression “think globally, act locally”. In short, the solution seems to reside intuitively in reintroducing the human factor into the economy while moving to suppress the ego. Much as it may upset the economists who have tried to present their discipline as a noble and exact science, the economy must be re-established as a means, rather than as the endpoint, of human activity. Equally offended by this will be those political parties in our democracies who trap their voters in a choice between globalism and nationalism, a choice that many citizens struggle to identify with. Without bringing humanity as a whole to

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SO, DO WE NEED TO GLOBALISE CONSCIOUSNESS AND DEGLOBALISE THE ECONOMY?

the end of the spiritual path that leads some people to wisdom, a simple reconsideration of the human factor in economic, social and political relationships may be enough to imagine a more acceptable and sustainable growth model.

So, what needs to be done? Perhaps we simply need to consider this: it is far easier to exclude, to hate what is different, to behave aggressively and to flatter one’s ego than it is to show kindness and inclusivity. By revealing our life-and-death relationship with the biosphere, the environment is forcing us to think differently about our planet, to connect it with our destiny and, finally, to reconsider who we are. So, do we need to globalise consciousness and deglobalise the economy?

In the short term, financial aspects oppose non-financial ones. In the long term, however, financial and non-financial matters point in the same direction. Paradoxically, and contrary to the argument presented by ultra-capitalists that free enterprise and free trade bring about democracy, democracy is likely to be saved by reintroducing the human factor into the economy. Capitalism will also be saved, provided that we succeed in renouncing the exponential growth model, which cuts us off from our fellow humans and our environment. Feeling useful and establishing an inclusive connection with our environment can generate just as much happiness as accumulating wealth can, so there may still be hope for us to succeed in rebuilding an economic model that places humanity back at the heart of the matter. Human after all...

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