

## *Heterodox Economics Newsletter*

REMAKING SCARCITY: FROM CAPITALIST INEFFICIENCY TO ECONOMIC DEMOCRACY, by Costas Panayotakis, London, U.K.: Pluto Press, 2011, ISBN: 978-0-7453-3099-0; 224 pages.

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Capitalism is assumed to be, by popular opinion, the best economic system which allocates society's scarce resources most effectively; that is, by letting free and spontaneous market mechanism regulate prices after supply and demand, a general equilibrium will be eventually reached; which is a point of Pareto optimality. Neoclassical economics, then, is seen as the best approach to both develop and analyze these mechanisms. Costas Panayotakis's book *Remaking Scarcity: From Capitalist Inefficiency to Economic Democracy* challenges both these assumptions. Even if capitalism has some strong aspects (e.g. its productive capacity), it keeps on generating serious inefficiencies such as chronic unemployment, adverse consumerism, and ecological crisis, which neoclassical economics seems to constantly disregard, underestimate, or misanalysis.

Hence, capitalism is assumed to solve or respond in an optimal way to society's scarcity problem, but it preserves it in fact, Panayotakis argues. In chapter 2, the author outlines the basic elements of the assumption of scarcity in neoclassical theory. He outlines its roots in early development of the neoclassical theory (Robbins's definition, some references to Adam Smith, the idea of Pareto optimality, and some Marxist critique). Neoclassical theory tends to contribute to the preservation of the capitalist system through its unrealistic but also performative analyses. One way in which this performativity is exercised is that instead of focusing on the abusive dimensions and inequalities of capitalism, it veils them by reaffirming or neglecting the importance of class, ethnicity, and gender. It uses an atomistic and rationalistic view of individuals that lacks realistic applications. This might not have been a large problem if neoclassical theory was a marginal approach of what is taught at economic departments around the world, but as the readers may already know, this is far from the truth.

After this familiar critique, in chapters 2 to 6, Panayotakis digs deeper into how capitalism produces configurations of scarcity, which essentially means unequal distribution of resources linked to different structures of exploitation – revolving around class, gender, and racial inequalities. In chapter 3, he outlines the basic mechanisms of how and why this inequality is generated – which is essentially driven by the pursuit for capital accumulation. In the next chapter, he shows how consumerism and its culture enable a widening and dynamism of capitalism and profit making on a cornucopia of goods and services. Much of the consumerist culture is based on the artificial creation of unlimited desires and needs. This is also a central example of capitalist inefficiency: instead of using scarce resources to combat severe global poverty, resources are used to produce apparently unneeded stuff for people who already have much more than they need (read well-to-do people in Western societies). In chapters 5 and 6, Panayotakis demonstrates how these inequalities are not limited to certain groups of society or parts of the world, but permeates the whole global system. In the next chapter, he then discusses some of the implications of unbound capitalism on an already suffering ecology.

One of my favourite parts of this book is in chapters 8 and 9. Here Panayotakis discusses alternative systems based on different ideas on economic democracy. He focuses on David Schweickart (1993), Michael Albert (2003 and 2008), and Robin Hahnel's work (2005). Based on these thinkers he outlines one model of economic democracy compatible with the current system, and one that is not. Both models have their merits. In chapter 9, he

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discusses the way forward based on the principles outlined in the previous chapter – here Panayotakis makes a number of very interesting suggestions which I leave to the reader to discover.

Panayotakis's book is both academically well written and politically refreshing. Many accounts stop at a theoretical critique of capitalism with little suggestions for how to go further. Here, however, we get both. Sometimes the author is unclear about what kind of scarcity he is referring to (e.g. food, medicine, money, or something else), and also misses the several nuances of the concept of not only scarcity but also sufficiency and abundance, which I have personally devoted a lot of time to integrate into social and economic theory (Daoud 2010, and 2011a&b). But these points do not take away the important message of this book. It is a much-needed book, given the social and economic turmoil of our time. This book is a must read for social scientist interested in political economy, which could also function well as a textbook for upper level courses.

### *References*

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