

[MUSIC PLAYING]

KAREN FOLEY: Hello, and welcome back to Student Connections. Well, we've been having a wonderful afternoon. And I'm very conscious that a lot of you have just popped in and joined us here in the studio where we're streaming live, if you're watching in real time, from Milton Keynes.

I'd just like to remind anybody who's just logged on that there are two ways that you can interact with this event. It's a live and interactive event. And so, if you hear us talking about do you agree or disagree, and you're using the Watch Only button, then you might want to log back in and choose the Live and Interactive button. And there you'll see all the chat that everyone's talking about. You can also join in that chat, so if you've got questions, you can let us know what they are. And you can also interact with the widgets, which we're really, really liking, knowing where people are, how they're feeling, and what level they're studying.

So if you haven't done that, what you can do is you can go back to the website, which is connections.kmi.open.ac.uk. And you can go to that website and choose the Live and Interactive button. Now, if you aren't an OU student, or you don't have an OUCU, which is an OU Computer Username, then you can look at the Frequently Asked Questions section on the website, and it'll take you to a link. And you can get an OUCU.

It's just like filling in a form with your email address. It's just so we know who you are, and then nothing will happen with that data, obviously. It's just to allow you access, really. So do that if you haven't chosen to already.

So we're going to go to the Social Media Desk, because for those of you who have just joined, you'll realise that this is a very, very important part of this event. Because whilst we're talking about things in the studio here, everyone else is talking online. And so, HJ and Rachel are feeding all of this in through our worldwide web, which we've had recently installed, which has now got an amazing MyFace board where we're collecting selfies of you at home and what you're doing.

So if you'd like to send us a selfie, do that, please, you engaging with the conference, or you might like to send a picture of your animal. That's been quite a popular option as well. So if your cat's sitting on your study books, or your dog's been chewing up your module materials,

do let us know and send us a picture of the offending animal. So you can do that at connections@open.ac.uk, or you can do it on Twitter. The hashtag is #SCC15. And if you want to make a note, you'll see that on the board. I'm going to HJ and Rachel now. Show us, what's been going on?

HJ: Yeah, Well, we did try and collect our mail earlier, but unfortunately, we were so excited, we forgot to plug our mics in, so we're going to show all the lovely selfies our mailman delivered earlier. So we got Alisa there. Fantastic selfie there. I loved it. And, oh, yeah, we did try and show this earlier. It's Matthew and his cat. And yeah, he was the naughty cat that chewed his books before he's even started. So animals always pick the worst times, don't they? Sitting on keyboards, and things like that.

But we've also got another one there from Star from Sheffield, which is fantastic. Let us know where you are. We've got a widget for that as well. And we've got people from all over the place. We had Lee from Nigeria. I think that's the furthest out we've gone. It's very good there. But yeah, I think Rachel had some mail as well earlier.

RACHEL: Yeah. Makes a change, doesn't it?

HJ: [LAUGHS]

RACHEL: We also have Shannon, and she sent in also a selfie of herself. But she's also sent in some chocolates that she is eating while watching the conference.

KAREN FOLEY: Ooh.

RACHEL: So yeah, this is fantastic. That's what we like to see. We also have-- I'm very sorry. I'm going to be pronouncing this one wrong. Elaiza, Elizea? Sorry, I know we've mentioned it in the chat as well, but apologies for that one. So this is the stream that you're watching.

HJ: I like that mug.

RACHEL: Yeah. And we also have-- who's this guy here?

HJ: I don't know. [CHUCKLES]

RACHEL: There's no name on the back of it. But this person's actually managed to get themselves into the set. And they're actually here.

HJ: They're around the studio somewhere.

RACHEL: Yeah, this is Andrew Rix, who's keeping everything together for us backstage. So that's all we have at the moment. But we've also had some comments that we've put on the board. Students are saying that they're brand new to the OU and the first conference that they've ever attended. And being at this conference has given them a lot of confidence in what the OU can offer them. So that's nice to hear, isn't it?

HJ: Very lovely, yeah. It's fantastic.

RACHEL: And before we head back over to you, should we just have a colour change? What colour are we on now, purple? Should we go for red?

HJ: Could go for red, yeah. But let us know what you think. We had a vote yesterday. We decided purple was a good colour yesterday. So let us know what colour you want today.

KAREN FOLEY: But yesterday was yesterday, wasn't it? And we had an awful lot going on. We've got an awful lot of new people. And you've got there on the board a lot of small pictures of people who'd sent in their selfies yesterday. So can you mention just some of those as well, and where people are from. You mentioned that we've got quite a few people engaging from overseas also.

So what have been some of the most memorable things? We can't mention all of them, unfortunately. But what have been some of the most memorables? I know somebody in bed was very popular. [LAUGHING]

RACHEL: Actually, he needs to move because he's actually flying back on a plane from Lagos in Nigeria. And he's heading back. So he was in Nigeria, so--

KAREN FOLEY: I thought we were one year down.

RACHEL: --he's probably around there.

HJ: We also had Laura yesterday as well. She's doing DD102. We've got, as you said, loads of new students, which is fantastic, that are loving it. And a lot of people will start on DD102. It's a fantastic module, very interesting stuff. And we also have Claire from Weymouth, joined us yesterday as well.

And yeah, but it's brilliant to see everyone coming from across the board. We've got people

from all over. And of course, if you want your selfie up on our manual social media, MyFace, remember to email connections@open.ac.uk. Use the hashtag #SCC15. And of course, we've got the Faculty Facebook page, where you can find about all these events and all our different discussions that have been going on.

KAREN FOLEY: Wonderful. Well, thank you both very much for that. We had a lot of discussion that I'm aware is still continuing in the chat from our very interesting previous guest, Eddie. We were talking about Islamic State. And again, how we study this as social scientists and some of the massive issues involved.

We have another similar sort of angle, but this time, we're talking to Alan Shipman, who I'd like to introduce now. Welcome to the studio, Alan. And thank you for coming to talk to us today. We're talking about capitalism without capital, and we've got a widget at home that I'm hoping someone's going to give a really interesting question for, because I did enjoy that vote. So let us know if there's something that you think you'd like to have a vote on, and we'll see how we can operationalise that.

So Alan, last night, Jonquil came along and she was trying to sell Matt Staples this book, which is the Piketty book called *Capital*. And she offered him two choices, and he chose the lighter one, but then suddenly realised that the thicker one would be a lot better and command more money. So we are going to introduce by talking about this idea of capital, and we've got a lot of new students out here, so what do we mean by this?

ALAN SHIPMAN: I want to say, first of all, if I look nervous, it's because someone just mentioned cats and keyboards. And--

KAREN FOLEY: [LAUGHS]

ALAN SHIPMAN: --that is a very difficult combination which resulted in my having to lock the cat out of the room with the keyboard because of the astonishing way in which it wishes to place itself on that. It probably wants to write far better material than I can produce.

KAREN FOLEY: Nobody in social sciences has ever studied this, because it happens to me. As soon as I've got a pile of papers that I'm working on, I can have all the other papers at the back pile. The cats know, don't they?

ALAN SHIPMAN: Yes. I think it's a task for our colleagues in veterinary sciences or animal psychology. They need to work this one out and tell us how to prevent it. But after that initial worry, yes, Piketty--

there was an astonishing event last year. An economics book became extremely popular, even though it actually has equations in it. And people are still trying to work out this phenomena, as well as trying to work out what Piketty was actually saying. It sounds as if that response-- take the large version, because it's valuable-- shows how economics is becoming influential, despite its manifest difficulties in explaining the economy.

So Piketty has had a good effect in drawing attention to the discipline. But Piketty also is interesting, because people are already, if they remember it-- well, I hope they do-- they're referring to it as the book on inequality. Because the big thing that came out is inequality has increased. There is something wrong with this. It's economically inefficient. It's socially damaging. We need to introduce wealth taxes in order to reduce this problem.

And that's what people took out of the book. They almost forget it's not called inequality. It's called capital. And there is a good reason for skating over that. It's because, actually, when you dig down into the concept of capital, economists don't really know what they're talking about. Piketty uses the word capital interchangeably with the world wealth. That's already a huge problem for economics.

And actually, as a book about wealth and the inequality of wealth, it's very effective. As a book about capital, it runs into a lot of problems which have actually been troubling economists for 150 years. And it comes down to what do we mean by capital?

The reason I proposed calling this "Capital Without Capital," is because you almost despair in economics after probing what is meant by capital. So whether you can make any use of this term at all, it'll be very, very nice to reformulate economics without capital. I thought, at one stage, I could do that. And that's why I put forward this idea. But alas, it breaks down after a certain point. The difficulty with capital is we all think we know what it is. And as a sum of money-- I see jelly beans in front of me.

KAREN FOLEY: Oh, yes, I forgot to mention that. [LAUGHS]

ALAN SHIPMAN: Are you holding out for money? As a sum of money, we understand capital very well. But we tend to use it in a lot of other contexts, where it means money in other forms, such as jelly beans. Or it means productive equipment, physical stuff that produces other stuff. And as soon as we do that, we run into all sorts of problems. But what do we actually mean, and how do we measure it?

And these problems have been known about for half a century, at least, in economics, and quietly put to one side because there is no ready answer to that question, what do we mean by capital? When it's more than a sum of money, when it's aggregated across the economy, and it's all the things that we use to produce the goods and services that we consume. That's where economists can't manage it. We don't know the measurement we're using. We even use terms like capital intensive or labour intensive. And we don't really know what those mean. And this is deeply embarrassing.

KAREN FOLEY: [LAUGHS]

ALAN SHIPMAN: Because the subject consists of a lot of very good conceptualisation of the economy based on the idea there is something called capital in the aggregate. And when we look deeply at what we mean by that, we can't work it out.

KAREN FOLEY: I'd like to ask the audience at home, as well, what you think the definition of capital is. Because as Alan, as you say, it's one of those things that is very contested and can relate to a lot of things. So let us know in the chat what you think or how you would conceptualise capital. What are some of the things that are coming up? And we're going to bring that into the conversation. And if you haven't watched this, you can watch it on catch up.

Last night, we were having a very interesting discussion with one of your colleagues, in fact, Jonquil Lowe. And we were talking again about this very book, and about inequalities, and various things. And she was mentioning Wilkinson and Pickett and different ways of measuring, I guess, happiness and capital assets, and things. And I guess some of that sort of relates to this, doesn't it?

ALAN SHIPMAN: Yes. Economists are ultimately trying to work out some very basic things, like how do we get richer, and does that make us happier?

KAREN FOLEY: That's why it always surprises me that you don't have the best building and the best sort of systems in the faculty.

ALAN SHIPMAN: Oh, it's a very self-sacrificial subject, economics. That mainly means they haven't worked out how to become wealthier. They have worked out how to get their terms accepted. I mean, it was interesting listening to Eddie's discussion on the Islamic State, as it preceded this one.

All sorts of terms are coming in. The Al-Qaeda franchise, and the whole business model the

Islamic State is using to sustain itself as it expands, this is all out of economics, mostly via business schools. But there's a very economic conceptualisation of things.

And I suppose, when people debate is the Islamic State a state? You have to look at what it does economically. The fact is, for better or worse, it doesn't just control territory. It's able to operate a public expenditure system within that territory by raising revenue. So it's a very economic model that they're using, even if there's religious ideologies supposedly driving it.

So economics has changed the way that people think. I'd like to say that it's changed it for the better. I fear that's not really the consensus that's being reached these days.

And certainly, if we come to this inequality problem, and Wilkinson and Pickett distinct from Piketty, very influential on this. Economists used to argue that inequality was actually needed. It was one social science that stood up for inequality, because it gives people incentives. If you want to get richer, you do useful things which have social benefits. But you've got to be allowed to become richer as a reward for benefiting everyone else. That was very much the economic thinking.

And to a certain extent, that works. But the massive inequalities that we have now have actually gotten to a stage where we're finding there's a negative link between inequality and economic performance, implying that, actually, we need to bring the inequality level down.

But economists are fine on some technical details like that, but very much at the intuitive level. And there's this difficulty that the more economics is formalised, the more it starts coming down to categories that we are less sure about, like capital. And I'd also mention, national income, which is the basis of our growth rate measures. But there's a lot of dispute about whether we're measuring national income correctly and whether our national income accounts are logically connected to the corporate accounts that our companies use.

And value keeps coming up. Everyone wants to know what value is, what value means. And again, like capital, we think we know. But when we try and pin it down, we cannot track down the source of value or explain what really makes one thing more valuable than another-- a lot of heat, and not much light.

KAREN FOLEY: Well, let's see what everyone at home is thinking now, because we asked them how people would define capital. Alan's mentioned a lot of ideas that may be around that. What do people at home think? What are you guys talking about?

HJ: Well, we picked up on Alan's point about accumulation of capital and happiness. And we've had a discussion about whether more capital, more money, equals happiness. And actually, a lot of people just like to be content, and happy, and don't really equate that with wealth. But we have had a lot of good definitions of capital, as well, come through.

RACHEL: Yes, this comment suggests or questions, whatever, capital is essentially a tradable resource. It's not just money. The social capital and trust capital, these things are used these days. So it's kind of where the dimensions of capital lie?

ALAN SHIPMAN: Yes. Social capital is a tremendously influential idea now. And I suppose it's one of the things thrown at economists, that they were talking just about systems of exchange, not thinking about how the different people in the exchange relate to one another. And actually, without a degree of trust, without what is now interpreted as social capital, the basis of the economy wouldn't be there. We couldn't just be transactors with no social links.

As an economist, I have tremendous difficulties with the term "social capital." Because again, I want to know, what do you mean by capital? I think traditionally, capital essentially denotes something which is used to produce something else, a commodity that can somehow produce another commodity. And that's fine in principle, but very hard to pin down in practise, particularly when you ask, well how much capital do we have?

As a sum of money, it's fine. We can see, because it's in a numerical unit, how much money we have. And obviously, money in some forms is capital. But when capital is converted into something else, certainly when it's human capital and it's within the individual, very hard to measure on that. Because you can look for how it's traded and what price it fetches. But a lot of things that contain capital are just not tradable. Or if they are traded, they're traded in markets which are not really competitive markets. So we don't know if they're traded at the right price at all.

And capital as a means of production, which from Marx onwards, has been a very influential concept, again, we can't reduce that to a sum of money in any satisfactory way. And while it would be nice to do so, it's logically impossible when we actually look at how you get from the past investment that went into the capital stock back to a sum of money in present terms. It ultimately requires an interest rate. But you actually can't work out what the interest rate is going to be until you know the amount of capital already, fateful circularity.

KAREN FOLEY: See, this is why I stay well away from economics, because-- [LAUGHS]

ALAN SHIPMAN: Sorry, I didn't mean to mention interest rates.

KAREN FOLEY: --because it is so, so, so very complex. And I just wanted to bring some of this back to this idea, because you wanted to talk about capitalism without capital. And I don't think we can have capital without capitalism, can we? So what were some of the ideas that you wanted to do in terms of relating the two together?

ALAN SHIPMAN: I had to mention capitalism because it used to be if you called a system capitalism, you immediately consigned yourself to the far left. Because mainstream economists and anyone sympathetic with the free market didn't like this term. And then some interesting things happened. First, the people who support the market economy became rather proud of the term capitalism and began to use it openly. They recaptured it for themselves.

And I think the point they were making was, after 1989, when certain regimes that had branded themselves non-capitalist fell away under the pressure of negative public opinion, it became very clear that capitalism was genuinely popular. Far from being something based on exploitation that alienated and exploited the vast majority of people, a lot of electorates in Western countries supported it. And basically, all political parties had to swing behind it.

But it did raise questions about what it was, and whether in the process of making it democratically acceptable, it had actually shifted away from what capitalism originally meant. And then we had a financial crisis and a general economic crisis following it from 2008, which is really still with us. We haven't pulled out of it in quite the way that a lot of politicians hope we have. And that actually led to more changes, which pulled us further away from capitalism as classically defined.

We have a very odd situation now in the so-called triumphant post-1989 North American and European economies, where free markets still operate, and there seems to be a lot of private ownership of the means of production and private profit-making. But it's all underpinned by government, and the banks have to be propped up by government. And the banks are what finance private production. And there's a lot of private production that wouldn't be happening now if it were not for government spending, what Jonquil and her colleagues were talking about yesterday.

And that government spending has to be on borrowed money at the moment, because

otherwise, there isn't enough expenditure in the system to avoid a much deeper slump than the admittedly very bad recession we had. And that really means that we have a sort of free market system underpinned by a massive role for government. And the prompting governments in power now, especially in Europe, to be talking about downsizing the state, but they're not really managing it. And to the extent that they tried it immediately after the financial crisis, they had to step back. Because they realised that they were going to push us further into recession if they immediately reduce public spending and raise taxes.

So the term capitalism, just at the point when it was being readopted by the supporters because it seemed to be the only system available, it ran into trouble, and it became structurally shifted. And we're still coming to terms with what we have now, whether it is capitalism, whether it is a sort of state-supported capitalism that isn't, or as I think we'll start arguing eventually, it is a form of capitalism. We just got rid of the capital.

And paradoxical as that may seem, I think it builds on this fundamental problem we have with conceptualising and measuring capital. There are ways in which we can understand this as a system which essentially is very capital-light. And that that's paradoxical, because economic growth depends on investment. And traditionally, we thought of investment as accumulation of capital. And I think the difference is, if what I'm saying is at all coherent, that actually, investment doesn't accumulate capital. Investment can potentially destroy as much capital as it produces, perhaps even more.

KAREN FOLEY: Well, it looks like we may never solve the problem about what capital is.

ALAN SHIPMAN: I'm sorry about that.

KAREN FOLEY: You don't at all. You don't at all. But there's probably a very thick book of it. And judging by the Piketty book, probably an even thicker one.

ALAN SHIPMAN: My book is extremely thin, I have to say.

KAREN FOLEY: [LAUGHS]

ALAN SHIPMAN: Mainly because I ran out of time writing it, but I shouldn't admit that.

KAREN FOLEY: Well, thank you so much, Alan, for coming and talking to us about that today. It's really interesting. And I think, as so many students, we know we've got a lot of new students here who are studying DD102 and DD103. who will come across some of these concepts. And very

interesting about how it relates to so many other different aspects, aside from the ones that are purely obviously economic.

So aside from that, I'd like to go to the Social Media Desk just before we close. Because yesterday, we were having a conversation where HJ got made president of a small island which was running on some sort of capital of jelly beans, I believe. Although I don't think that you quite understand the intricacies of this. How's it all going over there?

HJ: Well it's going OK. There's a lot of pressure being president, I think. I mean--

RACHEL: And you're without your badge, so there you go.

HJ: I've got my presidential badge here. It's a different colour today, so I'm very pleased about that, actually. Better.

RACHEL: We like to change things with the jazzy lights on the board.

HJ: Change it up. Change the color of the board and the badges.

RACHEL: So I'm going to give myself my chancellor badge, because this is quite important here.

HJ: Oh, yes. We need someone to look after the beans, the bean counter.

RACHEL: Hang on. There's less beans today.

KAREN FOLEY: [LAUGHING]

HJ: I have no idea what happened there.

RACHEL: Well, you're talking about money. I mean, this makes fantastic currency, doesn't it, at the end of the day?

HJ: It does. It works really well as a currency, actually.

KAREN FOLEY: Well, yes, but last night, you two tried to pay for the food with those jelly beans, and that didn't go down so well. We'll show you some pictures of that later, actually, if we can get those sorted.

RACHEL: We have a picture here. It seemed to work.

KAREN FOLEY: I don't think so. [LAUGHING]

HJ: I think she was confused at first.

RACHEL: She was a little bit confused.

HJ: But I think everyone goes over to the concept of jelly beans as a form of currency. I mean, I would say it worked pretty well.

RACHEL: Would you?

KAREN FOLEY: No, it's not going to work, guys. Come on, let's be honest. [LAUGHING]

RACHEL: It will.

HJ: It will. It'll catch on. It'll catch on.

KAREN FOLEY: Anyway, I think the idea that there are lots of other things than money is an interesting one, but it's not always factually true, certainly not in a restaurant. All right, well, we're going to have a short break now, and we're going to come back. We've got a Q&A session next. So I'm hoping that we've got loads more questions. We had lots and lots yesterday. And I bet there are some very, very common areas. Remember, no question is too silly. And we know we've got a lot of new students here.

So we've got two Q&A sessions. The first we're having with some people from our social sciences area. And the second one, later on today. Is with the module chair and two associate lecturers. So we're hoping to cover lots in there. So we'll see you in about five minutes after the short video break. And we'll be back there to pose your questions to our panel. See you in five.

[MUSIC PLAYING]