

EDITORIAL

Polanyi against the whirlwind

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The left must quickly recover the capacity to offer a radically different political economy or reap the consequences.

We've been here before – up against the social and political limits of our economic order, on the brink of a great unwinding of market liberalism. The previous, Victorian era of globalisation unfolded along a similar arc. Few establishment observers saw the end approaching then, either.

The years following the Napoleonic Wars up until 1914 witnessed massive world-wide economic integration under the protection of the Royal Navy. Commodities moved ever faster across borders, as sail gave way to steam and horsepower to railways. New communications technologies and multilateral agreements proliferated. Trans-oceanic submarine cables were laid, scientific conventions standardised weights and measures, and clocks were synchronised at Chester Arthur's International Conference on the Meridian in 1884. Tariff barriers came down, trade volumes increased, and more than forty commercial treaties were concluded among European countries.¹ It was, for many, an 'economic Eldorado'. Keynes was later to marvel, in *The Economic Consequences of the Peace*, at the age's newfound ability to 'order by telephone ... the various products of the whole earth ... and reasonably expect their early delivery upon [the] doorstep'.²

Then as now, liberal elites were transfixed by the fruits of capitalist globalisation, congratulating themselves and each other on such epiphenomena as the spread of culture and consumption. As with our own era of market liberalism, they missed or ignored the deeper underlying dynamics of the system. The 'stark utopia' of the universalisation of the market as the governing principle of social organisation even-

tually reached its breaking point. ‘Such an institution’, as Karl Polanyi admonished in *The Great Transformation*, ‘could not exist for any length of time without annihilating the human and natural substance of society; it would have physically destroyed man and transformed his surroundings into a wilderness’.³ One after another, the ruling institutions of nineteenth-century civilisation – the gold standard, the Great Power system, the liberal state – collapsed under pressure. In the end, the attendant horrors of imperialism and deep conflicts that had been brewing – financial crisis, deflation, mass unemployment, beggar-thy-neighbour trade wars – erupted into the charnel house of the twentieth century.

Today, we’re once again in a Polanyi moment. The vast disruptive power of markets and globalisation unleashed upon people, communities, and regions now requires a massive ‘re-embedding’ of the economy in society and nature if we are to avoid a catastrophic spiral into fascism and environmental collapse. Decades of ceaselessly expanding market liberalism have sown row upon row of dragon’s teeth; the left must quickly recover the capacity to offer a radically different political economy or reap the consequences.

Contours of the present crisis

There are encouraging signs that the more thoughtful elements of the centre left are awakening to the magnitude of the crisis. Stagnant real wages, labour arbitrage, compounding inequality, financialisation, social atomisation, ecological destruction – the dashboard warning lights have been blinking insistently for long enough. And yet, whether through complacency, wilful ignorance, or cynical accommodation, most social democrats have left it until very late in the day to sit up and pay attention. After Brexit, after the US election, it should be evident that the clapped-out politics of triangulation and pallid economics of amelioration are no match for a resurgent right populism now on the march. Frantically leafing through the Third Way playbook to cycle in some new empty suit with a soundbite is a recipe for disaster, given the depth of popular anger at the political class.

This is not just a matter of the US presidential election. The American people have spoken, and through their ridiculous antique constitutional machinery have propelled into office a monstrous gargoyle, a Batman villain with a comb-over and bright orange tan who hails from a gilded tower in Gotham and stands at the head of some of the most sinister forces in American political life. A rogues’ gallery of plutocrats and ideologues is being assembled to govern the nation. But we should not mistake symptoms for causes. The crisis extends way beyond Donald Trump.

An election-day poll by Reuters/Ipsos found a whopping seventy-two per cent of all Americans – a supermajority across all parties and persuasions – agreeing that ‘the economy is rigged to advantage the rich and powerful’.⁴ The parallels with the Brexit

vote – in which citizens overturned an overwhelming establishment consensus favouring the status quo to reach for something radically different out of a desire to ‘take back control’ – are obvious. A deep and abiding sense of economic disempowerment has taken hold across many advanced industrial societies, producing boiling anger amongst voters at a system they see as stacked against them.

They are not wrong. Liberals tearing their hair at the arrival of barbarians inside the gates would do better to look to the legitimate basis of rising popular anger. For decades – under Clinton and Obama no less than Reagan and the Bushes – virtually all the gains to the US economy have been captured by the very rich, while the vast majority received a declining share of increasing productivity. Real wages for around eighty per cent of American workers have been flat for at least three decades.⁵ Meanwhile, the income share taken by the top one per cent has jumped from ten per cent in 1980 to more than twenty-two per cent today – their largest share since 1929.⁶ Moreover, the US income distribution looks positively egalitarian when compared to wealth ownership, with the top ten per cent now commanding over three quarters of the total.⁷ Taken together, the richest four hundred individuals now have more wealth than the bottom 186 million Americans combined.⁸ At the same time, over forty per cent of families are surviving from payday to payday, with almost no savings to fall back on in the event of job loss or other emergency.⁹

The United States is now living the consequences of these neo-feudal patterns. Communities are falling into decay, their social bonds dissolving. Violence is endemic. Civil liberties are eroding. Racism and patriarchy remain entrenched. The lives of millions are compromised by economic and social pain. Once-great cities have been thrown away, whole regions left behind, as elsewhere haphazard growth and speculation push out the poor and vulnerable. Health inequality is on the rise, with the life expectancy gap between rich and poor people born in 1950 up significantly over those born in 1920.¹⁰ The labour force participation rate has fallen steadily for two decades, and is projected to decrease still further.¹¹ Young people are saddled with ever-growing debt, including (but by no means limited to) a staggering \$1 trillion in student loans. The ‘American Gulag’ now imprisons over 600 per 100,000, an incarceration rate that has more than quintupled since the 1970s, and remains among the highest in the world. Polling on everything from Congress to the media to the Supreme Court shows a dramatic fall in public trust, a fully-fledged legitimisation crisis in the making.¹² At some point something had to give. We can scarcely affect surprise at the emergence of a demagogue.

Europe’s rulers are not in any position to sit in judgment. Much of the continent still groans under the weight of austerity, mired in a recovery-less recovery. A massive refugee crisis goes unattended at the borders while a deflationary doomsday machine sits at the heart of the European Union, in the form of an unbalanced monetary union that is generating unending recession, low growth, and high unemployment – and a

rising tide of far-right nationalism.¹³ Authoritarian right-wing parties currently govern Poland and Hungary. Social and political upheavals, experienced most acutely at the periphery – in the so-called PIGS countries of Portugal, Ireland, Greece, and Spain – are increasingly being felt in core countries as well, enveloping even the beneficiaries of the single currency in a dangerous *Kulturkampf*. In Austria, where real wages have been stagnating and inequality is on the rise, an alliance of all other political parties only narrowly prevented a neo-Nazi from ascending to the presidency back in December.¹⁴ (The margin was 53.4 per cent to 46.6 per cent, hardly cause for comfort. And what do we expect will happen in the *next* Austrian elections?) This year's French presidential election could test to destruction the willingness of electorates, offered a choice between neo-liberalism and neo-fascism and subject to a wall of establishment hectoring, to sullenly deliver their votes for a despised status quo.

Nor is this the full extent of our difficulties. We should add in the looming climate crisis, plus a high likelihood of recurring financial Armageddon. On climate, we are already past the threshold of 400 parts per million of CO₂ in the atmosphere, and the best estimates are that we may now have fewer than five years of emissions at current levels before we use up the carbon budget for a good chance – a sixty-six per cent probability – of keeping average global temperature increases below 1.5°C over pre-industrial levels.¹⁵ Climate change that is already baked in will mean the steady unfolding of local and regional natural disasters and extreme weather events in the medium term, with tapped-out austerity regimes left to cope with the resulting price shocks, supply disruptions, rising infrastructure and remediation costs, growing numbers of climate refugees, and a whole host of associated social and economic dislocations. Temperature increases beyond 2°C will quickly start to become incompatible with an organised global community.

On banking, we have seemingly learned nothing from the Great Financial Crisis, with another massive crash simply a matter of time. Even the weak and inadequate regulatory regimes put in place after 2008 now seem likely to be rolled back. It's the Wild West again. The global derivatives market, for instance, currently stands at something like \$1.2 *quadrillion*, or 20 times gross world product (GWP). As Ellen Brown, President Emeritus of the Public Banking Institute, has pointed out, no amount of collateralisation could contain the damage if a major crisis were to occur in this market. The money simply doesn't exist.¹⁶

A left alternative?

The current system is failing. With the sharp rejection by electorates of a stale elite consensus, we are now embarked upon a sea of pain. The dark id has been released from the basement of our culture, and the ugly language of hatred is abroad with a platform it hasn't had in years. As a consequence, the coming period will be one of

great difficulty, and many will suffer. This pain and suffering will not fall on everyone equally. It will be necessary to defend what we mistakenly dared to think had been secure, or what we already knew was in dire jeopardy – whether that's the right to vote, to organise, to dissent, to marry, to control one's own body, or even to exist in public as black or brown or female or gay or transgender or Muslim or immigrant without the ever-present threat of violence and discrimination.

At the same time, we simply must not allow ourselves to be trapped on the defensive. Crises of climate, of inequality, of racial injustice are already upon us, demanding clear and credible answers. Collectively, we must craft a powerful strategic response to the rapidly changing political environment.

On the face of it, the centre left seems ill-equipped for the challenges of such an era of flux and change. The recent past will probably be a poor predictor of future outcomes. Talking heads and expert keepers of conventional wisdom are likely to be continually wrong-footed. Under such conditions, social democrats' natural instincts, tending as they do to the conservative and over-cautious, could be disastrous. It would be a grave error, for example, to attempt to dig defensive ditches in the sand of a vanishing neo-liberal status quo. At the end of the day, the single market and the Eurozone will be no more defensible than were the League of Nations or the gold standard. It is imperative that the left not cede to the neo-fascist right the mantle of anti-elitist populism against a system increasingly seen as rotten to its core. Much of the initial reaction to Brexit, a welping form of liberal identity politics, does not inspire great confidence in this regard.

Instead, the left ought to be offering proposals containing bold, radical political-economic alternatives. Some of us think we have at least some of the answers – and are delighted to see similar ideas reflected in John McDonnell's promising 'new economics'. Instead of the concentration of wealth, the broad dispersal of ownership. Instead of the icy-smooth frictionlessness of the single market, the rooted participatory democratic local economy. Instead of the extractive multinational corporation, the worker- or community-owned firm. Instead of asset-stripping privatisation, plural forms of democratised public enterprise. Instead of austerity and private credit creation by *rentier* finance, the huge potential power of public banks and post-scarcity sovereign fiat money. And on and on. Serious investigation regarding the next economic paradigm is increasingly converging on the overriding principle of *economic democracy*.¹⁷

It's worth emphasising that, while many of these strategies begin locally, their application is by no means confined to the local level. On the basis of a growing body of new thinking on the left it is becoming possible to project and extend a vision of democratised regional and national economies, oriented around multipliers, as an alternative to neo-liberal crisis and austerity. In such a vision, commons management systems could provide an expanding zone of de-commodification to

buffer against the market. Public trusts could be extended into key domains, from land to the electromagnetic spectrum, underwriting public services or issuing a citizen dividend. Large pools of worker capital could be mobilised in support of regional rebalancing and alternative ownership strategies. New national industrial strategies could encompass both democratic public ownership and new green planning capacities and functions.¹⁸

Thus armed, there will be significant opportunities in this changed environment as we seek to advance our visions and alternatives. In line with his promises on the campaign trail, the Trump administration may well attempt some new efforts on jobs, on infrastructure, on trade. But frustrated blue-collar workers in rustbelt states who responded to a rhetorical critique of neo-liberal policies are unlikely to benefit overmuch from a Crony Keynesianism built on corporate giveaways, shakedowns, and sweetheart contracts for political donors. Brexit Britain, too, with all its difficulties, will likely be a place in which there are openings for the articulation and construction of a very different pattern of political economy – albeit with additional challenges stemming from the far greater relative exposure of the British economy to international trade and finance. This will not be the work of a single electoral cycle, but must begin now. And while it can be initiated at lower levels, it will ultimately require the acquisition of national state power. The present system, at bottom, simply *cannot* deliver (although it can certainly get worse). Whenever space opens up we must be ready to insert our own better, more compelling alternatives.

It bears repeating: *there can be no victory for the left that relies upon a defence of the status quo*. Attempts to triangulate around a crisis-ridden neo-liberalism are everywhere meeting with defeat and rejection. Those whose jobs have been lost to trade or automation are well aware of the contempt in which they are held by globalising elites – a contempt that originates from ‘deep within orthodox macroeconomic theory itself’, and has now become political poison.¹⁹ Similarly, while any scapegoating of immigrants demands unflinching workers’ solidarity in response, this does not mean swallowing the implausible proposition that large-scale offshoring of jobs or flows of impoverished labour have no effect on bargaining power or wages. Every libertarian and humanitarian impulse strains against restrictions on ‘free movement’, but in a world in which the property ownership regime operates on a timespan measured in milliseconds, labour can never be mobile enough to close the gap. Simple denial that there is anything at issue is a non-starter politically. The left’s solution, however, will be found in the direction of anchoring capital, not people.

There is therefore little to lose, and much to gain, from a radical break with market liberalism. The citadel has already been breached, the barbarians are already inside the gates. Indeed, the very idea of a successful left in the coming period relies on our once again understanding that, if we are doing politics right, the barbarians are *us*.

Long ago, Bertram Gross warned of the dangers of *Friendly Fascism* – ‘a slow and

powerful drift toward greater concentration of power and wealth in a repressive Big Business-Big Government partnership'.²⁰ It has now arrived – and must be fought. But unless we are able to oppose powerful, actionable visions of shared community and mutual prosperity to the nightmares of fear, hatred, and isolation that have seized our politics, we will not win. Anyone who doubts this has learned nothing from recent events. As the imperium falls, we should ready ourselves to seek out what another historian once termed 'the promise of the coming Dark Age'.²¹ The upside of this deeply challenging period of crisis instability is that something really quite radical might be possible in terms of transformative political-economic change. More than possible, it will actually be *required* if we are to avoid catastrophe. Otherwise, the consequences will not bear contemplating. *Après nous, le déluge.*

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