

# WHAT IS AUSTERITY?

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**Abstract** This is the edited transcript of a conversation between Rebecca Bramall, editor of this special issue, Jeremy Gilbert, editor of *New Formations*, and James Meadway, who at the time was chief economist of the New Economics Foundation and is currently advising shadow chancellor of the exchequer John McDonnell in a consultancy capacity. The discussion touches on the different meanings of ‘austerity’ in contemporary political discourse, the history of neoliberal austerity programmes and their political and social effects, the uneven implementation of austerity in the UK, and various other issues in understanding the cultural, social and economic politics of ‘austerity’ in contemporary Britain, today and in the future.

**Keywords** austerity, post-austerity, neo-keynesian, degrowth, youth

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**Jeremy:** How do we define ‘austerity’? Is there an economic definition or is it a purely political concept? Or is it a socio-cultural category? What do you think, from an economist’s point of view?

**James:** In practice it’s political. There’s a hard and fast rule by which to define recession – a formula: a recession starts when there’s been two consecutive quarters of negative growth. But there isn’t anything similar for austerity – so it’s a political category rather than an economic one. And the politics of it is particularly important in the UK.

Over the last few years we have had austerity – defined not so much by the government, because I think, especially initially, they didn’t use the word – but by others. When the Coalition Government was created in 2010, very dramatic and severe spending cuts were forecast, but even then the word ‘austerity’ was not used by advocates of the cuts. Then after a few years of missing dramatic targets for spending cuts, for a number of different reasons, the government eased up on cuts entirely. For the year running up to the general election there were actually no spending cuts applied at all.

The politics and rhetoric of this process matters a great deal, because for some time we actually had less austerity than we were told we were going to get; and then in 2014-15, in the year running up to the election, there were twelve months of really no new austerity at all. All the while the entire rhetoric was stating that austerity was continuing, that the government was still implementing cuts, this is all going ahead – which completely disabled the Labour opposition at that point.

Labour were saying a number of different things that didn't work out: 'this is just going to trash the economy' and 'we're going to oppose the spending cuts' and 'this is going to lead to everybody having falling living standards', etc. None of these things quite occurred as predicted. So the whole message was confused. They were gamed by Chancellor [finance minister] George Osborne, who has his hand on the main lever, after all. If you're the government of an independent country like this, you can determine how much you spend or don't spend, how much you tax or don't tax at any point in time; so they did, and they completely gamed the Labour opposition over that period. So the politics of 'austerity' and the definition of it really matter here, because the story counts for more than what you actually do.

**Rebecca:** We could try to answer the question by thinking about how austerity is defined by the groups that have come to oppose it. So within the various strands of anti-austerity politics, how has austerity been understood? There are some significantly different ideas in circulation. A group like UK Uncut has a particular implicit conception of what austerity is; anti-austerity movements across Europe have arguably differing conceptions of it. Sometimes it is about being against the political structures that are imposing austerity – the EU, the Troika. Sometimes it's about cuts to public services or privatization. In the case of the most prominent UK Uncut campaigns, there has been a focus on the relationship between corporate tax avoidance and cuts in public spending. Arguably, this actually isn't an anti-austerity position at all. It doesn't challenge the idea that you need to deal with the deficit; rather it's about pointing to an alternative way of eliminating it. So within these different movements, distinctive conceptions of what activists need to challenge and to work against produce very fluid meanings of austerity.

**James:** There is some consistency to what the term means though. Basically what everyone means by 'austerity' is quite severe spending cuts of one sort or another. At the UK general election in May 2015, the three main political parties – Labour, Liberal Democrats and Conservatives – took differing approaches to the question of how to balance spending cuts and tax rises. The emphasis for the Conservatives is very much on spending cuts rather than tax rises. All of them however, accepted the basic premise that the government deficit was bad and must be closed, which is, economically speaking, extremely questionable.

**Rebecca:** Well again, there's another strand of anti-austerity politics which is about questioning the 'we must start living within our means' commonsense. That's another distinct anti-austerity argument. And again, austerity means something different in the context of that argument. So although there might be a boiled-down economic definition, we've got different ideas about austerity floating around. And maybe that's one of the reasons why anti-austerity politics hasn't been very successful.

## ANTI-AUSTERITIES

**Jeremy:** I think that's a good point. Within anti-austerity discourse there's at least two main frames aren't there? There's an essentially neo-Keynesian frame according to which all this kind of monetary nonsense about having to balance the books is just economically illiterate. Then there's the position which asserts that the books must be balanced, but the main burden of achieving that end must fall on the rich. I mean even Corbyn isn't publicly saying 'all this talk about eliminating the deficit is just stupid'.

**Rebecca:** And that's interesting because Corbyn's draft economic plan draws heavily on the work of Richard Murphy, who's a leading tax researcher. So Corbyn appears to be invested in the idea that we should go after tax avoiders, and that will be how we will deal with the deficit.

**James:** I think Murphy would be inclined towards the view that the deficit isn't that big an issue, and that in practice the government deficit is what keeps the rest of the economy moving.

But I think there are weaknesses with the idea that tackling tax avoidance alone can be central to a radical economic programme and with anti-austerity politics in general. One, is that it sometimes lines up with a kind of elite anti-austerity economics which is extremely limited in the ways that it challenges the underlying assumptions of neoliberalism and austerity politics. For example, consider Paul Krugman, who is a very good economist (with a very good blog). He is very reputable and really well-respected almost across the political spectrum. He takes a neo-Keynesian position: straight down the line, if you're in recession don't make cuts, as you'll make the economy weaker. Krugman isn't really on the left, and has argued according to the same logic that when the economy is growing then that's when you start to begin to cut. This is a sort of right-wing Keynesian, technocratic version of anti-austerity economics which I don't think has often been helpful in giving expression to the more general, innate feeling shared by many people – which UK Uncut tapped into – that something is wrong with Amazon not paying any tax. This argument is easier for people to understand than technical economic arguments about monetary policy.

But these two sets of arguments and observations don't necessarily fit together very well and it's trying to tease out something between the two so that you get somewhere politically which has proved very difficult in practice. Then there's also weaknesses with the general idea that going after tax evasion can have great effects. It can have some, but tackling avoidance is itself a challenge. It's just difficult. I mean Richard Murphy has estimated the tax gap at 120 billion pounds. As he has said, it will be very, very difficult (to be generous!) to get most of that money because by the nature of tax avoidance people who are avoiding tax are very good at not paying taxes. If the government just says to them 'Here you must pay this tax', they'll find some other way to not pay the tax.

## ECOLOGY AND DEGROWTH

**Rebecca:** Another kind of anti-austerity position that we might discuss is the one that emerges out of the ‘degrowth’ hypothesis. This position offers a critique of austerity, but it is also critical of anti-austerity politics. So to be more specific, political ecologists based at the Autonomous University in Barcelona, notably Giorgos Kallis, are critical of austerity, but they’re also critical of what they call the ‘austerity stimulus’ paradigm, or the idea that we would even want to ‘get back to growth’. At the same time they’re treading a fine line, because they don’t want degrowth to be confused with recession. In fact they’ve put a considerable amount of energy into trying to differentiate degrowth and recession.

I’ve been interested in the relationship between concepts of austerity and environmental politics for a while. In my book there’s a discussion of the considerable consonance between the rhetorics that were being used in the mid-2000s to talk about ‘environmental war economies’ [i.e. the idea that a pro-environmental programme might involve the mobilisation of society against environmental degradation and its consequences on a scale and with a level of co-ordination comparable to the mobilisation of a population during a full-scale war], and so on, and austerity politics. Those resonances have become more muted, but they have nonetheless created an overlap between the language and implications of these different economic perspectives. It poses quite a big problem for environmental politics now, I think. In the wake of austerity, how do you talk about the idea that ‘less is more’? I’d be interested in what you think about that.

**James:** I think you’ve picked up on a key issue there. I mean it’s always struck me as slightly difficult to say at one and the same time that we should reduce growth to protect the environment and that all we have to do is to print more money and use it wisely and all will be well. So these two approaches do not fit easily together, unless you start being really quite prescriptive about how the money is spent and managed. And there is a kind of pro-austerity position implicit in some versions of degrowth rhetoric.

I used to get emails from people saying ‘Why are you arguing that the government should spend money? It’s good that we have this recession, it’s good that we have austerity – it means everyone has to spend less and therefore damage the environment less’. The last recession was one of the few occasions when carbon dioxide emissions actually dropped – in the depth of recession, for the UK and for Western Europe as a whole. There is an immediate impact because people spend less and they travel less and there you go: lower carbon emissions. So you can see why that case is being made. This fits with a long Malthusian tradition within the environmental movement, going all the way back to Malthus I suppose, which informs the rhetoric you get around some interpretations of the ‘limits to growth’ literature and the idea that there

are planetary boundaries which must be respected. The distributional issues associated with that are secondary, from the perspective of this Malthusian tradition.

Now, the difficulty here is that it is the question of distribution that gives you the boundaries. There was a particularly interesting argument at the European Society for Ecological Economics conference in Leeds recently between the degrowth people – Kallis in particular – on one side and the sort of more longer standing ‘steady state economy’ people; and an argument about what you mean by limits and what you mean by plenty.

The degrowth argument is that these limits are not actually physical, if you’re talking about limits for what we do as a society. They are not physical in the literal sense: rather they are defined by how society is organised. So if you change the organisation of society and re-define limits, then you re-define what you mean by plenty.

**Rebecca:** That’s why the degrowth economists are very interested in the concept of ‘*dépense sociale*’ [lit: social expenditure], isn’t it? This is the idea that you actually can and perhaps *should* consume in a wasteful way, but it has to be done according to a democratically agreed process.

**James:** I thought this was one of the more brilliant things that Kallis said: that society always produces, so the issue for the environment is not about saving anything: rather, it’s the question of the surplus that society produces. What do you do with the surplus? Which is fundamental in the end to any decent political economy. This is Marx. This is Riccardo. This is classical political economy. What do you do with the surplus? The whole of Marxist thought arguably starts with the question: once you have class societies what do you do with the surplus? How do you organise it? And of course we can destroy it – what we could do, for example is just burn it in a massive social festival. According to this line of thinking, that would be a good thing to do with the surplus. Whereas what we actually do with the surplus today is to frantically reinvest it in increasingly useless, environmentally destructive ways; and that’s what creates the problems with growth.

**Rebecca:** And as I understand it, the idea of austerity, or sobriety, or whatever they want to call it, applies on more individual basis; you are supposed to live a more sober, austere kind of life in this post-growth context, while ‘waste’ takes place in a social setting, through the ritual destruction of accumulated surplus. Personal sobriety and socialized *dépense* are meant to replace the pairing of social austerity and individual excess that we’re more familiar with. So again, there’s an idea of austerity there, and it’s being worked through how they develop and make the case for degrowth.

**James:** This is very interesting stuff, putting a much more constructivist spin on the usual ‘limits to growth’ and ‘planetary boundaries’ ideas, which tends

towards being a little bit mechanical. At some point, all the oil will run out: that is true. But before we get to that point, fairly dramatic things are going to happen to human society. So it is not quite as easy as going, 'Right that is it, everything is going to be different'. You can see with the peak oil arguments you get; 'Well the oil is running out, therefore the price will just go up and up and up forever, and that will change everything'. But it's never that simple.

**Rebecca:** Andrew Ross makes a similar argument in his book *The Chicago Gangster Theory of Life* when he talks about the austerity policies that emerged out of New York in the mid-1970s. He's critical of the idea that we already know what the parameters of scarcity are – that we should accept scarcity as a 'default condition' – and he argues that there's an interplay between environmentalism and neoliberal austerity economics.

**James:** You can see it again with the 1945 Labour government. Although in retrospect it seems wonderful, you had Stafford Cripps as Chancellor who shifted rapidly to right, after being expelled from the Labour Party for being too left wing in the '30s. And he had this narrative that they were going to implement austerity, although they were going to try to do it fairly, and it would all be much more re-distributive and reasonable than it is now. That is another version of austerity politics, which we can see a current example of in the case of Hollande in France. His programme has basically been to do austerity nicely, claiming to make sure that the rich really bear the consequences and everybody else won't suffer. And in Greece, after his difficult nine months in government, and the splits in Syriza and the rest of it, Tsipras' line appears to be also 'We'll do austerity nicely': so it's austerity with a human face.

And that does get us back to the UK Uncut stuff I think. Implicit in that is a sort of idea that 'well we're gonna, you know, we'll find someone else who can be made to fund the deficit' – which does have a kind of popular appeal. It is easy, to say: 'these people have loads of money ...we need to cover this gap. Off you go'.

## EXPERIENCING AUSTERITY

**Rebecca:** Well this gets to the root of the problem that lots of people have talked about, which is the anti-democratic nature of imposed austerity – whether it is being imposed by the Troika, or whether it is being imposed by the Coalition or by the Conservative government: the question is whether we, the public, agreed to this. What is the democratic process through which we make economic decisions? Austerity might be a perfectly reasonable way of dealing with certain kinds of problems, so long as everyone participates in the decision about what it is that you are going to cut or pull back on.

**James:** Yes this is the real challenge. There is a more general fact that neoliberalism has issues with democracy, full stop. But there's a particular

problem with austerity in Greece for example in that the vast majority of Greeks do not want it to happen, but it's being imposed on them anyway, which is an obvious democratic issue. It's more subtle in the UK. This comes back to the fact that we didn't get the austerity that we were promised, or told that we would get. We got something that was a much softer version of that. And the rhetoric from this government before the 2015 general election has not been 'this will hurt' – it's been all about the broad sunlit uplands and the fact that things are going to get better.

Now the projections of what austerity cuts are going to mean during this parliament, in particular with regard to changes to social benefits, especially Working Tax Credits [a welfare benefit for low-paid workers], are quite serious. Over the next few years most people who are receiving it are going to lose at least some money, and a good three million people are going to lose a thousand pounds a year. And those three million people are all down the bottom end of the income distribution. Now, that is something we have not been told about – we were told that actually this is going to be okay, really, that there are going to be efficiency savings to cover the cuts and that in any case these people are all spongers and it is not like this is going to hit everybody. [NB: this policy was dropped following public outcries and stiff opposition from the Labour leadership]

**Rebecca:** So then I think this comes back to our original question about the nature of austerity. What is more significant, the threat that your standard of living is going to be curtailed, or the experience of feeling the effects of austerity? I think it is really interesting, in relation to what you are talking about, James, to consider the relationship between being told that austerity is going to be coming, and austerity's felt impacts – austerity 'actually' happening to you.

One of the polls that has been thought-provoking (in so far as we want to pay attention to polls at all) is the YouGov survey on public opinion on the spending cuts, which has been running since 2010. They've been asking whether participants feel that spending cuts are, or are not, having an impact on their own lives. And the number giving a positive response to that question has been decreasing. So in 2011, 70% of people said that the spending cuts were impacting them, but by May 2015 it was only 45%. In part this has to do with the clever way in which austerity has been implemented, the way it has been targeted at vulnerable and isolated social groups. But I think it is also something to do with the temporality of its implementation, which has perhaps encouraged people to reconcile themselves to the inevitable.

In such a situation, what does feeling that spending cuts are 'having an impact' really mean? Actually it might be something that you experience as embodied: rather in the way that Rebecca Coleman describes in her piece in this issue, when she talks about the experience of anticipation and the reorganisation of your expectations about your entitlements around that anticipation of what is to come. So when it does come, the impact of austerity

is in a way somewhat softened. That would be one of my interpretations of what is happening, which I think has serious implications for an 'anti-austerity' politics: is there any use in positioning a politics against a scenario that people have already taken on board and internalised? Can we expect people to get worked up about something that is still evidently happening to them, but that they don't really 'feel' – they don't construe as 'having an impact'?

**James:** Yes. It's like the idea that if you put a frog in boiling water it jumps out straight away, but if you turn the heat up gradually it doesn't notice until it's too late (apparently frogs don't really do this, but it's a good metaphor).

But where I think the austerity project is going to come a cropper is at the point where all the low-hanging fruit has already been harvested. Initially they've gone for things that are politically easy to cut, often because they can pass on responsibility for implementing the cuts to local municipalities. The biggest chunk of cuts over the last five years has been to central government funding for local government, and central government has largely just handed the cuts to local council and told them to deal with it. And local authorities have actually done a surprisingly good job in many ways in coping with this. Although in many cases they have warded off disaster by implementing some very weird funding arrangements, which are storing up all sorts of issues for further down the line. But having got this far, having hacked away at the stuff they can get at relatively easily, the government are now having to hit even some of the core Conservative voters. The Tax Credits changes are going to be huge. The only way they are going to get through them, I suspect, without a serious upset of one form or another, is if the economy carries on growing.

Why is the economy growing at the moment, despite austerity? It's partly because austerity has not been implemented to the extent that was threatened, and also because the property market and borrowing levels are rising rapidly – not as badly as in 2006 and 2007, but faster than is likely to be stable. If you are in a position where you can kind of gloss over whatever difficulties there may be with extra borrowing, it is not a sustainable position in the long-run, but it can make everything look more comfortable, and your general situation does not seem too bad. This is the current situation for a lot of middle income voters.

The difficulty comes when you cannot meet the repayments, or when you cannot get extra money or you cannot roll over your loans. Which again, is something that can happen: sooner, rather than later, for a lot of people. I mean, that is the real issue which we are talking about here: concentration of debt. It is striking the way in which, since 2008 the period of austerity has been one in which the richer chunk of the population, say the top twenty per cent have been paying down debt. And the poorer chunk, around the bottom twenty per cent have been taking on more and more debt: kind of regressive redistribution of debt. This is distinct from the situation pre-2008: before 2008 everybody is taking on more debt – after 2008 it works in this new way.

## THE POLITICS OF DEBT

**Rebecca:** We might talk about that a bit more. There are a couple of articles in the issue about the politics of debt and the idea of organising politically around debt and indebtedness. We can contrast the situation in the UK with that in the US, where there has been a bit more take up of that idea, and where an anti-austerity politics has mutated into more of a debt-resistance politics. Such developments have been quite limited here so far I think. Liam Stanley, Joe Deville and Johnna Montgomerie's article in this issue looks at the very low-level support mechanisms that exist on peer-to-peer platforms, where people can offer debt advice to each other. It is debatable whether we want to see that kind of activity as a form of resistance. And then there is the question of students and student-debt and how that is going to play out.

**Jeremy:** Well there is a very weak tradition in this country, of organising around issues like debt. A certain tradition of economic moralism is very strong here, and is arguably a central strand of the English liberal tradition. That doesn't create very conducive territory for debt to become a basis for organisation. Of course we can still hope for that, but I think this partly explains why it has been relatively easy for them to continue rolling out these huge levels of debt.

It is worth thinking a bit about the kind of predictions that were being made in 2008 about the scale of austerity and the likely social and political consequences of the crisis were. There was a very wide-spread belief that we were definitely about to see serious levels of mass unemployment, and I think that that expectation was one of the conditions for people accepting a significant cut in wages, across the board, effectively. Which of course is always what capital wants: this is basic Marxism, page 1, what capital always wants is to reduce wages. And it did it very effectively by threatening that things otherwise things were going to be much, much worse. I think in England, in particular – less so in Scotland and Wales than in England – we have a culturally and historically quite conducive kind of context for that, because of the kind of strength of liberal economic moralism, and liberal individualism, which does mean that people are willing to accept the idea both that capital has a right to pursue profitability and that debt is a personal responsibility.

So I am not saying that debt shouldn't be mobilised around. But I am not that optimistic personally, about it becoming a basis for mobilisation in this country. I think we would have been on much stronger ground actually just trying to publicise the issue of the generalised wage-cut which so many people suffered and which barely got discussed at all in the wider media. It would have been, and still would be, a major political achievement just to get back into public discourse the fact that wages have suffered this serious cut across the board.

**James:** Particularly if you are young.

**Jeremy:** Well exactly.

## YOUTH AND NEOLIBERALISM

**James:** For people below the age of thirty or so this has been disastrous: they've suffered a cut of ten per cent or more in real wages over the last few years.

**Jeremy:** The youth issue is very interesting. I have always been a rather pessimistic about the likelihood of mass youth mobilization. In 2008 I didn't think there was going to be a revolution, and I thought the establishment were going to ride this out quite successfully. But I increasingly think now that eventually there must come a limit to how far youth can bear the brunt of the whole neoliberal project. Now that doesn't begin in 2008 – in fact it begins right at the start of that project, in the mid-1970s. I think punk was basically a response to the first wave of realisation that the expansion of social entitlements for young people which characterised the post-war period – more spending power, more personal freedom, more cultural autonomy, an expansive welfare state, assistance in setting up homes – was coming to an end and going into reverse.

**James:** I don't know about that – those people all got houses. I think the decisive tipping point comes around 2004. That is when home ownership actually starts to drop off.

**Jeremy:** That is true, but that is the outcome of a process which begins with the return of mass unemployment, the beginnings of benefit cuts, the end of the 1960s expansion of the universities. That all begins in the mid-1970s.

**James:** But universities expand again.

**Jeremy:** They do expand, they do expand again but they expand on quite different terms.

The experience that is offered to students in those parts of the university sector which expanded from the early 1990s on has never been remotely comparable to that which the middle classes think of as a 'traditional' university experience. Most of those students have had to work during term time and have never had the classic experience of full-time study, for example.

**Rebecca:** It's a question of different layers of entitlement, isn't it? It's not that there is a definite moment when everything changes – these entitlements are just whittled away.

**James:** Boiling frogs again I suppose, isn't it? So each stage does not seem too bad, so you tolerate it. I mean there does seem to be a break I think, in

2008. The experience of anybody graduating since 2008, and not even if you were graduating, just if you were young, has been dramatically different to the experience before that point. For people in that age bracket, it has become a social reality that they will never own a house, despite this still being held up as the key marker of successful economic independence.

**Jeremy:** Well a lot of people I graduated with in 1993 do not own houses. I think the tipping point was as much about the fact that after 2008 even people who have been to elite universities and write for newspapers find it difficult to buy homes, at least in London. That's why we suddenly start hearing about this as if it's some kind of new phenomenon. But a lot of the people I graduated with from a former polytechnic in the early Nineties, who had to leave London and couldn't afford houses then, still don't have houses.

**James:** This is quite a critical issue actually. I do not want to be flippant about it, because I think you are right that it is when these changes start to affect sections of the public who have always assumed that they are going to achieve that particular kind of middle-class lifestyle that a certain political tipping-point is reached. It strikes me that British capitalism has been quite bad at generating a middle class for quite a long period of time now, which is a major problem for it, but that problem only becomes fully apparent from 2004 or 2008.

**Jeremy:** Yes I think that's true.

**James:** Because in practice it has been a key role of the state to create a middle class, which has a crucial stabilising function. And every government does it. Even under Thatcher, publicly funded employment-creation is incredible. She created at least a million or so publicly funded posts, either in the public sector or publicly-funded jobs own the private sector, despite 'rolling back the frontiers of the state'. Every government basically creates more and more jobs like this, until you get to this one, and suddenly that stops. And then: where is the selection of jobs in the private sector that might offer elite graduates that nice middle-class lifestyle? If you have been to, you know, one of the elite universities, let us say. Now that looks like illustrating the truth of a standard working marxist assumption: that without a middle class of some sort, capitalism looks very unstable.

**Jeremy:** Yes I think that is true. I'm not trying to deny it at all. I wasn't trying to deny at all there is some kind of political tipping point reached around the mid two-thousands. But it is an important point that right from the beginning of the kind of monetary cuts of the mid-to-late Seventies, youth have always been a particular target for wage cuts and service cuts. It is a consistent feature of neoliberalism that wages, entitlements, services and training for

youth, have been a target. They were a target from very early on. There was a massive wave of cuts in the late 1980s when 16 – 18 year olds had almost all benefit entitlement withdrawn and when students had almost all such entitlements withdrawn. What we are describing now then is the limit point, at which now even the most privileged youth are under attack. Which means there is almost no-one left for them to attack amongst the young, who even amongst the traditional privileged middle classes, have now lost almost all of their established privileges.

To me that is the best explanation available of what is going on around Corbyn, for example. I would say that the long neoliberal project in Britain, at least, has been predicated as much as on anything, on the assumption that youth will remain politically inert, and politically inactive and disaggregated, and that the ones who were politically mobilised, were concentrated in the Labour cities anyway, and by the time they were old enough to be more likely to vote, would be would be comfortably re-settled in suburban homes. But that's a process which inherently just cannot go on forever

**James:** It's probably not been true for the past decade that the youth could be counted on to remain quiet in that way. I mean there have been a serious of basically useful mobilisations of one sort or another, since, at least the early 2000s I suppose. The other issue with Corbyn is that his election as Labour leader (he is sixty-six and many of his supporters are under thirty) represented a sort of generation gap in terms of political representation.

**Jeremy:** Yes exactly.

**James:** For anyone of the Left who reaches adulthood around the mid-1990s, there is just no obvious home for you. The Labour party is dominated by New Labour, by people who basically tell you: 'You are an appalling impediment to everything we want to do. Shut up and keep out of the way'. This goes on for nearly twenty years. Then suddenly the situation kind of bursts open, and everyone comes rushing back out. Some of it is the youth, some of it is actually older people going back to the Labour party all of a sudden.

**Jeremy:** Yeah, and I think that is true. Nobody has got a demographic breakdown of who they, of who Corbyn's supporters are. But I think, that is true. It is clearly not just a youth phenomenon.

**James:** According to YouGov the sample of people supporting it tends to be younger and tends to be somewhat more working class than support for the other candidates. But that is a set of people, within the Labour Party, rather than a set of people, in general.

**James:** There's another way in which 2008 seems to represent a significant political break. It was widely expected that a country like Britain, experiencing a shock on the scale of 2008, would suddenly see unemployment rising to mass levels. Unemployment did increase, but clearly not on anything like the scale that was predicted on the basis of the previous recession, including that of the 1990s. This really looks like an important break with past experience.

Michal Kalecki's classic paper on the politics of unemployment, from the 1940s, says that full employment is always a problem for capitalism, because if you get rid of unemployment then workers become organised, become more confident and push for higher wages. This pretty well describes the economics and politics of the post-war boom: low unemployment, very well-organised groups of workers able to push for very high wages. That happens, then it is all broken up when unemployment returns in the 70s and 80s. What seems to be happening now is a break with Kalecki's pattern: unemployment is falling, but so are wages and workplace organisation is getting weaker and weaker. I think this does look quite unprecedented.

Now whether it will hold, or whether some new form of organisation will turn up, is not clear. Private sector unionisation has been rising very slightly for the last three or four years now, which is a huge break with the last thirty years. But whether that turns into anything happening in terms of employment or whether we just carry on with this process until it is completely an atomised labour force, is not really very clear at this point.

**Jeremy:** Very interesting point. The obvious explanation for all this of course is that the technical and social reorganisation of capitalism since the 1970s has broken up all the traditional modes of organisation. Arguably this is what enables capital to tolerate full employment, or much higher levels of employment. Whereas under Fordism in particular, it couldn't politically tolerate either high levels of unemployment or full employment for very long: full employment led to labour militancy while unemployment led to catastrophically low levels of aggregate demand.

Which brings us back to the issue of debt, I think. Whereas full employment and rising wages were the main means of sustaining demand in the post-war period, since the 1970s we've seen a shift to consumption being supported largely through debt. I always tell my students that I remember when a credit card was a new thing: I remember my Mum getting her first Access Card, and me being fascinated by this strange object. They really can't believe it – it's like telling them I remember the first telephone or something like that. They can barely imagine that there was ever a moment before high levels of personal debt were a normal element of the consumer economy.

In fact I would say that the expansion of personal debt has been the answer to the problem, which capitalists faced, really not just since the war, but since

the 1920s: how do you continue to expand consumption, without pushing your wage bill past the level which makes profitability sustainable?

**James:** Well there are at least two answers, possibly, to that, both of which probably do indeed depend ultimately on debt. One of them is the answer we have here and the US, which is: cut wages, deal with the fact that no-one has any money to buy the stuff that we are trying to sell to them by extending credit to them, thereby keep the whole thing ticking over. That is basically how neoliberalism works in the US and the UK.

Germany has adopted quite a different solution: you maintain much, much lower levels of personal debt, but instead you look for a market elsewhere to sell your exports to generate income. So you cut wages and then sell cheap stuff to the rest of the world (comparatively cheap stuff).

**Jeremy:** And that's why the property market's so much less important in Germany than here. And to avoid that centrality of property speculation and debt to the growth model, you need a big export drive.

**James:** Yes: you find a market somewhere, right?

**James:** And of course if you are trying to export to someone else that implies debt being created somewhere else, in the country that you are exporting to. If you have a surplus country you are exporting much more than you import; it has to be the case that someone, somewhere else is importing much more than they export. So there has to be a deficit country. So ultimately you are still relying on debt creation. And that is what leads to the Greek crisis.

**Jeremy:** And I guess in the British context we see the emergence of austerity as a sort of structure of feeling: a kind of mood, and affective assemblage, rather than as a coherent narrative that stands up to any kind of logical scrutiny. And this is really a tool for managing the increasingly difficult contradictions in that situation, isn't it?

**James:** Yes.

**Jeremy:** The levels of debt are not sustainable and they cannot sustain the levels of consumption that they did before 2008. You have really got to persuade people that the level of consumption that they have come to expect before 2008 just is not going to be there for everybody. In the same way. Or at least it is going to have to be contracted for a sustained period of time. Maybe the situation is more complicated than wages, spending and consumption having permanently contracted, given that wages and consumption levels are rising again, as is debt. Perhaps it's merely the case that government has been claiming the right to initiate periods of contraction – a right it has not tried to

exercise since the late 1970s /early 1980s and the major wave of monetarist-inspired cuts, or the period of high interest rates in the late 1980s at the latest.

It seems to me, at least in places like Britain and the States, neoliberal governments have been quite conscious of the lack of popular legitimacy for the neoliberal project since the late 1980s, the fact that its core elements – privatisation, endless tax cuts for the rich – were never that popular, which meant that any sustained contraction of people’s capacity to consume would mean that they would quickly transfer support to some kind of social democratic alternative. So the reclamation by government of the right to reduce people’s power to consume for sustained periods seems like perhaps another significant recent change.

**James:** Well it partly depends on where consumption appears. One thing that all governments do is to try and shift the balance around between household primary consumption and public spending, but given the weakness of the underlying economy since 2008, you just end up with an awful lot of debt creation, one way or the other, whichever way you go. The deficit is still very large and is still adding to the government debt pile, and we now have household borrowing going up again, which is adding to the overall debt pile. So all of it is just stacking up to recreate conditions that produced the 2008 crisis in the first place, but in the context of a fundamentally weaker economy, with much lower productivity growth and much higher levels of debt in general. I mean the real challenge will be if we hit another crisis, at any point soon: the capacity to deal with this will be very, very limited indeed.

**Jeremy:** Yes and it is very hard to see how the current situation is sustainable. I remember I was a bit more sceptical when you said to me, a couple of months ago, that a further economic crisis was inevitable in the next five years. But now it seems seem very difficult to see how this is going to be avoidable.

## THE POLITICS OF ‘CRISIS’

**Rebecca:** So is it possible that if there were another financial crisis, then ‘anti-austerity’ politics might become more meaningful again? More comprehensible to an ordinary person?

**James:** There are two issues here. One is the slightly peculiar fact that public opinion seems to be sort of anti-Keynesian – so, when the economy is shrinking, government spending must be cut as well, which is not what your Keynesian economic management tells you to do (quite the opposite). Now the economy is growing again, it would seem that a lot of the support for austerity is dropping off. So it is possible that the response to another shock, will be to say ‘Oh no – it’s terrible! We have to cut everything again’. But my guess, on the other hand, is that under such circumstances sensible economic management will

prevail. If we hit a major shock and a recession, any hope of austerity will go out of the window. And the Government will do what it did in 2008: open the taps, borrow like crazy and attempt to set a floor to the collapse that we would otherwise be looking at. And at that point we would be moving from a manageable level of public debt to one that starts to look really quite significant, if the shock is on anything like the scale of 2008 again.

So in practice politically the Left would probably want to be much more populist about this. We should have a discourse available which states, basically that they (the financial elites and the government which is beholden to them) have driven us into the wall again. It would state clearly that the situation is not our fault because we have all been practicing austerity for several years already, that we have done that and it didn't work and was never going to work, and so this is what we should be doing instead, rather than trying to argue about economic management, or whatever. At that point, it becomes a question of politics.

**Jeremy:** By contrast, there wasn't a readily-available, publicly circulated, anti-austerity narrative after 2008. Because the Labour leadership remained committed, broadly speaking, to that kind of anti-Keynesian agenda.

**James:** I think the situation was more complicated than that. The Left was completely blind-sided in general by three things:

One, it didn't really understand the crisis. We didn't really understand its nature as a debt crisis. There was actually too much emphasis on the idea of the inherently crisis-ridden nature of capitalism as such and not enough on the specificity of the situation.

Secondly, we didn't really understand what was happening with the bailouts. It took a while for a section of the Left to grasp the fact that this was not some welcome return to Labour's glorious socialist past by nationalising the banks, but that it made sense to the people in charge.

The third one was the government's own adoption of a kind of Keynesianism. They just spent and spent from 2008 to sometime in 2010.

**Rebecca:** And that was to do with Greece wasn't it? It had to do with a growing sense of alarm about what was happening in Greece and the idea that that level of social breakdown was inevitable if the government carried on spending, allowing the deficit to rise to the point where it lost its credit rating.

**James:** Yes that was the rhetoric. What was extraordinary was the shift from the Conservative leadership saying 'we will support Labour spending plans', as they did all the way through until at least summer 2008, to them beginning to claim, within weeks of the crisis erupting, that this was primarily a crisis of government spending. This was a demonstrably nonsensical account of the crisis, but they stuck to it for years and years and years and years until people began to believe it. They have not deviated from this narrative at all.

That certainly helped prepare the ground, because the only people out there with a clear message, at this point were these people. What were the Left supposed to do? I mean, what are we supposed to do with New Labour carrying out a policy which seemed to be simultaneously doing something that the Left did want – a sort of Keynesianism response – and at the same time something that we didn't want – shoring up the bankers. Next time I hope that there is a bit more clarity about this from the Left, because there really wasn't at the time.

**Jeremy:** It's worth explaining the history for people who might be reading this in other countries. In the initial stages of the crisis the situation was pretty much exactly the same as that situation in the US: there was a crisis of capitalisation of the major banks, which was threatening to sink the entire financial system. Pretty much the same policy programme was enacted by Gordon Brown, in the dying days of his administration, as the Obama administration implemented. But in the space of two years after that the Right in Britain successfully created a narrative according to which the entire crisis, and then its on-going consequences, were somehow an effect of government overspending. It is as if the Right in America had managed to convince everybody that Obamacare is basically the reason for the crisis: which is just kind of extraordinary when you think about it. It does say something about the tactical incompetence of the Left leadership in Britain, that the Right managed to get away with that, because it is just an absurd argument.

**James:** But they believed what they were saying. You know, when Gordon Brown was saying, in the days before the crisis, 'No return to boom and bust'. He believed this, and all of his economists and advisors were saying: 'Yes, there will really be no return to boom or bust'. So when the crisis happened, they reacted, in some ways with impressive speed, to changed circumstances. It was quite dramatic how quickly they responded, and the British system was pretty much the first to get on top of this. Anyhow, they had had a bit of a test run with the crisis at Northern Rock (a British bank that was bailed out from insolvency) the previous year. But they were very, very rapid about getting on top of things. It is just that this represents such a break with everything they have said before and everything they had known: 'No return to boom and bust, everything will be fine'; the opposition notionally agreed with their spending plans; what could possibly go wrong?

## POST-AUSTERITY POLITICS

**Rebecca:** It's been argued that austerity creates opportunities for certain kinds of social actors, and particularly for those who have begun to fill that space left by the rolling back of the state. Anti-austerity protestors have moved to defend the remnants of the post-war settlement – protesting against the closure

of public libraries, hospitals or children's facilities. However there are also examples of social actors who have used austerity as an opportunity to identify what they think was wrong with that welfare state system, and to explore new ways to organise public services, potentially involving communities in the co-production of services, for example.

Kirsten Forkert is very critical of this turn in her article in this issue; she talks about it in terms of a 'creativity' agenda – a way of persuading people that austerity offers opportunities to be more 'creative' with the delivery of public services. As Kirsten argues, there's a real risk that these social actors become complicit with the imposition of austerity. From a similar perspective, Emma Dowling and David Harvie have been critical of the use of tools like social impacts bonds in this terrain, which they see as enabling social reproduction to be harnessed for profit.

So, I think that is an interesting area to talk about. Because it gets at something which I have always been interested in, which is that there are a lot of appealing things about austerity – in so far as it is constructed as a cultural phenomenon or a kind of atmosphere which is apparently conducive to the idea of communities coming together and having more involvement in the delivery of local services, for example. That's an idea that has a natural fit with Cameron's early 'Big Society' agenda [a project to shift social provision from the state to the voluntary sectors]. But to what extent might it be possible to incorporate these desires, this structure of feeling, into an anti-austerity politics?

**Jeremy:** I gave a conference paper in 2008 called 'Can a crisis be good for you?'. It was about this general sense that a sort of receptivity to austerity among quite a large public was partly predicated on this shared sense of the excessive levels of consumption and debt that were characterising advanced neoliberal culture; as if everybody knew it wasn't sustainable on some level; there was a sort of collective unconscious that knew, one way or another, that this growth model was not working, really, and was not sustainable.

**Rebecca:** Ruth Levitas wrote a good piece about this, a few years ago. She suggested that people might be ready to embrace post-material values, and about the importance of imagining an alternative, utopian version of the Big Society, which would precisely capture those desires and take them in another direction, towards a fairer and more sustainable future. It resonates somewhat with recent research in fields like urban studies, where there's an interest in the opportunities that people have found in austerity and the localism agenda when it comes to town and community planning, new forms of co-production, and so on.

**James:** At one point it did almost look like this was going to be where the political battle over austerity would take place – on the terrain set out by the 'Big

Society' agenda, and around the question of what progressive or reactionary responses that could entail. There are interesting examples like Syriza running the 'Solidarity for All' campaign in Greece, setting up food banks, organising the collection and distribution of food and so on, and medical services and all sorts of things (obviously conditions are much, much worse than here), and doing it all in an explicitly political context.

By contrast what we have ended up with here is a majority of food banks being run by religious institutions, who have in fact provided a strong critique of austerity in practice. If you look at what Church of England or Catholic Church has said about austerity of late, it has been quite politically sharp, in practice, and I think that is partly a result of the experience of trying to fill in some of the gaps created by the contraction of the welfare state. But the difficulty in disentangling all this is just the embeddedness of the state in society in general. You know, it is there all the time and everybody uses it one way or another. The clean libertarian break that the Cameroonian wing of the Tory party appear to desire is not really possible. Perhaps it can work for some who are quite well off and send their kids to private schools anyway, and who use private hospitals, or whatever. They are free to talk about the ways in which we don't really need the state and can provide services for ourselves. But it is everybody else who has to actually rely on the state. We've seen this with the attempt to get rid of child benefit (a universal benefit paid to all families with children) – it's so embedded in people's lives and their expectations of a good society that it's been very difficult for the government to undermine it, which I suspect is why they gave up on the 'Big Society' rhetoric.

**Rebecca:** There's a New Economics Foundation report – *Responses to Austerity* – that explores these questions as well. It looks at how local authorities and other groups and organisations in the UK have responded to austerity, which has often involved 'creative' adaptation of the kind that Kirsten writes about, at times with an eye to creating a more collaborative welfare state.

**Jeremy:** I think that in the long term that kind of response is always problematic, because the history of the undefended, underfunded, progressive reform of public services is not encouraging. A classic case in Britain is the 'Care in the Community' programme, whereby institutions for the care of the long-term mentally ill and those with learning difficulties were closed, and an infrastructure of social care and support, enabling those people to live in the community, was promised. In practice the latter only ever half-materialised because to do it properly would have required massive investment, and the result was huge numbers of homeless and destitute people with mental health or learning issues by the end of the 1980s.

The key point here is that ultimately, doing things in a participatory, democratic, devolved way that is actually functional, always ends up being more expensive than doing them in a centralised, top-down, vertical way. And if you

try to do the former on a shoe-string, then you end up with a hollowed out space, which gets filled up or captured by capital, by private providers seeking rent and profits, very quickly.

**Rebecca:** Yes that's true.

**James:** There's a very insidious part of this, and perhaps it's becoming more apparent now with the majority Conservative government. Maybe it's true that it's George Osborne's evil genius behind it all (he hasn't read Marx, he's not read Keynes, but I think he has read Gramsci), in the sense that he understands that you actually have a large number of people out there with a deep commitment to the State, and its provisions, and that if they want to embed neoliberalism, if they want to embed a certain way of working under these conditions, then they will have to undertake a very deliberate kind of chewing away, an undermining and hollowing-out strategy with regard to the welfare state. For example the version of devolution they are offering to the English regions is a version of local authority cuts on a grand scale – effectively offering region the power to determine the nature of their own cuts.

That is a break as well. Neoliberalism in Britain historically over the last thirty years has been something that central Government does, and it has treated local government as a site of likely resistance which needed to be smashed. What Osborne seems to be proposing now is that they we will get local government to deliver the next round of neoliberalism.

**Jeremy:** That is interesting. Both Ken Spours of the Institute of Education, and Alan Finlayson have both commented to me in the past few months that they think that Osborne has got a hegemonic project underway, in a sense that both New Labour and, and Cameron, never really had. I've suggested many times that actually after the early, New Right phase of Thatcherism, neoliberalism in the UK never really had a classic project to persuade the masses of its legitimacy. Instead it basically offered high levels of private consumption in return for acquiescence to the hegemony of finance capital. The deal was – we'll undermine your social provision and your political democracy, but in return you'll get cheap holidays and plasma-screen TVs. Whereas now their capacity to offer all that has been reduced, to the point where they are forced to try to win actual support for neoliberalism amongst a large public, which is in part what the whole austerity programme has been about.

**James:** And much of this capacity to secure support through enabling consumption has very little to do with government policy. I mean, to the extent that we have free trade, it has much more to do with the expansion of low-cost manufacturing in China. Now, if your era of cheap plasma TV screens from China is coming to an end, then you have to do something else to maintain hegemony. And this is indeed something Thatcher and successive governments

were not able to do. They were never able to embed the idea that neoliberalism is a good thing. Support for redistribution of one form or another has remained consistent, which is quite incredible when you think about it, after decades of relentless propaganda: it's almost as if there is something in the water that is a bit social democratic. So if you are a neoliberal government, what do you do under these circumstances? You probably start to do something which looks like what Osborne is doing.

**Jeremy:** I think that is true. It is a good way of reframing the whole notion of austerity as well. At the moment, I think we still don't actually know if Osborne is seriously going to try to do this time round that he did not do, but threatened to do, during the last parliament: which is to implement a historically unprecedented contraction in state spending. [*Guardian* journalist] Polly Toynbee has a column in the *Guardian* today pointing out that, if he actually does what he says he's going to do then, in five years' time we will have a smaller state than anywhere in Europe, and smaller even than the US in terms of percentage of GDP. But that was the case six years ago, and most of the threatened austerity never actually materialised. So we don't not know whether he is really going to do it. But it is very useful to understand the narrative and the rhetoric in this context, in the context of a need to create a new basis for long-term support for neoliberalism.

**James:** Yes.

**Jeremy:** In terms of the actual contraction of public spending effected by people like Thatcher. Ideological neoliberal always complained that she never really did it, but instead merely shifted spending from education and health, to the police and the military. But since 2010 it's been notable that for the first time, as far as I know, a Conservative government has really gone for the police as well, as a site of major spending cuts. In fact I think that since 2010 the police service has suffered the biggest single cut (30% across the board) of any major public service in British history. That is kind of extraordinary, in that it means that the contract between the neoliberal and the law and order state has been torn up in some sense. Which is pretty interesting, given that that close relationship between neoliberalism and the law and order state was crucial to the implementation of neoliberalism in the 1980s, and the Third Way governments never tried to cut spending on those areas significantly.

**James:** Well it adds up to a very, very difficult few years of manoeuvre that Osborne is trying to gear himself up to. It should – on paper – be very, very hard to get through. He needs to actually engineer a huge reduction in what people expect from the state – not just vulnerable demonised groups such as those who have really suffered since 2010 (in particular welfare claimants), but everybody. And he has to try to convince them that this is a good thing,

and that there will be very little that they can do to oppose it. Now, at the very least to make that work he needs an economy that is still growing, and in some sense still delivering, at least to a minimal degree. But it strikes me the only degree of flexibility there – and this is a huge issue, and the only thing that can make it all work – is a very elastic financial system that can, one way or the other, dole out lots and lots of debt. As long as you can keep doing that for the next few years, you can get through the next few years, implementing the next wave of neoliberalism.

**Jeremy:** So what is the future of austerity?

**James:** I don't know. The question is: will Osborne stick to his plans? That is the interesting question. The planned rate of reduction is certainly faster than we have got used to recently, but is already not as fast as originally suggested in 2010. But you know, Toynbee is right that if he implemented his plans, this would get us to a very small state in a very different society.