"ALTERNATIVES TO AUSTERITY"

Anthropology Today Special Issue, October 2017

GUEST EDITORS

Professor Laura Bear, London School of Economics (l.bear@lse.ac.uk)

Dr Daniel M. Knight, University of St Andrews (dmk3@st-andrews.ac.uk)

Guest Editorial:

Austerity

Nine years since the start the 2008 financial crisis, protests from both the left and the right across Europe and America are for a break from policies of austerity and for stricter management of the forces of globalisation. These issues were major factors in: the 2015 Greek Referendum; the 2016 US election, UK Brexit and Italian referendums; and the 2017 UK election and French presidential vote. Anti-globalisation, anti-debt and anti-PPP movements are gaining broader support too, as evident in the protests at the G20 in Hamburg; the challenges to the World Bank by NGOs such as Eurodad; and international alliances of public sector unions against privatisation.

To retain some semblance of authority in the wake of public scandals aggravated by the 2008 crisis - whether it be the Grenfell fire in London or the health crisis in Greece - elites are scrambling to improvise new policies.[1] Central banks are now experimenting with a mix of macro-prudential regulation, quantitative easing and inflation targeting. Politicians are promising new forms of welfare administered through the banking system and biometric identification. Parties on the left and the right both claim to speak for struggling ordinary families hit by rising inequality.

Surveying this scene, we might be tempted to argue that the old order is dying. Yet there are two sides to this moment of exceptional potential. . On the one hand, we have alternatives to austerity that will increase the inequalities that already exist. On the other, we have movements and practices that can lead towards more just social relations and redistribution.

It is important to distinguish between authentic, viable alternatives to austerity and those which are merely ‘wolves in sheep’s clothing’ – old ideas repackaged or reappropriated that in reality help maintain existing social and economic conditions. In addition, we need to understand the work that the ‘false’ alternatives do to re-legitimise the status quo.

*****

How might we separate out authentic alternatives to austerity? We can only do this if we fully understand what austerity is, how it is implemented and what it is expected to achieve. . Opinions on the effectiveness of austerity are diverse and only through an analysis of the longer-term origins and multiple guises of austerity policies can we move towards alternative proposals for social change.

A dozen or so academic books have recently addressed the issue of austerity; commonly understood as government measures to reduce public expenditure and decrease budget deficits. Due to ageing and other fundamental problems facing our economies, Michael Burton’s *Politics of austerity: A recent history* (2016) predicts that austerity is ‘far from being an aberration, an occasional response to downturns’, and may well ‘become the new reality for governments running public finances for the coming decades.’ By contrast, in *Austerity: The great failure* (2014), Florian Schui, who considers how austerity as understood by thinkers across 2500 years bears on what has been imposed by our governments, finds it is ‘simply a great failure’ for which there are ‘no convincing economic arguments … in their current form’ and ‘no compelling moral or political case … either’. Mark Blyth’s *Austerity: The history of a dangerous idea* (2013) concludes that austerity ‘remains an ideology immune to facts and basic empirical refutation’, which is why ‘it remains, despite any and all evidence we can muster against it, a very dangerous idea’.

Macro-economists argue about whether governments that face structural deficits (long term deficits not linked to annual spending and tax receipts) should cut or increase spending to end recessions. Critics of austerity such as Krugman and Wren-Lewis focus on how to generate growth through government spending, industrial policy and taxation. They also attribute structural deficits to the bailing out of banks in 2008 rather than to excessive government spending (Blyth 2013).

Proponents of austerity policies such as Alesina and Warmedinger, on the other hand, argue that growing structural deficits increase the cost of government borrowing and reduce the fiscal multipliers of growth. But these arguments focus on aggregate economic indicators and do not reflect on the social origins of austerity or its varied consequences.

Instead we pay attention to the changing social relations and financialization that were the starting point of austerity policies. Particularly significant were alterations to the form of sovereign debt (Bear 2015). From the late 1980s the IMF, World Bank, EU and national governments radically changed the nature of sovereign debt first in the global South and then the global North. Up until this point the political classes oversaw government spending. They financed measures according to rhythms that they controlled by taking bank loans or monetisation (the printing of money by the central bank). Structural deficits were not an issue, and did not have to be reduced, because no external organisations 'policed' these loans. Relations of debt between the government and public sector institutions were political debts with long-term goals.

But from the late 1980s technocrats and politicians began to adopt the 'state starvation thesis.' This is the idea that any credit or capital held by the government is less productive than that held by the general population. Instead the control of the economy should be devolved to independent central banks and commercial banks and thereby 'redistributed' to citizens. To support this, independent central banks were created and sovereign debt was issued by them in the form of bonds to commercial banks. The banks then used these bonds to create derivative markets and to forge further debt relations with individuals and institutions. These new sovereign debt bonds had a value that was determined by financial markets and credit rating agencies. In addition, they anchored the growth of shadow banking and the issuing of credit to the population that has papered over the declining real value of wages.

Governments were now under the control of market sentiment and the disciplinary regimes of international financial institutions. Politicians in the global South had little room for manoeuvre and were often constrained by structural adjustment policies, while those in the global North also began to enact fiscal constraint. Even more radical were the shifts in the meaning of financial relations within the public sector. Public expenditure and debt relations were suddenly understood as having the same form as commercial debt. Therefore the public sector should move costs off its books through out-sourcing, public private partnerships and selling off of public resources. This hollowed out the public sector and changed it into a means for private sector accumulation. It also led to proposals to reduce welfare expenditure and to administer it through the banking system or from tariffs on its activities. In addition, it stimulated increasing commercial banking loans to local and state governments and attempts to privatise social housing.

The wastelanding generated by these policies has long been visible in the global South where it has generated precarious citizenship (Bear and Mathur 2014). So-called 'success stories' of austerity, such as Latvia, have resulted in plummeting birth rates and large-scale emigration (Dzenovska 2013), while states failing to meet the criteria of creditors are severely punished (Knight 2015, Knight and Stewart 2016:2).

***

Overall this process has generated an empire of financialised debt and rentier accumulation that reaches into the public sector and the household. While debt and finance have always been important, current forms are excessively extractive and volatile.

The unintended consequences of policy shifts reached a dramatic culmination in the 2008 financial crisis. The boom in shadow banking, reckless lending and derivatives fuelled by their 'guaranteed' stability in sovereign debt bonds crashed. Banks also had assumed, correctly, that they were now so crucial for economic governance that they would be bailed out. As governments across the global North pumped liquidity into the financial system when it froze up they increased their structural deficits to keep banks and markets going. They carried this out via a further technique of sovereign debt financing—quantitative easing.

Although quantitative easing is often described as 'printing money' it is not. It is the creation of agreements to issue and buy back sovereign debt contracts between the central bank and commercial banks. This maintains the fluidity of debt relations and rentier extraction not of 'money.' Austerity policies too (the practicing of fiscal constraint) are an attempt to keep market and ratings agency confidence in the value of government bonds going in a period of instability. This was a complete reversal of the uses of sovereign debt before the 1980s, which was taken out in order to advance political policies. In contrast, quantitative easing and austerity allow the empire of debt and accumulation in the financial system to continue.

Public institutions and citizens are now ravaged by cuts in public spending and high levels of personal debt. False and limited solutions abound in our public culture from attempts to scapegoat migrants to popularist promises to rebuild the prosperity of the common man.

Macro-economists attempt to renew their knowledge of 'the economy' by modelling a 'global economy' or the anti-growth effects of debt. Policies of financial inclusion, green investment and infrastructure expansion claim to have social aims, but in fact further advance financialization. In order to move beyond such limited solutions it is vitally important to explore austerity and its social movements ethnographically. It is only by doing this that we can forge a new kind of politics and policy. These would prioritise social rather than financial aims for government spending—repoliticising it through an emphasis on a social calculus. They would focus on reform to our democratic institutions so that they could pursue longer-term goals than those set by financial markets.

A key starting point for this is the reimagining of the economy to serve the interest of people and the planet (the 'eco-social'). We also need to explore how to rebuild public sector sovereignty and social justice through the: redistribution of power in financial decisions; the decoupling of politics and markets; and the taxation of offshore global corporate profits.

***

Given the current political climate, we believe that anthropologists have a key role in mediating between the concerns of our informants and the centres of decision-making. Here we offer visions for rethinking the relationship between global finance, the state and local redistribution. We hope that this will challenge all of us to understand austerity differently and to imagine alternatives that may, from present vantage point, seem utopian. Overall we ask, how can we give a new critical meaning to the concept of the public good?

References

Bear, L. 2015. *Navigating Austerity: Currents of Debt along a South Asian River*. Stanford, CA.: Stanford University Press.

____ and Mathur, N. 2015 Remaking the Public Good: A New Anthropology of Bureaucracy, Cambridge Anthropology, 33(1):

Blyth, M. 2013. *Austerity: The History of a Dangerous Idea*. Oxford: Oxford University Press.

Dzenovska, D. 2013. The Great Departure: Rethinking National(ist) Common Sense. *Journal of Ethnic and Migration Studies* 39(2): 201-218.

Knight, D. M. 2015. *History, Time, and Economic Crisis in Central Greece*. New York: Palgrave.

____ and C. Stewart. 2016. Ethnographies of Austerity: Temporality, Crisis and Affect in Southern Europe. *History and Anthropology*, 27(1): 1-18.

---

[1]https://www.newscientist.com/article/dn25125-greek-austerity-tragedy-shows-where-not-to-make-cuts/