

Britain: The new Tory economics

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It's not just more of the same. The state is more important than ever. This looks like 'bastard Keynesianism'. Neil Faulkner explains.

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The recent Queen's Speech setting out the Tory programme for government was laced with authoritarianism and racism. They threw various bones to their reactionary mass base - more police power, longer prison sentences, stronger border controls, further hounding of migrants.

These are now essential elements in any general policy announcement in Brexit Britain. They are part of a generalised culture war against the working class, the oppressed, and 'wokeness'. They are the endlessly repeated dog-whistles that serve to keep a backward electoral bloc inside the Tory pen. Nationalism and racism powered Brexit, elevated Johnson to the Tory leadership, and delivered victory in the 'Red Wall' in December 2019; it can hardly be dispensed with now.

This is the ideological wrapping. For more on this, do read Rowan Fortune's excellent piece 'Uncommon Sense' [1], where he demolishes the pretensions of the pseudo-intellectuals of Tory Right's Common Sense group and exposes them as shallow and bilious reactionaries.

The things the Tories are doing - locking up poor people fleeing violence and poverty, sneering at trans people asserting their rights, waving Union Jacks and insulting other Europeans, green-lighting police attacks on minorities and protestors - are partly cover for their corruption, serial lying, crony capitalism, and social murder of 130,000 people through mishandling of the pandemic. The rats-in-a-sack row triggered by Cummings (see Simon Hannah's piece on this [2]) is an indication of how potentially destabilising the rottenness of the regime may prove to be.

Social crisis

Equally potentially dangerous for the Tories is the escalating social crisis. The Queen's Speech offered nothing concrete for the NHS, social care, welfare, or housing. The NHS may face a third surge, is certainly facing a Long Covid pandemic (with an estimated one in ten of those infected likely to develop it), and is trying to cope with an all-time record waiting list of five million built up during the pandemic. Current staff shortages - there are 40,000 nursing vacancies, for example - are likely to worsen as a result of Brexit, pandemic burnout, and Tory pay cuts.

Then there is social care, with a raft of care homes set to go bust or drastically cut back on provision. The sector as a whole is experiencing falling standards of care, reduced support for those

in need, increasing reliance on unpaid carers, and chronic staff shortages, with around 110,000 vacancies, fuelled by the appalling overwork and underpaying of care workers.

As for welfare, the Tories have been grinding the faces of the poor for decades, to the point where we have record numbers of the most vulnerable people committing suicide, living on the streets, and accessing food-banks. All this is so familiar we have to remind ourselves how obscene it is - when the number of UK billionaires has risen from 147 to 171 in the last year, and their collective wealth has increased by 22%.

Or consider for a moment the housing crisis. Essential to register these things in measuring the hollowness of the Tory programme. House prices are soaring again, rising at their fastest rate in five years. This is because, since the 1980s, most existing social housing has been privatised and very little new social housing has been built. Housing has been completely commodified in the neoliberal era, to provide profit either to finance capitalists (in the form of mortgage debt) or to private landlords (in the form of rent).

Between 2007 and 2017, the number of households in private rented accommodation rose from 2.8 million to 4.5 million. Average private rents in London now stand at £1,500 a month. The average salary in Britain today is £1,950 a month. Some young people are spending as much as 75% of their incomes on rent. The cladding scandal - with tenants facing ruin because profiteers have wrapped their homes in flammable material - is symbolic of the unending negligence and indifference of the Johnson regime.

A zombie economy

Economics is never neutral. It is a class war. The new Tory economics is not about 'levelling up'. It is about the precise opposite: feeding a system of private capital accumulation that is siphoning even more wealth to the already fantastically rich at the expense of the vast majority of ordinary people.

That said, the ruling class has different policies open to it. The austerity of the Cameron/Osborne era - essentially bailouts for the rich and cuts for the rest - is one option. We may once have assumed that this was the inevitable form of neoliberal crisis economics. Not any more. Something different is happening, and we need to understand it.

'Jabs, jabs, jabs,' Johnson quipped, is to be followed by 'jobs, jobs, jobs'. This is not the usual barefaced lying. The Tories are not proposing massive austerity cuts. In this regard, they are in line with global developments. We have moved from the era of neoliberal austerity to the era of 'bastard Keynesianism'.

Following the 2008 banking crisis, the international ruling class prevented a 1929-type meltdown by pumping vast amounts of newly-created electronic money into the system. In essence, they used public money to bail out private capital and prevent the complete collapse of the world financial system.

Worried that this would trigger an inflationary surge - and welcoming the opportunity to further depress wages and social spending - they followed this with austerity. But the effect was to drive down aggregate demand, deepen the underlying economic stagnation, and trigger explosions of popular revolt.

The 2021 coronavirus pandemic has inflicted a comparable economic shock. The total cost of the 2008 crash to the US economy is estimated to have been around \$22 trillion, that of the 2021

pandemic around \$16 trillion. The ruling class response to the immediate crisis has been comparable.

In the aftermath of 2008, the UK government provided a £500 billion bank rescue package in the form of loans and guarantees. Last year, the Tories 'borrowed' £300 billion to pay for furloughs, business grants, and so on.

What this confirms is that rumours of the death of the state have been exaggerated. The state is not only an increasingly important repressive apparatus in the context of deepening ecological, social, and political crisis; it is the essential life-support system of a zombie economy based on debt, speculation, consumption, and state contracts.

The magic money tree

The roots of this run deep. This is not the place for a detailed exposition. We provide a summary of the economics of the crisis in Chapter 7 of System Crash (which can be read online [3]). Suffice to say, modern capitalism - globalised, financialised, digitalised monopoly-capitalism - is afflicted with an intractable, long-term, ever-worsening crisis of over-accumulation (of capital) and under-consumption (of the masses).

The system is awash with surplus capital seeking profitable investment. It is this that explains the increasingly pathological nature of capital accumulation. No longer invested primarily in the development of the productive forces, capital is invested parasitically - in buying up state assets (privatisation), in leeching tax revenues (state contracts), in trading in debt (financialisation), in speculating in real-estate, and so on.

The economic role of the state is not simply to provide occasional bailouts, but also a continuous flow of revenue - recycled taxes and government 'borrowing' - to private capital in the form of outsourced public contracts for everything from fighter-jets to health services.

I put 'borrowing' in inverted commas because this is the mainstream discourse, but it is a highly (and deliberately) misleading term. The government does sometimes 'borrow' money from private banks, but just as often it 'borrows' from itself; that is, the Treasury spends money 'borrowed' from the Bank of England. This is simply an accounting device to register the fact that the state has created new money, just as private banks create new money.

This is a completely routine and continuous process. Modern money is created by entering numbers on a computer keyboard. Private banks do this every time they make a loan. Governments do it every time they buy up financial assets in order to inject liquidity into the economy ('quantitative easing'). There are supposed to be limits on how much money-creation private banks can do. There are no real limits on how much a government can do when it is the sovereign issuer of its own currency.

If too much money is created, there is a danger of inflation. But the risk of this at the moment is minimal. There is massive under-capacity in the world economy, interest rates (the cost of 'borrowing') are at rock-bottom, and inflation is very low. So what seems to be happening is that bourgeois governments are simply 'printing money' to sustain and enhance economic activity - that is, to counteract the leaden stagnation in the world capitalist system.

Bastard Keynesianism

I am using the term 'bastard Keynesianism' to describe this. Originally, Keynesianism - government injections of spending power into the economy - involved a great deal of public enterprise and support: nationalised industries, social housing, public services, welfare payments, and so on. It remains to be seen how much of the \$4 trillion planned stimulus package proposed by the Biden administration in the States takes this form. What seems certain is that the Johnson regime here has no intention of using new public money to fund public service: the Tories will turn it into private contracts.

There are interesting parallels here with the 1930s. The Stalinists in Russia, the Nazis in Germany, and the New Deal Democrats in the United States all used state spending to counteract the effects of the Great Depression. This kind of state capitalism was the original Keynesianism. And it served very different political purposes: state-driven forced industrialisation in the Soviet Union to create modern industrial capacity; infrastructure projects and arms expenditure in Germany to prepare for war; economic recovery and social reform in the US under an essentially liberal-democratic government. The same seems to be happening now: different political regimes are reaching for similar economic tools.

Detail was lacking in the Queen's Speech, but a number of things are clear. The Tories aim to invest a lot of money in infrastructure projects, some at least targeted so as to consolidate their electoral base; what is sometimes called 'pork-barrel' politics. When they talk rubbish about 'levelling up', this is what they have in mind. They also intend to rip up planning regulations to give developers free rein to ride roughshod of local democracy, environmental standards, and social considerations. And they want to create 'free ports' - essentially, corporate tax-havens and labour-compounds operating outside any effective regulatory framework.

So this is bastard Keynesianism - state funding of private capital - a modern version of what liberal economist John Kenneth Galbraith described as 'public squalor and private wealth'. Only this time around, because of the deepening social devastation and the system's growing crisis of legitimacy, the whole economic package, in Britain at any rate, is toxic with nationalism and racism.

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P.S.

• 29 May 2021:

<https://anticapitalistresistance.org/the-new-tory-economics/>

• Neil Faulkner is the joint author of *Creeping Fascism: what it is and how to fight it* and *System Crash: an activist guide to making revolution*.

Footnotes

[1] <https://anticapitalistresistance.org/uncommon-sense/>

[2] ESSF (article 58395), [Britain : Dominic Cummings, Boris Johnson and the erosion of](#)

[democracy.](#)

[3] <https://anticapitalistresistance.org/chapter-7-the-economics-of-disaster-capitalism>