THE DEATH OF THE LEFT

Why We Must Begin from the Beginning Again

Simon Winlow and Steve Hall

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Bristol
BS2 8BB
UK
t: +44 (0)117 954 5940
e: bup-info@bristol.ac.uk

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The mortgage on the left's future foreclosed

The 2008 global financial crisis was an event of huge significance. We continue to live in its aftermath. It should have heralded the end of an epoch. The dogma, corruption, disinformation, errors and misunderstandings that structured neoliberalism's financialised market system were revealed in grim detail. However, the best the mainstream left could do in response was to offer a moralising critique of corporate bankers' untrammelled greed and the connivance and laxity of the sector's regulators. Key figures on the left nodded along with the neoliberal right's claim that the system had broken down, or that it had been in some way corrupted. None were willing to acknowledge that these malfunctions and corrupt practices were simply surface effects of deep flaws in the system's core.

The truth of the matter is that a crisis had been building since the serial financial shocks of the 1980s, and – given that pretty much every politician believed that the positive outcomes of 'the markets' far outweigh the negative – in many respects it was inevitable. What we needed was a new system of democratically regulated money creation and investment. We needed democratic state institutions that controlled the animal spirits of the market and forced financiers to play within strictly policed rules. We needed a fully inclusive economy replete with secure, well-paid and socially useful jobs. And, of course, we needed politicians who were not totally committed to the rigid doctrines of the financial sector. The left's popular message should have been this: *the way we organise our economy is deeply flawed; we need to rebuild on firm foundations; the economy we build should be guided* *by the best available understanding of how our monetary system works and driven forward by an unyielding commitment to the common good.*

Some on the margins of the left did make such arguments, but it was their willingness to make them that saw them marginalised in the first place. Bowing and quaking before the unforgiving goddess TINA ('there is no alternative'), the left had abandoned the economic engine room and handed it to financial technocrats decades before the 2008 crisis.

It really should have been unsurprising that, as the global economy crashed, the left had very little of substance to say about it. That the laxity of business and trading regulations would lead to this bleak destination had been inevitable. The left should have courted the best heterodox economists, made the modern post-1971 economic system comprehensible to the public, talked clearly about its inherent problems and potential benefits, and proposed an attractive, feasible alternative that would greatly improve the lives of the vast majority. Instead, yet another historic opportunity was missed, and cynicism became even more deeply embedded in the West's popular culture.[1]

As we shall see, the neoliberal market system was reanimated by the state and stumbled on in a zombified form, lowering wages, imposing austerity measures, sowing disharmony, indebting individuals and whole nations, enriching elites and commodifying everything it encountered. After spending barely imaginable sums of money bailing out banks and corporations, those in government then ran for cover, denying that the state had the capacity to create employment, extinguish poverty, and repair the crumbling economic foundations that underpinned a rapidly splintering civil society. Clearly, there was a virtually inexhaustible supply of money available to bail out the banking sector and hand out contracts to the corporate sector, but for some reason the state had to be frugal when it came to assisting ordinary people to overcome their very real problems.

The austerity that followed the 2008 crisis turned millions away from the left. As ostensibly leftist parties across the West resigned themselves to administering austerity, many voters concluded that the left cared nothing about the suffering of everyday people. Although some continued to vote for these parties simply because they continued to represent the best of a very bad bunch, true commitment virtually disappeared, and politics took on a decidedly negative hue. Rather than positively endorse a political party and its policy agenda, a growing number of people felt they had no choice but to vote for the party they found least appalling. Other voters, who had supported the broad left only to witness leftist parties enact policies that further enriched oligarchs and made getting and keeping a decent job that much harder, withdrew their votes. Others still – disgusted by mainstream politics' absurd pantomime and the entrenched ineptitude of the political elite – dropped out of politics and ignored electoral democracy's symbolically rich but increasingly hollow rituals.[2]

As social researchers during the early years of the twenty-first century, we heard time and again versions of the same joke: 'Don't vote; it only encourages them.' Some people were angry, many more simply frustrated and resigned to negativity. They could see nothing on the field of politics to truly believe in. They could not identify a single politician who did not appear to be in some way 'out for themselves'. Others, of course, refused to give in to cynicism and clung on to hope, but the traditional alignments and institutional values that once characterised our modern political system were simply evaporating.

It is perfectly clear that austerity eroded the traditional relationship between the left and the multi-ethnic working class. As we shall see later, other issues loomed large in this process, but austerity hardened attitudes and forced many previously committed left-of-centre voters to re-evaluate their position. Huge numbers had become poorer despite leftist political parties' regular terms in office. Millions of working people looked at influential figures in the left's political parties and its high-profile media commentariat only to conclude that they had absolutely nothing in common with them. It was inevitable that many traditional leftist voters would begin to open themselves up to alternative voices.

How could it really be argued that the left was 'for the people', when, with its policy decisions, it made the majority poorer and less secure? Rather than fight against the injustices of neoliberalism, and for a functioning economic system in which all were valued and included, the mainstream left implemented austerity in the hope that private sector investors could be lured from their foxholes by the prospect of high returns, low taxes and cuts to state spending. In the aftermath of the crash, the mainstream left's priorities were absolutely clear.

Given the deep harms created by the crisis and the austerity that followed, we should not understate the magnitude of the mainstream left's failure. As we write these words, once again we find ourselves at a historical juncture bursting with potential. The COVID-19 pandemic has revealed the state's ability to invest and hire labour without causing runaway inflation, and fundamental changes to the world's energy and transport infrastructure are already in motion. Unfortunately, there is no sign that the left has the wherewithal to seize the opportunities at hand and finally recuperate the failures of the past. Our pessimism on this point is rooted not in nostalgia or grubby parochialism but on a careful and objective reading of the history of the left in the West. Its failures, past and present, need to be dragged out from underneath the carpet and explained.

Greed is good

In the years building up to the crash, everyone could see that neoliberalism's financialised global economy had been cut adrift from the real-world economies in which ordinary men and women earn a living. It was glaringly obvious that the colossal gains made by the titans of Wall Street and the City of London had not and never would trickle down to enrich the lives of the hoi polloi. Yet, when the crash came, it was ultimately ordinary men and women who paid the price. In the years leading up to the crash, housing and consumer debt had risen to clearly unsustainable levels, yet the mortgage finance boom continued. Risks were not reflected and priced in financial markets. Doomsayers were silenced by a cacophony of voices proclaiming that in Western economies the boom would continue and this time it would be different.[3] It was not.

The human costs of the crisis and its aftermath were particularly severe. In the United States, for example, millions of jobs were lost, wages declined rapidly, and trillions of dollars were wiped from the nation's household wealth.[4] It's easy to brush past this figure without fully digesting its scale. A billion is a thousand million. A trillion is a thousand billion. Household wealth is, we accept, not always the best measure of a nation's economic well-being, but this is still a figure to boggle the mind. Inevitably, hundreds of thousands of American families fell into poverty, and millions lost their homes.[5] Similar effects were seen across the developed world. In 2008 alone, household wealth in the UK declined by around £815 billion. This massive reduction equates to a loss of around £31,000 for each household in the UK.[6]

The causes of the crisis are quite complex and beyond the remit of this book but, at a fundamental level, its roots can be found in neoliberalism's drive to remove restrictive business and investment regulations so that finance capital could pursue profit unhindered. And throughout the 1990s and the early years of the twenty-first century, that is precisely what capital did. As a broad range of new financial instruments was created for investors keen to secure ever greater returns, financial markets grew with incredible speed. Money ruled and unrestrained leveraging – borrowing at a lower rate to lend, often irresponsibly at high risk, for a higher rate of return – was normalised. The financial elite either repressed all knowledge of the social consequences of irresponsible moneylending or dipped into neoliberalism's variegated ideological support systems to pass off their anti-social self-interest as the creativity and innovation required for general prosperity.

The phrase 'greed is good', taken from Oliver Stone's 1987 movie *Wall Street*, is often used to give some sense of the ethos behind neoliberalism's acquisitive culture. While the phrase inevitably omits many important issues, it actually captures quite well the core economic beliefs of mainstream politicians of both left and right in the years that led to the crisis. The boundless drive of financial elites to acquire more would grow national economies, create jobs and, they imagined, secure the tax revenues needed to fund public spending. Mainstream politicians agreed that the genius of the investment class was powering forward whole societies, and to impede their activities would jeopardise the livelihoods of ordinary taxpayers. Politicians in the Conservative Party in Britain, the Republican Party in the United States, and right-of-centre political parties in the larger European countries were happy to preach this often and loud. Politicians from the left of centre tended to be less vociferous in their praise of the global financial elite, but they were resigned to the claim that limiting its acquisitiveness would be counterproductive.

Abstract investment markets had grown steadily in the wake of the Big Bang that announced Thatcher's deregulation of the financial sector in 1986. As the twentieth century gave way to the twenty-first, once dominant productive and distributive markets virtually disappeared as money moved into speculative financial markets. Financial instruments of various kinds – for example futures, which are agreements to trade at a specific price and time, and futures options, which form an accompanying market in the buying and selling of futures – came to dominate Wall Street and the City of London during the 1990s. Many of these markets produced large profits for those who knew how to play the game. Safer investments in the economy of real products and services that produced smaller profits appeared dull and unimaginative by comparison.

On the New York Stock Exchange, high-frequency trading, in which the actual ownership of equities or commodities is held for only a fraction of a second before being returned to the market, grew in terms of overall volume by 164 per cent between 2005 and 2009. The market quickly became 'a technological arms race'[7] that left many traditional investors trailing behind complex trading algorithms devised by tech-savvy university graduates who had bypassed traditional occupational fields and flooded into the finance sector in search of personal enrichment. Some of these new markets, for example in asset-backed securities – the most infamous of which is the collateralised debt obligation[8] – appear to have been poorly understood by regulators who were, in any case, resolutely committed to non-intervention.

Credit rating agencies played along. Risky investments packaged and sold as low-risk opportunities flooded into the market. Tranches of debt were packaged up, graded AAA by one of the three world-leading ratings agencies – Moody's, Standard & Poor's or Fitch – and sold on the market as rock-solid investment opportunities to pension funds and other investors too trusting, hurried or ill-informed to identify what lay behind the AAA rating. Often, these debt packages contained risky mortgages hidden among safer debts; and, often, obviously risky debt packages containing toxic elements were nonetheless graded as if they were safe. Of course, as the economy started to head south, much that was considered safe during boom times suddenly became decidedly less so.

Many banks, giddy at the opportunities suddenly available in the financial sector, had lent staggering amounts to borrowers of various kinds, and the amount of debt these banks carried often dwarfed the value of assets they held in reserve. The American housing market had been growing rapidly for years and, on the surface, taking out a mortgage to buy a house seemed like the sensible thing to do. Banks profited as aspiring homeowners rushed into the market. However, 2005 saw growing numbers of mortgage defaults and this trend continued in 2006. At this stage, panic had yet to set in. Many market operators remained sure that high yields were still to be found in the housing market and the subsidiary markets in mortgages and mortgage insurance.

But away from the glitz of Wall Street lay a reality about which few investors were cognisant. The mortgage market contained within it many predatory lenders – especially mortgage brokers and financial consultants interested in grabbing commission payments – who had sold mortgages with excessively high interest rates. These high rates were often hidden behind initially low rates used to hook borrowers keen to get onto the housing ladder. After a year or so, the far higher interest rate kicked in and the borrowers were left wondering how to make ends meet. The boosterism of estate agents and others attached to the housing market exacerbated matters. In a rising market that appeared set to rise for years to come, the important thing was to buy a house quickly and profit from rising asset prices. A large mortgage may seem daunting now, many buyers were told, but as the value of your house continues to rise, in years to come it will prove to be the wisest investment you have ever made.

Of course, when mortgages moved over onto the higher interest rate many homeowners struggled with repayments. For others, circumstances changed, and this was especially true when employers started to cut jobs as the first seismic rumblings of financial collapse could be heard in the distance. Many who had bought property as an investment were understandably terrified at the prospect of holding mortgage debt that far outweighed the value of their property. House prices tumbled faster as more properties flooded onto the market. Many who found themselves in desperate financial straits after the economy started to decline were forced to hand the keys to their dream home to the bank, who then half-heartedly pushed such properties into an already saturated market in which there were progressively fewer buyers. What became known as the American sub-prime mortgage crisis spilled over into a broader crisis of the American financial system, and this in turn prompted a global financial crisis that would have repercussions for many years to come.

The collapse of Bear Stearns, the New York investment bank, is usually considered the first key indicator that this was not simply another one of the frequent downturns experienced in Western finance systems since the 1980s. For years, Bear Stearns had been a major player in the American mortgage securities industry, profiting handsomely as the housing market continued to grow. The collapse of that market left the bank hideously overexposed. The Federal Reserve provided some initial liquidity to allow it to limp on, but it was not enough. Bear Stearns was later sold to JPMorgan Chase at a knockdown price. Some years later, JPMorgan Chase agreed to pay a record $13 billion settlement to regulators over a string of investigations into its risky mortgage deals between 2005 and 2008. As the dust began to settle, it became clear that few banks remained unscathed, and those which had disregarded high street operations and jumped into the market in abstract investment mechanisms suffered most.

In Britain, Northern Rock found itself flailing around desperately in search of a secure foothold that might prevent it from sinking deeper into the mire. The bank had invested heavily in the housing market and found itself totally unprepared as the market deflated and mortgage defaults increased. Anxiety spread as the bank's problems became common knowledge. Many savers concluded that it would be best to withdraw their money, and an old-fashioned bank run began. Given the scale of the debt carried by many banks relative to their rather limited reserves, the British economy could ill afford for such fears to spread and infect the entire financial system. Spokespeople for the Labour government made it clear that the savings of regular customers were guaranteed under the Financial Services Compensation Scheme and that the state would stand shoulder to shoulder with ordinary savers and investors threatened by events in the banking sector. However, when a buyer for Northern Rock could not be found, the state was forced to step in and nationalise the bank in the hope of stabilising the sector and assuaging the anxieties of an increasingly rattled public. Bradford & Bingley, another former mutual building society with a longstanding presence on British high streets, was also split up and sold off, and some parts of it nationalised.

Despite the state's efforts, new problems began to emerge with dazzling rapidity. In the United States, the Treasury Department stepped in to take control of Fannie Mae and Freddie Mac, the two state-sponsored cornerstones of the US housing market. While the size of these takeovers stands out, the list of banks and other financial institutions that found themselves in desperate need of the state's help is quite expansive. The US government, in its Troubled Asset Relief Program – which was initially allocated some $700 billion to buy toxic assets in the hope of keeping financial institutions trading, and generally stabilising the US economy – offered crucial assistance to such notable institutions as General Motors, Goldman Sachs, AIG, JPMorgan Chase, Morgan Stanley, Chrysler and Wells Fargo. There were, of course, many others.

The US federal government was for the most part willing to help ailing financial institutions that found themselves in trouble, but Lehman Brothers represented a step too far. During the boom years preceding the crash it had reaped a bountiful harvest from its high-risk investments. Satisfied that its financiers had the acumen needed to continually pick winners, Lehman leveraged in enormous sums to fund its investments. At the time of the bank's eventual collapse its leverage ratio was an amazing 31 : 1 and it held assets with a notional value of $600 billion.[9] Lehman's bankruptcy remains the biggest on record.

For many, Lehman Brothers became the archetype of corporate banking excess. The bank's chief executive, Dick Fuld, nicknamed 'the gorilla of Wall Street', had earned a personal income in excess of $500 million in the eight years preceding the collapse, and somehow managed to walk away from the whole debacle unscathed.

Fuld was certainly not the only figure to inspire hatred. In Britain, Fred Goodwin, Chief Executive Officer of the Royal Bank of Scotland (RBS) and nicknamed 'Fred the Shred', attracted a great deal of opprobrium. The extravagantly remunerated Goodwin had grown RBS from a small regional bank into a sprawling global entity by abandoning the relatively sedate banking culture of the modern age to dive headlong into the twenty-first century's market in abstract investment mechanisms. It seems that Goodwin was driven by a desire to grow the bank as much as possible, and to do that he was willing to take wild gambles on investments he did not appear to fully understand.[10] Gordon Brown's Labour government agreed to bail out RBS, to the tune of around £45 billion. Goodwin was stripped of his knighthood, but he suffered no penalty beyond that. He quickly left the public stage to take up early retirement, cushioned by the millions in bonuses he had earned during the boom years and the millions more he had stored away in his pension pot.

A contagion of toxic debt quickly spread throughout the financial system. Stock prices on Wall Street and in the City of London collapsed. Morgan Stanley and Goldman Sachs withdrew from investment banking and repositioned themselves as commercial banks. As Keynes had shown all those years ago, the business cycle and levels of employment in the private sector are driven by 'animal spirits', waves of sub-rational optimism and pessimism about future demand and investment returns. For years both banks and private sector companies had been excessively optimistic about what lay ahead, which had emboldened them to increase their debt-to-equity ratio and adopt illiquid positions. When news of the crash first broke, optimism turned to pessimism. Many banks and businesses suddenly sought to adopt liquid positions.

As Hyman Minsky[11] once suggested, stability appears to breed instability. In making this claim, Minsky was directing our attention to the attitudes and investing strategies that become normalised in times of economic stability. Confidence and a degree of optimism about future returns on investments can, it seems, lead to carelessness, or indeed outright recklessness. Animal spirits rise and risks are taken on investment opportunities that should be subjected to greater critical interrogation. When prices seem set to rise further, great emphasis is placed upon investing quickly, and, if need be, borrowing the funds to invest. Securing the maximum return on one's investment is the focus of attention; far less attention is given to the actual viability of the assets one buys or whether or not the asset is appropriately priced. Of course, as the financial crisis grew progressively worse, many found it incredibly difficult to offload rapidly depreciating assets as they tried to secure the liquidity that would give them room to manoeuvre. As time passed, it became increasingly clear that many debts would not be repaid. Many formidable institutions crashed to the ground.

Ultimately, the music in neoliberalism's financialised economy had stopped, and the main players were scrambling desperately to find somewhere they could safely sit down. Capital investment, the lifeblood of the financialised economy, had dried up, and the entire system came shuddering to a standstill. Every potential investment opportunity suddenly seemed polluted by risk. Many of those who still possessed investment capital retreated to their preferred tax havens to wait out the storm. The allegedly responsive and adaptable global free market had completely seized up. It had no internal mechanisms that could allow it to adjust and overcome the problems it faced. Predictably enough, all eyes turned to the much-maligned state for answers.

Throughout the industrial era the Western nation-state had played a central role in the growth of technology and industry.[12] Yet since the 1970s neoliberal ideologues have denounced it as hopelessly slow, uninventive, and incapable of responding to the needs and desires of thoroughly consumerised individuals who, we were told, had left behind archaic notions of nationhood and saw themselves as cosmopolitan citizens of the world. The political elites of the neoliberal age all seemed to have been fully inculcated with the flawed logic spouted by the global free-trade lobby, which for decades had worked tirelessly behind the scenes to ensure that the basic tenets of neoliberalism were regarded as common sense, pragmatic, and the best means of growing national economies whilst avoiding geopolitical tension and runaway inflation.[13]

Since the 1970s, neoliberalism has ascended to the level of indisputable orthodoxy in many Western nations. Since the 1980s, almost all mainstream economists, finance ministers and economics commentators have assumed that it is up to the private sector to create jobs. Economic growth, a plethora of attractive investment opportunities, low taxes and high profits made business owners optimistic about the future. To take advantage of the opportunities that lay ahead, businesses would invest in fixed assets and expand their workforce. This would in turn boost productivity, consumer spending and the overall health of the economy.

However, it was Keynes' insights that had shaped the economies of most Western nations from the close of the Second World War until neoliberalism's takeover of Western political economy in the early 1980s. Put very simply, Keynes claimed that the state can and should engage in deficit spending during times of economic contraction in the private sector to maintain full employment, prevent destructive economic crashes and ensure continued incremental economic growth. The state, Keynes maintained, had the ability to create productive employment, and it was in the interests of all that it did so. As growth in the private sector flattened out and pessimism set in, the state could create jobs with an obvious public purpose, and this would ensure continued demand and a rapid return to moderate and managed growth. These jobs could also be used to upgrade infrastructure with a view to driving innovation while boosting productivity and the nation's Gross Domestic Product. As the economy heated up, the state could reduce spending to prevent sharp inflation and the creation of dangerous bubbles.

Keynes' goal was to create steady, incremental growth and move beyond the boom-and-bust cycle that plagues the unregulated market. After the horrors of war, in which so many had sacrificed so much, Britain and many other Western nations refused to accept a return to the instability and injustices of the pre-war years. Even the old one-nation aristocrats of the Tory

Party hoped to build a land fit for heroes.[14] Housing, stable and fairly paid work, political representation and high-quality education and healthcare rapidly became rights demanded by citizens across the West, and at the time few mainstream politicians were willing to stand in their way.

The Marshall Plan[15] greatly assisted a number of European nations as they sought to rebuild after the war. While Keynes, who represented Britain in negotiations, did not get everything he hoped for from George Marshall, who headed up the American team, eventually the United States agreed to provide an initial $17 billion to assist the battered European nations to rebuild. More money was forthcoming. Of course, the Marshall Plan and the various initiatives that followed were not wholly the product of boundless generosity. The United States had by this time turned its attention to the threat of the Soviet Union, and it did not want other European nations to fall victim to the evils of communism. American liberalism must triumph, and its huge wealth was to be a crucial weapon in the fight. And, as Keynes was eager to stress, the United States had a strong economic case for funding European recovery. The Marshall Plan was an investment rather than a gift. The United States had by this time clearly surpassed Britain to take up the title of 'the workshop of the world', and, with their loans and investments, the Americans were effectively nurturing current and future export markets. Once they had received Marshall Plan funds, Britain, France and West Germany, who were the principal beneficiaries, would turn to American industry to buy what they needed to rebuild, and they would continue to buy American as their economies grew. In a roundabout way, the Marshall Plan was an investment in American industry, and consequently in American jobs. Keynes was also not blind to the global political picture. The Marshall Plan drew the largest and most strategically important European economies closer to the United States in an era that was set to be defined by a tense Cold War.

Keynes exerted considerable influence on the West's post-war economic order. He was certainly not, as some of his contemporaries suggested, a radical leftist. Indeed, he formed part of the Bloomsbury set and was well connected with literary, financial and political elites throughout Europe and North America. He seems to have been, by nature and by upbringing, a liberal conservative, greatly influenced by the work of Edmund Burke, and the philosopher G.E. Moore, who was one of the architects of analytic philosophy.

Keynes was a confirmed elitist rather than a man of the people, but he was brave enough to defy convention and commit himself to truthfully representing financial and monetary systems. His boundary-redefining book, *The General Theory of Employment, Interest and Money*,[16] is rather dry and occasionally self-indulgent. It contains little of the style and verve to be found elsewhere in both his scholarly and popular books and articles. However, despite its aesthetic flaws, Keynes' already titanic status as an economist, philosopher and political commentator compelled many British economists to persevere with it. In the fullness of time, and with the support of significant academic economists in British and American universities,[17] Keynes' deeply unfashionable assessment of the global financial system and the role of the nation-state in economic management established itself as an orthodoxy, despite the continued attempts of many representatives of capital to denigrate his work and the reputations of economists who committed to his model.[18]

Despite initial scepticism, Roosevelt drew confidence from Keynes' work and launched his New Deal in 1933 as a response to the terrible social impact of the Wall Street Crash and the Great Depression. In the years that followed, deficit spending would combine with his other principle of capital controls to become something of a panacea as nations sought to manage their economies more equitably. Keynes knew the power of the public purse, and he saw little logic in relying entirely upon the inherently unstable market to provide the jobs and economic growth nations needed to advance in a reasonably stable and civilised manner. Keynes also saw little sense in restricting the economic remit of the state to monetary policy.

In time, most mainstream economists and politicians came to agree that by itself the private sector would not sustain full employment. Boom and bust were not avoided entirely, often because politicians refused to implement Keynes' suggested measures with due diligence and foresight, but also because

Keynes' original theoretical work was over time diluted by those aligned to private sector interests. However, for the most part the economies of Britain, the United States, West Germany and France grew steadily. Welfare states were created, and, after a fashion, full employment was maintained. Crucial infrastructure projects were completed, and productivity steadily rose.

The balance between welfare and industrial investment was different across nations but, overall, Keynesian economic management had a positive impact on the lives of ordinary men and women. The consumer economy diversified, and memories of desperate poverty faded from view. Functional communities, sustained by steady and occasionally satisfying employment that paid enough to raise a family, looked to the future with optimism. The long shadow of the Second World War encouraged many to feel a sense of investment in the collective project of nationhood. They were citizens who had contributed to this prevailing mood of well-being and relative affluence. The bad times were behind them. Their work was valued, and their contribution acknowledged. Men and women became gradually more secure, and a modicum of assuredness could be discerned in their cultural lives.

Much of this fell away as Western nations voyaged out further onto neoliberalism's dark sea. The recession and stagflation of the 1970s – which, as we shall see later, could have been avoided – eroded faith in Keynesianism. Neoliberalism rose in credibility and was carried into office by a new generation of politicians committed to liberalising national economies. The state was stripped of many of the tools that had served it so well during the post-war era. The very idea that the state should create employment – or spend and invest in ways likely to create employment – became unthinkable, and tantamount to heresy. Politicians mandated to wield the huge power of the nation-state began to disavow the concentrated power they possessed. They also did what they could to convince the public that the nation's economic well-being depended solely upon the ability of investors and financiers to identify profitable investment opportunities.

Tax cuts, variable interest rates, financial deregulation and allowing unemployment to rise to its so-called 'naturally occurring rate' were, from the 1980s onwards, the only tools neoliberal finance ministers seemed willing to deploy. Should unemployment rise too fast and its deleterious social effects become obvious, the basic political drive was limited to encouraging the private sector to create employment. The only solutions neoliberals would consider were to offer tax incentives, adjust interest rates, clear away regulatory impediments, and generally do everything possible to allow investors to realise significant and sustained profits. As part of that process, workers needed to adjust their expectations and accept lower wages, reduced job security and worse conditions.

In the post-war era, the pendulum had moved in favour of workers and citizens, but now it was moving at breakneck speed in the opposite direction. Throughout the middle third of the twentieth century, the investment class had judged it expedient to accept higher taxes, higher wages and better conditions because the threat of a significant political move to the left was certainly not beyond the bounds of imagination. Profits had fallen, but markets were expanding and diversifying, and political stability needed to be maintained. The investment class put up with the demands of bold trade unionists, the restrictions of the Keynesian economic model and the regulations imposed by the democratic state. However, they were merely biding their time.

The economic crises of the 1970s signalled that the time had come to push back. Investors demanded higher returns, and a new generation of political leaders believed that they were entitled to make such demands. The people would have to change. They would have to put up with lower wages, economic insecurity and worsening conditions. Cheap consumer goods imported from abroad would be their only compensation. They were told that this was the only possible way to stabilise the global economy and guarantee a better future. They would simply have to get used to instability and be prepared to abandon the towns, cities, regions and nations of their birth to head off to wherever employment became available.

The state had willingly made itself the handmaiden of global investment capital. Politicians accepted that potential profits must be high to attract private investment. The tried-andtested way to keep profits high is to suppress production costs. Throughout the neoliberal era, wages declined significantly in real terms, especially in labour markets that did not require a university education. Other costs were cut too, but workers suffered most. Jobs became gradually more unstable and short term, while wage growth stagnated or declined even as productivity and profits climbed higher.[19] Workforces were nothing more than – in the vulgar accounting logic proper to neoliberalism – a unit cost. Hardly ever were the men and women who toiled in the downgraded labour markets of the new market economy considered a valuable resource. Low-wage service workers were more expendable than they ever had been. Quickly it became accepted that they would constantly transit from one onerous, underpaid and unstable job to the next in the vague hope that something better would materialise further along the road.[20]

As the neoliberal age wore on and welfare states were cut back, the state's drive to dispense with assets, managerial responsibilities and economic entanglements was often accompanied by the hope that charities and private citizens could be relied upon to address the social consequences of poverty, unemployment and underemployment.[21] Representatives from the main political parties – which by this stage treated the shibboleths of neoliberalism as if they were the word of God – steadfastly refused to step forward to advocate for the public investment and real jobs ailing nations so sorely needed.

Throughout the neoliberal era, most mainstream politicians agreed that the state should be kept small while the market was encouraged to run wild. This meant that, in the crucial dimension of the economy, the political spectrum no longer existed. Blair, Brown, Clinton, Schröder, Mitterrand and many others adopted Thatcher and Reagan's faith in markets, and the new globalised corporate business and financial class was the principal beneficiary. All seemed to agree that the state should have at most a 'light-touch' regulatory role in economic planning,[22] guaranteed not to stifle the redoubtable ingenuity of the nation's swashbuckling financiers.

The incoming Labour government's decision to grant the Bank of England independence in 1997 – and in so doing cede significant powers to an unelected banking elite tasked with managing inflation by controlling interest rates – signalled the final triumph of neoliberal economics amongst mainstream leftist politicians. Throughout, neoliberal economists continually tried to convince themselves and those in government that nations need to maintain an 'optimal rate of unemployment' to prevent inflation.[23] It's worth letting that phrase percolate in the brain for a moment: an 'optimal rate of unemployment'. Even if low unemployment guaranteed rapidly rising inflation, which it does not, clearly these people believe that keeping inflation in check is far more important than attempting to ease the insecurity and suffering of ordinary people.

From the late 1980s onwards, many notable social scientists suggested that a war was taking place between the state and the market. However, if this really was a war, only one side seemed to be fighting. Faced squarely, it looked nothing like war. It was more like a clear-up operation against what little remained of the defeated democratic political resistance to neoliberalism. If a war had indeed taken place, the state's representatives had done all they could to secure its eventual defeat.

Once the key political battles were over, a new normal established itself. For us, as denizens of northern England, the key battle was the 1984–85 miners' strike. The symbolic significance of this conflict was huge. Thatcher's Conservative government – which, once the traditional one-nation Tories had been purged, was staffed entirely by free-market neoliberals – set out to disarm and discredit the British trade union movement. It was willing to use any means necessary to achieve that end.[24] But that was not all. The defeat of the miners signalled the death of a valuable way of life, rooted in clear and comprehensible symbolism, a way of life that had allowed generations of British working-class men and women a degree of freedom and cultural vitality that they had not experienced before in the modern age. Despite what many contemporary cosmopolitan leftists suggest, the death of industrialism in Britain did not free ordinary people to widen their horizons and begin a process of personal transformation, growth and progress. To this day, many post-industrial areas across Britain continue to exhibit a sense of despondency, grievance and loss.

Throughout the neoliberal era, politicians in government were very often vocal advocates of the market and stern critics of the state. They carried their anti-statist banner high and proud, promising to free the electorate from the state's pathological tendency towards coercive control. And to many mainstream commentators, markets were capable of wonders. Markets were vital, powerful, innovative, adaptable and free, and a haven for all who want to push technology forward and dash towards a brighter future. States were old and sclerotic, composed of dusty bureaucracies and dreary institutions, things of the past rather than the future.

Even when it was inconceivable for those in government to fully dispense with a key feature of state activity – for example, in Britain, where the National Health Service (NHS) is still considered one of the nation's crowning achievements and a key feature of the nation's identity – the goal became to draw the market into existing bureaucratic systems. The NHS, for example, had many of its services 'contracted out' (a process that involves giving out contracts to private businesses to carry out functions once provided directly by state employees). This allowed Blair to claim he had spent a growing proportion of the nation's wealth on the NHS despite the fact that the overall quality of healthcare provision and other services did not improve.

Blair and many other mainstream politicians believed that businesses were naturally geared towards cutting waste, improving efficiency and satisfying customers. However, the contracting-out of state services, such as health, usually meant a stark decline in quality and overall satisfaction. It didn't work for the citizens who used these services, many of whom could clearly see the overall decline of the NHS and the pressure its overstretched staff were under, and it didn't work for the majority of those who worked in the NHS, because contracting out almost always meant those once employed by the state were hired back by private sector contractors on worse pay and conditions and with a greater workload. It did work, however, for the business owners and investors to whom the state gave contracts.[25]

Politics became dominated by neoliberal dogma and its reductive assumptions. By the 1990s, few mainstream politicians were willing to back the state or even make the argument that the state should at least act to prevent the spread of the market into every aspect of human life. As the social democratic age faded into history, only a few remaining old socialists, usually on the backbenches of the Labour Party, believed the state should once again assume a central role in the nation's economy. Labour's front benches, by this time, were occupied by graduates parachuted into safe seats, who brought with them little experience of the real world and no experience at all of the drudgeries of working in the downgraded service sector. They were media-savvy, ambitious, often startlingly self-confident, and totally dedicated to doing whatever needed to be done to win office. And of course, they were, first and foremost, liberals rather than socialists.

This new parachute regiment of liberal-leftist career politicians showed little interest in the left's fundamental values or the lives of the increasingly frustrated voters upon whom they had traditionally relied. It was easy to make the excuse that the working class no longer existed, whereas in reality it had merely made the transition from relatively secure industrial work to insecure service work, and it was thus no longer visible in large moving crowds outside shipyard gates. The new careerist politicians rarely looked beyond the election-time sales pitch. Every five years or so, these leftist party apparatchiks would knock on doors, make some promises, then disappear again. No fidelity, no values, no sense of mutual support or common fate, and no meaningful representation. It was no longer a historical, cultural or political relationship in the true sense. It wasn't even a meagre contractual relationship. As the left embraced neoliberalism, the relationship that existed between leftist political parties and their core support in the working class was, if anything, extractive. Leftist political parties still grabbed votes, but nothing at all moved in the opposite direction.

This situation could not endure. As dedicated pragmatists, the left's new generation of careerist politicians should have understood that they could not continue indefinitely taking their core voters for granted. Sooner or later, despite historical allegiances, disgruntled voters would withhold their votes or give them to a rival. However, the new generation of career politicians continued to forge ahead, sure that stripping back business regulations and state spending would spur private investment, which would in turn create the jobs that would bring dying post-industrial regions back to life.

Such an audacious economic transformation would have been impossible without firm and widespread ideological support. By the turn of the millennium all Western politicians and influential cultural figures accepted and, in the main, actively promoted the idea that global neoliberalism is the only possible route to a brighter, wealthier future. The past was ideologically transformed into something impoverished, repressive, parochial, drab and inward-looking, and those associated with it were believed to be similarly inclined. The future in neoliberalism's global village was open, dynamic, and alive with opportunity, diversity, innovation and progressive cultural change. If you were willing to disengage from reality and accept the world as it was presented by the culture industries, the end of history appeared to have so much going for it. Advocating a return to the politics of the state, and suggesting the nation withdraw from the vigorous cut and thrust of global free trade in order to protect jobs, increase wages and bolster national supply chains, elicited only guffaws of laughter from those who had seized control of mainstream political parties and mass media institutions.

However, the great irony is that in the wake of the biggest financial crisis in living memory, it was to the state that everyone turned in the hope that it would steady the ship and chart a course to recovery. Only the state had the power to intervene at a fundamental level to prevent further catastrophe. Only the state could truly do what needed to be done, yet it was almost impossible to find a single politician willing to say anything positive about it.

Britain's Chancellor of the Exchequer at the time of the crisis, Alistair Darling, in his memoir *Back from the Brink*, discusses with admirable candour the feeling of being engulfed by the crisis as one institution after another decided to come clean about the gaping hole in their finances. Darling acknowledges just how close he came to shutting off the cash machines and effectively closing down the economy in the hope of halting the contagion.[26] Ben Bernanke too, at that time chair of the

Federal Reserve in the United States, has not attempted to minimise the scale and complexity of the crisis.[27] For him, the global financial crisis of 2008 was a once-in-a-lifetime event of even greater magnitude than the Great Depression of the 1930s. For years the staunchest of free-market advocates, he admitted the crisis had revealed to him the financialised global economy's underlying structural faults. Only the state could respond, and all the banking technocrats and politicians knew it.

The 2008 financial crisis was not simply a crisis of the banking sector. It quickly metamorphosed into what became known as the European sovereign debt crisis. Portugal, Ireland, Greece, Cyprus and Spain, a collection of countries unflatteringly nicknamed the 'PIGS', found themselves unable to repay or refinance their debts and unable to assist their own banks as they stumbled towards collapse from the latter half of 2008 onwards. These nations faced a fundamental problem. Because they had given up their sovereign currencies for the euro, they could not, in the usual manner, devalue their currency to manage debts. The 2008 crisis revealed in stark detail just how much sovereignty they had given up when they joined the eurozone and accepted the euro as their sole legitimate currency.

Initially they had been drawn to the abstract ideal of European integration and the utilitarian attractions of belonging to a pan-continental free-trade area that was growing incrementally in terms of economic power and global influence. With a highly efficient and technologically advanced German economy at its centre, they could be forgiven for assuming that economic growth and improved consumer lifestyles were almost guaranteed. For years standards of living did indeed appear to rise.

Understandably enough, when times were good there was little interest in what these nations had given up in order to join the club. However, when the 2008 crisis hit, their total reliance on the European Central Bank (ECB) suddenly became obvious. Without the power of a sovereign fiat currency – which we discuss in the following section – they simply did not have access to the liquidity, spending power and debt monetisation they needed to stabilise their national economies and secure the well-being of their citizens. Like Weimar Germany after the First World War, these nations owed debts in what was essentially a foreign currency. The ECB, together with the other institutions that formed the Troika – the International Monetary Fund and the shadowy and unelected European Commission – were, to cut a long story short, unwilling to issue and hand over the euros that would enable these countries to address the collapse of their national economies. Traumatic levels of austerity and fiscal restraint were duly imposed on these nations and, after some brief resistance by SYRIZA in Greece, left-wing parties had no answer to put to their respective electorates.

Let it be

In order to understand the structural economic failures in which the post-war left allowed itself to be embroiled, let's take a moment to investigate the basic economics that underpin neoliberalism's political landscape. A monetarily sovereign nation-state with its own fiat currency can never go broke. 'Fiat' here simply means 'let it be'. The phrase 'fiat currency' describes currencies that are free-floating and not pegged to a particular commodity, like gold, or tied to a foreign currency, usually the US dollar. Financial markets determine the value of fiat currencies.

The 1944 Bretton Woods agreements were conceived as a means of stabilising currencies and international loans as nations sought to rebuild after the Second World War. Until 1971, many Western countries, including Britain and the United States, were tied to what was known as the 'gold standard'. In Britain between 1944 and 1971, for example, the value of the pound was tied to the US dollar, which in turn was tied to the value of gold. The Bretton Woods agreements also tied Britain to a system of fixed exchange rates. The value of the pound in relation to a whole host of other national currencies was fixed by mutual consent. The system of fixed exchange rates had numerous downsides for national economies, especially as international trade began to heat up. National governments found themselves unable to respond productively to trade deficits and balance of payments crises.

The Bretton Woods system meant that national governments were financially constrained and compelled to manage the total amount of currency in circulation. They tended to do this by extracting almost as much tax revenue from the economy as the currency they issued as public spending. This practice appears to have informed the two interconnected myths that have weighed heavily on the left since the dawning of the neoliberal age. The first myth is that governments must tax their populations before they can spend money on public works or services, and the second is that should governments fail to raise enough money in taxation they must cover spending commitments by borrowing on financial markets.

These myths are ubiquitous and structure popular beliefs about what national governments can actually accomplish. Thatcher famously declared that the problem with socialism is that eventually you run out of other people's money. And yet, since the death of Bretton Woods, the only restrictions placed upon public spending have been pragmatic and focused on the management of inflation. In fact, Weimar-style hyper-inflation is very rare and dependent on other factors that predate the issue of currency, such as defeat in war, the collapse of productivity and owing debts payable only in foreign currencies. The United States and all other nations that possess a sovereign fiat currency do not suffer from such problems. They cannot go broke because they are the sole legitimate producer of their own sovereign currency.

Britain and the United States both have the capacity to buy anything that is for sale in their own currencies, including all unused labour. However, to counter this reality, from the 1980s onwards the unrivalled ideological supremacy of neoliberalism ensured that a range of myths about the financial system became entrenched in everyday life. The fundamental popular message is that public spending beyond tax revenue will incur unmanageable debts and deficits, bankrupting nations and leaving our children with an impossible burden. The mainstream left's acceptance of these myths greatly impeded its progress. It also ensured that there was very little difference between the mainstream left's economic policies and those of the neoliberal right.

The fundamental ideological consequence of the left's incorporation into this pervasive mythology is that the majority of ordinary people understand the left's progressive vision solely in terms of its cultural rather than its economic concerns. In recent years, for example, an increasing number believe that the left advocates open borders and other features of cultural progressivism, while the right is more likely to defend borders and the traditional cultures and customs that lie within. Public understanding of what the left has in store for us economically, and how its proposals differ from those of the right, tends to be unclear.

Throughout the neoliberal era, the left and the right largely agreed on economic fundamentals. As we will see in the next chapter, things changed – but only slightly – with the rise of Corbyn, Sanders and other 'left populists'. However, throughout the 'third way' administrations of Clinton, Obama, Blair, Brown and others, the differences between left and right on economic policy were, in the grand scheme of things, quite insignificant. The left and right did, however, often quite starkly disagree on cultural issues, and many concluded that henceforth all major political battles would be fought on the field of culture.

The left's flight from economic antagonism was a deadly blow to its electoral chances. In Britain, the left should have made it absolutely clear to ordinary men and women that national governments do not need to borrow British pounds on financial markets. The state has the capacity to create as many British pounds as it needs to fund whatever projects the government of the day intends to pursue. The British state can spend *up to the nation's productive limit* without spurring a rapid rise in inflation. The same is true of all monetarily sovereign nation-states. Since the beginning of neoliberal outsourcing in the 1980s, Western states have been far short of their productive limits. The idea that the state is financially constrained and can't afford to spend money on what would be very popular public programmes and infrastructural investments quite clearly benefits the neoliberal right, who prefer sovereign currency to be issued through the central bank to licensed private banks, which can lend it out as interest-bearing loans.

This is certainly not to say that monetarily sovereign nations do not borrow money; they do, but they certainly do not borrow their own currencies to fund public spending. Talk of monetarily sovereign nations being crushed by unmanageable debts makes no logical sense. Hyperbolic media commentators who terrify their audience with talk of the gaping hole in the nation's finances and the possibility of the state being declared bankrupt, or our children being burdened with our debts and deficits, display either a remarkable lack of knowledge or a strategic desire to hide the reality of our fiat money system. The United States is not on the verge of defaulting on its debts, because it has an inexhaustible supply of American dollars. The Bank of England can produce electronically as much money as the British state would ever need to service a debt or pay for public works. It is just a matter of pressing a few numbers on a keyboard. The fact that the left has played along with all of this for so long, and continues to do so, should be a major issue for all truly critical leftist intellectuals to ruminate upon.

Leftist political figures helped to propagate this myth either because of ignorance or because they hoped to disguise their own determination to obey the neoliberal command to ensure that spending in the public interest is kept to a minimum. Even John McDonnell – ostensibly the most left-wing shadow chancellor for half a century – dipped into the fantasies that sustain the neoliberal order. Following so many other post-crash political leaders, he likened the national budget to that of an ordinary household and trotted out the standard myths about fiscal probity and living within our means. For McDonnell, of course – who in 2017 contributed to a very popular Labour manifesto that almost saw the party return to power – an increase in public spending was essential for the relief of widespread social distress. However, he also felt it necessary to tell voters that his spending plans would be paid for by cutting spending elsewhere and by extracting more money from the rich in the form of taxes. McDonnell's spending plans looked quite extravagant, and so he was keen to reassure voters that they were fully costed and that by the end of the administration the nation's deficit would be reduced.

It's disappointing that McDonnell bought into the household analogy. It is totally false and should have been assertively rejected by the left decades ago. In accepting the household analogy, leftist politicians agree to play by the rules set by the neoliberal right. The British state is the sole issuer of its sovereign currency.

It and no one else produces British pounds. Households do not have that luxury, and so a comparison between the two is absurd. It makes sense for households to pay down debt, but the same is not necessarily true for nation-states. It makes sense for household members to spend only the money they have available, but the monetarily sovereign nation-state can in effect spend as much money as it wants within the nation's productive capacity. The state can never run out of its own money. Households can and often do run out of money and are then forced to borrow. Monetarily sovereign nation-states are never forced to borrow their own currency and can afford to fund all of their spending commitments. This does not mean that a nation-state with its own sovereign currency can endlessly indulge the whims of its core constituencies, but it does mean governments are not financially constrained in the ways we have been led to believe.

Governments can spend up to the nation's productive capacity without fear of spurring runaway inflation, which is the bogeyman that haunts the dreams of all mainstream economists. This does not mean that taxes are superfluous. They are important, but not in the ways we tend to assume. Governments do not need to tax before they can spend, but they can use the tax system to control inflation, alter spending decisions, redistribute spending money, limit oligarchic power and subtly shape cultural habits in civil society.

Sin taxes – on cigarettes, beer and so on – are an obvious example. Governments around the world impose taxes on particular commodities in order to discourage consumers from buying them. The most commonly cited justification for imposing sin taxes is the effect these commodities have upon public health. A number of national governments have in recent years added sugary drinks and fatty foods to the standard list of 'sinful' commodities, and it seems likely that others will soon follow suit. Red meat may soon join the list. There are, of course, many good reasons for pursuing such a course. Consumers put off by higher prices may decide to curtail their intake of unhealthy consumables, and corporations may seek to avoid taxes by reducing the sugar or saturated fat in their products.

Tax breaks can also be offered to encourage behaviours widely believed to yield a public benefit of some sort. Married couples still often benefit from small tax breaks, and a number of governments now try to encourage those shopping for a new car to go electric. In this way, taxes can be used in the attempt to facilitate positive social outcomes. Taxes can also be used to truncate social inequality. This was done to considerable effect during the social democratic era, but neoliberal administrations appear to have strategically forgotten about this crucial social function. Most people take the ethical position that the rich should be taxed proportionally more than those lower down the social hierarchy.[28] Curtailing the financial power of the mega-rich has a range of real, positive political and social effects alongside the primary ethical reason of fairness.

It is also vital to recognise that governments tend to recoup a significant portion of public spending. Much of the money the state spends is returned to it in the form of tax revenues. This may seem counterintuitive, but to better grasp the reality of our monetary system we must keep in mind the full diversity of ways governments remove liquidity from the economy. Tax is not simply a matter of deductions from wage packets, although most people focus on this aspect of the tax system above all others.

As academics, our wages are, in a roundabout way, paid by the British government. We pay tax on our wages, so the government immediately takes back a significant slice of the money it pays to us each month. Like you, we imagine, we spend the money that remains. But the vast majority of things we might choose to buy, and the various entities we might buy those items from, are also subject to taxes. The driver of the taxi we take to the station must pay income tax. He must pay road tax, and he also pays tax when he fills his car with fuel. The employee who serves our morning coffee must pay tax on her wages, and her employer must pay tax on its profits. The items used to make the coffee have also been bought and sold and are subject to taxation. The train company that transports us to work must pay tax, as must all of its employees, and much that the train company relies upon to deliver its full range of services involves a payment to the Exchequer. Sales taxes. Sin taxes. Import taxes. In Britain and other European states, VAT (value added tax) is imposed. Various forms of local government also impose taxes.[29] In short, a multitude of interlinked economic chains ensure that more money spent by governments than we might imagine finds its way back to the state.

However, throughout the neoliberal era there have been insistent calls to cut taxes. The system's underlying logic suggests that tax cuts can stimulate economic activity and private capital investment. While it is entirely possible that this claim has been used to disguise the real reasons neoliberals call for tax cuts, which is of course to give business leaders a greater share of the spoils, it is certainly true that specific tax cuts can be used to boost economic activity, especially among those sections of society most likely to spend – rather than hoard or invest abroad – money that comes their way. However, if the ultimate goal is to stimulate economic activity within their borders, monetarily sovereign nation-states have a range of far more effective tools at their disposal.

The reality is that tax cuts have tended to benefit those least in need of financial help and most likely to take their money beyond the nation's borders, which of course can reduce aggregate demand and discourage productive investment in the real economy. Neoliberalism has transformed sovereign nations into global competitors forced to attract global investors and multinational corporations. This in turn has reduced levels of corporate tax, which has enriched corporate elites and aided the profitability of the largest and most powerful corporations. If, for example, corporate taxes in the Republic of Ireland are low, global corporations like Google, Amazon or Intel might be attracted to set up shop there. Many argue that pursuing such a course will create jobs, which in turn will reduce the need for governments to spend money on welfare while at the same time boosting consumer spending. Increases in consumer spending will improve aggregate demand, create more jobs and drive market innovation. However, this kind of international competition – trumpeted from the rooftops by neoliberal ideologues on the left and the right – has for many decades resulted in an unseemly race to the bottom that has benefited only multinational corporations already attuned to minimising tax, and the elite executives in those corporations who have been able to command higher wages.[30] Furthermore, the jobs created by offering tax cuts to large multinational corporations have been for the most part few in number and low in quality.[31] The net result has been that the economic and financial power of the state has been used to enrich elites.[32] Throughout the neoliberal era, this aspect of neoliberal governance contributed to widening inequalities and associated social problems.[33]

It is not only multinational corporations that have benefited from the liberal drive to strip away the shackles of taxation. In England, Northern Ireland and Wales, the standard personal tax allowance rose to £12,500 per annum in 2018, meaning that citizens do not pay income tax on the first £12,500 they earn, and citizens who earn £12,500 or less per annum pay no personal income tax at all. This policy move garnered some support on the left, but of course it benefits the very wealthy just as much as it benefits the very poor. Certainly, it is wrong to think that raising tax thresholds in this manner is a useful means of reducing inequality. While the neoliberals trumpeted changes to the tax system as a gift from government to struggling citizens everywhere, the left acquiesced, generally accepted the logic behind the claim, and got caught in the usual trap of endorsing the policy through gritted teeth while claiming it didn't go far enough.

The fundamental point is this: from the dawning of the neoliberal age politicians and technocrats reduced the total amount of tax the state took from national economies, and this in turn has contributed to what economics commentators call 'the deficit'. But, as we hope you can see, the state's deficit is directly proportional to the private sector's surplus. The state doesn't have it because the private sector has it. The state has issued the currency into existence, but it has not recouped enough of this money through taxation. Therefore, the money is still out there in civil society, and disproportionately skewed towards the wealthy elite, whether they have earned it fairly or not.

Some readers will have a proportion of it stored in a savings account. Money that is saved, of course, is no longer in the spending chain and therefore unlikely to either boost demand and create jobs or be recouped by the state. The super-rich have a good share of it hidden in tax havens, and they have it there because they do not wish to pay money back to the state in the form of tax.[34]

The state deficit we hear so much about is directly proportionate to the amount of money held by citizens, businesses and corporations in the form of savings and liquid assets. The existence of the state's deficit means that a surplus exists elsewhere. Leftist political parties should have exposed the deficit myth long ago.[35] If we can accept that the state's deficit is roughly the inverse of the surplus that exists in the private sector, the argument can move on, and we can begin to look in earnest at how this surplus is gleaned and who tends to benefit from state deficits.

Governments could, of course, wipe out the state's deficit quite quickly by withdrawing a greater proportion of money from the economy in the form of tax, but it would make no sense to pursue this course. Should the government reduce the state's deficit to zero, as many governments aspire to do, then the general public would shoulder the burden and the surplus that now sloshes around the economy would quickly dry up.

Of course, the political parties of the left have traditionally argued that the rich should shoulder a far greater tax burden. For us, this is entirely reasonable. The sheer scale of the wealth held by the super-rich is obscene, and it is absurd to suggest that in every case this wealth is somehow proportional to their individual creativity and drive. As Piketty[36] has shown, wealth tends to beget ever greater wealth. The gap between the super-rich, who possess an extraordinary amount of investment capital, and the rest of us, who depend upon ever more precarious incomes, will continue to grow until the problem is addressed by national governments.

Paying tax encourages us all to view the entitlements provided by the state as ours by right, and surety that others are also 'paying into the system' encourages us to accept the justice of universal benefits. However, it is wrong to conclude that our taxes pay for those entitlements. They do not, but the flawed assumption that they do has lingered on for so long and to such damaging effect because it's *something we want to believe*, which makes us susceptible to neoliberal ideology. We like to believe that our talents result in a job, that our labour produces value, that the value we produce in turn produces tax revenues, and that those tax revenues pay for universal goods and services provided by the state to its citizens. This myth encourages a sense that the state relies upon us, the people, rather than the rather ignominious possibility that we rely on the state, a collection of institutions that often strike us as divorced from our daily lives and blithely unaware of our struggles. However, once we accept the fact that the taxation system is not principally concerned with generating income for the state, we can begin to see the reality of our economic system with a little more clarity.

Encouraging people to actually do this should have been a key concern for the left as the consequences of the neoliberal revolution began to bite in the 1980s. Doing so would have prompted the general public to think critically about the forces that shape many of their trials and tribulations, and about what needs to be done to change things. It would have given the left a sturdy platform of knowledge and understanding from which to build the kinds of transformative policy proposals our nations so desperately need. Instead, all too often the left mystified the economic system, accepted neoliberal dogma or abandoned the field of economics entirely as it rushed to address the injustices of the cultural field.

States with their own fiat currency, we must remember, always have the capacity to produce enough of it to free themselves from debt, although doing so might lead to other significant negative consequences. As the shockwaves from the American financial crisis reverberated around the globe, triggering a sovereign debt crisis across the eurozone, Spain, Greece, Ireland and other EU nations were unable to act independently because they did not possess their own sovereign fiat currencies, which they had forfeited to join the euro. Greece, therefore, was unable to assist its banks. It could not intervene in the way the British or US government did when the crisis hit. Instead, these nations and their citizens were totally beholden to the European Central Bank and the European Commission, which, under the watchful eye of the International Monetary Fund, together design and control the economic policies of the eurozone. The ideology that shaped the attitudes of those with the power to make these crucial decisions was there for all to see. The disdain with which those at the centre of the EU's power block treated their European compatriots as they struggled with the debt crisis beggars belief.

Unlike Britain and the United States, Greece can go broke. It can run out of euros. The same is true of Germany, although the likelihood of that happening is very small. In fact, membership of the euro helps the German export economy, because whatever variant of the mark they might return to should the eurozone be dissolved would be valued higher on the currency markets, making their exports less competitive. Greece is in a far more difficult situation. Like all eurozone members, it owes debts in what is essentially a foreign currency. Also, because it cannot issue its own currency, it is entirely reliant upon tax revenues or loans from the European Central Bank. The former quickly dried up as the crisis worsened and the latter inevitably increased the country's 'foreign debt' problem.

Britain and the United States' federal government do not need to tax before they spend. In fact, the situation is rather the opposite. Britain creates the initial demand for British pounds and gives the currency initial value by levying taxes in British pounds. It then spends money into existence, and in so doing provides the money ordinary people and business entities use to conduct transactions and pay tax. Greece could neither issue currency nor raise the money it needed by taxing its population, so it was forced to borrow. By this time, of course, rates of interest had risen, and Greece found itself with only two choices. It could have dropped out of the euro, reintroduced the drachma, inflated away from its debts and used its sovereign currency to address the social crisis that had unfolded across its territory. Given that Greece is largely dependent upon foreign imports, adopting this strategy would have resulted in a good deal of pain. Greece would have been forced to transform its economy and quickly develop national supply chains. The other choice, of course, was to go cap in hand to the Troika and beg to be bailed out.

Initially, the Greeks refused to accept the unenviable position in which the nation found itself.[37] They did not want austerity. Nor did they want to leave the family of European member states. In the end, of course, and despite their wishes, the Greeks got austerity. It was regretfully delivered by a supposedly radical leftist political party that was more committed to retaining the euro than it was to the well-being of the Greek people.[38]

The EU was and still is committed to ensure that member nations maintain a balanced budget. Even when faced with genuine human suffering, its institutions were unwilling to create the money troubled nations needed to purchase assets, provide immediate liquidity to banks and generally stabilise their national economies before setting out to create employment and return their economies to growth. The European Central Bank did launch its own continental stimulus package, but at no stage was the Troika willing to cede control of the creation of euros to member states themselves. The best the Troika would do was lend money to these troubled nations and, in order to get their hands on this money, national governments would have to agree to slash government spending and do everything in their power to reduce deficits.

The neoliberal drive to ensure nations pursue a policy of 'balancing the budget' can be seen quite clearly in the EU's constitution. This commitment is occasionally clear and occasionally opaque, but it is always there. In the EU's constitution, neoliberalism moves from being simply a raft of pro-business policies pursued by national governments to a new, coherent and potent supranational authority.

The EU's commitment to balanced budgets works its magic behind the scenes, ensuring that democratically elected governments across the continent do not spend lavishly in the public interest or invest too much in domestic industries and infrastructure. In order to join the euro, nations must demonstrate a commitment to ensuring that state spending does not radically outstrip the 'income' the state receives in terms of taxation. Member states must also accept the primacy of the private sector and promise not to interfere too much in national or continental markets. The EU's commitment to boosting the private sector and restricting the economic mandate of sovereign nation-states is written clearly into its constitution. It can also be seen in detail in the responses of its various institutions to the sovereign debt crisis of 2008. Despite this transparency, the EU's fundamental commitment to a key tenet of neoliberal orthodoxy seems to operate behind the scenes because it has somehow managed to escape the notice of huge swathes of the left.

The flight from economic reality

The EU continues to be seen by the left across the continent as generally 'progressive', and often preferable to democratically elected national governments, principally because the field of economics has been mystified and the field of culture accepted as the site of all key political battles. The EU's commitment to the free movement of people across its territories has been read by many as an indicator of its inclusivity and commitment to social justice. The primacy given to such cultural aspects of EU governance, and the general ignorance shown to the EU's deep and broad commitment to neoliberal economic doctrine, is a useful indication of precisely how the left changed in the decades after the Second World War and why it has fared so poorly since the dawning of the neoliberal age.

Picking up on what appears to be a commitment to European cosmopolitanism while ignoring the EU's long history of weak and ineffective responses to crises, many on the British left regard the EU as a pan-continental defence mechanism protecting us all from the perennial threat that European nations will drift towards aggressive, ethnocentric nationalism. Much of today's politics is based not on rationality or clear visions of the future, but on a deep, objective and assiduously reproduced fear that unwanted aspects of the cultural past might soon return.

The pro-EU left in Britain will be explored in more detail in Chapter 9, but we should perhaps at this stage acknowledge that the contemporary cult of Europhilia in Britain is often connected to a general dissatisfaction with Britain itself. At work here is a twin-track process of idealisation and demonisation that bears no relation to reality. The European Union has been idealised and somehow cleansed of its manifold faults at least in part because the nation has been demonised and presented as incorrigibly insular, racist and backward-looking. As we will see, the left has overlooked the many wonders of our nations. It has also disavowed the enduring power of the nation-state and imagines the only institutions, politics and cultural values capable of slowing the nation's slow march to right-wing nationalism exist beyond its borders.

Many of the more radical leftist media commentators fought hard to ensure that Britain remained part of a continental free-trade zone founded on neoliberal principles. Many more displayed contempt for those who, in the 2016 referendum, voted to leave the EU, before voting for the Conservative Party to ensure the result of the referendum was acted upon.[39] This created a strange situation in which radical leftists were fighting hard to maintain a status quo that quite clearly did not benefit those most in need of the left's support.

Some middle-class leftists even dipped into the language of revolution to call pro-EU activists out onto the streets in the hope of preventing a democratically elected government from enacting the results of a national referendum. These leftists ultimately wanted the nation to remain part of a neoliberal free-trade area that in its economic policies had made the poor poorer and the rich richer.

There are few clearer examples of the left's strange transformation as it journeyed through a kaleidoscope of libertarian and postmodern thinking. Up was down, left was right. The working class was the hostile right-wing establishment. Liberal, middle-class, university-educated pro-EU activists were an oppressed proletariat spilling onto the street to fight for freedom. The radical left promised to bravely fight the evildoers, ironically through the state's own legal system, to maintain the neoliberal status quo in the interests of the workers who suffered as a result of it. Had it not been so tragic it would have been funny.

Critical denunciation of the nation has, of course, been a key feature of leftist discourse for generations. However, for the most part it has been geared towards securing, defending and sharing more equitably what was good about the nation, and freeing those who suffered unjustly under the yoke of tyranny and money power. Such traditional leftist critique did not decry as evil incarnate those depoliticised or conservative men and women who refused to adopt the left's increasingly incoherent ideals. Leftist critics of the nation sought to convince, recruit and absorb into its own community those who had in the past, against their own interests, accepted the centre or the right's account of the world. Ordinary men and women could – through rational and respectful debate, and with the aid of logic, evidence and positive rhetoric – be made to see the utility of the left's drive to curb the power of economic elites and use the offices of the state to manage unstable market economies and ensure fairness, justice, equality and peace. Always, without question, the left clung onto what was still beautiful in the nation, no matter how tarnished it had become.

The sentiments and the logic behind this approach were perfectly straightforward. These traditional leftist critics did not hate the nation. Rather, they loved it enough to think it worth fighting for. As we will see, many of those active on the left today cannot bring themselves to accept that the majority of the nation's working class enjoy national cultures and traditions, remain moderately patriotic, and are still committed to the regional cultures of their birth. The liberal left seems sure that there is nothing positive about the nation. Its history of war, injustice and colonial conquest are such that it cannot be redeemed or rehabilitated. Nothing positive remains. The refusal of the working class to accept the liberal left's tutelage drives further division and has inspired some leftists to abandon traditional protocols and denounce the working class as irredeemably atavistic.

Never before in our lifetimes have we witnessed so many leftists denounce ordinary working people. In academia, media and some elements of leftist politics, it is now common to identify two basic social groups: those who have been educated to recognise and appreciate the benefits of cosmopolitanism, and those who are uneducated and thus pathologically attached to the environments they call home.

Any commitment to the region or nation of one's birth increasingly seems to be decoded by today's left as a commitment to nationalism, which of course can never be benignly patriotic and is always just a short step from fascism. Being told that it is wrong to love one's place in the world, or that it is narrow-minded to feel attached and committed to the locale, region and nation of one's birth, is unlikely to inspire support. Alienating millions of ordinary people is not a strategy likely to lead to success at the ballot box, but then, for many on the left, that no longer seems to be the principal aim. They do not hope to transform the nation by achieving electoral success and managing economic processes in the interests of stability and fairness. Nor, it seems, do they hope to recruit and persuade. For many on the left, especially in supposedly 'radical' circles, those days are gone. Revolutionary cultural conflict has been identified as the platform from which they can launch a great leap into the future.

Many leftists we have met and listened to in recent years quite clearly imagine themselves to be ethical, knowledgeable, intelligent and capable of thoughtfully appraising truth claims. Nevertheless, they seem remarkably comfortable denouncing working-class Brexit voters as a thoughtless bovine herd that stupidly accepted right-wing lies. Educated liberals are capable of critical thought and judgement, but Brexit voters clearly aren't.

In many respects, the traditional model of class and political alignment has been flipped on its head. The broad working class – especially those who happen to have been born with white skin – are assumed to be incorrigibly right-wing by those on the left, while the left is increasingly considered 'upper class' by members of the working class. The Labour Party is now a party of graduates, which tends to mean it is also a party of liberals, and its cultural and political leadership increasingly comes from the educated middle class. Members of the working class are recruited, but usually in subordinate roles after they have sworn allegiance to the realisation of the liberal vision of cultural progress.[40] While there are notable differences, a similar process of change can be discerned in the Democratic Party in the United States. As we will see, these changes are important and revealing. It fills us with regret to acknowledge it, but the liberal goal of creating a left without the working class is close to realisation.

As the edifice of twentieth-century liberalism continues to teeter wildly – and seems sure, at long last, to crash into the dust – what counts as 'right wing' and 'left wing' is undergoing radical change. Away from the spotlight, cultural conservatism seems to be making some progress among ordinary people.

This is certainly not to say that conservatism was until recently absent from working-class cultures.[41] Rather, it is to claim that this underlying cultural conservatism has come to the fore in voting decisions as so many working-class men and women now see clearly that the main left-of-centre political parties no longer represent their interests.

The progress conservatism has made in areas once judged solidly left of centre is not the result of an orchestrated campaign. Rather, an organic, nameless, chimerical conservatism is becoming more prominent among ordinary people who find themselves ill-disposed to rapid and relentless cultural change over which they have no control, and mildly nostalgic for a world in which they felt more at home.

However, quite often this cultural conservatism sits alongside quite radical attitudes to economic management and the unyielding belief that the rich benefit too much from the present economic model. Many firmly believe that more must be done to ensure that the majority have more security and a better standard of living. The conservatism of these voters is also far more nuanced than many leftist commentators care to understand. Many are 'conservative' on an assortment of issues, such as patriotism, the general pace of cultural change and mass immigration, but they can also be quite liberal on many others, for example homosexuality or having a child marry a man or woman from a different ethnic or religious background.[42]

Nuanced contradictions also exist on the left. Many appear unperturbed by the staggering concentrated power wielded by global financial elites, and the central role they play in keeping some people poor. Despite their loud hostility towards the nation and the state, they rail against the state's refusal to address climate change, racism, sexism, hate crime and a whole host of often quite bespoke cultural themes that they believe structure social injustice. Theirs is a socialism not of economics and economic justice but of culture and cultural justice in an unchanging economic context they make little attempt to understand.

Their fight for cultural justice is often admirable, but they are generally unconcerned with class, and do not see it as a broad and potentially unifying category that cuts across all cultural identities. Many involved with the activist left are, truth be told, not really leftists at all. They are radical liberals, and, as a large proportion of young people are processed through the unwaveringly liberal university system, their numbers appear to be growing. These two groups now look set to butt heads regularly in the years to come.

With a modicum of forethought, a focused strategy and a willingness to engage in reflexive self-critique, the left could have profited greatly from this evolution. It could have broken down barriers, focused on the betterment and enrichment of all, identified the neoliberal economy as a fundamental source of disunity and social suffering, and placed an appealing, comprehensible and feasible alternative before electorates. Instead, the left managed to get everything wrong. It alienated its core constituencies, failed to unify minorities, disregarded the interests of majorities and, as nations were thrust deeper into an unforgivingly competitive global economy, turned away from economic management and historical economic storytelling to focus solely on cultural injustice. And, for us the clearest indicator of its terminal decline, it adopted the haughty, holier-than-thou image of moral and cultural superiority it once lampooned in the haute bourgeoisie.

The economic question, unanswered

In the wake of the 2008 global financial crisis, an unholy concoction of myths, evasive fudging and outright lies, sprinkled with a liberal helping of ignorance and arrogance, sloshed out from central government and leftist political parties alike. Dutifully broadcast by the mainstream media, it permeated the living rooms of ordinary voters who deserved so much better. As we have seen, to bail out the banks, anxious governments had fortuitously managed to locate the magic money tree, but as soon as the dirty deed had been done, they lost it again. Even the great hope of liberal America, Barack Obama, trotted out the lie that the state was broke – it had run out of money, and to meet its commitments it needed to borrow ever-increasing sums of US dollars from financial markets. The nation had to learn to live within its means. A huge proportion of the nation's wealth was being used to cover interest payments, and logic dictated that everything must now be done to pay off debts, reduce the deficit and balance the books.

Ordinary people would ultimately be the victims of the state's subsequent cost-cutting. Young people attempting to establish themselves in a secure career. The poorest and those most in need of medical help. Couples setting up home together and thinking about starting a family. In some countries, older people in receipt of pensions were victims. Homeowners, families, ordinary people totally divorced from the financialised economy, everyday people who had no direct experience of business investments, men and women who didn't care about the wealth that could be earned on Wall Street or in the City of London. The burden of responsibility did not fall on those who had played an active role in causing the crisis. Those with the least power and minimal access to worthwhile political representation suffered most.

Across the West the story was the same. The Democrats in the United States, the Labour Party in Britain, and virtually all mainstream leftist political parties across Europe were enslaved by deficit fetishism. They might have liked to spend public money to invest in their economies and put people back to work, but they could not. If they did not display sufficient fiscal probity, they warned the public, future generations would be saddled with a crushing debt.

As we hope you can see, it is all nonsense. However, the story was so ubiquitous it was accepted as truth. The neoliberals argued that spending must be slashed. The liberals who had taken control of the leftist parties basically agreed but tried to sustain the myth of political antagonism by arguing that spending should be cut at a marginally slower rate. Politics took on a deathly pallor. Millions were struggling and scarcely a voice was raised in opposition. The left slashed spending as deeply and enthusiastically as the neoliberal right. Both wings of this strange post-political pantomime agreed on the fundamentals, and what passed for debate addressed the pointless minutiae that no one really cared about. The conclusion had been reached. It would be austerity for all, apart from the rich.

The mainstream left's adoption of austerity produced a range of intertwined effects that are immediately conspicuous but also hard to measure. The old assumption that the left would look after those who struggled financially was finally put to bed. The poorest would no longer gravitate towards the left, unless the poorest believed the left's multipolar cultural agenda would pay off economically for them further down the line. For hundreds of millions of ordinary voters across the West, the left's political parties had become indistinguishable from the neoliberal right in basic economic matters.

The left has been successful only when it encouraged the people of a nation to dream about a future that surpassed the present. As the post-crash era developed, the left should have created an image of a brighter future together with a feasible means of reaching it. This would be a future in which ordinary people would be valued and able to live happily, safely, cooperatively and with dignity. Unfortunately, the liberalised left's vision – a future in which all individuals would be granted the freedom to be who or what they choose to be – failed to either inspire or reassure populations suffering declining living standards and perennial anxieties about their capacity to sustain themselves financially.

Many dropped out and refused to vote, but the real damage was to the nation's faith in democratic politics. People continued to vote because voting was the only thing one could do. They hoped but did not believe that the act of voting would change things. And of course, many who had throughout their lives voted left began to contemplate voting rightwards. They had not suddenly begun to subscribe to fascist doctrine, and they had not been tricked into voting for the right by posts on Facebook[43] or the apparently titanic ideological power and incisiveness of the right-wing press.[44] Others, left uninspired and cynical after years of drab neoliberal centrism, shed their commitment to the left to swell the ranks of the pragmatic 'floating voter' unaligned to any established political position.

The left had become a serial loser, but a minority of activists received some quite valuable consolation prizes. The new cultural radicals of the metropole were to play an increasingly important role in the left's local and national operations. Groups on the outskirts of the left during the social democratic era moved centre-stage. Most of these groups accepted neoliberalism as a given. In the few cases where they did not, they tended to display minimal understanding of neoliberalism's economic framework and offered hastily formulated replacement packages divorced from reality. The field of culture was their focus, while identity and subjectivity displaced class and political economy as the field of social transformation.

In some of the neighbourhoods we visited in our role as social scientists, a general, unspecified anger was palpable. It often fused with desperation as chronically insecure people who had very little before the crisis were forced to get by with even less. History needed to move forward, but a zombie neoliberalism continued to limp on unopposed, propped up by state institutions staffed by a pseudo-technocratic liberal elite deeply committed to market ideology. It was inevitable that there would be a return to politics. Nature abhors a vacuum. The populist moment had arrived.