The Hindrance to a New Deal Today*

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What had been only a suggestion by several prescient members of the capitalist establishment till now, has become official policy, at least in Britain where Prime Minister Boris Johnson has announced that his government will undertake public investment to stimulate the economy, as FD Roosevelt had done under the New Deal in the 1930s in the US. In fact, Johnson specifically referred to Roosevelt's New Deal, and expressed his intention of increasing taxes on the rich if necessary. Amusingly, he prefaced his speech by the remark "I am not a Communist".

It does Johnson credit to have recognised that neoliberal capitalism has reached a dead-end and that the system now needs State intervention, so vilified under neoliberalism, to lift itself from its present crisis. This basic point continues to elude the Modi government in India, which still keeps repeating like a broken record the old and tiresome clichés about incentivising the "wealth creators". The problem however is that a New Deal cannot be simply switched on at will even by Johnson or any other western leader.

At the time of the original New Deal there was no globalised finance capital, only nation-based and nation-State-aided finance capitals that were locked in a fierce inter-imperialist rivalry. Each nation-State therefore had a degree of leverage vis-à-vis "its" finance capital and could persuade it of the need to accept a change of policy, such as the New Deal, for the preservation of the system as a whole.

Even so, there was strong opposition to Roosevelt's New Deal by American finance capital, which managed, after the initial success of the New Deal measures in effecting a recovery of sorts from the Depression, to force on the US administration a partial retreat, because of which the US fell back into a recession again in 1937. It is only the increase in armament expenditure in preparation for the Second World War that finally led to a recovery of the US from the grip of the Great Depression. In fact, prior to the step up in armament expenditure, while capacity utilisation in the consumer goods sector in the US had recovered somewhat, utilisation had continued to remain abysmal in the capital goods sector; the demand for armaments succeeded in reviving the latter.

The opposition of finance capital to any State activism that directly seeks to stimulate the level of activity in the economy, ie, that is not sought to be mediated through the corporates, remains as strong as ever; it would rather have the government providing the corporates with incentives in various ways, such as curbing labour rights or giving tax concessions, to invest more (even though these measures have been shown to be singularly unsuccessful in doing so).

This position of finance is not surprising, for direct intervention by the State for increasing the level of activity in the economy, no matter how necessary, undermines the social legitimacy of the capitalists: it suggests that the protection and nurturing of this particular class is not really necessary for society, as their job can be done much better by the State and the public sector run by it.

The utter vilification of the public sector that was common under neoliberalism was thus a part of the attempt to reassert the ideological hegemony of finance capital which had been threatened by the post-war trend of direct State intervention in the economy and the building up of a public sector in most countries. This is why Johnson's talking of increasing public investment is both significant and indicative of a dire situation, namely the terminal nature of the crisis of the neoliberal order.

The opposition of finance capital to any New Deal that may be attempted today, while being no less fierce for this reason, would be far more effective than what it was in the 1930s. This is because each nation-State today faces a globalised finance capital, unlike in the 1930s when it only had to face "its own" finance capital. The globalisation of finance means that any State that violates the dictates of finance, such as by attempting a New Deal financed by a larger fiscal deficit or taxes on the rich, runs the risk of a capital flight from its shores and hence a financial crisis. While in the earlier period the opposition of finance to such measures would have taken essentially a political form, now, it would additionally take the form of an economic attack as well, in the shape of a capital flight from the economy.

This weakness which a nation-State has in facing globalised finance would not arise if it was a global State facing global finance; or, since a global State is not on the cards, what was needed was a surrogate global State, in the form of co-ordinated action by several nation-States acting in concert, in introducing a simultaneous New Deal in all their economies. But this, which would at least be an advance over the current arrangement of neoliberalism, is not being discussed, not even by prescient bourgeois intellectuals, let alone by political leaders of the advanced capitalist countries.

The government of a single advanced capitalist country like Britain introducing a New Deal would therefore have to be prepared to take steps against capital flight, and hence be prepared to institute capital controls. But an economy like Britain, given the strength and the ambitions of its financial interests located in the city of London, would never be able to do this. Any talk of introducing a New Deal that does not take account of these requirements, that believes in short what John Maynard Keynes had believed, namely that simply pointing out theoretically what is necessary for an economy to overcome its crisis, is what would actually lead to the institution of measures for overcoming the crisis, is mere idle chatter.

Important though Boris Johnson's recognition of the current economic conjuncture, entailing the dead-end of neoliberalism, is, his belief that a New Deal for overcoming this conjuncture can be introduced in Britain, lacks substance. To overcome the opposition of globalised finance to such a New Deal, would require class struggle, the mobilisation of the working class against the hegemony of finance, which a Conservative government of the sort that Boris Johnson leads is incapable of organising; even the Labour Party under a "moderate" leadership is incapable of organising the working class for breaking out of the straitjacket of the current conjuncture. A Left movement alone can take the initiative for it, but, when it does so, the outcome of the intensified class struggle cannot be guaranteed to remain confined within the boundaries of the capitalist system; the energy needed for the struggle for breaking out of the conjuncture is likely to carry the country, or indeed any other country attempting a similar agenda, beyond the confines of capitalism, towards socialism.

One is reminded here of the debate about the situation at the beginning of the twentieth century. Given the depredations of monopoly capitalism, many had argued at the time for a return to free competition capitalism. Against this Lenin had argued that if free competition capitalism had led to monopoly, then to think of putting the clock back, and to go back again to competitive capitalism was utterly unrealistic; one had to think of going forward from monopoly capitalism, and that could only be to socialism.

The debate on the current situation is somewhat similar. Given the dead-end of neoliberalism, prescient bourgeois writers, and following them Boris Johnson, are demanding a return to post-war dirigisme, of which the New Deal, though introduced before the war, was an important marker. But since neoliberalism itself came out of the post-war dirigisme, their demand amounts merely to putting the clock back, to going back to something whose contradictions had led to the very arrangement that has brought us to the current pass. Putting the clock back is never the direction of history, while going forward from here opens up the possibility of going beyond capitalism itself.

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