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'Austerity' and its Consequences in the Advanced and Developing Worlds: The Present in the Light of the Inter-War Depression

There are striking similarities in the economic and political developments over the last four decades of finance-dominated globalization, just as there are important differences, when compared to the earlier era of the inter-War Great Depression. The domination of the economic policies of 'austerity' or income –deflation in Europe favoured by finance capital, exacerbated employment and livelihood crises in the inter-War years, and prepared a fertile ground for the rise of fascism. The present era starting in the 1970s with the demise of Keynesian demand management, has seen the dominance of finance-driven neo-liberal policies similarly entailing austerity, income deflation and unemployment even while spasmodic growth has been sustained through a series of bubbles.

These stimuli have run out now, unemployment and livelihood crises are endemic, and we see the rise of the political right in a number of countries, ranging from authoritarian regimes that are undermining democratic institutions, to regimes discriminating actively against minorities and immigrants while promoting militarism. A much stronger oppositional role could have been played by the political Left but, this paper argues, it has been hegemonized too easily by the misleading theories promoted by global finance capital and has not mounted the required uncompromising challenge to globalization.

The developing world has been differentially and more adversely affected because in addition to income –deflating policies imposed on initially much poorer populations, it has borne the brunt of the North's largely successful attempts to prise open its agriculture to free trade, undermining its food security, pressurized into currency devaluations to cheapen its products, and subjected to new forms of transfer through capital movements entailing their borrowing short, hence dear to lend long, hence cheap. Poverty has risen in reality : the World Bank's and individual governments' poverty reduction claims for the developing countries, constitute an intellectual scam of global proportions since they are based on an illogical method of estimation. The recent growth of united movements of farmers, workers and women are positive indicators of resistance. The complete reversal of neo-liberal policies and implementation of a justiciable system of universal rights to employment, food, healthcare, shelter and education is the only way forward out of the morass.