

What Flavour of Capitalism Is This?

Capitalism and democracy are fundamentally bound. So it is with some trepidation that we witness the evolution of capitalism post the financial crisis of 2008. Without Communism as a nemesis and a guide it was also a risk that capitalism would make unexpected detours. The reaction to the crisis and its pragmatic prescriptions were done perhaps without considering the deeper ideological implications. Bailouts of particular institutions, industries and of whole economies are not capitalist concepts but the acuteness of the situation at the time called for extraordinary measures and a temporary suspension of principles. Unfortunately, such is human behaviour that a palliative once discovered is difficult to wean off. So it would be a good 7 years before QE would be tapered and then only in the US. No sooner had the rest of the world signalled a return to normalcy that economic growth has begun to slow and policy makers appeared to relapse into accommodation.

The emergency economic measures involved as a side effect the transfer of wealth from labour to asset owners. This will later prove to be a dangerous side effect with far ranging social and political consequences.

The development of capitalism and a welfare state was a deliberate solution to the Marxist threat. The West, recognizing that Marx was possibly right in his observation that capitalism leads to inequality and to the roots of its own demise, rightly pre-emptively addressed this by establishing social safety nets. The cynic may call this appeasement or worse, a capitalist narcotic, but it is prudent risk management.

With the downfall of Communism, Capitalism lost an important

part of its *raison d'être*. Capitalism, communism, are ideologies governing how the organization of society and how it can harness resources to improve its welfare. One important pillar is the avoidance of war. Democratic societies are less likely to seek war, since the masses pay the price, the rule of the masses are likelier to avoid it. Dictatorships are more likely to wage war since the price is not paid by the ruling class who declare war.

The flavour of democracy and capitalism that evolved to meet the communist challenge was always one of balance, against communism and the forces that give rise to it and sustain it. Capitalism post 1990 was designed to check itself, lest its unfettered progress gave rise to the conditions ripe for revolution. For capitalism to persist, the threat of communism was necessary. Without communism, there is no superior economic and social model to challenge it. Without capitalism, there is no inequality to address. You could say capitalism and communism were one and the same, the two faces of Janus.

The world that Marx envisaged and the polarization of the post war years saw clear borders between these two worlds, Russia and China on the one side and the West on the other. The situation today is more complicated. We are still two worlds, but no longer are they geographically distinct. They are among us. Whomever they may be.

However, the deprivation of opportunity is as powerful a force for change as hunger and physical deprivation. The rise of the European Far Right, of populists, of strongmen, are symptomatic of this disaffection for the status quo. It threatens to escalate.

One mitigating factor is the ageing population. Discontinuous and turbulent change tend to be precipitated by the young. The old have invested too much in the status quo to seriously challenge it; they have too much to lose, not a long horizon left to accrue the benefits of that change, less energy and

less aggression.

Still, the current type of capitalism persists. It encourages inequality of wealth and income, it often transfers wealth from poor to rich, it fails to address the underlying causes of slow growth, it fails to address fundamental weaknesses in the economic system, and it is increasingly seen as unfair and unjust. In Europe, and elsewhere, it is beginning to incite incipient constitutionally compliant revolt. The democratically sanctioned rise of populists is an example.