

## **'These F@#king Guys'<sup>1</sup>: the terrible waste of a good crisis**

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Crises are about change, in that they signal the unsustainable nature of the conditions that precede them. As such, crises are opportunities to impose new ideas and practices, and to bring about change that might be difficult to introduce during more stable periods. This much is recognised in the adage, attributed originally to economist Paul Romer, that 'a crisis is a terrible thing to waste'. One recent example of crisis acting as spur to action was the response of the United States government to the attack on the World Trade Centre in New York in 2001, which infamously served to justify a series of military adventures as part of an expansive 'war on terror', which included the invasion of Iraq despite the absence of any real evidence to connect the regime of Saddam Hussein to the attacks of September 11th (Gregory 2004).<sup>2</sup> A similar opportunity for change and intervention was presented by the financial crisis of 2007-2009, although this crisis appeared more like an opportunity for the left of the political spectrum than the right. Indeed, as the crisis unfolded, it seemed to herald the weakening of financial capital and of the process of financialization, not least because its severity required the intervention of the state to bail out banks and, in some cases, to take ownership of financial institutions through nationalisation. For a brief moment such intervention appeared to have dealt a significant blow to the ideological confidence of neoliberalism and its faith in the supremacy and infallibility of markets as a mechanism for allocating resources. Things were surely going to be different in the wake of the largest

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<sup>1</sup> Our title is taken from a feature in an episode of the *Daily Show With Jon Stewart* (Comedy Central) broadcast in April 2010 entitled, 'Wall Street Watch: These f@#king guys' (*sic.*), which focussed on the Securities and Exchange Commission's charge that Goldman Sachs undertook fraud in constructing an investment vehicle with Paulson & Co made up of sub-prime mortgages that were hand-picked to fail.

<sup>2</sup> In evidence presented to the UK Chilcott enquiry into the Iraq war, the head of MI5 in 2003, Eliza Manningham-Buller, confirmed that no-one in MI5 or the CIA really believed that there was any link between Saddam Hussein and Al-Qaida, which necessitated that the US Secretary of Defense Donald Rumsfeld set up a Pentagon-based 'alternative agenda-driven "intelligence service"' to suggest such connections (Norton-Taylor, 2010).

financial crisis for 70 years. Writing in the *Financial Times*, Phillip Stephens reflected on the period immediately following the crisis:

Finance, we were assured, would be pulled from its gilded pedestal. Main Street would reassert its primacy over Wall Street. The *laissez (sic) faire* capitalism of the Washington Consensus had had its day. The world's richest economies would turn their minds to nurturing real, as opposed to financial, engineering (Stephens 2010).

This would be achieved in part by a revival of ideas displaced and disparaged during the 30 or so years of neo-liberal dominance, with Nesvetailova and Palan (2010, page 816) suggesting that, 'At the level of theory, in the midst of the imploding financial markets and banking systems in 2008, there was a seemingly serious debate about a return to Keynesian norms of financial regulation and a Minskyian framework for understanding finance'.<sup>3</sup> In other words, the leverage that states would gain from their interventions would enable them to moderate the effects of financialization and temper the excesses of neoliberalization and market led development (Klein 2007).

As we write this in the Autumn of 2010, it is sobering to reflect on what happened to those fleeting aspirations. The financial crisis was indeed a catalyst for change, but rather than developing a form of capitalism wherein the state exerted more control over the economy it seems conversely to have heralded an age of austerity and an emboldened form of hyper-neoliberalisation which, as takes form, has resulted in 'families ... paying the bankers' bills through rising taxes, shabbier public services and higher unemployment' (Stephens 2010; see, in addition, Hendrikse and Sidaway, 2010; Mykhnenko and Birch, 2010). Moreover, according to the Institute of Fiscal Studies (IFS, 2010), in the UK at least it is the poorest families that will be expected to pay the highest price. At the same time, as financial markets have rebounded<sup>4</sup>, so the high salaries and bonuses of the New York and London financial districts have returned, to ensure that 'talent' is rewarded and retained, and top end property prices are

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<sup>3</sup> While Keynes' ideas of demand management are well know, Minsky's ideas have not circulated as widely. Hyman Minsky was a post-Keynesian economist who developed a theory of financial fragility based on cycles of boom and bust, linked to phases of speculative expansion within the financial system. His work provided an intellectual support for pro-cyclical regulation of finance in times of growth to offset the scale of downturns following crises. Much of this form of regulation was abandoned or disregarded after the mid-1980s (See, for example, Dymksi, 2010).

<sup>4</sup> For example, the Bank for International Settlements indicated that foreign exchange market turnover increased by 20% between 2007-2010, with average daily turnover up from \$3 trillion to \$4 trillion (Bank for International Settlements, 2010). But the UK's share of this has increased at a faster rate, 25 per cent so that the City now accounts for 37 per cent of the overall market (Peston, 2010). Meanwhile, the over-the-counter market in derivatives has increased by 24 per cent to \$2.1 trillion per annum over the same period, with the UK's share of the market increasing from 44 to 47 per cent (*ibid*).

on the rise again. The hopes of the democratic left that the crisis would help to produce a more progressive form of capitalism have not only been dashed but actually inverted. How did this come to pass? What were the chain of events that brought about such a dramatic *volte-face*? How has it been possible to rationalise the irrationalities (Harvey 2010) of financialised capitalism? It is a story that is both ironic and depressing in equal measure.

It goes something like this. In the pre-crisis era, when financiers were broadly accepted as masters of the universe and unrivalled in their power and influence, the regulatory system had moved so much in their favour that they had unprecedented freedom of movement to keep increasing the turnover of financial markets and the ability to draw down income (CRESC 2009, Johnson and Kwak 2010). However, through a combination of weak regulation and oversight and a lack of understanding of the structural risk in both fixed bond and derivative markets (Lewis 2010), banks and other financial institutions ran up large debts that threatened their solvency and very survival. Faced with the catastrophic collapse of the financial system as a whole, governments were forced to intervene to bail out financial institutions to provide capital and liquidity, and to cover their debts. However, to do so crucially required that governments themselves borrow heavily, the effects of which have been far reaching. The surge in government demand for credit to cover the direct costs of propping up the financial system and the indirect costs of growing unemployment, underemployment and diminishing tax receipts has helped, with more than a little irony, to put highly lucrative new business the way of many of the financial institutions that had to be rescued by the state in the first place<sup>5</sup>. As a result, the financial crisis has been transformed into a fiscal one, as the Governor of the Bank of England, Mervyn King, made clear, 'as debt has moved from the financial to the public sector, the banking crisis has turned into a potential sovereign debt crisis' (King, 2010). Having significantly increased borrowing in order to safeguard the financial system, governments soon found their own ability to guarantee future debt repayments called into question with mounting pressure on the part of 'the markets' for governments to dramatically reduce their spending, and to remove what King also described as 'excessive fiscal deficits' (*ibid.*). Refusal to embrace the logics of austerity would mean that governments face the threat of their status as borrowers being downgraded by the bond rating agencies (once again, the very same agencies whose failure to properly rate the risk of residential mortgage backed and other complex securities played such a central role in the formation of crisis) with

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<sup>5</sup> Gilt-edged market makers, the primary dealers and traders of UK gilts, include for example such infamous names as Goldman Sachs, Merrill Lynch, the Royal Bank of Scotland, and UBS (Debt Management Office, 2010, 'Gilt Market Makers and Inter Dealer Brokers', [http://www.dmo.gov.uk/index.aspx?page=Gilts/Gemms\\_idb](http://www.dmo.gov.uk/index.aspx?page=Gilts/Gemms_idb), (last accessed 25<sup>th</sup> June)).

implications both for the currency and for the ability, as we have seen, of countries such as Portugal, Ireland, Greece, Spain and the UK to draw down future debt. In response to such threats – real or perceived – governments began to embark upon an unprecedented round of public sector spending cuts of anything up to 40 per cent, heralding a new era of austerity and with severe consequences for the jobs and livelihoods of millions of workers.

Thus, what had seemed at first as an opportunity for the left had, in a relatively short period of time, become a ‘911 moment’ for the right, one that provided opportunity and cover for a sustained assault on the public sector, long considered by neoliberals as a drain and burden on the income-generating capacity of free market capitalism. At least four factors help to explain how the process of crisis displacement has been achieved with such speed and apparent ease, and we deal with each one in turn, below.

First, as Helleiner (2010) cautions, those hoping that the crisis would quickly lead to a Bretton Woods style reform of the global financial system need to be reminded that the post-war regulatory system agreed in 1944 was a long-run process: the initial financial crisis took place in the late 1920s, followed by global recession in the 1930s and military conflict in the early 1940s. The Bretton Woods agreement was forged in a distinctive historical and political context as the Second World War moved towards its close as the United States emerged as the clear and unrivalled champion of international capitalism. This ensured that the US had the power and influence to bring allies on side to deliver radical and systemic change. Thus, while Helleiner argues that in comparison to the crisis of the late 1920s and early 1930s the current policy response has been much quicker, it is not surprising that it has been comparatively ameliorative rather than transformational, lacking the radical insight of new thinking, so that we remain in what he describes as an interregnum rather than a constitutive phase of financial regulatory reform (Helleiner and Pagliari, 2009; Helleiner, 2010).

Second, partly as a result of this, the crisis has done little to displace the cultural authority of neoliberal market rhetoric, which retains its normative status. Indeed, there are disturbing signs that after the flirtation with Keynesian and Minskyian ideas, hyper-neoliberal ideas and explanations of the cause of the failure of financial markets – that it was a result of neo-liberal policies *not* being embedded deeply enough within society – are once more in ascendance (Nesvetailova and Palan, 2010). What is striking about the new age of austerity and the assault on the public sector is that it is presented as an inevitable and necessary process that must be undertaken in order that the ‘markets’ be suitably appeased. However, as Skidelsky (2010) has made clear, the intellectual case for such an appeasement

is, to say the least, problematic, hinging as it does on a weak and tautological appeal to investor confidence, which

... implies that markets must always be appeased, even if they are wrong. What market participants believe to be the case becomes the case, not because their beliefs are true, but because they act on their beliefs. In short, it may not be the case that government borrowing crowds out an equal amount of private investment. But if markets believe it does, then government borrowing should be curtailed. *This is equivalent to demanding a capitulation of governments to market ideology* (Skidelsky 2010, emphasis added)

Nevertheless, and despite the fact that the financial crisis revealed the clear shortcomings of such cherished, neoliberal ideals as the 'efficient' and 'self-correcting' market (FSA 2009), an acceptance of the need to bow down in the face of financial discipline is shared across the political divide. In the case of the UK the disagreement between the major parties ahead of the 2010 general election was not about the need to cut but rather about the speed and severity of the cuts. Whereas the Labour Party favoured gradual phased cuts to government expenditure that would not destabilise a post-crisis recovery, the Conservative Party favoured swifter and more brutal cuts so that the markets would not question the government's resolve to tackle the problem.<sup>6</sup> Although initially siding with the Labour Party, when offered a place in a coalition government with the Conservatives, the Liberal Democrat Party underwent a Damascene conversion to agree that a rapid reduction in public spending was essential. But what is also noticeable in their approach to the deficit is the reluctance of all governments to address the issue of the international mobility of financial capital. It is the mobility of financial capital, and its accumulation within large and fungible investment funds, that produces its authority to dictate national economic policy through the threat of divestment. In part, this is due to the way in which the freedom of capital is so fundamental to the neoliberal project, given that the removal of exchange controls is usually the first measure introduced by neoliberal regimes (Helleiner 2010). While the idea of the Tobin Tax – a measure that imposes a fractional transaction cost on all foreign exchange dealings as a pro-cyclical measure to extract value from hyper-mobile capital to be used in times of crisis – has been revived in the wake of the crisis, and held up as a valuable response by

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<sup>6</sup> However, as the veteran economic commentator Samuel Britton has pointed out, these are just two of four possible positions to take on the budget deficit, the other two being: (i) that the deficit should be cut, but government spending should be maintained, which would require an increase in taxation, and; (ii) that there is no urgent need to cut the deficit, when the economy is still fragile, although government spending should be trimmed, and compensating stimulus should take place via tax cuts (Britton, 2010). We are grateful to Roger Lee for drawing our attention to this article.

leading policy actors such as Adair Turner, the Chairman of the Financial Services Authority (see, for example, Financial Services Authority 2009) and has also been enthusiastically taken up as a campaign by activists and policy groups,<sup>7</sup> the chances of a transactions tax being adopted seem to be ebbing by the day, a fact symbolised in the UK by the new coalition government's decision to close the Financial Services Authority shortly after taking office.

Moreover, the failure of the Tobin Tax to gain traction with policy makers is partly due to what CRESC (2009) have described as a 'distributive coalition' founded within finance and which has successfully managed to bring the political and financial system into alignment<sup>8</sup>. This coalition has been so successful that any measure that might threaten to disrupt the power of finance can be dismissed as at best unhelpful or worse even damaging to the wider economy. But the failure to address the Tobin Tax is also symptomatic of a broader problem in formulating policy measures that would be international in scope and which escape the geographical imaginary of most national policy makers. Even innovative and perceptive analyses such as that of CRESC end up focusing on national policy measures, while admitting that they 'do not believe that the problem of banking is co-terminous with national boundaries or that the levers of reform are to be found within national boundaries in a world of varieties of capitalism' (CRESC, 2009, page 17). An unfortunate consequence of this is that the 'markets' tend to remain poorly specified despite their significance in debates of national importance and become seen as 'outside' and beyond the purview of normal politics (Walker 1993). Indeed, there is an implicit assumption that the power of the markets lies in the fact that they are hyper-mobile and spatially detached, so that they can divert and redirect flows of 'hot money' quickly and dramatically, and that to prevent this they must be kept happy. Markets become thus imbued with unearthly powers and properties, and consequently their wrath, much like the gods of the ancient world, can only be assuaged by an offering or sacrifice – in this case a suitable dose of austerity. Announcing an immediate programme of £6bn worth of public sector spending cuts the UK's new, Conservative Chancellor of the Exchequer, for example, stressed that:

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<sup>7</sup> The idea was also floated by the Leading Group on Innovative Financing for Development (<http://www.leadinggroup.org/rubrique20.html>) and by the Robin Hood Tax campaign (<http://robinhoodtax.org.uk/>).

<sup>8</sup> It is significant in this regard then that both the UK's prime minister and deputy prime minister are scions of families that made fortunes in the City of London, and on leaving office the former prime minister Tony Blair has served as an advisor to both the investment bank JP Morgan and insurance giant Zurich.

This early, determined action has earned us credibility in international markets. It has meant that our promise to deal decisively with the deficit has been *listened to* (Osborne, 2010, emphasis added).

And yet, in this particular instance, the gods do not appear to be particularly angry or disturbed at the level of the UK deficit. As Martin Wolf observed in September 2010, with no little irony:

... the market is screaming its lack of concern about UK fiscal credibility. UK government 10-year bonds are yielding 2.9 per cent and the real interest rate on index-linked bonds is below 1 per cent. Yes, markets can be wrong. But these are the most liquid and transparent markets of all. Moreover, those now doubting the wisdom of markets are the strongest believers (Wolf, 2010a).

Of course, concerns about the markets and hot money are nothing new, and can be found in Keynes' wish in the *General Theory* to bring about the 'euthanasia of the rentier', and which strongly informed the construction of the Bretton Woods system which sought to crowd out the power of financial capital. They could also be seen in the numerous currency crises to which Britain was subject to during the 1960s as the Bretton Woods system began to creak under the strains of an international financial system beginning to once more flex its muscles, and then again in the early 1990s as sterling was forced out of the exchange rate mechanism. In both cases the finger of blame was directed at foreign currency speculators, be they the 'gnomes of Zurich' in the 1960s (Fehrenbach 1966), or fund managers like George Soros in the 1990s. In this current crisis, the immediate concern about the markets is not so much about currency but about the value of UK bonds, or gilts, because a decline in their perceived investment value would increase in the rate of interest needed to attract funds, which in turn would increase the cost of borrowing and translate into concerns about the currency, which would destabilise the economy further. But who is, or who are, the markets that are invested in UK gilts? Are they made up of the shadowy Gnomes of Zurich, speculators like George Soros, or highly calculative sovereign wealth funds (Helleiner, 2009) and bond-heavy institutional investors like Pimco<sup>9</sup>? To some extent it is all of these, but the significance of such 'hyper-mobile' private investors and speculators is, certainly in absolute terms, much less than the neoliberal rhetoric of 'markets' would have us believe. According to

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<sup>9</sup> Pimco caused a political stir in the UK in early 2010 by announcing that it was going to be a net seller of UK government bonds over the coming year which was disquieting to the Labour Government, for at least two reasons. First, Pimco exercised considerable influence over the bond market, based on its high trading activity and the volume of funds under management. Second, the firm's Head of European Portfolio Management was none other than Andrew Balls, brother of Ed Balls, Labour's Education Secretary and a former advisor to Gordon Brown when Chancellor of the Exchequer.

figures from the Office of National Statistics (Figure 1), the second largest category of investors in UK gilts in 2009 were 'overseas', with approximately 30% of gilts currently held by overseas investors; an increase from about 15% a decade ago ([www.dmo.gov.uk](http://www.dmo.gov.uk)). However, anecdotal evidence suggests that a large proportion of such overseas investment in gilts is held by other central banks such as the People's Bank of China as part of a strategy of building foreign currency reserves (Reuben, 2010).

\*\*\* Figure 1 about here \*\*\*

Moreover, the overwhelming majority of gilt investors, by a process of elimination, were not overseas but actually British. These were made up mainly of institutional investors, banks (including the Bank of England) and other financial institutions. In other words, the markets that are frequently evoked in such fearful terms are not shadowy international actors willing to flee these shores at any given signal, but rather UK-based institutions that are part of the 'distributive coalition' of finance and politics discussed earlier<sup>10</sup>. Furthermore, the investment and disinvestment decisions of UK-based institutional investors are taken in 'our' name as members and shareholders and can, in theory at least, be tempered accordingly. Of course the politics and practice of 'shareholder activism' is far from unproblematic - not least because the financial interests of the 'fortunate 40%' (Erturk et al. 2008) of society who are invested in the financial markets are by no means necessarily aligned with those who are likely to lose out as a result of fiscal contraction and welfare state restructuring – nevertheless, the domestication of financial markets, both in social and spatial terms, provides an important basis for contesting the hegemony of a neoliberal imaginary of markets, and thus the rationale for austerity<sup>11</sup>.

Third, there is the emergence, in the UK at least, of a new politics of envy. Once used as a pejorative term against those who expressed concerns about the growing divide between rich and poor produced within market society, the new politics of envy is manifest in those who identify the public sector as a source of 'unfairness' for its security of job tenure and, in particular, its non-contributory, defined benefits pensions schemes. Such schemes have become more difficult to fund in the private sector, and they have either been closed to new entrants or, more usually, closed altogether in favour of

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<sup>10</sup> Or, to put it more bluntly 'financial markets are cutting our throats with our own money' (Gerard, cited in Langley 2007, page 83).

<sup>11</sup> Two problems come immediately to mind. First, as alluded to above, the highly socially and economically skewed character of equity ownership and pension fund membership. Second, even when interests do align, as for example in the case of the estimated 700,000 (Dutta 2010) workers in the UK private sector whose jobs are under threat from government cuts, the effectiveness of shareholder activism is constrained by the structural contradictions that exist between the need to simultaneously perform the subject position of worker *and* investor. As Langley (2007, page 84) has made clear more often than not 'what we [as individuals] gain as workers we lose as investors, and vice versa'.

defined contribution schemes (Langley 2006). As the quality of pension provision has declined in the private sector, envious glances have been cast towards 'gold plated' public sector schemes, although during the pre-crisis economic boom this was tempered by the higher earnings in the private sector and the perks of the bonus culture. However, in the wake of the financial crisis and the ensuing recession, complaints about the inequity of public sector schemes have become more vocal and more strident, claims which were given further fuel by the need for the UK government to shrink the cost of the public sector and reduce the deficit. In this, as in earlier rounds of neo-liberal response to crisis, there has been a race to the bottom (Peck and Tickell 1994). This much was illustrated by the indignant response in some sections of the media to a report in September 2010 that argued that average public sector wages were higher than those in the private sector, although this was the case only when public sector workers were compared to private sector workers excluded from pension schemes (Aldrick, 2010). Thus, on a like-for-like basis, public sector workers fare worse, and the unweighted comparison in favour of the public sector can be explained by its possession of a higher proportion of professional jobs than the private sector, which is due in part to the contracting out of many non-professional public sector jobs over a long period of time. Similar attacks on the public sector are proceeding elsewhere in the West, and particularly in Europe, as governments seek to tackle their own fiscal crises. In turn, these attacks have also sought to play on points of difference and to accentuate competition between private and public sector workers, between different groups of public sector workers, and between public sector workers in different territories.

Fourth, the failure to seriously challenge – in the public arena at least – the rhetoric of financial markets, the power of the 'distributive coalition', and the interests of the 'fortunate 40%' (amongst whose ranks professional academics must be counted) is but part of a wider failure on the part of the political and academic left to capitalise on the crisis. It would be fair to say that the rapidity with which the growing problems in the US subprime market spread in 2007-8 to engulf the Anglo-American financial system came as much as a surprise to the left, as it did to the flag bearers of neoliberalism (see, for example, French et al. 2009). This is not to say that many on the academic left had not long sought to draw attention to the inherently fragile nature of financialised capitalism (for example, Erturk et al. 2007; Harvey, 2005), they clearly have<sup>12</sup>, but that the specific dangers posed by the US subprime mortgage market were largely unforeseen (Hutton, 2010). Moreover, in light of the ascendant power of

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<sup>12</sup> Such warnings have, however, long fallen on deaf ears not least because as Castree (2000, page 958) makes clear 'the expansion of the *academic Left* [since the 1970s] has been coincident, in ways both striking and seemingly contradictory, with the precipitous contraction of the *non-academic Left* in the domains of business, government and civil society'.

financiers and the near hegemony of neoliberal ideas over the last three decades, the mainstream political left has increasingly sought to court rather than oppose financial capital, and as such has in large measure itself become part of the 'distributive coalition' of financialised capitalism. In the US this is exemplified by Clinton's decision to repeal the Glass-Steagall Act in 1999, and in the UK by the Labour Governments' decision to continue the neoliberal policy of 'light touch' (although, in reality, perhaps better described as soft touch) financial regulation, and staunch defence of the interests of the City of London (French et al, 2009).<sup>13</sup> In the case of the UK it was also crucially reflected in an implicit Faustian pact brokered between the City and the Labour Government whereby the former was enabled to continue to generate enormous speculative profits on the basis that such business not only served to mask a large and widening trade imbalance, but also helped to generate substantial tax receipts for the Treasury. These receipts allowed the Labour government to fund a modest, but politically crucial, programme of increased state expenditure, and an implicit policy of regional development that involved the expansion of state and para-state jobs (Buchanan et al. 2009) in the lagging northern and central regions of the UK as a means to partly offset the social and regional disparities of financialisation (see also Martin, 2010)<sup>14</sup>.

In this context the timidity of the mainstream political left's response to the crisis, and the failure to mobilise and channel public anger into a much more radical plan for the restructuring of financial services, particularly in the UK where the sitting Labour government was severely constrained in its response precisely by the brokering of such an implicit pact, becomes more understandable. However, the academic left, ourselves included, have also demonstrably failed to capitalise on the opportunities, unprecedented in recent history, for progressive change that materialised in the wake of the crisis. Individual initiatives such as the excellent CRESC (2009) *Alternative Report on UK Banking Reform* and the related document on *Britain's Broken Economy* produced by the The New Political Economy Network (2010) notwithstanding, left academics have by and large been content to ruminate at-a-distance on the causes and consequences of financialised capitalism in crisis, with only a very few it

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<sup>13</sup> Hutton draws attention to laudatory comments about the value of the financial sector made by both Gordon Brown, as Chancellor, and Ed Balls, as City Minister, just ahead of the financial crisis, describing them as 'among the most embarrassing, wholly wrong and misjudged economic statements by any ministers of recent times' (Hutton, 2010, page 147).

<sup>14</sup> A detailed study undertaken by Experian on behalf of BBC English Regions has shown that as a consequence the 10 towns and cities in England that are most vulnerable to economic shock and cuts in public spending are all located in the midlands and the north, with Middlesbrough, Mansfield and Stoke-on-Trent being deemed the least resilient areas in the country. Conversely, the 10 areas judged the most resilient were all clustered in the south of England; the three most resilient being Elmbridge (Surrey), St Albans (Hertfordshire), and Waverley (Surrey) (BBC, 2010).

seems willing to actively engage in the business of ‘mucking around in everyday politics’ (Gibson-Graham 2006, page 6); that is, endeavouring to formulate, and garner public support for a radically alternative and more progressive political economy. Such reluctance can be partly explained by the professionalization of the academic left (Castree, 2000), but also owes much to what Gibson-Graham (2006) have argued is a pervasive left melancholia and victimhood which has left radical and critical academics uncomfortable with, and ill-equipped to capitalise on political opportunities for progressive change. As Gibson-Graham (2006, page 6) argue:

Widely present if not fully manifest in any person or pronouncement, this culture of thinking and feeling creates a political sensibility that is paradoxically ‘depoliticized’. The theoretical closure of paranoia, the backward-looking political certainty of melancholia and the moralistic scepticism toward power render the world effectively uncontestable (ibid, page 6).

In a similar vein, but from a quite different theoretical standpoint, Dean (2009) has also deplored such timidity arguing not only that the left has generally failed, in a whole set of social and economic arenas, to prevent the right from ‘deploying state power to further their [own] interests’ (ibid, 12), but has effectively abandoned politics altogether, preferring instead to emphasise ‘consensus-based ideals [that] fail to acknowledge that politics is necessarily divisive’ (ibid, 13). Rather than ‘envisioning alternatives to global capitalism’ the left has fallen back to simply ‘casting blame’, for in so doing ‘we can refrain from having to admit that we are short on ideas – or that the ones we have seem unpopular, outmoded’ (Dean 2009, 5). In the case of the financial crisis the left’s reluctance to take a collective normative position in recommending reform, failure to prevent financial capital from brazenly furthering their own interests in the name of financial stability, and unwillingness to fully embrace the unpalatable truth that reform will necessarily create losers as well as winners has meant that in the UK, at least, such ‘radical’ policy ideas as the introduction of a Tobin tax, the separation of ‘utility’ from speculative banking functions, or even attempts to question the unquestioned assumption that reducing the budget deficit is the economy’s most pressing problem<sup>15</sup>, have quickly fallen off the political radar. This fate has also befallen the endeavour by Adair Turner to open up a serious debate about the social usefulness of the City, as well as questions over the status, role and future of newly nationalised banks, other than a presumed rapid re-privatisation. While the Dodd-Frank reform bill in the United States offers some

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<sup>15</sup> This assumption was questioned by Ed Balls during his unsuccessful bid to become the new Labour Party leader, who, in response to taunts that he was a deficit denier, argued that the unthinking pursuit of deficit reduction was being prosecuted by growth deniers (See: <http://www.labourlist.org/the-growth-deniers---ed-balls-full-speech>). This gathered support among a number of mainstream commentators, including Martin Wolf of the Financial Times (Wolf, 2010a).

small grounds for optimism, internationally it seems we can expect little more than a pumped-up form of existing prudential regulation; that is Basel 3, with banks simply facing greater capital and liquidity requirements, which have already been criticised for their timidity (Wolf, 2010b). As we drift back to 'business as usual', the left urgently needs to do at least two things. First, to begin to re-engage in mainstream economic debate, to challenge claims about the economy and appropriate levels of public spending and budget deficits in ways that do not cede ground to pre-Keynesian notions of political economy. While we are supportive of the cultural turn within the social sciences, and in particular of the rise of cultural economy, for all the productive new insights that it gives us into the workings of the economy the present crisis has made it abundantly clear that there is still an urgent need for the left to be able to speak the language of mainstream economics. Second, to consider the possibilities of alternative institutions that might help to create a richer, more equitable and more diverse economic and financial ecology. Some on the left are doing this, such as Morgan and O'Hara's (2010) call to rehabilitate the tradition of mutualism, The New Political Economy Network's call for more sustainable and community-based economic, growth models (2010), and there is also potential to develop the growing body of work on diverse economies (for example, Gibson-Graham, 2006; Fuller et al, 2010; Leyshon et al, 2003) into a much more coherent policy agenda.

In sketching out the contours of a society beyond capitalism Marx and Engels (2002 [1888]) famously began with a tribute to the remarkable innovativeness and industry of the 'bourgeoisie', whose powers were such that 'all that is solid melts into air' (ibid, page 223). The capitalists' powers of creative destruction were not simply noted by Marx and Engels but actively welcomed for they believed that thus 'man [sic] is at last compelled to face with sober senses, his real conditions of life, and his relations with his kind' (ibid, page 223)<sup>16</sup>. As we have witnessed time and again, however, and no more so than in the present moment, no sooner are such relations of power and inequity laid bare than opportunities for progressive change themselves quickly begin to melt away. The financial collapse of 2007-9 has not only brutally exposed the conditions of financialised capitalism, but also the neoliberal rights' powers of crisis displacement. And yet there is still time to rescue something from the violence and wreckage of crisis – as Helleiner (2010) argues, we are still in an interregnum – but to do so will entail that the academic left once again embrace the messy business of everyday politics, and in so doing be as bold, brazen, forceful and imaginative in the defence and pursuit of the collective good as 'these f@#king guys' in the pursuit and defence of self-interest.

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<sup>16</sup> See the Introduction to *The Communist Manifesto* by Jones (Marx and Engels 2002 [1888], page 70).

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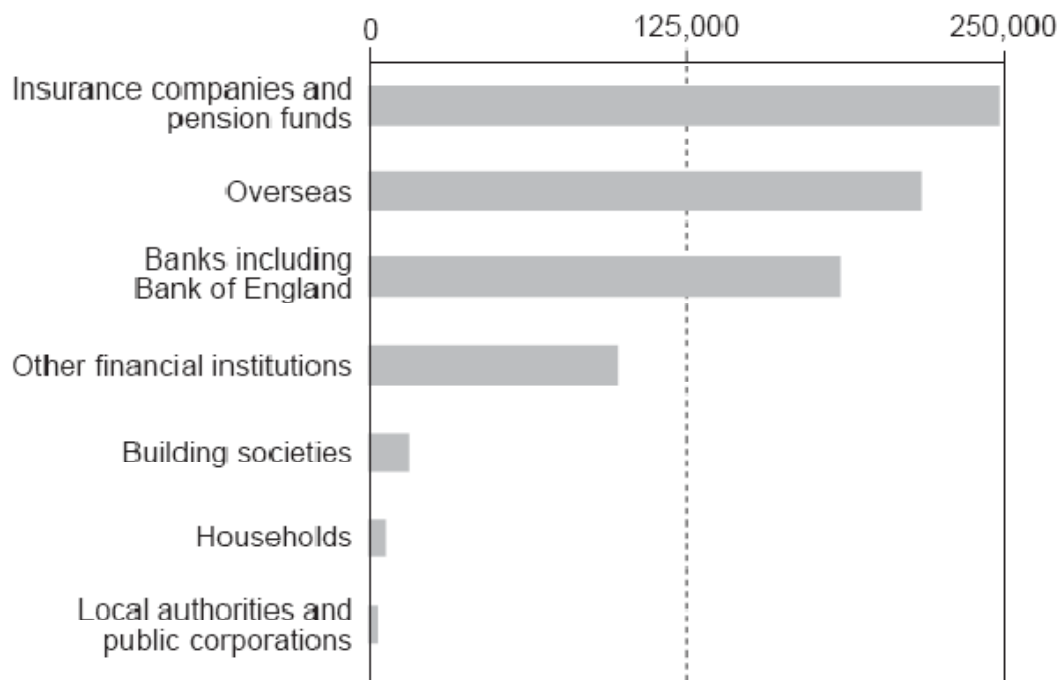
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**Figure 1: Breakdown of UK gilt ownership (£m), September 2009.**



Source: Based on Reuben (2010)