Funding the Future

Can capitalism survive?

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Time away permits a little reflection, and whether capitalism can survive is a question I did muse upon. It seems timely to ask for two reasons. The first is because of climate change, where everything must adapt or fall by the wayside in the interests of survival of humanity on earth. The second is because capitalism seems so politically out of favour.

Let me deal with the second issue first, because it sets the scene. For generations now we have been used, at least in Europe and most especially the UK, to political debate taking place primarily between the advocates of the interests of capital and labour. In this context, capital meant the interests of business. That, however, seems to no longer be true, with the proponents of business being those to have most definitely departed the scene.

The political right-wing is no longer driven by the interests of business. Brexit is something business interests clearly oppose. Immigration is something most business interests are clearly in favour of. And populism appears to have little appeal to many business interests, who seek as broad a customer base as possible and so embrace issues that populism rejects.

Don’t get me wrong. I am not saying business is suddenly all about enlightened self-interest. What I am saying is that both the Tories and the Brexit Party have ignored the interests of business in pursuit of their dogmatic goals. Those ‘captains of industry’ who would once have presumed that their warnings would be heard by any Tory administration must by now be getting the feeling that they are deeply unloved by any likely right-wing occupant of Downing Street, and most especially the current one. Their interests are decidedly low on his agenda.

The consequence is real. As a matter of fact I think Brexit will lay waste to large numbers of British businesses. Most are marginally capitalised at best, meaning that they have access to relatively limited resources to deal with a period of significant disruption on their supply chains. And what we know is that we face a period of substantial disruption in supply chains now. And with much of British business built on the basis of outsourcing, where supply chains are dependent upon a whole series of contractors being able to work together to achieve a high degree of efficiency, I think that the risk of domino effects is very high indeed.

To take one example: for the government to pretend that hard Brexit would not result in both long border delays and serious disruption to the right of British hauliers to work in Europe would be absurd. Both are inevitable and entirely foreseeable. And haulage is a sector that works on very tight margins indeed, usually because the contractor is guaranteed a cash flow by being integrated into their customer's business with a guarantee of work as a result. That then lets them lease vehicles knowing they will have high usage rates even if margins are tight. And now the question is who pays for the delays at ports and the inability to take trucks abroad, both of which will result in big losses being incurred by hauliers?

The customer will already be suffering disruption to their supply chain and heavy cost as a result. They won't want to pay the haulier more. But if the haulier suffers this for long their cash flow - and their capital - will rapidly vanish, and bankruptcy will follow. And replacing haulage companies takes time, I would suggest. But it would seem that the government has no clue about this.

There are two reasons for that. One is that they do not care. That is because they are really dogmatic enough to be indifferent to the risk.

The second is that they do not know. Jeremy Hunt made much of his supposed entrepreneurial qualities in the Tory leadership election. I would doubt them, but he was right to stress how unusual he is: the Tories and real business are Venn diagrams that hardly overlap any more. The Tories and finance overlap, of course. As do the Tories and rentiers. As do the Tories and tax haven interests overlap. But these are not real business activities, whatever the Tories now think. They are the parasitic, rent-seeking activities that are almost as loathed by many in real business as they are by Labour. The Tories just don't understand business anymore.

And so the paradox is that it may be that it is the Tories that will create the biggest modern crisis for capitalism.

And that leaves a real issue. First that's because no one has really moved to fill the void the Tories' absence creates. And second it's because Labour has not apparently realised it has to divide and rule, with the aim of bringing business but not finance into its orbit. It could do that, and benefit those in whose interests it acts. After all, when business is being ignored by the Tories it will want someone to talk to. And it will need all the help it can get, even if big conditions are attached, as Labour would require.

And that brings me to climate change. Business has to adapt radically as a result of global heating. I do not think it has any clue by how much as yet. The suggestion I have put forward for sustainable cost accounting appears radical, but in the context of what is required is a modest proposal for reform. Transformation has to be on the political agenda. The old agenda of being opposed to capital per se now makes no sense if it can be changed, and climate change creates that opportunity.

Capital is unloved right now, even by its supposed friends. That makes it open to change. My belief is that the left has to encourage that change. It can be radical. That will, anyway, be necessary. But business will be a necessary part of our future, and private ownership will survive. What is necessary then is a willingness to reimagine how it might do that in the collective interest. And given the hostility of the right to business at present there has never been a better moment for the left to reach out to try to effect that change that is necessary to create a better form of capitalism. I think it could work. And that it is the only way for capitalism to survive.