4) Austerity policies have not restored economies to economic or social health (Jacobs and Mazzucato 2016). Critically evaluate this statement and consider potentially more equitable policies.

To understand the impact of austerity policies on economic and social health, we must first investigate the normative implications of “economic and social health”. This is because the push for austerity comes from a particular ideological framework in which assumptions about what constitutes “economic and social health” are inextricably imbricated. Consequently, any attempts to critically evaluate the success (or otherwise) of austerity policies must clarify the terms on which they are being evaluated—specifically, whether the conditions of economic or social health are ones with which austerity advocates would agree. After all, the choice of measurement is itself political, in a way that is intimately tied up with the justification behind austerity in the first place. As a result, we can only understand the effects of austerity by disentangling the criteria that form the impetus for austerity from those that are neglected. We will accomplish this by considering several different aspects of austerity: the intellectual underpinnings driving its logic; its historical applications; and its longer-term effects as a catalyst for changing the terrain of political possibility. Finally, we will evaluate the success of austerity both on its own terms—under the ambit of neoclassical economics from which its principles derive—and through the lens of other economic paradigms. We conclude that, in agreement with Jacobs and Mazzucato (2016), austerity policies have *not* restored economic or social health, both under the very narrow parameters for which they were originally designed, and under a wider suite of indicators that centre inequality as a pressing concern.

We begin by setting the context. Austerity is typically proposed as a response to an economic crisis, as a disciplinary measure in the wake of an economic downturn. Under a particular set of assumptions rooted in neoclassical macroeconomic theory, in which consumers are assumed to be rational agents, austerity is ostensibly a way to restore prosperity. Following a supply-side model, the goal is to restore growth through government policies targeting the lever of investment, in contrast to a more Keynesian-based model focused on consumption (Blyth, 2013). The main policy prescription is to reduce public deficits in order to balance the budget, primarily by cutting public spending (Jacobs and Mazzucato, 2016).The reasoning behind this is manifold: firstly, because it will purportedly spur citizens, anticipating future tax cuts, to increase spending (Alesina and Tabellini, 1990); secondly, because it will lower the debt-to-GDP ratio which would otherwise present a barrier to growth (Rogoff and Reinhart, 2010); and thirdly, due to fears that public spending would “crowd out private spending” (Blyth, 2013). Ultimately, the goal is to reach a budgetary surplus; concerns around the wellbeing of the *citizens* under that state’s jurisdiction are typically ignored, and inequality in particular is not treated as an important consideration.

So much for the theoretical justification. Let’s consider the situations where it has been applied in the past. Although the most recent spate of austerity policies has been in response to the financial crisis of 2008, various forms of austerity have been implemented throughout history, including during the Great Depression of 1929-1933 and the stagflation crises of the 1970s. In the former case, due to reliance on the gold standard across the advanced economies, the possibility of expansionary fiscal policy was constrained. In the US, the immediate response under President Hoover was to implement liquidationism, using austerity-like measures in an attempt to clear out inefficiencies in the market, be that workers, firms, or whole industries (Blyth, 2013). This had the effect of deepening the crisis, and the most notable consequence of that was a wholesale shift in the political window—Hoover’s successor, Franklin D. Roosevelt, was elected on an anti-austerity platform, and once in power he went against the inflationary fears of the austerity era and instead stimulated growth through fiscal policy as well as inequality-reducing programs (Piketty, 2014). We can see Roosevelt's election as a populist backlash—a Polanyi-esque double movement as a response to intolerable levels of commodification (Fraser, 2014)—reflecting the negative impact of austerity on the electorate, which spurred them into choosing an alternative. On the other hand, there isn't always an immediate backlash. The confluence of various crises in the 1970s—OPEC oil crises, the collapse of Bretton Woods, the falling rate of profit and attendant struggles between labour and capital—resulted in the implementation of austerity to varying degrees throughout the world. Such measures were sometimes exogenous, most notably through the structural adjustment programs imposed on various developing nations as part of the Washington Consensus; other times, as in the case of the UK under Thatcher and the US under Reagan, they derived from a strong ideological commitment to empowering private corporations while limiting government provision of public services (Harvey, 2011). While the externally-imposed variant of austerity has led to a political backlash in some areas, most notably in Latin American countries that turned to left-wing populism (Rodrik, 2017), in the US and the UK in particular, this self-driven turn to austerity as part of a broader shift toward neoliberal policy has led to an entrenchment of the status quo, whereby income inequality has broadly increased even while growth has slowed (Harvey, 2011).

Let's now consider the most recent incarnation of austerity—a response to high sovereign debt levels following the 2008 financial crisis (Blyth, 2013; Calhoun, 2013). This is often framed in terms of budgetary discipline, most memorably in the case of Greece, which was considered a matter of "profligate Greeks and prudent Germans" (Calhoun, 2013, p.141). To put it more colourfully, we can see austerity as a 'market-imposed penance for "our" sins' (Mann, 2013, p.200). Such rhetoric deliberately obscures the fact that neither responsibility for the situation nor its negative consequences are shared equally. The sovereign debt crisis is more accurately seen as the the result of policy responses to the financial crisis which primarily benefited financial elites, in conjunction with tax evasion and avoidance among high-net worth individuals in the years before and after the crisis (Streeck 2017; Blyth 2013). At the same time, the brunt of cutting public spending is borne predominantly by the poor, as it usually manifests in declining provision of essential services like education, healthcare and pensions; the poorest then must turn to private solutions, which they may not be able to afford (Konzelmann 2014; Streeck 2017). In the UK, austerity has led to life expectancy dropping (Green, Dorling, and Minton, 2017), and cutting public spending (especially local government) which disproportionately negatively impacts the poor (Lowndes and Pratchett, 2012). The negative impacts are also often gendered and racialised, with women especially negatively affected (Ortiz and Cummings, 2013). In other words, austerity entrenches existing inequalities under neoliberalism (Lilley, 2011, p.110).

Even beyond the negative effects of austerity on inequality, if we evaluate austerity on its own terms—i.e., according to its stated objectives—its success is doubtful. Blyth (2013) argues that austerity policies generally do not achieve their goal of simulating growth, for a variety of reasons: the high potential fiscal multiplier of public spending; private corporations' tendency to direct capital toward speculative financial outlets rather than productive investment; unemployment risks when austerity is unaccompanied by labour market reforms; and the fact that simultaneous spending cuts in multiple countries have a feedback effect. Furthermore, one of the primary justifications behind austerity, the 2010 Rogoff and Reinhart paper which stated that a high debt-to-GDP ratio could impede growth, was later revealed to have numerous methodological flaws that led to a questionable conclusion (Blyth, 2013).

So what's the alternative? One way of seeing austerity is in terms of class struggle: under the guise of slashing the deficit, austerity is merely cover for staging class warfare, in which citizens are called to pay the consequences of the economic crisis for the benefit of those with greater assets (Wallerstein, 2013; Streeck, 2016)—in other words, benefiting corporations and capital, at the expense of citizens and labour. Seen in those terms, the alternative is clear: shifting the balance of power *back* towards labour and citizens, through measures like Keynesian fiscal policy and increasing spending on crucial public services. In 2017, UNCTAD released a report subtitled "Beyond Austerity: Towards a global new deal", recognising that austerity has hit poorest communities the hardest and suggesting "a globally coordinated strategy of expansion led by increased public expenditures" (UNCTAD, 2017, p.iii).

Ultimately, the longer-term consequence of continually meted austerity cuts is rising political instability. By increasing precarity and worsening living standards for many, austerity can trigger a Polanyi-esque backlash, which "can actually foster emancipation by weakening traditional supports for domination" (Fraser, 2014). In that sense, austerity can (even if unintentionally) be a transitional path to a different economic paradigm, one offering a more holistic view of economic and social health. We can see this in the rise of left-wing populism in many countries (Rodrik, 2017) . Seen in that vein, austerity can present both a crisis in terms of deepening inequality, as well as an opportunity: the chance to expand the horizons of political possibility and thus escape the status quo. Only time will tell.

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Feedback

An excellent essay showing an excellent understanding of the issues and of the literature related to this topic. The essay is original, incisive and organised in a logical way. It defines the meaning of austerity and the economic rationale for its introduction and looks back over time for a range of illustrations before turning to the present. The implications of austerity policy are considered and evidenced in terms of people's welfare and reference is made to alternative possibilities. The political implications are also considered drawing on Polanyi and Fraser and optimistically refers to the possibility of a 'Polanyi-esque' backlash. In this latter regard you might be interested in Colin Crouch's 'The Strange Non-Death of Neoliberalism' (2011) which amongst other issues considers the deep and widespread level of complicity in the existing system which may make the backlash you are looking for more difficult. Mark: 76