# George Soros on the Current Conjuncture*

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Billionaire financier George Soros has set financial markets aflutter by suggesting that a new world financial crisis is in the offing. In a speech he gave recently to a think-tank, he underscored the outflow of finance capital from the third world which is likely to catch these economies in a cycle of exchange rate depreciations and austerity. And he talked specifically of the European Union facing an "existential crisis" on account of three factors: its territorial disintegration as exemplified by Brexit, austerity, and the refugee crisis. The solution he offered for Europe was a typically Keynesian one which included a new Marshall Plan that the EU as a whole should adopt for Africa so that the flow of refugees from Africa to Europe dries up.

The individual views of a George Soros are not of interest to us. But the factors he drew attention to, such as the U.S. sucking out finance capital from the rest of the world, especially the third world; the appreciating dollar; the looming crisis for the third world; the refugee problem for Europe (which, though Soros did not say so, amounts to chickens released by imperialism coming home to roost); and the EU-US differences over the Iran Nuclear Deal which also have economic implications; are together pushing world capitalism into a serious crisis, which, as a shrewd financier, he recognizes, though the liberal bourgeois establishment does not.

Soros is no economist, and how exactly the various factors he mentions as dogging contemporary capitalism would add up to produce the financial crisis he warned about is a matter he does not explain. But his intuition is important especially because he is a dyed-in-the-wool capitalist himself and not a socialist revolutionary who is intellectually accustomed to envisaging the transitoriness of capitalism.

The solution he offers, of a new Marshall Plan for Africa to be operated by the EU, is not a new idea; similar solutions have been offered aplenty in the past from within the Keynesian tradition. The original Marshall Plan, it may be remembered, had entailed U.S. assistance to a devastated Europe after the second world war to put those economies back on their feet. The scale of assistance in the original Marshall Plan has been estimated at today's prices to have been around $110 billion. What Soros has suggested for a European Marshall Plan today is assistance to the tune of about $35 billion for Africa. This is a Keynesian measure because it would stimulate aggregate demand in the world economy (and within Europe itself if the proposed assistance is tied to spending on European goods alone), even while bringing about larger investment and welfare spending within an underdeveloped part of the world.

The most famous suggestion along these lines had been put forward by the Brandt Commission for the advanced capitalist world as a whole: they should set aside a part of their GDP for transfer to the poor countries as grants. This, it had argued, would help both sets of countries, the former through larger employment and output, as they suffer from a deficiency of aggregate demand, and the latter through larger resources as they suffer from a shortage of resources for undertaking investment or welfare expenditure.

The rationale of the scheme lies in the fact that such transfers would not diminish the availability of goods and services in the advanced capitalist world, but would rather increase this availability. The reason is as follows: goods which are not demanded in a capitalist economy are not produced, resulting in the existence of unemployment and unutilized capacity. Now suppose Rs.100 worth of goods are to be transferred to the third world, then, to produce these goods, workers will have to be employed; to produce the inputs required for producing these Rs.100 worth of goods, and the consumption goods demanded by the newly employed workers, more workers will have to be employed, and so on. Hence something like, say, Rs.400 worth of goods will have to be newly produced, of which Rs.300 will be consumed within the advanced capitalist world and Rs.100 transferred abroad.

Employment, output and consumption in this segment has thus increased as a result of the transfer, and not decreased, compared to the original situation. Putting it differently, such transfers constitute a “non-zero-sum” game; a situation of unutilized capacity and unemployment is one from which everyone can be made better off, if there is an increase in aggregate demand, which, on Willy Brandt’s argument, would have arisen from the transfers to the poor countries. What Brandt had suggested for the advanced countries vis-à-vis the poor countries is exactly what is now being suggested by Soros for Europe vis-à-vis Africa.

Brandt’s Commission’s suggestion however had fallen completely on deaf ears, and the same is going to happen to the Soros suggestion, because capitalism does not work in this way. It is not a system that can be molded like plasticine to conform to some tenet of social rationality, for, if it did, then we would not have the absurd spectacle, as we have today, of its practicing “austerity”, which is demand-reducing, in the midst of a recession. In fact, Keynes himself, who was keen to save the system from the socialist threat, misread its fundamental nature, which is to cut down all transfers, for they supposedly “spoil” the beneficiaries. The logic of the system, as Keynes’ younger contemporary Michael Kalecki, the Marxist economist, had incisively remarked is that “you must earn your bread with the sweat of your brow unless you happen to have private means”. This was the logic used to deny any assistance to a debt-ridden Greece. And a European Union which could not bail out one of its own members, Greece, can hardly be expected to make transfers to Africa, no matter how “rational” such transfers can be shown to be for all parties.

The time that the original Marshall Plan had been adopted was an altogether different one, when capitalism was with its back to the wall, forced to make concessions against which it would normally have fought tooth and nail. There was a looming socialist threat, with the Soviet Union, which had vanquished Nazi Germany, at the peak of its prestige and popularity; and the working class was restive for change, as evident from the British elections following the war where Churchill and the Tories were defeated. At the same time capitalism had been weakened by the war itself and in no position to fight another war, against socialism. It is in this context that it had to make adjustments to its normal modus operandi. The U.S. helping to rebuild Europe was one such adjustment for saving the world from the threat of socialism.

In fact, the Marshall Plan was one of the many concessions that had to be made to save the system. State intervention in “demand management” through fiscal means, to bring these economies closer to full employment, which had been shunned before the war, and which has been shunned subsequently under neo-liberalism, had to be accepted to prevent working class restiveness from taking a revolutionary form. Political decolonization, which Churchill and his ilk were totally opposed to, had to be conceded (even though economic decolonization, in the sense of the third world getting control over its own resources, required a further and even stiffer fight). Likewise, universal adult franchise which had been resisted till then, had to be conceded. All these, which indirectly were the contribution of the Soviet Union to the people of the world, but scarcely ever recognized as such, occurred within that particular conjuncture.

That conjuncture however does not exist today. Even though capitalism is in the midst of a deep and profound crisis, and on this Soros is right, it is not facing at present any prospects of imminent overthrow by the forces of socialism. And even if it did, it is not war-ravaged enough to prefer making concessions to taking an aggressive stance. A European Marshall Plan for Africa is a pipe-dream in this context. In fact European capitalism would rather let refugees drown in the Mediterranean Sea, would rather support military dictators in Africa who prevent their populations from fleeing abroad, and would rather set up its own outposts in African countries to prevent such emigration to Europe, than help these countries by providing them with grants for development. The epistemic foundations of capitalism militate against any course of action that is dictated by “humanitarian” considerations.

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