Searching for “Solutions” to Crisis: A Critique of Urban Austerity and Keynesianism

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Abstract

Based on reflections on how economic crises under capitalism have been typically “solved”, particularly by examining processes of creative destruction and spatial fixes, this paper argues for the need to rethink the duality between austerity, and Keynesian crisis management, given the nature of the current economic crisis. Austerity is a key policy instrument of neoliberalism. Keynesianism is regarded as neoliberalism’s antithesis. Conventionally understood, continued austerity would mean more post-Fordist and neoliberal geographies, while a Keynesian approach would mean more demand management. This paper argues that such a conclusion is over-simplistic, indeed incorrect. Crisis management inspired by Keynes is less concerned with the destructive parts of crises and seldom challenges the power of capital. Therefore, Keynesian crisis management risks reproducing neoliberal spaces and neoliberal urban and regional policies. This paper questions whether Keynesian crisis management — i.e. boosting aggregate demand during slumps — is a “solution” to the current crisis. The paper questions Keynesianism in its belief, for example, that climate change can be stopped within a framework that still perpetuates, and advocates for, compound economic growth. The paper concludes by arguing for the need to see beyond Keynesianism, and explores what a Marxist approach to spatial fix and creative destruction might mean.

Key Words: Dual crisis, Austerity, Keynesianism, Creative destruction, Spatial fix, Ecosocialism.

Buscando "soluciones" a la crisis: una crítica a la austeridad urbana y el keynesianismo

Resumen

Basado en reflexiones sobre cómo las crisis económicas bajo el capitalismo han sido típicamente “resueltas”, particularmente al examinar procesos de destrucción creativa y arreglos espaciales, este trabajo defiende la necesidad de repensar la dualidad entre la austeridad y la gestión de crisis keynesiana, dada la naturaleza de la crisis económica actual. La austeridad es un instrumento clave de la política del neoliberalismo. El keynesianismo es considerado como la antítesis del neoliberalismo. Convencionalmente, la austeridad continúa significaría más geografías posfordistas y neoliberales, mientras que un enfoque keynesiano significaría una mayor gestión de la demanda. Este documento argumenta que tal conclusión es demasiado simplista, de hecho incorrecta. El manejo de crisis inspirado por Keynes está menos preocupado por las partes destructivas de las crisis y rara vez desafía el poder del capital. Por lo tanto, la gestión de crisis keynesiana corre el riesgo de reproducir espacios neoliberales y políticas urbanas y regionales neoliberales. Este artículo cuestiona si la gestión de crisis keynesiana, es decir, impulsando la demanda agregada durante las recesiones, es una "solución" a la crisis actual. El artículo cuestiona el keynesianismo en su creencia, por ejemplo, de que el cambio climático puede detenerse dentro de un marco que aún perpetúa y aboga por un crecimiento económico compuesto. El documento concluye argumentando la necesidad de
ver más allá del keynesianismo, y explora lo que podría significar un enfoque marxista al arreglo espacial y la destrucción creativa.

**Palabras clave: crisis dual, austeridad, keynesianismo, destrucción creativa, arreglo espacial, ecosocialismo.**

**Introduction**

Spatial-temporal changes under capitalism are closely linked to the system’s recurring economic crises. Taking cues from Storper and Walker (1989), Harvey (1999, 2010) and others, we know that the geographies and urban spaces of the twenty century have been (re)produced through policy responses to the Great Depression of the 1920s and 30s and the Great Stagflation of the 1970s. Triggred by bursting of the US housing bubble in 2007, the world economy has, yet again, been thrown into crisis. These contemporary economic concerns coexist with political instability, social unrest and ecological crisis. The economic crisis that started in 2007/2008 — often labeled *The Great Recession* (by e.g. Roberts 2009, 2016, Shaikh 2016) — has mutated, and travelled geographically, through the last decade, but has never been solved, evidenced by the fact that growth rates have yet to recover, private and public debt is higher in many areas, and housing bubbles larger than before 2007 (see for example Mason 2015, Eurostat 2017, Streeck 2016). In other words, the underlying economy is highly unstable.

Within human geography, the relations between *The Great Recession* and cities have primarily been investigated through two perspectives: either focusing on how real estate and urbanisation contributed to the outbreak of the crisis, or by examining how the crisis (unevenly) affects places (see e.g. Engelen et al 2010, Harvey 2010, Aalbers, ed. 2012, Donald et al 2014). Discussions on crisis management reoccur in the discipline (not least through Harvey’s idea of the spatial fix), but debate on potential “solutions” within a more conceptual and theoretical framework have been limited.

Crises need endings of some kind. Historically, economic crises have been “solved” through certain related processes, like devaluation and creative destruction, as well as the implementation of new technologies and new ways of organising the political economy, economic geographies and the forms taken by cities (Mandel 1978, Massey 1995, Harvey 1999, Perez 2002, Mazzucato 2014, Shaikh 2016). If the current economic crisis is not significantly different from previous ones, we can expect dramatic changes in the political economy in the coming decade or so. In this paper, I look at how creative destruction, spatial fixes and new organizing the political economy have — or have not — influenced crisis management during the Great Recession.

It is important to remember that the Great Recession is different from previous capitalist crises in one crucial way: it coincides with a far more serious, life-threatening, ongoing ecological crisis. Normally, solving economic crises is about restoring economic growth, one way or another. But following Sayer (2015), the dual economic-ecological crisis is *diabolic*, meaning that solving one — e.g. regaining economic growth — makes it harder to solve the other — climate change.

This paper examines the two most prominent kinds of “solutions” that have been proposed and (in certain cases) implemented to address the Great Recession within academic and political debates: austerity and Keynesianism. It is not sufficient to evaluate these only in terms of the validity and logic of the theories themselves, nor the empirical results that they might have achieved. They should also be discussed in relation to theories of creative destruction and spatial fix, examined alongside how crises have been solved historically, and also considered in relation to the ecological crisis and climate change. This paper argues that austerity has been — and will continue to be — devastating for working class and poor people, and acknowledges that it is tempting to argue that Keynesianism provides the better alternative. However, Keynesianism has historically been less concerned with processes of devaluation and destruction, and more concerned with investment per se. This focus on investment has been less concerned
with problematizing where, or in what, to invest. So, it is uncertain whether Keynesian crisis management would provide an better alternative. There are, in fact, valid arguments that Keynesianism will prolong the life of the neoliberal urbanism.

This paper is organised in five sections. First, I discuss social and spatial changes under capitalism with a focus on processes of creative destruction and spatial fix. Second, I look at how the Great Recession has not yet been solved, and its relation to the ecological crisis — which, when taken together, constitute the diabolic crisis. Third, I explore differences and similarities between the two most discussed forms of crisis management for the dual crisis: austerity and Keynesianism. Fourth, I discuss austerity and Keynesianism in relation to spatial fixes, by examining both global and urban spaces, as well as climate change and technology. This section questions the dominant perception that austerity means a prolonging of neoliberal urbanism and Keynesianism means its end. Instead I argue for to looking “beyond Keynesianism” in terms of crisis management. Fifth, the paper concludes with a section where I open discussion — with a call for more research and thinking — on the possibilities and difficulties of building and actualizing a Marxist version of crisis management in the diabolic crisis.

1. Creative destruction, Spatial fixes and Capitalist development

Capitalism has always had a physical form, and changes under capitalism have enormous geographical implications. For Marx (1973: 740), capital “establishes its residence on the land itself”, and for Harvey (1985: 43) capital must “represent itself in the form of a physical landscape created in its own image”. The built environment, to paraphrase Keynes (1964: ch. 11), is the link between present and future.

Capitalism is peculiar in the sense that it is a revolutionary mode of production: where rulers in earlier historical epochs, according to Marx and Engels (2008), maintained their power by perpetuating the status quo, rulers in capitalism must constantly make changes to maintain power and wealth. Capitalism changes continuously because of demands for profits and growth, constant competition, new technologies, and the perpetual need for innovations. The need for changes under capitalism, according to Storper and Walker (1989), is written into the very DNA of the economic system. The fact that capitalism changes, in other words, does not change. That processes of capital accumulation and technological change coincide with the age of fossil fuels just intensifies change.

Capitalism is also unique in that it is the first mode of production in which crises regularly occur due to contradictions within the economic system. These crises are important moments of change in capitalism, and play crucial parts in how geographical landscapes are formed and transformed. One capitalist crisis is, to a large extent, constituted by the way the previous crisis was solved, in that the policies that solve one crisis tend to reoccur as parts of the contradictions creating the next (Shaikh 2016).

It is fascinating to look at why, and how, economic crises are created under capitalism, but it is equally fascinating to look to how they disappear. In Marxian theory, the destruction of capital and devaluation are crucial components in the “solution” of major capitalist crises. Capital is devalued in various “forms”; as money, commodities or productive capacity; businesses go bankrupt, capital is written off by closing plants, goods are sold at bargain prices, debt is written off and unemployment increases. The devaluation process must be massive enough to restore profit rates for the remaining (and coming/emerging) capitals. The process of devaluation is thus both a consequence of the crisis, as well as part of its “solution” (see Storper and Walker 1989, Harvey 1999, Roberts 2009, Kliman 2012). Looking back at previous crises in capitalism, we can also see that there other things are going on, in addition to devaluation. One, inspired by Joseph Schumpeter, is that times of crises coincide with the introduction of new technologies (Perez 2002, Mazzucatos 2014). But crises are also, as the more Marxian “regulation school” tells us, periods where new organisational structures, new policies, new ways of organising capital accumulation and new ways of doing politics are introduced (for a spatial context, see Peck and Tickell 1992; see also Mandel 1978).
Within human geography, David Harvey (1985, 1999) has analysed how capitalism must produce certain landscapes, only to disrupt, undermine, and finally destroy these same landscapes later. The particular landscape that capital needed at a certain time in order to facilitate capitalist production, circulation, transport and consumption, can, particularly after a crisis, become a “prison that inhibits the further progress of accumulation precisely because it creates spatial barriers where there were none before” (Harvey 1985: 43). But certain landscapes and spaces are not only consequences of economic crisis; they can also be part of their “solution”. Harvey has famously coined the term “spatial fix” (1999) to conceptualise how capital can overcome economic problems through mobilising geographical differences and creating new global and local spaces and landscapes. (Discussions can be expanded to include temporal-spatial fixes, and also financial fixes, green fixes, etc.) The spatial fix-approach to crisis management also highlights the fact that economic crises under capitalism are never solved in the sense that the problems completely vanish. Rather, as crises are, to a large degree, caused by contradictions within the very logic of capital accumulation, “solutions” — and this explains the quotation marks — that spatial fixes provide for capital are just temporary. How we conceptualise potential “solutions” depends on how we grasp the crisis itself (i.e. what needs to be solved). So, before discussing how the diabolic crisis is — or rather, is not — solved, I must outline my view on the current crisis.

2. Unsolved Diabolical crisis

The Great Recession is partly a consequence of the Great Stagflation of the 1970s. Stagflation left then-hegemonic Keynesian policy in deadlock: increasing state spending would worsen inflation; spending less, or increasing interest rates’ would worsen stagnation. The actual “solution” to this deadlock included immense deregulation of financial activities, a massive attack on organised labour and drastically lowering interest rates, which promoted a rise in consumer debt and fuelled international bubbles in finance and real estate. Finance capital was given political priority over industrial capital. Crucial from a geographical perspective, production was moved to countries with lower wages and poorer working conditions in a process that heralded in a new international division of labour. Ownership and power remained largely in the global north, of course. This reconfiguration of urban landscapes in both the global north and global south — this spatial fix (Harvey 1999) — was crucial for capital to regain profit rates (Massey 1995, Gough 2003, Harvey 2010). The 1970s also exemplifies how patterns of major economic crisis relate to changes in theory. Keynesian economic theory developed, to a large degree, as a plausible political-economic solution to the earlier Great Depression, and rose in significance partially due to the inability of neoclassical theory to explain the event. Keynes claimed that his was The General Theory Neoclassical arguments only applied to situations with full employment. As Keynesian theory could neither explain, nor solve, the Great Stagflation of the 1970s, neoclassical economic explanations returned with force, now claiming their status as general theory, with Keynesian theory being relegated to special cases arising from wage and price “rigidity” (Keynes 1964, Shaikh 2016: ch 12).

In terms of urban planning and policy in the global north, spatial reconfiguration after the 1970s has been tied to a number of interrelated processes: gentrification (Smith 1996); inter-urban competition and entrepreneurial activities to attract certain types of capital (Harvey 1989); urban governance (Aarsæther et al. 2012); high-end mega-projects (Baeten 2012); cutbacks in welfare and public services; as well as increased spatial segregation and injustice (Merrifield and Swyngedouw 1998, Holgersen 2017). Such processes can be understood through a concept like “spaces of neoliberalism” (cf. Brenner and Theodore 2002).

There are similarities and differences in the modus operandi of capital accumulation under Fordism and neoliberalism. Brenner (2009, 2011) calls the regime that emerged after the 1970s crisis “asset price Keynesianism”, where states nurtured asset price bubbles that allowed owners to take new loans based on the increased prices. The “asset price” part of Brenner’s concept points to a very different way of organising capital accumulation than under Fordism, while the “Keynesianism” part points to similarities, like involve-
ment of the state. The first major experiment of “asset price Keynesianism” led to the high-tech boom and the dot-com crash around the turn of the millennium. Then, the economy turned to housing. Interestingly, in the spring of 2002, and in the aftermath of the high-tech bubble, The Economist published an article aptly titled The houses that saved the world: “In this economic recovery, however, homes have done much more than shelter people from wind and rain. They have helped to shelter the whole world economy from deep recession”. (Economist 2002)

In retrospect, the quote is unintentionally witty. But the booming housing and financial sectors did have huge impacts on the economy. In the US, the housing sector accounted for 30 percent of total growth in GDP, and half of all new jobs created, between 2000 and 2005 (Brenner 2009: 61). In 2007/2008, the inflated housing sector infamously triggered the Great Recession. In the following decade the Great Recession has played out differently across geographical spaces, with local and national particularities (e.g. the banking sector in Iceland, housing in Spain and the Euro in Greece).

But major economic crises should be grasped at all levels of generality (cf. Ollman 2003: ch 5). At one level, differences may legitimately be understood as different crises or events. At a higher level of generalisation, however, we see that they are interrelated, as they have a shared underlying context of a weak and unstable economic situation: and in different ways they all have emerged from, and play into, the Great Recession. With Shaikh: “[w]hen the system is healthy, it rapidly revives from all sorts of setbacks; when it is unhealthy, practically anything can trigger its collapse” (1978: 219). As the Great Recession remains unsolved, as growth rates remain relatively weak across western capitalism, all kinds of political and economic problems that perhaps seem relatively innocuous might potentially transform into major economic concerns.

In an attempt to better understand crisis, we can organise reality in a way that differentiates between: (i) particular bubbles, surface appearances and (relatively) short-term trends; (ii) intermediate processes and (international) economic policies; and (iii) underlying and general economic processes and contradictions in capital (see also Harvey 2012b: 37, Ollman 2003). With this in mind, consider the genealogy of the Great Recession: it was trigged by a US housing crisis in 2007, and as mortgages were “securitized” in the context of a globally interlinked system of financial markets the impacts of the housing crisis spread and grew into a global financial crisis the following year. It should come as no surprise that urban scholars have been happy to emphasise the importance of space, housing and cities in these processes (e.g. Aalbers 2009, Engelen et al. 2010, Peet 2011, Harvey 2012a, Oosterlynck and González 2013, Donald et al. 2014). The severity of the situation was related to the sheer volume of bad mortgage debt, the significant exposure of big institutions to mortgage-debt defaults, the previously mentioned phenomenon of securitisation, and subsequent major cash flow and solvency problems that occurred in many banking, wealth management and other financial institutions (Harvey, 2010, Kliman, 2012). However, this was neither merely a housing crisis, nor a financial crisis.

We therefore need to move to a higher level of generality, and examine underlying processes and contradictions in capital accumulation exemplified in this crisis. Here we will see how the Great Recession was a major economic crisis in capitalism that followed the pattern of crises of the Great Depression of the 1930s and the Great Stagflation of the 1970s.

Among Marxists, debates around the underlying processes and contradictions that lead to the Great Recession have crystallised into two major positions (Basu and Vasudevan 2013). In short and somewhat simplified terms, one position stresses that technological change makes labour a relatively lesser part of total capital, and that this becomes a problem for the overall profit rate, as it is only labour that produces more value. This explanation is based on Marx’ tendency of the rate of profit to fall (see Roberts 2009, Carchedi 2012, Kliman 2012, Shaikh 2016). The other position stresses tensions between the spheres of production and consumption, and argues that the crushing of labour unions and lowering of wages in the global north, alongside moving production to global
south/east, directly lowered consumption power, yet increased (cheaper) production. This created a surplus of capital that was unable to be realised. This explanation is based on Marx’ thesis of overproduction (see Harvey 1999, 2010) and under-consumption (Peet 2011).

Despite intense debate, the two approaches are not mutually exclusive. They should rather be conceptualised as different vantage points; the former focusing on production, technological development and competition, and the latter on tensions between production and realisation (see Mandel 1978, Ollman 2003, Holgersen 2015a). The tendency of the rate of profit to fall has, during the neoliberal era, been offset by decreases in the wage share (see Shaikh 2016: ch. 16). The decreased share of total income going to wages eroded aggregate demand (which could no longer be sustained through asset-price Keynesianism), created problems of overproduction and underconsumption. In more conceptual terms, the health of the system gradually worsened, until a bursting housing bubble in the US triggered economic crisis in capitalism.

The climate side of the diabolic

The standard way of solving economic crises is to increase profits and economic growth. That is normally the whole point of crisis management. The crucial dilemma this time around, is that economic growth drives climate change. The easiest way to slow climate change, and avoid its most devastating effects, would be to completely stop extracting coal and oil, which would undoubtedly have an immediate and negative impact on economic growth (see Foster et al. 2010, Sayer 2015, Holgersen and Warlenius 2016).

There is no space in this paper to outline the ecological crisis and climate change in detail, but I believe that most readers are familiar with the severity of the situation. Within the context of this paper, I will focus instead on two arguments. One is that climate change will mean immense changes. Following the eco-Marxist approach of Foster (2000), Foster et al. (2010), Mason (2015), Löwy (2015), Sayer (2015), Malm (2016), Foster and Burkett (2016), and in the wording of Naomi Klein (2014): either we will have to drastically change the political economy in order to avoid climate change or climate change will transform our lives dramatically.

The other concerns how we can understand the relation between the ecological and economic crises. They are not related in the sense that one directly causes (or caused) the other. Some have argued that we can only afford to “fix” the climate if we have strong growth rates; but actual numbers point in the opposite direction. Emissions, if anything, fell during slumps (Holgersen and Warlenius 2016). But their relation is interesting in two other ways. First, it does not make sense to simply confront one, without also being concerned with the other — neither strong growth rates in a burning world, nor economic stagnation and poverty in a non-warming world, are desired futures. Second, they are both constituted by the same underlying economic system: capitalism based on compound growth and fuelled by fossil fuel extraction. Climate change is caused by ever-increasing emissions of greenhouse gases within a context of exponential economic growth. In this sense, climate change is related to the normal workings of capitalism and its growth imperative. Economic crises, as we have seen, happen when contradictions within the system create periods defined by lack of growth.

“Solving” the dual crisis

Since 2008, we have witnessed different forms of crisis management at play in response to the Great Recession. First, immediate destruction: the crash wiped out thirteen percent of global production and twenty percent of global trade (Mason 2015). Then came the massive political projects meant to save the system, wherein many states intervened with fiscal stimuli and bank bailouts in what has been called “the Keynesian episode of 2008-9” (Callinicos 2012:74), or the “interlude of pseudo-Keynesian ‘stimulus’ spending” (Peck 2012: 645). This included bailing out banks, but also massive state spending and investment programs in various forms. Since this policy (among other things) also transferred debt from private to public hands, it increased state expenditures and increased gross debt in the OECD countries (gross
debt increased, for example, from 92.5% of GDP in 2009 to 103% in 2011 — see OECD 2012: 13).

Despite, or maybe because of, the global economy’s lack of firm recovery, the debate on fiscal policy in 2010 shifted to fiscal consolidation, and the capitalist core entered the “age of austerity” (Peet 2011, Peck 2012). Austerity became, to a large degree, legitimized by a belief that high gross foreign debt would reduce growth (see Reinhart and Rogoff 2010 versus Herndon, Ash and Pollin 2014). Austerity as crisis management was infamous from its very beginnings (Peck 2012), and Corsett (2012:2) claimed already in 2012 that “calls for austerity appear to have fallen out of fashion”. However, despite the fact that even the formerly pro-austerity OECD (2016) has acknowledged that austerity alone is not likely to solve the crisis, and despite the fact that foreign and personal debt in many countries having increased since 2010, austerity continues to be the dominant form of neoliberal crisis management in Western Europe.

Cuts to the public sectors and in public budgets (austerity) have coexisted with another policy for crisis management. As a general trend, since 2008 interest rates have been successively lowered in economies in the global north. Many countries are now operating with extremely low, even negative, interest rates. This means cheap money to banks and financial institutions, who throw money into increasing consumption (“no credit record, no problem”) and private debt — often into housing, frequently as speculation (again).

Crisis management under the Great Recession has a clear class dimension. The so-called Keynesian moment was primarily about saving the financial system and lifting the burden of the crisis off the shoulders of financial institution. Austerity was about placing the burden on the shoulders of the people, especially the poor, the working, and the (so-called) middle classes. Lowering key interest rates has only been a means to dope an economy in crisis. The class character of austerity also results in the neoliberal trend of growing inequality that has only accelerated after 2010.

The crisis is far from over. While growth rates in OECD countries are still low (OECD 2016, see also Eurostat 2018), interest rates are exceptionally low, and have, together with quantitative easing, caused asset prices to rise indiscriminately, while productivity is generally low. Real estate bubbles and levels of debt are generally higher than they were in 2007, and financial sectors witness profit rates that most industrial sectors can only dream of — not very different from just before 2007. So, while many of the underlying problems remain the same, two key things have changed. First, China, the one country that has seen massive growth after 2008 and, to some degree, dragged the rest of the world economy along with them, are now facing problems with real estate bubbles of their own. Second, during neoliberalism, interest-rate policies have been by far the most important — and as Skidelsky (2009: 177) argues — the only macroeconomic tool available to most governments. As many countries are operating with negative interest rates, the question is only how far states will take this form of economic doping before they realise that major changes are needed.

The current situation is also a good example of the reality that economic crises are never purely economic. The regulation school is on to something with the idea that major economic crises can also be crises in the regimes of accumulation — crises of how we organise the political economy. The current situation is not only defined by weak/unstable growth rates in productive sectors, continued doping of consumption and financial sectors, and an ecological system in a state of catastrophe. But in addition we find a crisis of legitimacy haunting the representative democracies in the global north, exemplified by Brexit, Trump, far right- (and even some left-) offensives and the decline (or sometimes outright collapse) of social democratic parties in Western Europe.

Currently, there seems to be no other way to maintain growth and profits, other than continuing to dope the economy with low interest rates. There are good reasons to believe that the next massive slump will hit neoliberalism in a similar way that the Great Stagflation hit Keynesianism: leaving the economic...
system without useful theories or tools for crisis management that can prevent massive collapse.

In the previous sections, I outlined the way that the diabolic crisis is not yet solved and that typical “solutions” to economic crises are characterised by a few major processes: namely, destruction and devaluation, new regimes of accumulation and new ways of organising the political economy. These changes happen alongside the introduction of new technologies and the tearing down of old landscapes, geographies and spaces, and creation of new ones. It is within this context I now turn to the two major responses to the diabolic crisis — austerity and Keynesianism.

3. Austerity versus Keynesianism in Diabolic crisis

Austerity can be defined as government policies that propagate spending cuts and/or reduce public budgets through reducing labour costs and pensions, implementing privatisation, and reconfiguring public services and the welfare state (see e.g. Donald et al. 2014: 5). Austerity measures were part of the “neoliberal repertoire” even prior to the Great Recession (Peck 2012: 629), and from about the 1970s onwards (with geographical differences; earlier in England, later in Scandinavia) the question of urban government and leadership has been less about how to spend, and more about “cutback management” (Clark 2000: 8). Until 2008, austerity played into an economy where growth rates were not as good as the post-war Keynesian years, but good enough to legitimize neoliberalism. Post 2008, austerity played into an economy where growth rates were not as good as the post-war Keynesian years, but good enough to legitimate neoliberalism. Post 2008, austerity played into an economy where growth rates were not as good as the post-war Keynesian years, but good enough to legitimate neoliberalism. Post 2008, austerity played into an economy where growth rates were not as good as the post-war Keynesian years, but good enough to legitimate neoliberalism. 

At the present moment it is fairly uncontroversial to claim that austerity policies have not solved the Great Recession. But the fact that austerity might have contributed to, for example, increased segregation and economic polarisation — both within and between cities — and despite having devastating human costs and disproportionate impacts on poor, young, non-white, older folks and women (see Donald et al. 2014, Jones et al. 2015), unfortunately, does not necessarily disqualify austerity from being able to create growth and thus solve the economic crisis. Is it possible to take internal devaluation to a point where wages are sufficiently low so that companies will start making decent profits again? According to neoclassical theory it is possible, obviously. Since 2010, however, this theory has come increasingly under pressure. It has also raised tensions and social conflicts, as it has further increased inequality and poverty. And, as any Keynesian would remind us, neoclassical economics tend to forget the demand-side. So, where can increased demand then come from? Perhaps more luxury spending, ever increased public or private debt, or simply new bubbles? Or perhaps liberal versions of guaranteed basic income? It is certainly hard to see how austerity alone can provide a solution for the problems of overproduction.

Within mainstream media, amongst established political parties (not least as exemplified in the 2017 election in the UK) and in most academic discussions, the main alternative to austerity has been various forms of Keynesianism. State spending from 2008 to 2010 was celebrated among Keynesians as the “Return of Keynes” (Skidelsky 2009), and claims were made that
"we are all Keynesians now" (Stiglitz 2008). Despite the reality that this Keynesian momentum, generally speaking, lost pace in terms of government policies around 2010, Keynes was back in the sense that people who derived ideas or inspiration from Keynes did find more hospitable political and economic environments.

In contemporary economic theory, there are obviously different forms of “Keynesianisms”, with the two major perspectives being encompassed by the titles “new keynesians” and “post-keynesians” (see e.g. Skidelsky 2009, Mann 2016, Shaikh 2016). In terms of crisis theory, we also see that Marxists can be “more” (e.g. David Harvey, Radhika Desai) or “less” (e.g. Andrew Kliman, Paul Mattick Jr.) Keynesian (Holgersen 2015a, 2017). I will not elaborate further on differences between various forms of Keynesians here, as my focus is rather on how various (but related) ideas inspired by Keynes have become established as urban alternatives in the diabolic crisis.

My take on Keynesianism is inspired by Geoff Mann (2017) who sees Keynesianism primarily as a way of saving capitalism/civilization rather than a set of social policies aimed to help the poor through full employment. But in order to mobilise the term here I need to be more concrete, and thus in this paper I will understand Keynesianism in even narrower terms: as crisis management characterised by two common characteristics. The first is the need to boost aggregate demand through investments — this is crucial for most Keynesians as they normally consider aggregate demand to drive output. The second is that states are considered active and crucial agents in both boosting aggregate demand and fiscal policy, and in industrial policies and political regulations (Keynes 1964, Stiglitz 2008, Krugman 2012a, Shaikh 2016). The Keynesian hypothesis is that boosting aggregate demand will (through the Keynesian multiplier) pull the rest of the economy out of crisis and restore “confidence in the economy”. For Krugman, this means borrowing the whole way, “until the private sector is ready to carry the economy forward again” (2012a: xi). This surely did not happen in the Keynesian episode of 2008-2010. According to Krugman (2012a, 2012b) this was because investments were too small and money primarily was directed towards saving the banks rather than directly boosting the economy.

Keynesianism as crisis management is normally not particularly focused on devaluation of capital. In certain cases, there are arguments that currencies should be devaluated (i.e. via external devaluation), which also explains why many Keynesians, like Krugman (2012a) and Stiglitz (2015), in contrast to defenders of austerity, argued for Greece to first leave the Euro and then to devaluate their new currency. Apart from currency devaluation, however, there is little focus on which factions of capital should be destroyed and what should replace them (Holgersen 2017).

Despite the “return of Keynes” after 2008, the history of capitalism does not provide strong evidence that increasing aggregate demand alone will automatically solve large economic crises. Disregarding this might have huge political consequences: what if states do take up huge loans and start spending? Despite the obviously beneficial effects in the short term, there is a danger that this would also end up significantly increasing public debt. This was, for example, the case for many municipalities in Scandinavia in the 1970s and 1980s (see Holgersen 2017).

Austerity, Keynesianism and the built environment

Regarding crisis management at the level of urban policy and planning, austerity and Keynesianism contain some obvious and immediate differences. Several authors have discussed the implications of austerity on urban and regional planning and policy in the US (Peck 2012, Tabb 2014), Western Europe (Tonkiss 2013, Holgersen 2017), or both (Donald et al. 2014). Guided by this literature, I will stress five general and interrelated features of urban austerity.

First, a defining feature is public cutbacks and privatisation. Downsizing public sector workforces, cutbacks in public education, healthcare and welfare, the sale of public-sector assets and the privatization of revenue as, for example, land and property, and more public-private partnerships are all characteristic of austerity in planning. Second, economic growth
continues to rely on a public sector that meets the needs and aspirations of private capital. Economic growth and social development become even more dependent upon what Peck (2012:648) calls “symbolically resonant, market-oriented and low-cost initiatives”, which “marry aspirational goals (creativity, sustainability, livability, etc.) with projects that work with localized incentives and business-as-usual interests.” Third, construction and development are encouraged via privatisations, sometimes through various forms of (indirect) subsidies, and involve less regulation and an acceptance of lower building standards. Basic infrastructure investments are either further deprioritized or become the site of direct and indirect state subsidies to private companies. Further, state and quasi-state allocation systems become more dependent upon competitive funding logics, inter-urban “challenges” and bid-based or demonstration-project financing. Fourth is what Mazzacuto (2014, ch. 9) has called the “socialization of risk and privatization of rewards”. As costs, risks and externalities are downloaded onto regions, cities and municipalities; politicians at these administrative levels will have few alternatives to further offloading the costs down to citizens, and low-income populations in particular. Fifth, as offloading costs is unpopular, implementation will happen through management by audit and “rule by accountancy”: continued budgetary shortfalls and more cuts, protracted subjection to fiscal stringency will likely become an indirect driver, strengthening the hands of the cadre of fiscal disciplinarians, restructuring advocates, change-managers, consulting auditors and local state entrepreneurs.

If the economy does not recover, but versions of this policy remain hegemonic, this could easily result in increased urban and regional competition for attracting dwindling tourists, conferences and investments. Cities would continue to compete to keep their cities “above water” (pun intended).

Emerging discussions around “austerity urbanism” are interesting in the sense that the neoliberal production of urban space has been put into effect when fiscal consolidation and cutback management (i.e. austerity) have become the main tools for solving economic problems. This discourse is less interesting if one claims that this constitutes a new form of “urbanism” (as often indicated by Peck 2012; Tonkiss 2013; Tabb 2014; see also Davidson and Ward eds. 2018). The “urbanism” described is, rather, an intensification of what we have come to know as neoliberal urbanism.

The urban policy of Keynesianism is apparently the very opposite of austerity, as it basically involves increasing — instead of decreasing — state investments in the built environment. Housing and infrastructure are two classical spheres for Keynesian counter cyclical investments. This points directly to its strong relations to urban and regional development and construction. The most outspoken defenders of this line of thinking within the urban literature are arguably Pugalis and Liddle (2013), who position Keynesian regeneration in sharp contrast to austerity:

… if one were to follow the logic of John Maynard Keynes’ well known advice of imposing austerity measures in “The boom, not the slump”, this special issue may have taken a different perspective, possibly along the lines of “regenerating for a recovery”. But with spatial Keynesian in steep decline since the 1970s and largely out of favour as the majority of the countries around the world pursue variants of neoliberal capitalism, a politics of austerity has gripped the decision makers’ arteries within a diverse range of states (Pugalis and Liddle 2013:334).

For Pugalis and Liddle, there is a political choice between austerity (which is damaging to the poor) and some kind of “spatial Keynesianism” (which benefits regeneration). In this quote, we also see the Keynesian hypothesis that crises can (easily) be avoided through the right state policies, and that states and municipalities should do now what the private sector cannot do, e.g. take up loans and start building (see also Deas and Doyle 2013, Tonkiss 2013).

4. (Urban) austerity and Keynesianism as spatial fixes

Given that economic crises under capitalism have historically been “solved” through processes of creative destruction and spatial fixes, how do Keynesianism
and austerity relate to such solutions? I first discuss this at the global scale, then the urban, and finally reflect on the environment and climate change.

Global implications for the urban

Austerity is, in many respects, a continuation of the policies dominant over the last decades. Hence, it is tempting to conclude that austerity would mean a prolongation of the current international division of labour and economic geographies characterised by job loss and immense inequality. And since Keynesian approaches generally favour proactive state policies and various degrees of regulation on both finance and industrial policies — perhaps even taxes on currency transactions, etc. — it is equally tempting to conclude that a Keynesian turn would imply less globalisation and more capital control over borders (see Skidelsky 2009: 185).

High-profile Keynesians like Skidelsky (2009) and Krugman (2012a) tend to blame the current crisis on neoclassical and neoliberal economic theory and austerity policies; but not on globalisation or underlying contradictions in capitalism. It is implied then, that if the international trade regime were fairer and more balanced, and included more taxes and regulations, then even the global south would benefit from an “open” global capitalist economy and future crises could be avoided.

Right wing conservative political camps have so far been defenders of austerity. There have also been (rhetorical) changes from free globalisation to more protectionism, nationalism and populism, articulated in the UK with slogans like “British jobs for British workers” and in the US with Donald Trump targeting so-called free trade and globalisation from the centre/right (Roberts and Ryan 2016). Austerity could, in these cases, just as easily be combined with a mixture of nationalism and protectionism as with increased globalised capitalism. The intuitive conclusion then, that austerity tends towards more and Keynesianism towards less, globalisation is not necessarily true, and could be totally incorrect in the near future.

Two current trends further complicate the picture. First, is the phenomenon of off-shoring the service sector, wherein even semi- and high-skilled work is increasingly moving to lower-wage countries, with, for example, technical support or medical advice conducted through telephone call centres and Internet support (see Garner 2004, Crino 2010, Dicken 2011). And second, there are reports of some kind of reindustrialisation in the capitalist core. Due to increased wages in (some) low wage countries, falling wages in (many) high wage countries, energy security and transportation costs, reports have emerged about businesses moving their manufacturing “back home” (Fishman 2012, PwC 2012). Dagens Nyheter, a liberal Swedish daily, reported in July 2017 that “manufacturing industry is heading back to the western world” (Falkirk 2017, my translation) and that it is coming with the fourth industrial revolution — robotisation (for more on this see Diekmann 2013).

A combination of these two trends might send even high-tech and highly skilled and specialised work to the global south and NIC’s, and unskilled work to the global north. And they both might — or might not — function within austerity and/or Keynesianism. But forms of reindustrialisation would likely look different if implemented within the frameworks of the two main political discourses: austerity would mean a more business-led and worker-hostile reindustrialization; a Keynesian approach could mean a more state-led process with subsidies.

Urban spaces

Since austerity relies on “spaces of neoliberalism”, it makes sense to assume that Keynesianism would signify a break with policies and processes that produce neoliberal spaces. And investing (Keynesian) and cutting down (austerity) are surely two different economic strategies for municipalities and city governments. But yet again, under neoliberal capitalism these kinds of assumptions that seem obvious must be questioned. Let me illustrate with an example: under neoliberalism, western cities have been engaged in what Harvey (1989) described as urban entrepreneurialism, wherein cities increasingly compete to attract fictitious capital in various forms: students,
researchers, tourists, tax-payers, finance capital and company headquarters, conferences and conference-participants, real estate, “events”, etc. Success, it is thought, means that money, capital and resources will trickle down to the whole city (Harvey 1989, Aalbers ed. 2012, Peck 2012, Holgersen and Baeten 2017).

This is the crux: Policy recommendations within Keynesianism are often totally focused on increased aggregate demand, and thus less interested in where to invest money; less interested in controlling credit and construction; not particularly interested in destruction and devaluation; and not interested in confronting the power of ownership. New investments and financial injections into the economy mean therefore inserting money into a context already deeply shaped by the current power of capital. In the context of most cities today, more investments in housing would mean more housing for the well off and the continuation of the dream about trickle down; investments in building “green” housing would end up in high-end neighbourhoods or even directly accelerate gentrification; investments in “knowledge” might continue the policy of attracting the so-called creative class, students and “entrepreneurs” at the expense of the working classes and poor; investments in green infrastructure might easily end up in expensive high-speed railways designed for business and capital; and investments in non-green infrastructure, like roads and airports, will prolong the devastating lifetime of a capitalism driven by fossil fuel.

The Swedish city of Malmö provides an interesting example. During the Great Recession the city’s social democratic leadership made the municipality’s largest investments ever: spending 1.3 billion SEK (approx. 150 million USD) on financing a concert hall, part of a major complex that also includes a congress centre and hotel. The aim — completely in line with the logic of producing neoliberal urban spaces — is to attract visitors, tourists, creative people and capital and boost the city’s image (Holgersen 2015b, 2017).

The irony is that Keynesian-inspired counter-cyclical economic investments might easily end up reproducing the landscapes that once replaced that post-war Keynesian spaces.

There are certainly contemporary tendencies associated with, and inspired by, Keynes that advocate for more politically steered investments; the election program of the Labour Party in the UK in 2017 is a good example. However, even if investments are politically steered, say, towards productive and green sectors, they will necessarily come to life within the context of a capitalism ruled by the laws of profit and competition. Steering money away from actors that reproduce post-fordist/neoliberal spaces — like banks, construction companies, events, tourism etc. — is definitely not an uncomplicated affair. However, it is not possible to undermine the processes that produce neoliberal spaces except by also undermining current power relations in one way or the other. This would mean working jointly with larger programs for political change. This, however, is less often on the Keynesian agenda. Momentum, the political organisation working within the UK Labour party, stands out as one of few exceptions to this.

Keynesianism obviously has a more social profile than austerity. For example a Keynesian approach could mean less focus on trickle down and more emphasis on building directly for those who need it. In terms of class, this opens a possibility to put less pressure on workers and poor. When it comes to how to organise the building, differences become less clear. Rather than calling for states and municipalities to build, finance and own, many Keynesians leave this to private firms, a strategy not too different from those who advocate austerity/neoliberalism: i.e., calling for state subsidies, shorter planning processes and building with lower standard (for Swedish examples, see Holgersen 2017). But whereas austerity emphasises policies with little, or no, public expenditure, the emphasis for Keynesians lies on public subsidies.

Politics and politicians would not necessarily be more important under Keynesian-inspired crisis management than in the case of continued austerity as crisis management, but they would not need to hide behind consultants and bureaucrats. Further, since construction would primarily be conducted by private capital, the need for strong politician-capital alliances would not necessarily be very different from the social democratic heydays during the post-war decades.
On a local level, it is hard to see how either austerity urbanism or urban Keynesianism will break the logic of “urban entrepreneurialism”, as described by Harvey (1989). The main difference between the two logics is rather how to support “their” local capital and growth in “their” city, versus others. For those who would like to stop the current austerity measures and eliminate the “spaces of neoliberalism”, it becomes necessary to establish spatial policies beyond Keynesianism. Massive (Keynesian) economic investments might even fuel the contradictions identified above as the causes of economic crises in capitalism. This is a key reason for why building more socially just cities means seeing beyond Keynesianism.

Climate change and technology

Concerning climate change, urban austerity is related to discourses on “smart cities”, “green entrepreneurialism”, “eco-cities” and “ecological gentrification”. Green and neoliberal austerity claim that growth and environmentally friendly policies are compatible, and that economic growth can actually contribute to better environmental policies. Through strategies of “green fixes” (cf. Holgersen and Malm 2015), one can even cure economic problems through environmental policies. Through place branding related to “green cities/building” or designations like “the world’s most environmentally friendly city” cities can attract both visitors and capital (Holgersen 2017). One crucial premise in all kinds of “green austerity” is that underlying social relations do not need to be changed, as “smarter” or “greener” ways of doing things and new technology will ostensibly benefit everyone and solve existing problems. And, even if these fail to deliver, geo-engineering is heralded as a last resort (Klein 2014).

This kind of take on “smartness” as a win-win situation also speaks to the aspiration that economic crises can be solved through technological change. Here, it is imperative to stress that “smarter” solutions and new technology are never neutral, as control and ownership normally rests in a few hands and these new technologies are introduced into contexts of inequality. Increased computerisation and robotisation under austerity would therefore mean — following not only many Marxists, but also Keynesians like Joseph Stiglitz (2014) — that more people are made into surplus population and the benefits continue going to a few. Despite the “clean” façades of high-tech, more robots and the Internet, within the current energy-system, all mean more climate change.

Inspired by tools for crisis management that are traditionally located within Keynesianism, many environmentalists and trade unionists have taken the opportunity presented by the dual crisis to launch campaigns for very different kinds of ecological policy. This trend can be broadly identified as “green Keynesianism” and relates to various “green new deals”, with, for example, movements in the UK demanding “one million climate jobs” (Campaign against Climate Change 2014), and a Norwegian version demanding 100,000 climate jobs (Broen till framtiden 2016). The need for new jobs that do not directly accelerate climate change was also identified by the New Economics Foundation (2008) and the United Nations Environment Program UNEP (2009) shortly after the crisis, and has been advocated within academia where, for example, Newell and Patersons (2010) call for “green Keynesianism” and Mazzucatos (2014) fuses Keynes and Schumpeter when arguing for a green industrial revolution. The basic idea is that rather than conventional investments in roads and housing, money should be steered towards renewable energy, climate-friendly transport, energy efficiency measures and other “green” sites for investments. Some countries, like South Korea, China and, to a smaller degree, the US, did steer some investments during the “Keynesian episode” toward green industries, but the vast majority of the money did not go “green”; the $25 billion dollar bailout of Detroit car companies can serves as a sobering reminder (Hermele 2009, Jackson 2011). Further, there are also substantial challenges to making these so-called environmentally friendly investments. Studies have shown that new investments in renewable energy in fact add to existing production, instead of replacing it (York 2012). Another is the Jevons paradox: where new and improved technology can contribute to both increased profits and overall growth, and thus increased emissions (Foster et al. 2010, Holgersen and Warlenius 2016).
Despite key differences, the solutions posed by both austerity (through green fixes) and Keynesianism (through green new deals) to the diabolic crisis are underpinned by ecological modernism, an ideology claiming that more economic growth and more affluence is the remedy to the ecological crisis (Foster et al. 2010, Foster and Burkett 2016, Malm 2016). Theoretically, climate change could be mitigated alongside economic growth, through prohibiting fossil fuels and by massively financing renewable energy. But key aspects, like the power of fossil fuel companies, the advantages of fossil fuel under capitalism, combined with the logic of capital accumulation that demands eternal compound growth, make this scenario highly unlikely (Foster et al. 2010, Klein 2014, Sayer 2015, Holgersen and Warlenius 2016, Malm 2016, Foster and Burkett 2016). There is evidence that emissions per unit produced (both in terms of GDP and goods) is falling in many countries. Such relative decoupling is important, but must always be stronger than economic growth if we want to see decreased emissions (Jackson 2011). With three percent annual growth the economy will grow fourteen times in the next 90 years. This is not just fourteen times more money in bank accounts; it also necessitates extreme increases in physical commodity production, physical commodities that require physical resources derived from nature (Harvey 2010, Holgersen 2017). Relative decoupling might lead to absolute decoupling, if decoupling is faster than capitalism’s compound growth — forever! Since this is an unlikely scenario, we need to see beyond the growth economy altogether.

If the spatial fix is understood as the processes that “solve” particular economic crises through producing new landscapes and geographies, and creative destruction as processes where value, fictitious capital, technologies and ways of organising the political economy are devalued/destroyed and new ways of doing things appear, since the 2007/2008 crisis, neither austerity nor Keynesianism have delivered any effective solution to the Great Recession — and definitely not to the diabolic crisis.

In this paper, I have argued that if we are concerned about recovery from the current economic crisis and are simultaneously critical of capitalist globalisation, spaces of neoliberalism and climate change, we need to be critical towards both austerity and Keynesianism. We have seen how these two main strategies for crisis management since 2008 have meaningful differences, but also crucial similarities. When it comes to the ways that short-term crisis management will evolve into longer-term alternatives, these two frameworks are not necessarily as different as one might think. This reality forces us to rethink the relation between austerity and Keynesianism. It also forces us to rethink what Keynesianism is all about: it would be fruitful to pursue the hypothesis — following Mann (2017) — that Keynesianism is less about social policy, and more about saving capitalism. And if we accept the connection between climate change and compound economic growth; if we accept the critique of austerity and Keynesianism as outlined above; and if we want to solve both economic and ecological crises in a socially just way, we come to the question: what lies beyond Keynesianism? I will end the paper with some considerations of what possibilities and difficulties we face in the process of building and actualise a Marxist way forward through the diabolic crisis.

Beyond Keynesianism: Reflections on Marxist critiques

This last part of the paper cannot, unfortunately, outline potential roads to socialism in their entirety. But by discussing the aspects I have highlighted above — (i) creative destruction (and the climate), as well as spatial reorganizations of (ii) global spaces and (iii) urban spaces — we explore some possible directions forward, taking inspiration from Marxist thinking, particularly to identify places where more thinking is needed.

As a starting point, we must acknowledge that confronting the capitalist growth economy is not an uncomplicated matter. Economic growth is not only related to exploitation and climate change, but also to wages, welfare and vitally important consumption. And while capitalist growth includes alienation and exploration, and produces climate change and environmental deterioration, an absence of growth under capitalism produces even more poverty and misery. Any critique of economic growth and of Keynesian-
ism must therefore also be combined with suggestions for the introduction of new modes of production and consumption that could potentially replace those under capitalism. My critique of Keynesianism as crisis management should not be misread, however, as an argument for not making large investments in public infrastructure, like railways and energy-efficient housing. But such investments should not be conditional upon saving the capitalist economy or boosting economic growth, but rather saving the planet and boosting human development.

It is also complicated to work simultaneously within and beyond the system. There are two traps Marxists might easily fall into. The first is to avoid the question of organisation, strategy and national politics altogether, and turn to utopianism (see e.g. Merrifield 2014). The other is to submit to reformism and Keynesianism as crisis management. Today, it is often Marxists that argue for the implementation of strategies that clearly come from the framework of Keynesian counter-cyclical programs (see for example Syriza in Greece, Podemos in Spain, left parties in Scandinavia). The Marxist, and former MP, in Greece, Costas Lapavistas, is a good example: “Let me come clean on this. Keynes and Keynesianism, unfortunately, remain the most powerful tools we’ve got, even as Marxists, for dealing with issues of policy in the here and now” (Lapavistas 2015).

Lapavistas’ argument surely point to limits within contemporary Marxist analysis and in socialist thought in general. So, is it at all possible to think about crisis management within Marxist a framework — and avoiding utopian calls for changing absolutely everything at the same time? I think it is. But more analysis and thinking are surely needed. I end by pointing out some directions where Marxists could, or should, follow if we want to engage in thinking Marxist crisis management in the diabolic crisis, in terms of creative destruction, global space and urban space.

**Creative destruction (and climate)**

For Marx and most Marxists it is given that crises need devaluation and creative destruction, but there has been very little discussion among Marxists after 2008 on how and which capital should be devalued and destructed. But this is a crucial question, not least as devaluation processes in crises, as we saw above, have class characters. A socialist strategy should look for new places and institutions to shoulder the burden: let banks and financial institutions go bankrupt (and then nationalize them) and let the rich pay higher taxes, etc.

To my knowledge, the paper I wrote with Rikard Warlenius in 2016 is the only concrete attempt within an academic context to articulate an ecosocialist strategy for creative destruction. In the paper, we questioned whether one can politically steer processes of creative destruction as crisis management in the diabolic crisis, and we argue that, indeed, this is possible. Historical examples include not only internal and external devaluations, but also strategies such as wars, or the post-war Swedish “Rehn—Meidner model” (The latter model was based on a “solidary wage policy”, where equal work would get equal payment independently of the paying capacity of individual companies, which had the outspoken aim of permanently transforming the economy through the destruction of some sectors and companies — i.e. with lower-than-average productivity — and the nurturing of other sectors — i.e. extra profits to those with higher-than-average productivity). Inspired by these historical examples of creative destruction, we argued that capital needs to be destroyed in order for the current economic crisis to be “solved”, and fossil fuel infrastructure specifically needs to be demolished in order to solve the climate crisis. In the current diabolic crisis we need to politically steer the destructive process towards devaluing and destroying existing and still profitable industries that are based on the extraction, transport and burning of fossil fuels. We conclude by advising that future research and future socialist programs and activism include further and more concrete strategies for politically steered creative destruction.

**Global spaces**

Considering global space, the question of capital movement needs to be confronted from both an economic and ecological perspective (this includes,
crucially, to work to grasp how states relate to capital). Taking our point of departure in the economic, it is clear that capital has used its mobility to both create and escape crises, and, crucial since the 1970s, to defeat labour in a massive and international class struggle (Harvey 2010). Concerning the ecological, much industrial activity has been relocated where there are limited environmental restrictions, and the question of pollution in transport has been completely ignored in the race for lower productive costs. For the sake of our planet, it is crucial that things are produced where their production contributes to the lowest possible carbon footprint. Reorganising global space from this perspective would mean a massive “creative destruction” of capital and also of existing power-structures. It is important to actually start thinking about where to place what. This would immediately add an ecological component to our thinking about some kind of a (democratic and transparent) socialist planned economy.

Global structures of capital accumulation are linked also to struggles over energy and technology. One of the reasons why capital has been able to dominate labour over the last two hundred years is that dominant energy sources, like coal and oil, are relatively easily transportable, and capital can thus relocate where they want without too much concern about energy procurement (Malm 2016). In this respect, there is some potential in developing energy sources like water, sun and wind, as cities, communities, neighbourhoods or individuals can much more easily produce energy and control the production of this energy themselves. With falling prices and improved technologies of production and storage of energy, there are definitely possibilities for more decentralised resource control and increased democratisation of energy. But, like all technological developments, the particular direction these kinds of changes to the energy landscape might take also depends upon politics and class struggle. Although the G20 decided to phase out fossil subsidies in 2009, direct subsidies to fossil fuel extraction increased from around US $300 billion in 2009 to US $493 billion in 2014 (IEA 2017). Despite the possibility of renewable energy being a part of a more democratic, decentralised energy production, social struggle and political mobilisation is crucial to harnessing this potential. The way Google and a few other companies have taken control over the internet as well as the way Israel continues to confiscate Palestinians’ solar panels, are two examples that illustrate the way that potentially promising technological developments are not always sufficient in themselves (McKernan 2017, Holgersen and Warlenius 2017).

There are disagreements among Marxists concerned with climate change on whether socialism would mean more or less globalisation. Paul Mason (2015) argues that the increased acceleration of technological development will not only end capitalism, but also open up possibilities for socialism. For Mason, more globalisation is seen as good for stopping climate change, though it is not clear how this would actually manifest. Andrew Sayer (2015) argues the opposite: in order to stop climate change we need both new technology and investments, but also to destroy the fossil industry, reduce transport, and build capacity for more local production and consumption. I second Sayer. It’s not the time to gamble: as the subject matter is too important we cannot bet on Mason’s improbable acceleration-thesis. We need to be sober, realistic and act immediately. Climate change will force us to travel less, trade less on a global scale and produce more locally. This is not to say that some trade and future international climate-negotiations will not need to be global, but the general tendency in the political economy must go in the other direction.

Urban space

So far, since 2008, critical urban scholars have mostly engaged in examining how the urban was part of producing the crisis, how the crisis (unevenly) affects places, naming the latest “trend” in urbanism, and/or predicting how terribly wrong everything will go. Less effort has been put into investigating alternative ways of organising spaces and societies, and less still into how to get there.

Take for example the so-called “urban entrepreneurialism”, which has, from a socialist perspective, been a race to the bottom. Bluntly, cities and regions have competed in making their spaces more desirable
for the rich and aimed at attracting capital or affluent people and then (purportedly) hoped for a trickle-down effect. The other side of this coin is that politicians and capital have been happy if the poor moved to the other side of their municipal border. In other words, urban policy under neoliberalism has a distinct class character (which also has been identified by several authors, see e.g. Harvey 1989, Merrifield and Swyngedouw, eds. 1998, Baeten 2012). An ecosocialist spatial strategy would undoubtedly need to confront this devastating process, but it’s difficult to say exactly how this should be done (which is perhaps also the reason why so few authors have engaged in discussing alternatives). I think three complementary strategies are needed: the first is to plan and build (housing, workplaces, transport, etc.) directly for the working class and the poor. The second is to secure more democratic control over flows of capital, including stronger public economic planning on international, national and regional levels. And the third is inter-urban and regional solidarity (where some inspiration could perhaps be found in campaigns like “municipalities against tax-heavens”, see e.g. Hanssen 2012). One component that binds these three strategies together is class power. A hegemonic shift in class power needs to come both from labour struggles (e.g. cooperative ownership of minor stores and businesses; democratic control of the major ones), urban struggles (e.g. the decriminalization of squatting and introduction of more non-commercial housing), and planning and policy (e.g. planning and building directly for the working class; urban densification en masse in upper class single house areas). An ecosocialist approach to the production of space would also need to question the ownership of land altogether: inspiration can be drawn from liberals like, for example, Henry George, who famously argued some 150 years ago that all land rent should be owned by the people (see e.g. Sayer 2015).

To sum up, this section has only pointed towards some discussions on what a Marxist crisis management could actually look like — discussions that could and should develop among critical geographers, as the time has come for a new era of creative and strategic destructive spatial thinking. (It, hopefully, goes without saying that in the twenty-first century such class struggles need to intersect with antiracist and feminist struggles).

Urban ecosocialist creative destruction — if you will — means destroying current power relations. It means placing power in new — and in more — hands. This should be actualised by devaluing the fossil fuel industry; democratizing production and finance (and thus controlling the questions of where and what to build and produce); confronting power and ownership in the city (via democratic ownership of land, construction companies and the built environment — as well as of planning processes and urbanization itself).

Thinking spatially about these kinds of changes — if you will: an ecosocialist spatial fix — would mean that production, transportation and consumption not only become more democratic, but also more local. The solidarity, however — not least concerning issues of climate change and migration — needs to be more global than ever.

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