The capital order – fascism and austerity

By Clara Mattei

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It is ultimately the mission of trying to actually look at the whole of the capitalist economy and understand that the ongoing genocides that are actually quite a tendency in the history of capitalism cannot be understood as exceptional features, but have to be deeply understood and connected to our economic structure. I think, in this sense, the Frankfurt School already has a very strong view of the Holocaust. I think the University of Berlin, in the Dialectic of Enlightenment, already understood this when analyzing the Holocaust of the Second World War because they really understood the Holocaust as the outcome of the instrumental rationality that pervades our society and rules over human beings. This concept is very much connected to Bill Marks' work in analyzing political economy. The critique of political economy is all about actually focusing on how the way we think and the way we operate, we act collectively, is ultimately the expression of an upside-down world, the inverted world, in which indeed the value form, the accumulation of capital, takes over any other logic.

How the logic of profit stands in ultimate contradiction with the logic of need, and this is why focusing on Palestine right now is so important because it expresses exactly how dangerous and dehumanizing this logic is for everyone, not just for the Palestinians, but also for those like us who watch the genocide and feel impotent and see how actually governments and media keep hiding what is happening. This is nothing but the expression of this inverted world in which the logic of profit prevails over the logic of need. You see it in the economic data points of these days. The arms trade business is worth over 600 billion euros in 2024 and is increasing in 2025. The value of the shares of Lockheed Martin, RTX, and many other big arms corporations has skyrocketed since October 2023, increasing even 75%. Not to mention, for example, the big American banks like Bank of America, which actually invest billions in war bonds that help finance the massacre while while sponsoring philanthropic gala dinners; they are ultimately benefiting from the destruction of human lives.

We cannot understand this increased militarization even in Europe today without focusing on, what is this inverted nature of our economy, but also what are the limits of this inverted economy. We should focus to ask the question of how much social redistribution, how much social expenditure is actually compatible with capitalism?

I think here lies the problem with the capitalist economy, with what I call the capital order. We need to stop thinking that our capitalist economy is eternally flexible, that we can mold it in whatever we want if only we do have the right politicians and power to actually extend the welfare state, give more health care, give more school rights etc. This is a very naive point of view. Our capitalist economy cannot allow for serious redistribution of resources. Why? These are political limits. Why are they political limits?

Because what history shows, and what I've shown in my book, The Capital Order, is that social resources, if distributed, are a problem for capitalism because they risk politicizing people. They risk giving people means to actually participate in the economy and reject the idea that the economic decisions should be made on their behalf and to their exclusion.

So this is very important to understand. Historically, if social redistribution happens, this is a risk for the capitalist economy because once people gain some rights and participate, people end up questioning the very foundation of our economy, which is indeed the capital order, meaning the fact that the majority of us has no other alternative but to work for a wage and not be in charge at all about what one does during the time at work, and, of course, one does not get to keep one's output. And this has nothing to do, again, with how much we are paid. Exploitation is not about the level of pay. It's about the loss of agency. Google workers, software engineers who are paid a lot of money in New York City have very little option but to actually go work for a company that is supporting the intelligence for the genocide; the other alternative they have is to get fired or give up their employment. You see, this level of coercion, subordination, is part and parcel of the wage relation, and it is exactly this wage relation that is at the foundation of capital, of growth, of money as we know it today. There would be no wealth, no money, no growth if it weren't for a specific social relation of production that is by definition incompatible with the democratic participation of citizens in the economy.

This is why, while social redistribution is dangerous because it risks putting people in conditions to be able to question the wage relation and to ask for a different organization of production and distribution, what is actually congenial to capitalism is, of course, austerity.

In my work, I show how austerity is not a bug of the system. It's not an irrational choice of corrupt governments. Actually, austerity is in the DNA of our capitalist economy, and this dates well back not just to neoliberalism. As critical scholars, we need to stop focusing just on neoliberalism by giving this false semblance of the possibility of a capitalism that is not neoliberalism, a capitalism that is indeed somehow humane and respectful of human need. This is a lie. What you find out is that austerity is in the DNA of capitalism from its very origins, from the very original primitive accumulation that happened not just, of course, in Britain and the core of the West, but also the colonial dimension that is all pervasive. And this austerity emerges in a very clear way, specifically in moments in which people are demanding alternative economic systems.

So again, austerity is not irrational, unfortunately. It's irrational according to the logic of need, of course. It is very irrational according to the logic of need because we know it creates a lot of social suffering, right, and precarity. But what I argue is that that precarity and social suffering is exactly the logic of austerity that the profit motive requires for society to stay intact as it is today. So austerity is irrational according to the logic of need, but it's very rational according to the logic of profit, and it is meant to protect the capital order.

So there's nothing spontaneous about our system. I hope this is a message of relief and empowerment, to say there's nothing spontaneous about our capitalist system. It is not eternal. It is actually quite precarious. It is actually quite fragile. Why? Well, because if you notice historically, this system, our capitalist system has operated thanks to the active intervention of governments and states at large, including technocratic institutions, to preserve the capital order. And this is what austerity is about. Austerity is not less state, more market. Austerity is not the state stepping back and letting the market be. This is an ideology. There would be no market without an active intervention of the state to shift resources from the many working people to the few who gain of capital investment, interest, dividends, and so forth. This is what austerity does. It's a constant active intervention of the state to plunder the majority for the benefit of the 1% that in this world keeps accumulating while the rest increase their precariousness.

The data points today are really stark. We have in the United States the top 0.5% of the world's wealth. The top 0.1% owns five times the bottom 50%. They own five times more wealth than the bottom 50%. Three Americans own more than 150 million people in the United States. And, of course, the division between the global north and the global south is even starker.

We need to understand this austerity not as a contingency of neoliberalism, but as a feature that is important because it protects what people otherwise would question, and it's important to understand that austerity is a very important factor in the world's economy as well in times of economic contestation. This is what I do in my book, The Capital Order. I'm going to talk about the deep existential crisis for capitalism. This happens after the First World War.

My work is actually a historical work, a historical political economy. What I do is I reconstruct the deep crisis of capitalism around the Great War, the First World War. The breakout of this war politicizes the economy to an unprecedented extent. And what do I mean by politicizing? I mean that wage labor and private command over investment, which are again the two pillars of capitalism, are questioned because they are understood no longer as natural, but as the outcome of explicit political decisions from the part of the state that during the war had to maintain a high level of production to win against the enemies. So what I talk about is the story of this politicization of the economy that explodes in a mass amount of alternatives to capitalism that are circulating, not just in Eastern Europe, but in the core of the capitalist West.

My work studies Britain and Italy. Both countries are actually experiencing an incredible amount of social turmoil through workers' councils, peasants taking over land and running it through assemblies, the idea of nationalizing energy such as coal in Britain, and working on worker self-management. These alternatives are very concrete. I can't focus on them now. And of course, they're proposing a completely different understanding of the principles that run society: no longer for profit, but for need; no longer through exploitation, but through collective governance of production. In this situation of crisis of capitalism and alternatives, austerity emerges very clearly in order to defeat these alternatives and protect the capital order. And how does this happen? Well, the story I tell is how what you see happening in Britain is the same as what you see happening actually under fascist Italy. So the story of fascism and liberalism actually aligns very closely with the technocrats in power delivering austerity policies. How? By cutting social expenditure. Again, not the state spending less in general, but the state spending on social expenditures is decreased in order to channel the resources to private investors through the risking and incentivizing of private corporations and businesses. Then through regressive taxation, the other side of fiscal austerity. Mainly, austerity is not just about increasing taxes. It's about increasing taxes on the majority of workers while you structurally de-tax capital. In the United States, it's a famous line by Warren Buffett who says, "I pay less taxes than my secretary." And in fact, what you find out in the United States, as in other countries, is that those who live off of capital are basically not taxed, while those who live off of labor, of course, are taxed already in their paycheck. They do not even see that money. While corporate taxes go down, a whole slew of companies, from Amazon to Starbucks to Chipotle, paid zero federal income taxes last year. And wealth, of course, is transmitted generationally with the basic inexistence of any inheritance taxes in this country.

So regressive taxation was experimented with by Mussolini, who actually bragged about how his professors were able to find a whole new army of taxable workers who had previously not been taxed because they were considered too poor, while of course the super-profit tax and inheritance taxes were eliminated in Italy while this was happening also in Britain.

So regressive taxation and cuts in social expenditures, again, are irrational according to our logic of need but work very well in increasing people's market dependence, which is exactly what capitalism needs. It needs an increase in market dependence so that we have no alternative but to go work for a wage. You see how this is very important because it reinforces what appears to be impersonal coercion, but again, it's enforced very much politically. The same happens with monetary austerity. Increases in interest rates, which were used, for example, by the Bank of England in the 1920s, work very well to disempower organized workers. How? Well, you see in Britain, as you saw, by the way, these days, that increases in interest rates slow down the economy, induce a recession, which seems bad, but if you look at what happens, it creates more unemployment, and this greater unemployment has the positive effect for our system of eliminating the bargaining power of workers. This is exactly what happened in Britain in the 1920s.

Social order, the capital order, was reimposed through an increase in unemployment that was due to the monetary austerity of the Bank of England and the British Treasury. Ultimately, the exploitative relationship was reinforced in Britain, and all these alternatives soon withered away.

Then we have industrial austerity, which is about privatization, deregulating the labor market, and repressing wages. Of course, Mussolini was the best at this because he was able to actually use the law to eliminate unions, make strikes illegal, and of course repress wages by decree. So this austerity trinity, once more, is very much congenial to our economic system and has operated historically over and over again. It is more explicit in moments of social upheaval; another big moment, of course, is the 1970s in Latin America, where the Second World War austerity was used explicitly to block alternatives. But of course, austerity operates also today when there is less of a heated social contestation. However, again, there is no permanence of the capital order. It has to continuously be protected even in moments in which workers have already been victims of further austerity.

I try to also connect how austerity is not just about policies that coerce but it's also about the type of justification that emerges to rationalize austerity policies. And this happens, of course, largely through the affirmation of neoclassical economics as the only way to study our economic system. So neoclassical economics is the only method, the only lens, actually that students are acquainted with. But what I show in my work is that this lens of neoclassical economics is not at all neutral nor eternal. It actually emerges very interestingly exactly at a moment in which workers are demanding alternatives. If you look at the founding fathers of neoclassical economics, so-called pure economists, who explicitly told people that they had become pure economists and no longer political economists, these pure economists basically invented and enabled a way of looking at the world that eliminated class, eliminates the concept of exploitation, and the concept that workers are actually producing value through their unpaid labor in favor of an idea of individuals, of harmony—there's no more conflict—and especially the idea that instead of the worker, who really matters is the entrepreneur. And profits are not at all about exploitation. What profits are about is the just reward for the marginal productivity of capital that is actually the outcome of the virtuous capacity to save and invest of the individual entrepreneur. So you see this change of perspective has a very disempowering effect over how we think of the world and thus, in a way, accepting austerity as the only game in town, given that we have at this point eternalized our capitalist economy as the only possible way to organize society. This is a little bit, I think, of some historical critique.

If we look at history again, I think we can see patterns that reemerge, tendencies of our economy and our society, that are crucial today to really be courageous enough to try to fight efficaciously against this upside-down world. I think the time has come to reject any simplistic understanding of what is going on. The darkness of this time requires us to be critical enough to look at the deep roots of the problem in how our capitalist economy is organized. Again, we cannot escape austerity if we don't try to escape capitalism. And to escape capitalism, we need social organization on the ground because it's only by organizing that we can start thinking in a way that is actually outside of the box. These ideas do not come from academics who are comfortable in their very

privileged positions. This is a little bit of what I've been trying to do here in Tulsa, also organizing with citizens on the ground to have moments of freedom, to have moments of empowering economic discussions, and hopefully this can happen in many other places and continue to give hope to a very hopeless world. Thank you very much.