Afterword (Spring 2020)

"Shouldn't you have called it 'Justice Is a Joke'?" That was the response of an old friend when I told her the title of this book, which I expect to see published while the COVID-19 crisis is still with us. Although his book, arising out of global financial crisis of 2008, may become even more relevant than I expected because of the global health and economic crisis of 2020, I would not want its future value to be judged by what I happen to think on any given day in the Spring of 2020. I am aware, however, that anything I say—including a refusal to say anything—is likely to be read first, and this compels me to say something about the circumstances in which *Justice Is an Option* is likely to appear.

Unlike the Great Recession of 2008, the COVID-19 crisis does not appear to have originated in financial system; but the danger of financial illiquidity is even greater now than it was then. My claim in this book is that financial liquidity is what matters most to capitalism's survival because an event of sudden illiquidity for investment vehicles is equivalent to the disaccumulation of all the capital that is held in a financial form. This link between the liquidity of capital its accumulation is thus fundamental to understanding capital today: explains why capitalist states intervene to support financial markets even when doing so does not stimulate GDP; it explains why capital markets tend to grow independently of—and much faster than—GDP; and it explains why proposal by democratic reformers such as Thomas Piketty to tether them through herculean efforts public policy are likely to fail. The essence of today's financialized capitalism is that the rate of asset market growth cannot now—and maybe never could be pegged to the rate of GDP growth in the way that it is still possible, at least in theory, to index and peg wage growth to the rate of inflation in the price of goods that wages buy. In my argument the link between financial market liquidity and capital accumulation is an increasingly important source of the material power that capital exercises in the state; but it is also a source of capital's increasing vulnerability to political risk insofar as the evident injustice of capital market protections makes them less acceptable to those who find themselves on the downside of the spread between capital market growth and GDP growth. When I argue in this book that justice still remains an option I mean to suggest concrete alternatives to pegging asset appreciation to GDP—we could, for example, create financial options on the spread between the two rates of growth that really would pay off if they diverged, or even fluctuated too greatly. In this, and other ways, I mean to put the justice of financialized capitalism as such back on the agenda of the myriad movements seeking justice within it. I dare to think that such a project is still relevant today.

But my argument in the body of this book does not seriously consider whether real asset values could still rise, or remain stable, in the event that consumer prices rapidly fall—as they did in the Great Depression. This is partly because the financial economists who advocate and theorize state support for capital market liquidity, and on whom I base my argument, do not consider it beyond suggesting that avoiding a depression is a reason that states should be willing to prevent asset valuations from suddenly collapsing, no matter how “bubbly” they may be. They do not consider, however, whether such a policy would still be effective if price deflation is already underway, nor do I. Neither do I criticize them here for failing to consider it. And yet, as I write, the possibility of another depression cannot be disregarded.

That said, the outset of the Covid-19 pandemic has seen near-universal acceptance of the need to prevent financial contagion from spreading alongside biological contagions and revival on a much-expanded scale of governmental policies used in 2008 to stop and reverse financial contagion. This has been accompanied by recognition that such policies, if they work might barely mitigate the fall in GDP that is expected as an inevitable result from the pandemic. It is too soon to say for how long this political consensus on saving the financial markets while saving lives will last, or whether the techniques of 2008 will once again be effective in forestalling a financial collapse, which could always happen if the capital markets decide that what is already being done is not enough. But it is not too soon to say that the continued use of these techniques has revealed and widened preexisting social inequalities, while also weakening arguments that a major initiative to reverse these inequalities would be too disruptive of the economy to contemplate. The economy as we knew it has already been disrupted, and even if this disruption proves temporary, it has become easier to envision futures that are significantly better, or significantly worse, than the recent past.

A further point is that standard arguments that economic necessity must trump politics thus far seem to have been suspended during the pandemic. As of Spring the 2020, mainstream economists who generally tell politicians what is necessary and what impossible are advising governments in the developed economies to do whatever it takes to support both capital markets and aggregate demand while the pandemic continues. So far, the discussion is about how to let businesses, along with state and local governments keep borrowing the cash they need to stay afloat in the vague expectation that debts of major institutions that are not repaid will be have to assumed by the government or otherwise forgiven so that these institutions do not fail. Allowing them to fail is not now seen as a viable alternative to helping them to borrow; the alternative is giving them cash payments without the obligation to repay. Whether, and when, the implementation of such programs will be followed by demands that national governments replace or pay the incomes of citizens depends on many factors. Some of these will pertain to the demographics disseminating a treatment and vaccine for the virus if and when this becomes possible; others will depend on the justice of the economic and health impacts of the virus; still others will depend on the degree to which an increased focus on the common good mitigates preexisting social disparities, which can happen in unexpected ways. And then, there is the potential for political panic—yet another form of contagion. As these effects play out, governments will try to forestall political panic by making highly visible efforts to save lives without thereby provoking financial panic by appearing any less willing to do whatever it takes to maintain investor confidence. If investors come to fear that governments will no longer put their interests first, it is not inevitable that governments must prove them wrong by making society less just; there could also be political opportunities to make society more just if we this time make the holders of accumulated wealth pay a price for preserving it.

By demonstrating that justice is an option, I believe this book provides way forward for those who fear that is becoming a joke. My concrete suggestions about pricing this option and harvesting that price may also bear fruit if greater justice is demanded coming out of the COVID-19 crisis than was expected going into it. I had hoped this book would be a justification for expecting greater justice then; it may provide an even stronger basis for demanding justice now.