Grace Blakeley's 'Stolen' is a tired invective against market capitalism

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It is safe to assume that most books bearing the term "financialisation" in the title are not mainly about finance. Grace Blakeley's Stolen: How to Save the World from Financialisation is no exception.

Blakeley's book, her first, is a sweeping polemic against the market economy. A researcher at the UK's Institute for Public Policy Research (IPPR), she has recently emerged as a forceful advocate for the "democratic socialism" associated with both Jeremy Corbyn and Bernie Sanders in the US. Unlike these white-haired icons of the post-Soviet Left, however, Blakeley is a millennial, which furnishes her advocacy with a sense of the zeitgeist that they lack.

But Stolen is not a good book. Its invective against capitalism cherry-picks the evidence and disregards the dramatic economic growth of non-Western countries, home to 80% of the world's population, since 1980. Furthermore, the book's case for a state takeover of most capital allocation in the economy takes no account of the gross mismanagement, environmental degradation, and human suffering associated with twentieth-century experiments with socialism, to which contemporary Venezuela is a particularly tragic sequel.

Like other critics of the free market, Blakeley opposes "neoliberalism." Unlike many of those critics, she offers a definition of sorts: neoliberalism is the process of globalisation that has accelerated since the collapse in 1971 of the Bretton Woods system of global monetary and financial regulations. Blakeley's target is economic freedom in general, and capital mobility in particular. Why? Because "capital mobility . . . gives those who own it veto power".

Capital mobility means savers can shield some of their assets from policies they believe would harm them. Blakeley resents this material counterpart of people's ability to vote with their feet, which the French – for example – exercised when newly-elected President Mitterrand launched a major expansion of the government's role in the economy in the early 1980s. Blakeley blames "bond vigilantes" for the ensuing mass exodus out of French assets and Mitterrand's eventual U-turn. But the sorry experience of similar programs of nationalisation and controls elsewhere, including across the English Channel, offers grounds for doubt that Mitterrand's original plan could have succeeded. Investors certainly thought so.

Stolen is not the place to look for novel arguments against the free market. Instead, the reader will encounter familiar allegations such as the market's promotion of income and wealth inequality, the short-term orientation of corporate shareholders, and their supposed inability to allocate funds for productive investment. Those unpersuaded by evidence to the contrary will find their views confirmed. For the rest, Stolen will likely not prompt a Damascene conversion.

The book abounds in assertions that will surprise the reader trained in economics. Blakeley tells us that "it is a fairly respected law of investing that the more capital you have . . . the higher your returns," when every standard model of production assumes that marginal returns decline as one adds capital. Some hedge funds that cater to the rich may post higher returns than retail asset managers, but their superior performance, which is rarely consistent and never certain, comes at much higher fees and usually at greater risk. Even Warren Buffett, a six-decade stock-picking outlier, has found it harder to outperform the market as his pool of capital has grown.

Blakeley denigrates the "big tech monopolies," which allegedly do not invest but rather grow "by merging or acquiring other firms." Yet, in the first six months of 2019, Google's parent company Alphabet spent $12.2 billion on research and development – 16 percent of gross revenue for the period. Even if Blakeley's statement were true, are mergers and acquisitions not a form of investment? Am I not investing when I acquire shares in a public firm?

Stolen displays numerous instances of such incomplete reasoning. Share buybacks are "money that [isn't] going to workers or being invested in future production." So, where does the money go? Not to spending, it seems: Blakeley writes of a structural "demand deficit", yet the proceeds from investment can either be spent or re-invested, within the same firm or in another venture. They cannot just vanish.

The book gives a quaint interpretation of the financial crisis. While much of the world emerged sluggishly from the 2008 meltdown, "it was China that saved the day" with a stimulus program that has "supported high growth rates in China and its major trading partners ever since", This contradicts the consensus among China-watchers, who view the post-2008 growth spurt as short-lived and driven by inefficient investments. Perhaps more tellingly, the 40-year process of liberalisation that has transformed the Chinese economy, arguably the most notable example of "neoliberalism" at work, has no place in Stolen. The critical reader will leave the book with the impression that its goal is not to inform but to propagandise.

There are also glaring contradictions. The owners of financial capital form "a parasitic rentier class", but investment markets are inevitably unpredictable because of uncertain expectations. Perhaps, then, returns on invested capital do not simply amount to "financial extractivism" but are rather the reward for exposing oneself to an uncertain future? Blakeley has no time for that possibility.

Indeed, both Blakeley and Shadow Chancellor John McDonnell overlook uncertainty when they advocate more stock-based compensation for workers: The typical worker is risk-averse and always prefers cash to stocks, because cash compensation is immediate and can buy anything (including stocks), whereas stock-based compensation is subject to deferral and potentially large changes in value.

Stolen's policy recommendations, which include massive consumer debt forgiveness, a public option for retail banking that would invest in "socially desirable" projects, mandatory collective bargaining, and a state-owned investment bank that would pay for the UK's version of the Green New Deal, are radical but standard fare for a "democratic socialist" pamphlet. It is worth noting, however, that her exposition of each in the last chapter is entirely devoid of cost estimates.

More original is Blakeley's call for an asset price inflation target for the Bank of England. But the reason no-one else has proposed such a target before is probably that it would be difficult to implement and could undermine macroeconomic stability. If the policy target were house prices, as Blakeley has previously advocated, how could the Bank effectively respond to non-financial variables such as population growth and land-use restrictions? Were all assets to form the target, how could Bank policy be predictable if expected to counteract the fundamentally unpredictable short-term fluctuations of stock and bond prices?

In Stolen, Blakeley sets out to expose the supposed failure of "finance-led growth," the system of largely free trade and open capital markets that emerged from the mid-1970s. But her critique rests on evidence-free straw man arguments that will not persuade the educated layman, let alone any experts. This book may galvanise the vociferous minority of socialists in Britain and abroad – but it is unlikely to convert anyone else.

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