

## NEOLIBERALISM AND THE DISCONTENTED

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When neoliberalism made its debut as a political project at the end of the 1970s, it was taken for granted in most quarters of the Left that it was neither politically nor economically sustainable. The emerging New Right regimes of Ronald Reagan, Margaret Thatcher, Helmut Kohl and Brian Mulroney could intensify class conflict and spread the ideology of market populism, it was suggested, but they would leave no enduring institutional or political legacy. The monetarist and free market policies trumpeted by these governments – and incorporated into the policy arsenal of the international financial institutions – could only magnify the economic problems that had ended the postwar boom. The increasing complexity of post-Fordist technologies and organization demanded far greater institutional capacities than capitalist markets and firms could supply on their own. Growing civil society movements were, moreover, beginning to forge a political accord with traditional working-class unions and parties: a new egalitarian politics was being fashioned for the ‘new times’ to accommodate previously oppressed social identities.

The political question of the day was, as Eric Hobsbawm was one of the foremost in arguing, the voting and programmatic agenda of such a ‘rational left’. The prospect of a ‘popular front’ government, built on a coalition of disciplined unions, new social movements, and social democratic parties supported by communists, would serve as the foundation from which to bridge the neoliberal interlude. In 1986, two decades ago, Hobsbawm, speaking with respect to Britain, had already concluded that the neoliberals’ performance ‘utterly discredited, in the minds of most people, the privatizing “free market” ideology of the suburban crusaders who dressed up the right of the rich to get richer among the ruins as a way of solving the world’s and Britain’s problems. They have had their chance and we can see what happened’.<sup>1</sup>

The expectation of Hobsbawm’s ‘rational left’ was that once the New Right governments were defeated and social democratic parties returned to power, a progressive reform agenda would re-assert itself. The failure of this

strategy has, perhaps, been one of the most painful political lessons that neoliberalism delivered. The social democratic governments that came to power in the 1990s – from Blair and Schröder in Britain and Germany to Mbeki and Lula in South Africa and Brazil – proved just as forceful in advancing neoliberalism globally. Neoliberalism was consolidated as the ideological framework guiding public policy, and it defined the terrain of ‘legitimate’ politics under their stewardship as much as under the presidency of Bill Clinton in the US. This is what in fact happened: a more aggressive Western imperialism extended its capacities for military and economic intervention across the globe; new zones of accumulation, notably China and Eastern Europe, were incorporated into the global circuits of capital; tax cuts and social austerity continued to be extended in the face of mounting social inequalities and collapsing public infrastructure; and by the end of the millennium centre-right political movements were back in office in much of the advanced capitalist world.

It was Gramsci who noted that in a crisis the ‘ruling class, which has numerous trained cadres, changes men and programmes and, with greater speed than is achieved by the subordinate classes, reabsorbs the control that was slipping from its grasp. Perhaps it may make sacrifices, and expose itself to an uncertain future by demagogic promises; but it retains power, reinforces it for the time being, and uses it to crush its adversary and disperse his leading cadres’.<sup>2</sup> Neoliberalism has entailed just such changes of cadres and programmes, demagogic promises and exercises of power. It continues to register an astonishing political resilience in the centres of political and economic power; it has become institutionalized in the apparatuses of the state; it forms the economic calculus of financial and industrial capitalists; and it has also become internalized in the behavioural norms and strategic responses of unions and civil society organizations. The programme of neoliberalism may well be discredited and the numbers of discontented growing. But, as far as the balance of political power is concerned, this has not yet shifted in a way that allows anyone – least of all political militants – to speak honestly about a period ‘after neoliberalism’.

## THE NEOLIBERAL STATE

The flawed political readings of neoliberalism have their source in persistent conceptual errors. A standard charge on the Left remains that neoliberalism is simply ‘bad policy’, especially in attempting to achieve a minimal state at the ‘wrong scale’ as capital, markets, information and technology have all surpassed the capabilities of national states. A contrasting view has insisted that neoliberalism is still first and foremost a strategic response by capitalist forces

that can break workers' resistance but cannot resolve a capitalist crisis that continues to unfold. Neither position is very helpful in explaining the durability of neoliberalism, nor in offering strategic insight into the impasse of the Left. Voluntarism and fatalism are equally useless for political thinking.

Neoliberalism needs, first of all, to be understood as a ruling-class political programme to respond to challenges from the Left. It is important to recall that the initial political initiative in response to the crisis of the 1970s was seized by the Left. It came in the form of an array of strategies for reflation, redistribution and socialization: the Meidner Plan in Sweden, the civil rights mobilization for the Humphrey-Hawkins Full Employment Bill in the US, the left-nationalist turn in Canada, the Bennite Left in Britain, Euro-communism, and revolutionary and nationalist upheavals across the South.<sup>3</sup> Neoliberalism was the policy of those who recognized that these movements and cadres needed to be crushed.

In the postwar period, neoliberal thinking, in the works of Hayek, Friedman, and Buchanan, had been a relentless voice of dissent to Keynesianism and the welfare state, which they saw as the 'road to serfdom'. Their views on trade, monetary policy, and taxation were always given space in policy debates, particularly in Anglo-American institutions. Neoliberalism as a political practice began as policies calling for greater monetary discipline and freer markets to constrain some of the ascendant demands from the Left. The New Right governments of the 1980s, in their agenda of 'passive revolution' to overturn working-class advances, widened the political framework to include virtually all spheres of state activity. The continued economic slowdown through the 1980s, coupled with mounting social inequalities and the internationalization of capitalist social relations, generalized a situation of 'competitive austerity'. Neoliberal policies of wage compression, cuts in social programmes and export-led growth in liberalized markets were adopted in one country after another, whatever party was in power.<sup>4</sup> Neoliberalism was no longer limited to a set of ideas promulgated by revanchist intellectuals or a political strategy of 'market populist' parties of the New Right. By the 1990s it became a far broader project of regulating social life through market imperatives, and incorporated within it the Third Way strategies of 'progressive competitiveness' that accepted the parameters imposed by the current distribution of income and assets, and by world markets. Neoliberalism had become the political form in which political and social relations are reproduced at the local as well as the national level of the state, and across the international state system.

Second, neoliberalism needs to be located in crucial transformations in the general circuit of capital by the late 20<sup>th</sup> century. A notable feature has

been the uneven pace and spatial distribution of new accumulation: the European and Japanese zones of postwar equalization have slowed relative to the reassertion of American capitalism and the rapid growth of East Asia and some of the Gulf oil states; while Latin America, Africa and Eastern Europe have fallen behind, or even had phases of ‘disaccumulation’.

This uneven development reflects unrelenting asymmetries in the value flows in the world market under neoliberalism. This is seen in the tendency of the current account deficit in the US to rise remorselessly from the early 1980s onwards, with the offsetting surpluses accumulating in East Asia and the Gulf overflowing the treasuries of their central banks; international financial transactions and debt levels massively outstripping the expansion in trade and new production; the growth of service industries – not only financial services, but also ‘producer services’ (such as advertising, call centres, computer and data processing, personnel supply, consulting, security, legal, accounting, etc.) – relative to manufacturing and processing sectors; and a general trend to increasing concentrations of capital controlled by new forms of financial capital, centred in key global urban centres. Neoliberalism, in other words, has produced a dominant pattern of finance-led extroverted growth, increasingly dependent upon the world market – US debt loads and the Chinese market transition being the central bulwarks sustaining global accumulation – for the realization of new value.<sup>5</sup>

Third, new ruling class alliances – varying according to whether we are dealing with a social formation at the centre of the global system, or at its periphery – have been formed within this changed configuration of the world market. The postwar period was anchored in an alliance between industrial and commodity capital, with financial capital managing credit and investment flows. This alliance acted as a ‘national bourgeoisie’ in protecting the domestic economy as its sphere of accumulation, and keeping foreign (and imperialist) capital within confined parameters. This alliance is no more.

Neoliberalism has given rise to a new form of hegemony by finance capital over the power bloc. The deepening separation between the legal ownership of corporations via shareholding, and real economic possession by their corporate managers, who control the disposition of their capital assets, has allowed new corporate organizational structures to emerge. New financial agents, such as hedge funds and private equity groups, and traditional financial actors such as banks, brokerage houses, and trusts, have acquired leverage over industrial capital. In turn, industrial capital has obtained the organizational capacity to diversify into a range of its own financial activities. These new corporate forms have fostered the reorganization of industrial and commodity capital into international production networks. With the internation-

alization of capital, foreign capital now plays a central role in supplying funds, technology, and management across the spectrum of the sectors of capital accumulation in most countries. This has a fundamental political meaning: foreign capital is no longer a marginal element, or something imposed from outside on national capitalist classes. Neoliberalism constitutes ‘interior bourgeoisies’ as integral components of domestic power blocs. Under neoliberalism the political-economic foundation for Hobsbawm’s ‘rational left’ has vanished.<sup>6</sup>

A fourth dimension of the neoliberal project is the way state economic intervention in the circuits of capital has been transformed.<sup>7</sup> This is not a question of delimiting the space of the state relative to that of the market; it involves a reorganization of the way state policies relate to the valorization of capital, and to class struggles. In the field of macroeconomic management, restrictive budgetary and debt management policies in the state sector have been coupled with inflation-targeting by independent central banks. These policies have tended to produce a deflationary bias, which has partly been offset by credit expansion and asset inflation in the private sector. Industrial and commercial policies and apparatuses have also been reordered to aid international competitiveness and sponsor the internationalization of capital. Indeed, both macroeconomic and industrial policies are premised on liberalized capital and trade flows and exchange rates which themselves were, in good part, the result of neoliberal state policies.

The consequences of these policies include: tying production more and more to commercial exchange values; expanding the capacity of capital to use regulatory arbitrage to seek tax and environmental concessions at the expense of other social objectives and protections; and reinforcing the use of subsidies and workplace concessions to maintain investment by firms. All these measures reduce democratic capacities and bolster capitalist control over the use of the social surplus – both inter-temporally, between present consumption and future investment, and inter-sectorally, between the public and private sectors in the composition of output.

A fifth and very important way of understanding neoliberalism in practice is as a distinct institutional framework for governance and administration internal to the state. The advanced capitalist state is so deeply embedded in the reproduction of capital that the neoliberal ideology of a ‘laissez-faire’ minimal state is a fantastical proposition. The change that has actually occurred has often been described as a ‘hollowing-out of the state’, as welfare and redistributive functions are ‘downloaded’ to local governments and a range of policies to support the internationalization of capital and protect private property rights are ‘uploaded’ to international state agencies and mul-

tinational blocs such as the EU and NAFTA. ‘Hollowing out’ is, however, a quite misleading image. It especially misses the authoritarian hardening of the central state and the reorganization of its administrative apparatus.

The exercise of political power is increasingly concentrated in the central state apparatuses relative to democratic actors such as parties, unions and civic organizations. This can be especially seen in the decline of legislative bodies relative to the exercise of unilateral and unaccountable executive power. The hardening of state power is evident with respect to war-making and national security powers, and it also now extends to a host of administrative measures around treaties, contracts and appointments. The departments of the state have also been re-ordered to strengthen the central state’s role in advancing neoliberal policies: those dealing with budgetary controls and economic internationalization have been strengthened; branches of the state dealing with labour and social justice have been marginalized. The military, security policing and prison branches of the state have also tended to grow in relative power; they increasingly define state behaviour with respect not only to international relations, but also to civil protest. A parallel neoliberal administrative measure has been to insulate agencies dealing with economic matters from democratic accountability by increasing their operational autonomy. This strategy has especially been deployed to secure the ‘independence’ of central banks, regulatory agencies and economic development bodies. A similar effect is produced by the adoption of administrative modes of deregulation, privatization and marketization.<sup>8</sup>

Sixth, and last, neoliberal economic interventions have also enforced new relations of exploitation between capital and labour, particularly through changes in the law regulating labour markets. This has underpinned the distributional patterns that are commonly called ‘social polarization’. Annual wage increases are kept below the combined rates of inflation and productivity, thereby shifting an increased share of net income to profits; higher levels of labour reserves, longer hours of work, the racialization of labour market access and the growth of informal and precarious work mean increased inequalities within working classes; sharp cuts in welfare transfers fall especially hard on women and migrants; credit is increasingly relied upon for current and future living standards; and privatization and user fees limit equal access to public services, and extend people’s dependence on the market in all aspects of daily life.

### CONTESTING NEOLIBERALISM

Over the period of neoliberalism, the Left has suffered major historical defeats. This has generally been defined, for both good and ill, in terms of the

end of authoritarian communism and the realignment of social democracy toward increasing accommodation of the market and existing distributional relations. But the structural transformations associated with neoliberalism have also altered the organizational foundations for Left political alternatives: the changes in the nature of employment towards more networked production processes and fragmented service provision; the increasing international circulation of capital; the reorganization of the state; and the internal differentiation and stratification of the working class. These developments have affected working-class capacities in terms of workplace organization, political leadership, and ideological inventiveness. Neoliberalism's greatest political achievement, it needs to be stressed, does not lie with privatization, globalization or financialization, but in the way ruling classes have adapted neoliberalism so as to wage 'class struggle from above' to defeat, isolate, individualize and disorganize the Left and the working-class movement.

Locating the political terrain for contesting neoliberalism has been enormously difficult and complex. One response has been to search for an anti-neoliberal project in specific alternate policies (thereby narrowing even further the horizons of a 'rational left' popular front strategy like Hobsbawm's in the 1980s). In this vein, Robin Blackburn's penetrating analysis of the commodification of pensions ends with the modest call for 'responsible accumulation'. A similar pragmatism lay behind Roberto Unger's enumeration of all the alternative democratic and institutional arrangements that are possible within contemporary capitalism. And most of the innumerable critiques of neoliberal globalization end with liberal calls for the democratization of global governance.<sup>9</sup> But such exercises in economic logic and political judiciousness have failed to create greater policy and institutional space for the Left.

The anti-globalization movement has gathered together the discontented against neoliberalism in many corners of the world, in major demonstrations and in the World Social Forum and its offshoots. The movement has been theorized as an anti-neoliberal project 'from below': a leader-less movement requiring neither party nor programme, neither disciplined cadres nor political line. The organizational disarray of the Left is, in effect, represented as one of its primary sources of renewal. Michael Hardt and Antonio Negri foresee a 'multitude' escaping the present political space of neoliberalism, and the new logic of power of decentred 'empire', to forge in the present an alternate world order. John Holloway has turned the inability to contest political power on its head to theorize how to 'change the world without taking power'. And Naomi Klein rebuts those critics of the anti-globalization movement who call for organizational depth as infringing on emergent 'pos-

sibilities'. 'Maybe', she writes, 'out of the chaotic network of hubs and spokes, something else will emerge: not a blueprint for some utopian new world, but a plan to protect the possibility of many worlds – "a world", as the Zapatistas say, "with many worlds in it". Maybe instead of meeting the proponents of neoliberalism head on, this movement of movements will surround them from all directions'.<sup>10</sup>

Neoliberalism has, however, managed to stand its ground. As a consequence, Left politics under neoliberalism has oscillated between, on the one hand, short-term political calculation to avoid further social erosion, and, on the other, a politics of predicting imminent economic crisis if not total socio-economic chaos that in fact reflects the disarray of Left forces and organizational weakness. Yet this is precisely why the socialist Left must be actively engaged, above all, in fostering the formation of new political agencies.

One necessary aspect of such an engagement is class reformation through the revitalization of unions, and the linking of unions to workers in new sectors – those struggling for gender and racial equality, and the marginalized, people outside 'normal' work processes. It is also necessary to experiment in organizational convergence between the remnants of the independent Left, civic organizations, and the sections within social democracy that remained committed to a transformative project. Such a reformation needs to be grounded in the building up of the educational, communicative and cultural resources – the political and human capacities – necessary for a 'new socialism' for the 21<sup>st</sup> century.<sup>11</sup> And concrete anti-neoliberal alliances will need to be forged in struggle to defeat particular initiatives and make inroads against neoliberalism, so as to make such a process of re-formation 'organic'.

Neoliberalism has consistently generated political flashpoints that have blunted its appeal and forced a recalibration of the global ambitions of the ruling classes. The imbalances of world trade, the contradictions of military occupation, the social inequalities of income and work, the inefficiencies and monopolies of privatized public assets, the abject failure of carbon trading and other pollution markets to address the global ecological crisis – all these have spawned often inspiring kinds of social and political struggle against neoliberalism. But unless the Left develops viable new collective and democratic organizational capacities, the barbarism that is global neoliberalism will indeed continue to yield its daily horrors in every part of the earth.

## NOTES

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- 4 David Harvey, *A Brief History of Neoliberalism*, Oxford: Oxford University Press, 2005.
- 5 Gerard Dumenil and Dominique Levy, *Capital Resurgent: Roots of the Neoliberal Revolution*, Cambridge: Harvard University Press, 2004; Leo Panitch and Sam Gindin, 'Finance and American Empire', in *Socialist Register 2005*.
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- 11 Michael Lebowitz, *Build It Now: Socialism for the 21st Century*, New York: Monthly Review Press, 2006.