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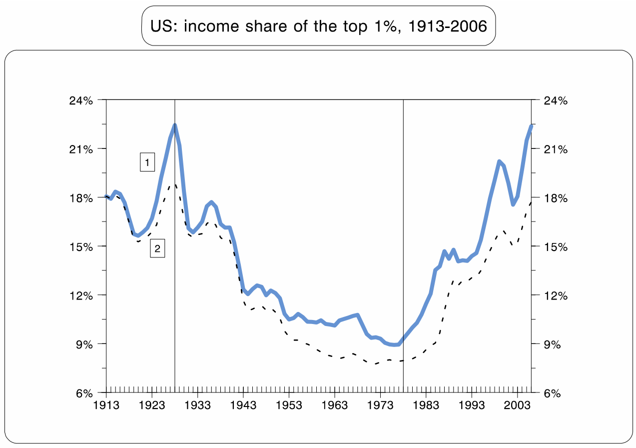
Beyond neoliberalism?

by Nicolas Pons-Vignon

For the generation that came of age in the 1990s, the belief in the labour movement's ability to inspire progressive change collapsed soon after the Berlin Wall. Not unlike the Wall, this belief had been seriously shaken during the 1970s and 1980s, which saw the rise of neoliberalism from Chile to the United Kingdom and, thanks to the Washington-based international financial institutions, to much of the developing world. Jan Breman (1995), in a biting analysis of the triumphant World Bank's *World Development Report* on "Workers in an integrating world", notes that the Bank saw "drastic restructuring in the balance of power in favour of capital" as a necessary condition for both economic growth and poverty reduction. Written at the height of the Washington Consensus, the report represented an arrogant dismissal of workers as political actors. Only if they would keep quiet, letting the invisible hand of the market decide how many shillings (3, maybe) to put in their pockets, would their lives improve. While some economists and politicians were genuinely convinced that neoclassical economic theory could offer an alternative to the previous dominant Keynesian paradigm, it has since appeared that, behind the market fundamentalism justified "scientifically" by economists (such as those of the Public Choice School) eager to show that governments and unions were predatory self-interested agents, lay the formidable enterprise of shifting the balance of forces in society towards private business and particularly capital holders. As Harvey (2006) points out, far from being a *technical* choice over allocative efficiency, neoliberalism is first and foremost a *political enterprise* aimed at restoring the power of capital. It does so in two ways: first by shifting economic resources back to owners of capital, and second by weakening the capacity of organized labour to resist policy changes in the workplace or in public policy.

At odds with the professed neutrality of neoclassical economics, neoliberal policies have actively promoted the interests of large (often Western, in developing countries) companies by extending the realm where they could invest (through privatization and liberalization) and the conditions under which they were able to do so (repatriation of profits, low taxation and regulation)[1]. Such measures have been accompanied by the systematic undermining of labour's capacity to constitute itself as a political force that could challenge these policies, as exemplified by the aggressive behaviour of Margaret Thatcher's Government towards the miners' strikes of the 1980s in the United Kingdom. The victory of the Conservatives in this country paved the way for far-reaching deregulation of the labour market, which resulted in widespread precariousness for working people. This not only made life harder but also undermined the strength of unions, since the number of workers employed in permanent contracts started dropping rapidly. In light of these facts, it remains a puzzling reality that in most developed countries critical views did not catch the imagination of people and that majorities repeatedly voted for minority interests. The result of these policies has thus been a massive skewing of income towards the very rich, with remarkably little resistance in the process. The extent of this growing inequality in the United States can be strikingly observed in the long-term evolution of the income share of the top 1 per cent (figure 1)[2]

Figure 1: United States: Income share of the top 1 per cent, 1913–2006



Notes: [1] = including realized capital gains; and [2] = excluding capital gains. Three-year moving averages.
Source: Palma, 2009.

For many years, neoliberal policies have undermined the living conditions of workers, from Chile to the United States and Africa, and with a possibly greater impact than anywhere else in former communist countries. The current crisis confirms what many heterodox economists have been arguing for many years, namely that neoliberal policies are not only bad for workers, but also for growth and development. Amsden (2010) thus points out the paradox of their continued dominance in the face of a proven inability to generate higher growth than the policies they replaced: per capita growth performances have been superior in the period 1950–80 than in the period 1980–2000 everywhere *but* in South Asia and in the United States. In the latter, as has been discussed above,

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growing inequality has meant that growth has disproportionately benefited the richest, with the "bottom 90 per cent" of earners in the United States having actually experienced stagnation between 1971 and 2005 (Palma, 2009). Moreover, China and India, two countries which seem to be steadily emerging despite the crisis, have adopted development policies markedly different from those recommended by the Washington Consensus, even if their labour policies have been more aligned with it. And the current economic crisis offers convincing evidence that the growth path of the leading neoliberal countries was premised on very shaky foundations.

Depleted growth, stagnating income for workers and their families in many countries, and at the same time a massive enrichment of the wealthiest, in particular capital owners in the West: the outcome of neoliberal policies is such that its continued dominance can indeed be astonishing. The collapse of the Soviet bloc and the deep disillusion with state-managed planned economies has certainly played an important part in the difficulties experienced by the labour movement to resist and propose an alternative to neoliberal globalization. This was particularly clear in the case of South Africa, where the fall of the apartheid regime, achieved largely through worker mobilization, took place in an environment where the international and internal pressures to follow the neoliberal trend proved too strong to resist for the new leadership.

Despite several crises related to burst "bubbles" of over-valued assets, it is only with the current crisis that a consensus – claiming unlikely allies such as Alan Greenspan – is emerging to argue that the entire finance-driven system of accumulation is in need of regulatory reform. However, while growing numbers recognize its deep flaws, many still favour superficial changes in line with Guiseppe Tomasi di Lampedusa's ultimate advice for the continuity of power in a time of crisis: "everything must change so that everything can stay the same". While finance has been a locus of incredible accumulation over the last 25 years, it must be emphasized that this cannot be reduced to harmless speculation. At the core of finance, of its inflated assets and their over-inflated derivatives, lies the way in which neoliberal capitalism has been able to supplement the loss of demand linked to the depleted incomes of working people by trapping them in ownership of expensive yet worthless homes (or other goods) through credit. Indeed, it is thanks to credit that demand levels have been maintained for so many years; the fact that this credit growth was entirely linked to self-fulfilling fantasies regarding asset values signals an irrationality which ridicules the claims to science often heard in mainstream economics departments. Moreover, the hardships many average informal and formal workers and their families are suffering in the crisis has shed a particularly crude light on the readiness of states to invest hitherto unavailable billions of dollars in bailouts, which have often not even been used to re-assert control over the banking system.

This book and the Global Labour Column hope to make an important and engaged contribution to the public debate on some of the issues discussed above, but also to stimulate an exchange of ideas contributing to the rebuilding of the union movement. Moving towards more inclusive and more equal societies requires stronger unions and a broad-based movement for change. The column offers a unique meeting point to progressive academics, from universities, trade unions and international organizations, and activists and trade union leaders. The title of the book – *Don't waste the crisis* – is meant to emphasize that, if one good thing can come out of this crisis, it is to reopen debate on the direction of economic policy and on how people are employed. Now that the claim that worker-adverse policies were "good for growth" has been dismissed, it is essential to join forces for a new economic dispensation, which will ensure economic development with decent job opportunities. It is time to question the central policies of neoliberalism and their assumptions, such as the "requirement" for the state and social security systems to spend less. Union members are among the first victims of state spending cuts. Challenging such policies requires economic strategies and political mobilization that are focused on quality jobs, fair wages, comprehensive public services, political as well as industrial democracy and long-term social and environmental sustainability, rather than on the narrow interests of a financially affluent minority. But it is also time to discuss, honestly and in a constructive manner, the shortcomings of trade unions when they have sometimes failed to defend the weakest workers; and to propose ways in which unions can be inclusive and at the forefront of social and economic progress.

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[1] Harvey (ibid.) shows how the very first series of measures adopted by Paul Bremer in Iraq in 2003 all revolved around the opening of the Iraqi economy to US corporate investment, while "[t]he right to unionize and strike … were strictly circumscribed" (p. 10). One can appreciate the sense of priorities that inhabited the US Government in the immediate aftermath of a war waged in the name of freedom, when much of the country's critical infrastructure had been destroyed by bombs.

[2] Gabriel Palma, the source of this graph, argues that neo-liberalism is the art of achieving such "redistribution" in a democracy.

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