

Chomsky, Pollin And Lapavitsas: Are We Witnessing The Demise Of Neoliberalism?



Noam Chomsky

After 40 years of neoliberal rule, in which the state actively sought to eradicate the boundary between market, civil society and governance by making economic rationality the cornerstone of every human activity, advanced capitalism appears to be at a crossroads on account of the economic and social impact of the COVID-19 pandemic. So-called “big government” has staged a dramatic comeback, and even conservative leaders have broken with some of the basic orthodoxies of neoliberalism.

Are we in the midst of fundamental and permanent changes with regard to the relation between the state and markets? Are we witnessing the demise of neoliberalism? Has the pandemic led to the emergence of a new variant of capitalism?

In this interview, world-renowned scholar and public intellectual Noam Chomsky, along with two preeminent economists of the left — Costas Lapavitsas from the University of London and Robert Pollin from the University of Massachusetts Amherst — share their thoughts and insights about economics and capitalism in the age of the pandemic and beyond.

C.J. Polychroniou: Noam, the neoliberal era of the last 40 years has been defined to a large extent by growing inequalities, slow growth and environmental degradation. Indeed, even the International Monetary Fund admitted some years

ago that [neoliberalism had failed](#). Yet, it took the outbreak of a pandemic for a consensus to emerge regarding the failures of neoliberalism. Why did neoliberalism triumph and endure in the first place, and is it actually dead?

Noam Chomsky: My feeling is that a version of neoliberalism has triumphed because it has been highly successful — for the designers, whose power has been considerably enhanced by such predictable consequences as radical inequality, restricting democracy, destruction of unions and atomization of the population so that there is limited defense against the version of neoliberalism that has been pursued with impressive dedication in this latest phase of class war. I say a “version” because the state-corporate managers of the system insist upon a very powerful state that can protect their interests internationally and provide them with massive bailouts and subsidies when their programs collapse, as they do regularly.

For similar reasons, I don’t think that this version is dead, though it is being re-adjusted in response to growing popular anger and resentment, much fueled by the successes of the neoliberal assault on the population.

Bob, the pandemic has shown us that neoliberal capitalism is more than inadequate in addressing large-scale economic and public health crises. Are the resources mobilized by national states during the pandemic crisis a simple case of emergency Keynesianism, or do they represent a fundamental shift in the traditional role of government, which is to maximize society’s welfare? Moreover, are the policies we have seen implemented so far at all levels of government sufficient to provide the basis for a progressive economic agenda in the post-pandemic era?



Robert Pollin

Robert Pollin: Neoliberalism is a variant of capitalism in which economic policies are weighted heavily in favor of supporting the privileges of big corporations, Wall Street and the rich. Neoliberalism became dominant globally around 1980, beginning with the elections of Margaret Thatcher in the United Kingdom and Ronald Reagan in the U.S. The top priorities under neoliberalism, as practiced throughout the world, have included: cutting both taxes on the rich along with public spending on the non-rich; weakening protections for both working people and the environment and any semblance of a commitment to full and decent employment; and enabling financial speculation to run rampant while bailing out the speculators when the markets proceed, inevitably, into crises.

Neoliberalism represented a counterrevolution against social democratic/New Deal/developmental state variants capitalism, which emerged primarily as a result of successful political struggles by progressive political parties, labor unions and allied social movements, out of the 1930s Depression and continuing through the early 1970s. Of course, social democratic/New Deal/developmental state capitalism was still capitalism. Disparities of income, wealth and opportunity remained intolerably high, along with the malignancies of racism, sexism and imperialism. Nevertheless, the broadly social democratic models produced dramatically more egalitarian versions of capitalism than the neoliberal regime that supplanted these models. The neoliberal model, in turn, has been highly successful in achieving its most basic aim, which is to shower ever-greater advantages on the already over-privileged. For example, under neoliberalism in the United States between 1978 and 2019, the average pay for big corporate CEOs has risen [*tenfold*](#) relative to the average non-supervisory worker.

With the onset of the COVID pandemic in March 2020, government policies in the high-income countries did pursue measures to prevent a total, 1930s-level economic collapse. Depending on the country, these measures included direct cash support for lower- and middle-income people, significant increases in unemployment insurance and large payroll subsidy programs to prevent layoffs. But by far, the most aggressive policy interventions were the bailouts provided for big corporations and Wall Street.

In the U.S., for example, nearly 50 percent of the entire labor force filed for unemployment benefits between March 2020 and February 2021. However, over this same period, Wall Street stock prices rose by 46 percent, one of the sharpest one-year increases on record. The same pattern prevailed globally. The

International Labour Organization [reported](#) that, “There were unprecedented global employment losses in 2020 of 114 million jobs relative to 2019.” At the same time, global stock markets rose sharply — by 45 percent throughout Europe, 56 percent in China, 58 percent in the U.K., and 80 percent in Japan, and with Standard & Poor’s Global 1200 index [rising](#) by 67 percent.

So while there was a desperately needed expansion of social welfare programs helping people to survive under COVID, these measures were enacted within the framework of still larger efforts to prop up the still prevailing neoliberal order.

Of course, the severity of the climate crisis has continued to deepen during the pandemic. In February, UN Secretary-General António Guterres [said](#), “2021 is a make-or-break year to confront the global climate emergency.... Governments are nowhere close to the level of ambition needed to limit climate change to 1.5 degrees and meet the goals of the Paris Agreement. The major emitters must step up with much more ambitious emissions reductions targets for 2030 ... well before the November UN Climate Conference in Glasgow.”

We are now into October in the “make or break year” and yet, little has been accomplished since Guterres spoke in February. It is true that, throughout the high-income countries, social movements and climate activists are fighting to advance programs that combine climate stabilization and an egalitarian social agenda, under the rubric of a global Green New Deal. The extent to which they succeed will determine whether we will have established a basis for a progressive economic agenda and effective climate policies in the post-pandemic era. We do not yet know how successful these efforts will be. As [we discussed](#) at some length recently, the social infrastructure and climate proposal being debated right now in the U.S. Congress is itself not ambitious enough to be truly transformative. But if it is enacted, it will still represent a significant break from neoliberal dominance that has prevailed since Thatcher and Reagan.

Costas, the COVID pandemic has exposed numerous structural flaws of capitalism, and the neoliberal order may be indeed on the verge of collapse. Still, can we speak of a “crisis of capitalism” given that we do not see large-scale opposition to the current system?

Costas Lapavitsas: There is no question that the pandemic shock represents a tremendous crisis of global capitalism, but I would urge strong caution regarding

the collapse of neoliberalism. The period since the Great Crisis of 2007-2009 looks more like an interregnum (a term offered in the spirit of Antonio Gramsci) when the old is refusing to die and the new cannot be born. And like all such periods, it is prone to monsters, including fascism.



*Costas Lapavistas -
Photo: SOAS University
of London*

The Great Crisis of 2007-2009 was overcome by the state deploying its massive strength to defend financialized capitalism and globalization. But what followed was a decade of low growth, poor investment, weak productivity growth, sustained inequality and partially revived profits. Economic performance was poor in core countries, providing further evidence of the failure of neoliberalism. The Golden Era of financialization is well and truly over, despite the sustained rise of stock markets in the previous decade. Yet, economic performance was also mediocre in China, reflecting an underlying weakness of productive accumulation across the world.

When COVID-19 struck, it became crystal clear that contemporary capitalism is entirely dependent on massive state intervention. Core Western states were able to intervene on an unprecedented scale mostly because of monopoly command by central banks over fiat money. Unlike 2007-2009, however, the state also deployed fiat money to relax austerity, thus engaging in the unspoken nationalization of the wage bill and the income statements of thousands of enterprises.

It is a misunderstanding that neoliberalism necessarily means marginalizing the state and imposing austerity. Rather, it is about using the state selectively to

defend the interests of a small elite, an oligarchy, associated with big business and the financial sector. Fundamentally, it stands for shifting the balance of power in favor of capital by removing controls on its activities. When the pandemic shock threatened the foundations of class rule, austerity and forbearing from direct economic intervention were abandoned in the blink of an eye. The neoliberal ideologists rapidly adapted to the new reality, though it is always possible that austerity will return. What has not taken place is an institutional shift in favor of workers' interests that would limit the freedom of capital. It is primarily in this sense that the old is refusing to die.

The pandemic also made it clear that there is great variety in the relationship between powerful states and domestic capitalist accumulation. Core Western states, in the grip of neoliberal ideology, derive their strength primarily from command over fiat money. In contrast, the Chinese state remains directly involved in both productive accumulation and finance as well as having possession over vast resources. Their respective responses to the pandemic differed greatly.

Inevitably there has been a tremendous escalation in the contest for global hegemony, including in the military field. For the first time since 1914, moreover, the hegemonic contest is also immediately economic. The Soviet Union was exclusively a political and military contestant to the U.S. — the Lada could never compete with Chrysler. But China can outcompete the U.S. economically, making the struggle considerably deeper and removing any obvious point of equilibrium. The U.S. ruling bloc realizes that it has made a strategic miscalculation, and this accounts for its current unrelenting aggressiveness. Conditions in the international arena are exceedingly dangerous.

Still, the global hegemonic struggle lacks entirely in ideological content. Western neoliberal democracies are exhausted, failed and bereft of new ideas. The attempts of the U.S. ruling bloc to present its aggressiveness as a defense of democracy are hollow and ludicrous. On the other hand, Chinese (and Russian) authoritarianism has considerable domestic support but no capacity to offer a globally appealing social and political perspective.

The characteristic feature of the interregnum since 2007-2009 is an ideological impasse. There is tremendous discontent with capitalism, particularly as the degradation of the environment and the warming of the planet have raised great concern among the young. But that concern has not translated into a broad-based

mobilization behind fresh socialist ideas and politics. This is the challenge ahead, particularly as the far right is already taking advantage.

Postcapitalism (defined broadly as a social system in which the power of markets is restricted, productive activity is premised on automation, work is delinked from wages, and the state provides universal basic services and a basic income) is possible because of changes in information technology, according to some pundits. Should the left spend political capital by envisioning a postcapitalist future?

Lapavistas: During the pandemic crisis, the domestic actions of nation states displaced the precepts and prescriptions of neoliberal capitalism, foisted invasive measures on social and personal life centering on public health and hygiene, and imposed severe restrictions on civil liberties and economic activity. The state inflamed political tensions, heightened social polarization and restricted freedoms.

Workers paid the greatest price through income loss, rising unemployment and worsening public provision. But the middle strata were also left out in the cold, thus delivering a major blow to the class alliances that supported the neoliberal project. Giant oligopolies in new technology emerged as the main beneficiaries — Google, Amazon, Microsoft and the rest. Their actions are steadily eclipsing the figure of the citizen as personal identities are increasingly organized around market links to the oligopolies. At the same time, the extreme right was strengthened, a trend that started before the pandemic and has accelerated through the agency of powerful oligarchies.

There has been no shortage of grassroots reactions to these developments. Heavy-handed state actions, official cultivation of fear, suspension of rights and liberties, the danger of permanent repression, and the crushing of workers and the middle strata during the lockdowns spurred various responses often in a libertarian direction.

Bear in mind that maintaining capitalist accumulation in the years to come will be exceedingly difficult across the world. The underlying weakness of accumulation is far from easy to confront. It is also clear that state intervention in the pandemic has created major difficulties with the disruption of supply chains, the rise of inflation eating into workers' incomes and the tremendous escalation of public

debt. And all that is without even mentioning the broader issues of environment and climate.

It is hardly possible that economic growth could be sustained without large-scale state intervention on the supply side through public investment that also involves profound distributional changes in income that benefit workers. It seems even less likely that this would happen without a major shift in property rights, redistributing wealth and productive resources in favor of workers and the poor.

Technology alone is never the answer for complex social problems. Indeed, one aspect of the technological revolution of the last four decades is its inability even to improve the economic conditions of accumulation since its effect on the average productivity of labor is modest. I see no reason at this stage to expect that artificial intelligence would prove dramatically different. Perhaps it will, but there are no guarantees.

Western neoliberal democracies are ideologically exhausted, and their capitalist economies are beset with problems. In this context, it is imperative for socialists and progressives to think of a postcapitalist future and ascertain its broad parameters. We need to think about the use of digital technologies, the greening of production and the protection of the environment. But all that should take place in social conditions that favor working people and not capitalists, with a new sociality, collective action and individual fulfilment through communal association. The rejuvenation of the socialist promise is the paramount need of the times.

Bob, during the neoliberal era, mainstream economics shaded easily into ideology. Indeed, it is rather easy to show that mainstream economic policy is full of misrepresentation of reality. The question is: How does an alleged science become ideology? And how likely it is that the coronavirus pandemic, in conjunction with the flaws of neoliberalism and the urgency of the climate crisis, will lead to an intellectual paradigm shift in "[dismal science](#)"?

Pollin: Let's recognize that all varieties of economists are heavily influenced by ideology, or what the great conservative economist Joseph Schumpeter more judiciously termed their "pre-analytic vision." Leftist economists, myself included, are as guilty as anyone else. Our ideology influences the questions that we decide are most important to ask. Ideology also provides us with some initial guesses as

to what the answers to these questions are likely to be. Still, if we are also attempting to be the least bit scientific, or even minimally honest, as economic researchers, we will put our hunches and our preferred answers to the test of evidence and be open to challenges.

I think it is fair to say that, not all, but a high percentage of mainstream economists have not been committed to these minimally objective scientific standards. They rather have been so fully immersed in their ideological biases that they are unable to even think about how they might ask questions differently. Their biases have been reinforced by the fact that these prejudices provide succor to policy regimes that, as noted above, shower benefits on the already overprivileged.

Joan Robinson, the renowned Cambridge University economist of the Great Depression and post-World War II era, [beautifully captured](#) this allure of orthodox economics as follows: “One of the main effects (I will not say purposes) of orthodox traditional economics was ... a plan for explaining to the privileged class that their position was morally right and was necessary for the welfare of society.”

At the same time, there has been no shortage of progressive economists over the neoliberal era who have stood up to mainstream orthodoxy, as represented, for example, by the 24 people you interviewed in the new book, [Economics and the Left: Interviews with Progressive Economists](#). In my view, how much influence economists such as these will have will depend primarily on how successful are the progressive movements in advancing the Green New Deal and related programs in the coming months and years.

There are hopeful signs. Just late last month, the Federal Reserve released [a paper](#) by Jeremy Rudd, a senior member of its own staff, which begins with the observation that “mainstream economics is replete with ideas that ‘everyone knows’ to be true, but that are actually arrant nonsense.”

Rudd also notes on page one that he is leaving aside in this paper “the deeper concern that the primary role of mainstream economics in our society is to provide apologetics for a criminally oppressive, unsustainable, and unjust social order.” There may well be more Jeremy Rudds out there, poised to spring from the shadows of the professional mainstream. This would be a most positive

development. But I would also say that it's about time.

Noam, it's been said by far too many that it is easier to imagine the end of the world than the end of capitalism. Given that capitalism is actually destroying the Earth, how, firstly, would you respond to the above statement, and, secondly, how do you envision economy and society after capitalism?

Chomsky: I'd prefer to rephrase the question to refer to state capitalism. Those whom Adam Smith called "the masters of mankind," the dominant business classes, would never tolerate capitalism, which would expose them to the ravages of the market. That's for the victims. For the masters, a powerful state is required — insofar as they can control it and reduce the "underlying population" (Thorstein Veblen's ironic term) to subordination and passivity.

It does not seem to me too difficult to imagine at least a serious mitigation of the destructive and repressive elements of this system, and its eventual transformation to a far more fair and just society. In fact, we must not only imagine but proceed to implement such programs, or we'll all be finished — the masters too.

It's even quite realistic to imagine — and implement — the overthrow of the basic state capitalist principle: renting oneself to a master (in a more anodyne formulation, having a job). After all, for millennia it's been recognized — in principle at least — that being subjected to the will of a master is an intolerable attack on human dignity and rights. The concept is not far back in our own history. In late 19th-century America, radical farmers and industrial workers were seeking to create a "cooperative commonwealth" in which they would be free of domination by illegitimate bosses robbing their labor and of northeast bankers and market managers. These powerful movements were so effectively crushed by state-corporate force that today even the highly popular ideas sound exotic. But they are not far below the surface and are even being revived in many important ways.

In short, there's reason to be hopeful that what must be done can be done.

Note: This interview has been lightly edited for clarity and concision.

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C.J. Polychroniou is a political scientist/political economist, author, and journalist who has taught and worked in numerous universities and research centers in Europe and the United States. Currently, his main research interests are in U.S. politics and the political economy of the United States, European economic integration, globalization, climate change and environmental economics, and the deconstruction of neoliberalism's politico-economic project. He is a regular contributor to *Truthout* as well as a member of *Truthout's* Public Intellectual Project. He has published scores of books and over 1,000 articles which have appeared in a variety of journals, magazines, newspapers and popular news websites. Many of his publications have been translated into a multitude of different languages, including Arabic, Chinese, Croatian, Dutch, French, German, Greek, Italian, Japanese, Portuguese, Russian, Spanish and Turkish. His latest books are *Optimism Over Despair: Noam Chomsky On Capitalism, Empire, and Social Change* (2017); *Climate Crisis and the Global Green New Deal: The Political Economy of Saving the Planet* (with Noam Chomsky and Robert Pollin as primary authors, 2020); *The Precipice: Neoliberalism, the Pandemic, and the Urgent Need for Radical Change* (an anthology of interviews with Noam Chomsky, 2021); and *Economics and the Left: Interviews with Progressive Economists* (2021).