Is Neoliberalism Dying? A Structuralist Approach To Predatory Global Capitalism And The Challenge of Reform*

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Forty years of neoliberal rule have produced devastating effects on lower and working-class people and on the social fabric throughout the world: wages have stagnated, labor rights have been trampled, and economic inequalities have exploded. Neoliberalism has also proven detrimental to democracy as many forms of collective decision-making and even faith and trust in the ability of government to solve problems have been severely eroded by the marketization project. Citizens have been encouraged to think and act like consumers and powerful private interests have made a mockery of the idea of a common good. Moreover, trends of ongoing income and wealth inequality combined with job insecurity and the hijacking of the state by the economic elites has led to the eruption of popular anger, leading to the rise of a new generation of authoritarian rulers and to a concomitant attack on the traditional democratic order, along with an explosion of xenophobic rage and racism.

Nonetheless, neoliberalism has remained the hegemonic paradigm in the workings of contemporary capitalism and the operating framework of the global economy, even though this particular form of economic governance is prone to systemic crises and in spite of challenges and sporadic forms of resistance from

below.
At least until now, that is. For the eruption of the pandemic appears to have discredited market fundamentalism and state interventionism has returned with vengeance throughout the West. We have seen massive monetary and fiscal packages introduced both in Europe and the United States in order to provide relief for unemployed workers and struggling businesses in ways that have not been seen in many decades. During the global financial crisis of 2008, the state bailed out the financial sector and turned a blind eye towards homeowners and the millions of people suffering from the consequences of "predatory capitalism" that neoliberalism gave rise to from the mid-1970s and continued to fuel throughout the next four decades. However, during the era of the pandemic, the state has come to some degree to the rescue of the entire economy, although still not as aggressively as economic thinking associated with the name and work of John Maynard Keynes would surely recommend for a crisis as severe as the one thrusted upon the world by the eruption of the Covid pandemic, which has created a classic capitalist crisis of accumulation.

Be that as it may, the question popping up suddenly (once again, we might add, since the same question popped up after the financial crisis of 2008) is whether the return of "Big Government" during the pandemic is signaling the end of neoliberalism.

My view on this matter is that it is too early to tell, and, more importantly, that neoliberalism is not going to wither away without an increased role of participatory democracy and the emergence of political vehicles (political parties and social movements) envisioning and fighting for an alternative social order. Neoliberalism is not merely an ideology or even a specific policy at this point, but an institutional component, a substructure, of the very capitalist system that has been built in the age of globalization, and thus the measures taken today to address the economic effects of the pandemic may be quite temporary and the world could easily return to "business as usual" once the pandemic has been brought under control.

Let me elaborate
Any effort to fully understand the nature of contemporary capitalism should begin with the recognition that the whole is indeed greater than the sum of its parts. It is also pertinent that we recognize the importance of structural causality in making sense of contemporary capitalist developments while avoiding

methodological reductionism. As such, we need to look at the overall structure of the system; that is, we need to comprehend the different constitutive parts of the system that keep it together and running in ways which are harmful to the interests of the great majority of the population, dangerous to democracy and public values, and detrimental to the environment and earth’s ecosystem. Focusing on one element of the system while ignoring other things (perhaps because we think that they constitute incidental outcomes or processes of secondary nature) may limit our understanding by creating a flawed perspective about the dynamics and the contradictions of contemporary capitalism and thereby undermine our ability to propose sound and realistic solutions.

Now, we know what capitalism is, and how it basically works. It is a specific, historically determined mode of production, a ruthless economic system representing the most advanced form of commodity production. It is not an economic system designed to serve the needs of society as such, because the extraction of profit is the “logic” that drives capitalist commodity production. Not only that, but when left to operate without regulations, capitalism can wreak havoc on societies. Exploitation and inequality represent structural necessities of the system itself, and capital itself is nothing other than value that generates surplus value.

Moreover, capital accumulation is an anarchic and contradictory process, and with a constant need to expand, all of which result all too frequently in systemic crises that threaten to destroy capitalism itself and which, subsequently, mandate the intervention of the state in order to save the system from collapse. In the age of the financialization of capital, systemic crises have become far more frequent, and with greater severity, and government bailouts have emerged as the essential tool through which the system avoids a catastrophic collapse.

Capitalist expansion has taken place over the course of the past five centuries via different venues, ranging from plunder and exploitation, through trade, to investment in industry and the financialization of assets. However, the state has been the driving agency behind the spread and consolidation of capitalism from the very start. And it is no less the case than with the architecture of contemporary capitalism.

The landscape of contemporary capitalism has been structured around three interrelated elements: financialization, neoliberalism and globalization. All three of these components constitute part of a coherent whole which has given rise to an entity that can be briefly described as "predatory global capitalism."

As such, contemporary capitalism is characterized by a political economy which revolves around finance capital, is based on a savage form of free market fundamentalism and thrives on a wave of globalizing processes and global financial networks that have produced global economic oligarchies with the capacity to influence the shaping of policymaking across nations. Indeed, today's brand of capitalism is particularly anti-democratic and simply incapable of functioning in a way conducive to maintaining sustainable and balanced growth. By waging vicious class warfare, the economic elite and their allies have managed in the contemporary era to roll back progress on the economic and social fronts by resurrecting the predatory, "free-market" capitalism that immiserated millions in the early 20th century while a handful of obscenely wealthy individuals controlled the bulk of the wealth.

The capitalist order we have in place today has its roots in the structural changes that took place in the accumulation process back in the mid-to-late 1970s. The 1970s was a decade of economic slowdown and inflationary pressures in the advanced capitalist world. The crisis, brought about by new technological innovations, declining rates of profit and the dissolution of the social structures of accumulation that had emerged after World War II, led to sluggish growth rates, high inflation and even higher rates of unemployment, bringing about a phenomenon that came to be known as "stagflation."
From a policy point of view, "stagflation" signaled the end of an era in which there was a trade-off between inflation and unemployment (shown by the Phillips curve) and, by extension, the end of the dominance of the Keynesian school of thought.

As with all other capitalist crises in the past, the crisis of the 1970s compelled capital and the economic elite to restructure the way the capitalist economy had functioned up to that time. The restructuring process unfolded in several ways, which included, among other things, increasing the pace of market liberalization, attacking the traditional welfare state and the interests of unionized workers in an attempt to eliminate social programs and suppress wages and create greater flexibility in the labor market, respectively, and initiating a new wave of globalization under the aegis of both industrial and financial capital.

The new economic orthodoxy (which came to be known as the "Washington Consensus") called for open markets, deregulation, privatization, labor flexibility, short-term optimization as a more attractive way to ensure competition and growth, low taxation for corporations and the rich, and a minimum welfare state. The desire was to return to an era in which capitalism functioned unfettered by government and social
constraints, in other words, back to the age when capital grew by running roughshod over labor.

Indeed, a counterrevolution was under way, and it seemed to be global in nature and scope. The radical paradigm shift in economics was taking place in highly diverse economic environments, ranging from Chile under Augusto Pinochet's reign of terror to liberal democracies in the Anglo-Saxon world (in the United Kingdom under Margaret Thatcher and in the United States under Ronald Reagan) and even to communist China under Deng Xiaoping. By the mid-1980s, most capitalist nations around the world, including many Western European countries with long traditions with social democratic policies, had shifted from Keynesianism to neoliberalism, although by no means in a uniform manner.

The march to "economic freedom," which is how the neoliberal counterrevolution was celebrated by arch-conservative thinkers, captivated by the nonsense of Austrian economics, did not take place on the basis of some abstract entity known as the "free market." On the contrary, it required active intervention by the capitalist state across society and the economy. Indeed, how else was the welfare state going to be reduced and the power of the labor unions weakened? How else could policies be introduced that increased the upward flows of income, created new investment sites, promoted a new wave of privatization and permitted banks and other financial institutions to practice financial chicanery? How else could failed financial institutions be bailed out with public funds if governments and elected officials had not been turned into the minions of the money class?

The capitalist state everywhere resorted to the use of both hard (i.e., repression) and soft (propaganda) power in order to secure the transition to the new economic and social order commanded by finance capital and big business interests. But the story does not stop here. International organizations such as the International Monetary Fund and the World Bank, but also countless non-governmental organizations throughout the world, were mobilized for the promotion of this goal. The corporate-owned mainstream media and the overwhelming majority of academics and intellectuals also joined the show as cheerleaders of the global neoliberal vision.

In sum, the return to "predatory capitalism" was prompted by a crisis in the workings of the postwar capitalist regime and realized through active political intervention, i.e., class politics, by the capitalist state and international organizations, and the support provided by the intellectual elite and mass media. Yet, its success depended on the redesigning of the global economy (a cycle of upswing in the movement towards the global integration of national economies enforced by the market liberalization policies of leading and ascending states), and not merely on the institutionalization of neoliberal policies within a national context. Neoliberalism had to be global, or it could not possibly work as efficiently if it was confined only to the national setting.

As noted earlier, the three pillars on which contemporary capitalism is structured around are financialization, neoliberalism and globalization. But what is their connection? Can neoliberalism, for example, be dismantled while leaving untouched the current processes of financialization and globalization?

First, we know that the surge of financial capital long predates the current neoliberal era, and the financialization of the economy takes place independently of neoliberalism, although it is greatly enhanced by the weakening of regulatory regimes and the collusion between finance capital and political officials that prevails under the neoliberal order. Neoliberalism, with its emphasis on corporate power, deregulation, the marketization of society, the glorification of profit and the contempt for public goods and values, provides the ideological and political support needed for the financialization of the economy and the undermining of the real economy. Thus, challenging neoliberalism – a task of herculean proportions given than virtually every aspect of the economy and of the world as a whole, from schools to the workplace and from post offices to the IMF, functions today on the basis of neoliberal premises – does not necessarily imply a break on the financialization processes under way in contemporary capitalist economies. Financialization needs to be tackled on its own terms, possibly with alternative finance systems and highly interventionist policies, which include the nationalization of banks, rather than through regulation alone.

The surge of finance capital can be traced at least since the beginning of the 20th century. In a major study addressing "the economic characteristics of the latest phase of capitalist development," published in 1910, Rudolf Hilferding, an Austrian-born Marxist economist and main theoretician for the Social Democratic Party of Germany during the Weimar Republic, devoted special attention to the processes of the concentration and centralization of capital, and outlined a theory of imperialism as a necessary development in the evolution of capitalism. In the course of this process he also made it clear that systematic investigation of the role of money and credit, the expansion of capitalist enterprises into corporations and their conversion into corporations was of the outmost importance for the understanding of the evolution of capitalism.

Hilferding demonstrated that the rise of the industrial corporation reflects an objective "change in the function of the industrial enterprise." The industrial corporation, or the joint-stock company, allows anyone in possession of money to become a money capitalist. In effect, what Hilferding was observing was the phenomenon of the separation of ownership of capital from control in the joint-stock company. According to him, this process not only accelerated the concentration of capital, but also provided the joint-stock company with the ability to expand far more rapidly than the individually owned enterprise, thereby leading to the centralization of capital.

For Hilferding, however, it was the emergence of financial institutions and banks, in particular, that truly intensified the processes toward concentration. He stressed that in the mature stage of capitalism, banks, which were quite necessary to the growth of industry, had become fully dominant and directly controlled the economic life of the system. Through its vast resources of liquid capital, banks were able to obtain control of major trusts in industry, since the latter needed idle capital in order to increase and expand the production process. Viewed from this perspective, industrial capital was inextricably intertwined with banking capital and wholly dependent on money capital.

The merging process between industrial and banking capital gives rise to a new form of capital: finance capital. Moreover, the establishment of an intimate relationship between banking capital and industrial capital results in an increased tendency toward the export of capital. The concentration of capital, which leads to monopolization, encourages the export of capital by virtue of the fact that the over-accumulation of capital can no longer find profitable investment opportunities at home.

While it is true that Hilferding mistakenly considered the dependence of industrial capital on banking capital as a permanent state of affairs (the great monopolistic corporations became independent of banking capital and today's large corporations use their own retained profits to finance investment), there can be no mistake that the transition "from the domination of capital in general to the domination of finance capital" emerged as a key feature of "modern" capitalism even before the outbreak of World War I. Indeed, the Great Depression of the 1930s revealed in unmistaken terms the extent to which finance and financial capitalism had taken central stage, reshaping in a profound way the United States' economy and affecting dramatically developments across the world.

However, the task of stabilizing financial capitalism's inherent tendency towards instability has clearly been severely undermined with the onset of neoliberalism, and the global financial crisis of 2008 represented just the latest act in a long series of financial crises since the early 1970s, and with each new crisis getting bigger and becoming more severe than the previous one. Yet, it is equally clear that scores of financial crises, mainly "systemic banking crises," have occurred prior to the installation of a neoliberal regime. Moreover, because of globalization, "Big Government" action has been restrained and the challenges posed to central banking from globalized finance are quite severe, with financial globalization leading to growing frequency and severity of systemic financial crises. Thus, globalization is in itself a contributing factor to the spread of financial crises while also providing a greater impetus for the deepening of neoliberalism.

Now, although finance is at the forefront of globalization, there is hardly an aspect of contemporary life that is not affected by globalization, making it therefore a very elusive concept indeed, while adding new levels of complexity to the task of forming appropriate economic and political responses to a system bent on instability and prone to large-scale crises. The reshaping of the global economy to the economics of profitability along neoliberal lines is now an entity that, having come into being, has formed a specific structure of its own upon which neoliberalism depends on in order to continue to thrive.

Globalization, of course, has also created new systemic risks (and crises of all sorts, including the rapid spread of pandemics) which we are simply uncertain how to address given the existing power structure in the global political economy where a plutocracy reigns supreme as national governments have capitulated to the whims of the corporate and financial elite and the formal global governance structure needed is missing. Yet, this is precisely the environment that makes predatory capitalism thrive, and makes one wonder whether neoliberalism can actually wither away in a national setting without actually altering the very nature of the globalizing economic processes at work in the contemporary era. For, to put it bluntly, globalization is now the oxygen mask through which neoliberalism is able to breathe.

Having said that, this is not to imply that meaningful reform cannot take place, and there is no short supply of proposed solutions for tackling the major problems facing the contemporary world, including that of global warming. The worst effects of neoliberal capitalism can be addressed through short-range (proposals for tax reform that will close the gap between rich and poor) and medium-range goals (reregulation and nationalization) to some rather long-range structural reforms (redesigning the architecture of the global financial system). Taming global warming also represents a long-range goal, in fact of vital importance for the stability of any future social and economic order.

On the political front, the task of recapturing the state is absolutely essential for any progressive movement or political party seeking to reestablish balance in the relationship between labor and capital, resurrect democracy, redress social injustice and reorient the economy toward sustainable and balanced growth. Still, such undertakings are likely to fail if they are pursued in the absence of a solid understanding of the nature of the current system, without having captured the public imagination, and without a vision towards a new global order. A long-term vision should not stand in the way of pursuing immediate reforms that alleviate human pain and suffering, and short-term goals should not block the imagination from opening up a world of new possibilities for human relations.

In sum, what the above analysis suggests is that doing away with neoliberalism may require, in addition to progressive forces recapturing the state, major reforms in financialization and the disruption of at least certain features of the present-day wave of globalization. And this means, in a nutshell, making significant alterations in the way international organizations such as the IMF, the World Bank, and WTO operate. This is a tall order, indeed, but the building of a sustainable world will, in the end, require much more than just temporary economic stimulus packages mandated by the need created from the threat a pandemic has posed to capitalist economic life.

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