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Economy

Alternatives to Neoliberal Capitalism

- Features -

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Neoliberal capitalism today has become unpopular, but imagining alternatives is difficult nonetheless. During the 1980s and 1990s, the glitzy world of big money impressed not only people who were invested in it, but even many who were increasingly indebted to or sidelined by it. Even those who didn't like it very much thought that there was no alternative to the neoliberal remaking of capitalism.

Widespread feelings of discomfort found voice in the Zapatistas' "Ya Basta," the World Social Forum's "Another World is Possible" and Occupy's "We Are the 99%." Successive mobilizations around these slogans reinvigorated hope for progressive alternatives, but couldn't be sustained. Short outbursts of protest and rage were followed by longer periods of passivity and resignation.

Sustaining large-scale mobilizations over extended periods of time is impossible, but it should be possible to keep core groups of activists together who reflect on past experiences and strategize for the future. If the goal doesn't go beyond getting protestors out in the street again, a new catchy rallying cry might be good enough. Yet more is needed to build an alternative force to challenge and eventually replace the neoliberal bloc, which is fractured by its own internal contradictions but remains in place.

This doesn't mean that simple slogans should be replaced by baroque theories. What is needed, though, are analyses that help to identify the weak spots in the neoliberal bloc and formulate demands focusing on these spots. These demands, in turn, should appeal to people whose discontent with neoliberalism is coming from different directions, but also allow their convergence towards concrete common goals, part of a longer chain of further demands and goals pointing toward a markedly different vision of an economy and society.

In the history of the left, "The Eight-hour-day," "All Power to the Workers' and Soldiers' Councils," "Land and Freedom" are prominent examples of demands that promised different layers of the popular classes a better life, but couldn't be fulfilled without substantially challenging the capitalism of the times and places when they were raised.

These were condensed expressions of an understanding of these respective capitalisms and their possible transformations. But this isn't true for the more recent slogans: "Ya Basta," "Another World Is Possible" and "We Are the 99%" are honest expressions of discontent, nothing less yet nothing more.

Luckily, there is also a left tradition of advancing economic alternatives, connected to broader and more specific mobilizations, around which an alternative historical bloc might be developed.

Linking the vision of longer-term economic transformations to current mobilization was actually the plan of civil rights activists in promoting a Freedom Budget for All Americans in the 1960s. In a somewhat different way, the Alternative Economic Strategy in Britain and the Common Program of the French Socialists and Communists from the 1970s to the early 1980s aimed at adopting some of the impulses coming from the various social movements at that time in order to move the electoral politics of the left beyond the Keynesian welfare state.

The neoliberal bloc emerging at that time, which successfully amalgamated popular and ruling class discontents with the Keynesian welfare state, defeated these projects of the left but the ideas around which they had been advanced survived in small circles of dissident academics and scholars affiliated with unions, left parties, NGOs and think tanks.

Engagement with the “alternative globalization” movement and more recent anti-austerity struggles led to conceptual updates of these alternative economic policies. Such collaborations haven’t lead to a conceptual and organizational merger between theory and practice anywhere near the level achieved by scholars, organizers and activists in the 1970s.

This is not to suggest that today’s leftists should aim at remaking the then existing alternative bloc. The fact that an emergent neoliberal bloc defeated it shows that it had its weaknesses in its day. Moreover, this defeat opened the path towards neoliberal capitalism, confronting today’s left with economic, social and political conditions radically different from those prevailing in the 1970s.

Thus, scholars, organizers and activists working today may draw on past experiences but also have to do a lot of adjusting and updating.

Keynesian Traces in Neoliberal Capitalism

The common denominator of alternative economic policies advanced in different countries has been to take the Keynesian welfare state as a starting point, and work towards overcoming discrimination against certain social groups and the extension of democracy from the political to the economic system.

Some versions of these policies also included ecological concerns and sought ways of limiting the rising power of multinational corporations. Some were also presented as pathways towards socialist transformations, while others carefully skated around the question whether the suggested alternatives would be compatible with the imperatives of capital accumulation and acceptable to capitalist ruling classes.

In their most moderate versions, alternative economic policies were presented as promoting the general interests of capitalism more effectively than individual capitalists who, by competing with each other over prices, market access or innovations and branding, inevitably end up in crises.

As it turned out, capitalists weren’t interested in anyone from the left telling them what their interests are. Even though crises that did occur did bring losses, unsold merchandise and idle capacities, they preferred not to follow Keynesian advice, figuring that it sooner or later would squeeze their profits. Rather, they used another symptom of the crises, a swelling reserve army of labor unknown in the post-World War II era, to contain union demands and eventually launch their counter-offensive.

This assault has been so successful that today’s advocates of alternative economic policies, rather than suggesting a “Keynes Plus” like their 1970s predecessors, now demand “Back to Keynes” as the immediate alternative to neoliberalism. Other concerns are still on their wish list, but occupy less prominent positions.

Translating the “Back to Keynes” message into better-sounding slogans might be possible, but it is by no means certain this would gain much traction. Advancing alternative economic policies is not just about proper marketing and/or waiting for people to “get it.” It is also about asking whether the suggested alternatives are alternative enough to make a difference to people looking for solutions.

In fact, Keynes may have been purged from most economics curricula but was never really absent from economic policies. During the Great Recession, Keynesian measures (“stimulus”) were applied quite openly and with considerable success. The free fall of the world economy was stopped within months “but the public debt that was

incurred in order to do so was ruthlessly used to justify a new age of austerity.

This turn from a little bit of Keynes to a lot of neoliberalism had its corollaries. One is the continuing existence of the institutions of the Keynesian welfare state. Their capacity to dampen income inequalities have been reduced, if not reversed, but they still pay enough to leave the blame for deficits and debt at their doorstep.

In the ideological wars, it doesn't matter that rounds of tax cuts to the benefit of corporations and the well-to-do contribute much more to the wrecking of public purses than generous welfare payments. All that matters is that states make such payments, thus offering the pretext for more austerity.

Tax and spending decisions by the state are clearly a matter of public policy. Consistent campaigning and mobilizing for taxing the rich may enable some change on this matter, though fears of profit and wealth squeezes amongst the propertied classes would probably soon rebound and trigger resistance to any substantial state-engineered redistribution from top to bottom.

Another Keynesian element in neoliberal capitalism, less debated than budget policies of the state, is the way that the complementary expansion of cheap credit and stock markets contributed to the absorption of savings in excess of investment demand. The fact that interest rates may neither fall automatically, nor be pushed down by central banks to a level that spurs enough investment demand to absorb all available savings, didn't go away just because neoliberals are bragging about the magic of supply and demand.

Keynes suggested that public spending should pick up the slack of private demand. This political fix to monopoly capitalism's economic woes fell out of favor when the propertied classes felt that the continuation of accumulation by Keynesian means would lead to accelerating demands from the popular classes and thus a bankrupting profit-squeeze.

Yet while neoliberal capital was prepared to accept recessions as a means of recreating a reserve army of labor that had been largely depleted by the postwar boom, and mobilize it against active workers and their unions, it had no desire whatsoever to see the return of depression economics.

Swelling Debt and Fictitious Capital

Policy responses to the Great Recession show that there still is no such desire. The already mentioned emergency spending programs during the Great Recession and continued public spending certainly did their part in avoiding depressions. Still, a more crucial part of getting neoliberal accumulation going was to shift deficit spending from public to private households.

Access to cheap credit allowed people to boost spending beyond their income levels and thus led to an increase of aggregate demand. Rising house prices temporarily covered up the fact that the servicing of these credits went way beyond the required incomes that households could realistically expect in the future.

As long as the mortgage-house-price-spiral kept on spinning, aggregate demand was fuelled. Warnings that the paper accumulation of property value was just a cover for rising debt seemed hopelessly out of place. Savings for which there was no investment demand were recycled back into the economic circuit by boosting consumer credit, seemingly backed by rising property values.

This new way of recycling excess savings has been aptly described as privatized or stock market Keynesianism. Like its public deficit spending predecessor-type of Keynesianism, it was limited by the complementary acceleration of debt and inflation. In different ways, fictitious capital, debt and inflation are problems for Keynesian and neoliberal capitalism.

This points to an aspect of accumulation under monopoly capitalism, whether regulated by Keynesian welfare states or by neoliberal states with Keynesian elements, that Keynes himself didn't take into account. The accumulation of fictitious capital, profit claims derived from it, and the accompanying debt outpace the production and realization of profits made possible by the actual accumulation of capital.

In the Keynesian era, this constant overaccumulation of finance was adjusted to the actual accumulation of productive capital through permanent inflation in markets for goods and services. In order to defend real wages and get their share in productivity gains, workers factored this inflation into their union demands and thus did their part in turning the price-wage-spiral.

Politicians inspired by Keynesian ideas were hoping that incomes policies could contain wage and price increases. However, capitalists saw such policies as unacceptable interference by state and union bureaucrats. In their view, the right to manage, which they were not willing to give up under any circumstances, included preemptive or retaliatory price increases to defend profit margins against workers' demands.

Ironically, looking at this from the other end of the bargain, workers had a very similar view. For many of them, incomes policies (wage controls) were an objectionable attempt to sacrifice hard-earned wage increases on the altar of Keynesian technocracy. As long as unemployment and fears of job loss were low, demanding individual raises or even going on wildcat strikes were more effective means of securing their share of the welfare state pie.

The result by the late 1970s was the turn from permanent to accelerated inflation, a turn that free-market guru Milton Friedman had correctly identified as the weakest link in the Keynesian policy chain.

Monetarism and Crisis

Big money, private households with savings accounts, and even capitalists who began keeping money in the bank rather than investing it when continued investment growth looked like a one-way street to a profit-squeeze, began identifying inflation as the main threat to their wealth and power.

To their good luck, monetarism (sharp restrictions on the money supply — ed.) offered a way out. The disinflation that began with the 1981 Volcker-shock (a reference to the Reagan-era chair of the Federal Reserve) and brought the capitalist centers to the verge of deflation during the post-2008 Great Recession reinstated money's function as a reliable store of value. However, it also destroyed the mechanism that had secured a fairly smooth devaluation of financial overaccumulation during the long post-WWII boom.

As it turned out, neoliberal capitalism, for which monetarism had been a door opener, propelled this overaccumulation to record highs. More precisely, soaring stock markets pushed profit claims to ever higher levels and put complementary constraints on wages to make sure that even an economic upswing with rising employment levels won't see rising wages.

During the Keynesian era, persistent inflation in markets for goods and services continuously devalued purchasing

power of all incomes and overaccumulated financial claims. It thus served as a social mollifier and accumulation stabilizer.

Asset-inflation in the neoliberal era drives accumulation forward, but in doing so also paves the way for manias, panics and crashes. Plummeting stocks devalue overaccumulated finances, too. They don't do this continuously but recurrently, as part of the specific form the cycle of capitalist crises has taken under neoliberalism. Still, by annulling significant amounts of fictitious capital and overaccumulated profit claims, the ground gets cleared for another round of accumulation driven by asset-inflation.

The role of privatized or stock market Keynesianism in this cycle is drawing private households with little or no savings into the whirlwinds of upward-spiralling wealth illusions, regularly ending in the loss of original assets and still leaving unpayable debts behind.

Gathering Rage Demands Alternatives

People going through the rollercoaster of financial hopes, fears and frustrations surely don't do an economic analysis to carefully dissect the neoliberal and Keynesian elements in the game they put their bets on.

Yet there is a growing sense that something with this game or system is wrong. Any proposal to change it that looks only remotely like a neoliberal offshoot, if only because the economic language in which it is expressed is similar to that in which the neoliberal welcome to the world of finance was presented, won't gain much traction.

There is nothing wrong with adding reregulation of finance to the demand-management agenda of alternative economic policies, but it misses the main point.

The problems of maxed-out credit cards, mortgages and student loans and pensions caught in the insecurities of stock market evaluations are too real to be ignored. Aggregate debt levels of private and public households have reached a point where common sense recognizes that they are not repayable but continue to be an impediment for any kind of departure from neoliberalism and its discontents.

Cancelling at least some of the existing debt burden, which grows bigger with every round of austerity policies launched in the name of balancing the books, must be integrated into the core of any alternative economic policies. Without such proposals it is easy to dismiss public spending proposals as not financeable in light of already existing debt levels.

Again, it doesn't matter whether these levels were reached through public spending and/or tax cuts in the past. But it does matter that the argument against public spending today can be persuasive if these debts are ignored, or if it is simplistically suggested that sufficient amounts of kick-start spending would trigger accumulation strong enough to repay them.

The neoliberal recipe of using debt to justify more cuts for the popular classes shows very clearly that this is a question of class struggle over the distribution of wealth and incomes. This will continue as long as there is enough debt that can be used as a weapon against the popular classes, but it won't stop unless claims are made, and social movements emerge, to cancel debt at the expense of the propertied classes.

Beyond Back-to-Keynes

Just to recap: Advancing alternative economic policies on a “Back to Keynes” platform has its limitations because there were already contradictions between the imperatives of capital accumulation and the Keynesian welfare state that contributed to the latter’s demise. Another limitation is that the superseding neoliberal form of capitalism contains certain Keynesian elements, making the claim that Keynes would represent an alternative to neoliberalism somewhat dubious.

But this is only the economic side of the story. Main Street is not only outraged by the economic outcomes of neoliberal capitalism but also by the way this whole system is run. Rage against the one percent, or the elite of oligarchs and plutocrats, also articulates a very realistic sense of powerlessness among the subordinate classes.

Charismatic leaders on the populist and fundamentalist right build on such sentiments by promising “to really take on the powers that be.” Their followers can’t and probably really don’t expect to overcome their own powerlessness by supporting such leaders, but may comfort themselves by believing that some of the glorious leader’s light might shine on them.

However, that same rage can also lead to “power to the people” demands. Picking up such demands, and linking them to an alternative economic agenda, is difficult for a set of policies derived from a Keynesian focus on aggregate analysis and state policies.

Some proponents of alternative economic policies in the 1970s were aware of this problem, and therefore included calls for an extension of democracy from the system of political representation to public and private sector firms.

The economic democracy they had in mind was very much a reflection of intense shop-floor struggles at the time, and aimed at further empowering the workers engaged in these struggles. As these practical battles were lost, along with ideational left alternatives to the Keynesian welfare state, notions of workplace democracy receded. Reviving them could certainly be an important aspect of making an alternative bloc.

At the same time, the commodification of many aspects of life that had been partially sheltered from the imperatives of capital accumulation during the Keynesian era also poses the question of democracy beyond the shop floor. This includes a recapturing and transforming of state apparatuses, but also struggles in the many front organizations of the capitalist state, civil society on national and international levels.

Recent movements from the World Social Forum to Occupy and its offshoots in other countries are acutely aware of this, rallying around the fact that the ever greater concentration of capital undermines even a representative democracy “the natural complement to a free market economy, according to many neoliberals” and that the concomitant commodification of life takes breathing space away from any opposition movement.

Isn’t Marx the Answer?

Echoing widespread discontent with “the system,” many activists in these movements resort to horizontalism and localism as obvious alternatives to the hierarchies of states and markets. Keynesian and, for that matter, Marxist critics are quite right in pointing out that this kind of alternative, at best, will be able to carve out niches within capitalism or raise false hopes ending up in disillusionment and frustration.

At the same time, though, the democratic impulse coming from these movements might reinvigorate the search for democratic intermediations between individual and collective actions that was absent from the left mainstream in the past.

The statist and technocratic character of Keynesian welfare states and Soviet communism, but also of many suggested alternatives to these two “actually existing socialisms,” did their share in discrediting left alternatives altogether. To make alternative economic policies more attractive it is important not only to move from a “Back to Keynes” to a “Beyond Keynes” message, but also to come up with democratic organizing principles that could be applied beyond local communities.

An obvious way to move beyond Keynes is adopting Marx as godfather of alternative economic policies. Drawing on his economic and political theories might help to overcome the conceptual limitations of policies inspired by Keynes. Moving in this direction, though, requires as much rethinking of Marxism as this text demands from Keynesianism.

Marxian critiques of Keynesianism have a long tradition, and many of the above arguments draw on them on way or another.

Yet it doesn't take much looking around to find out that Marxian socialism isn't more popular than Keynesian alternative economic policies. Marxism, at least in the version with which it is widely identified in the former “actually existing socialisms” of Eastern Europe, shared with Keynesianism a bureaucratic character that flies in the face of demands for democratic participation.

Although representative “bourgeois democracy,” the political form in which Keynesian welfare states developed in the postwar era, had its deficiencies that were vividly articulated by 1960s New Lefties and new social movements from the 1970s onwards, it certainly scored better on the democratic-content scale than the politburo-dictatorships in the East.

True enough, Marxists were among the harshest, maybe the harshest critics of that system, and tirelessly pointed out that it had nothing to do with Marxian socialism. Yet such criticisms hardly resonated beyond small circles. To outsiders, it was all the same.

Some of the critics turned the fact of political isolation into a virtue and went all the way from socialist politics to a purely theoretical amalgamated critique of political economy, Keynesian welfare states, and Soviet communism.

This critique is useful in its way, sharpening a sense for the limits of capital accumulation and social reforms relying on continued accumulation and class compromises. It also produced valuable critiques of bureaucratic rule in private corporations and state apparatuses, East and West.

But while Engels wrote a scathing critique of utopian socialism, and Marx declined requests to draw out roadmaps to socialism in his day, this doesn't mean that later, when socialist movements began wielding power, strategies of transformation didn't become a necessity to further advance these movements. The tragic outcomes of actually occurring transformations also were the reason for many Marxists to retreat from efforts to changing the world to just interpreting it.

Interpreting is certainly an indispensable part of changing the world, but won't contribute to it unless it is connected to the anger, fears, hopes and desires of the many who feel there's something wrong with the world and looking for alternatives. Unless interpretations can be translated into programs and slogans capturing the imagination of the

discontented, no alternative bloc will be constructed capable of actually changing the world, and hopefully avoiding some of the mistakes of past social movements.

Who knows: Maybe some of the already existing interpretations of the capitalist past and present, supplemented by critical analysis of the history of the left, can be condensed into a slogan with a mobilizing capacity similar to yesteryear's slogans like the "Eight-hour Day," "All Power to the Workers' and Soldiers' Councils" or "Land and Freedom." Besides, there's also lots in those three that is worth fighting for these days as much as it was in the past, necessary additions and updates notwithstanding.

[\[Against the Current\]](#)

[1] Author's content warning: This text includes a certain amount of Keynes-bashing. Readers who find this offensive may take comfort from the Marxist self-critique offered at the end.