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Response to Daniel Skidmore-Hess On the “Bankruptcy of Liberalism and Social Democracy in the Neoliberal Age”

Abstract

Ronald W. Cox writes a response to [Daniel Skidmore-Hess' reply to Cox's "The Bankruptcy of Social Democracy and Liberalism in the Neoliberal Age,"](#) which was originally published in CRCP Volume 3, Issue 1.

Keywords

Party Polarization, Polarization, Neoliberalism, Corporate Power

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I appreciate the thoughtful and elegant comments that Daniel Skidmore-Hess made in response to my article, “The Bankruptcy of Liberalism and Social Democracy in the Neoliberal Age,” published in the Perspectives section in a previous issue of this journal (see Volume 3, Issue 1). We both agree that Social Democratic Parties in Europe, and the Democratic Party in the U.S., have drifted steadily to the right in economic policy positions during the age of neoliberalism. And we also agree on the most fundamental cause of this drift: the rise of corporate power. Daniel critiques my use of the term “bankruptcy” as inappropriate given that the goals of left-liberalism and Social Democracy are still valuable goals, but often have not been fully implemented. But I actually used the term “bankruptcy” to refer to the fact that Social Democratic parties have acted as “bankrupt” vessels of elite privilege in recent decades, becoming more similar to their counterparts on the center-right of the political spectrum. A big part of this right-turn has been the structural transformation of global capitalism, where corporate power is enhanced by globalization of production and the financialization of profits. Another significant aspect of this right-turn are the increasingly tight linkages between the professional political class, regardless of their ostensible party label, and the business class—measured through the proliferation of corporate lobbies and think-tanks on a global scale. I know here there is much that Dan and I agree on, as he does an excellent job developing these points in his commentary, and we have collaborated on this very topic, especially in our *U.S. Politics and the Global Economy* book with Lynne Rienner Press, 1999, and more recently with contributing chapters in my edited volume, *Corporate Power and Globalization in U.S. Foreign Policy*, Routledge Press, 2012.

This rightward drift of economic policy in contemporary capitalism raises the larger question of whether or not capitalism can accommodate a Social Democratic agenda, the way it could (to an extent) during what some economists have called the “Golden Age” of capitalism from the late 1940s through the early 1970s. In some ways, this term “Golden Age” is a misleading one, because it references just few aspects of this era of capitalism, albeit important ones: a move toward greater economic equality between rich and poor, and a greater role for working class representation in trade union structures and political parties linked to those structures. However, the term conceals the ongoing exploitation and exclusion of workers in production operations and decision-making during this period, alongside the myriad structures of oppression of minorities that was central to capitalist (and often labor) hierarchies of representation. In fact, white male privilege runs across this “Golden Age” to such an extent that it is apparent that not all groups shared in the benefits of this system. However, there was an accumulation structure that was more conducive to lessening income inequality between rich and poor. Domestic production of large-scale goods in sectors such as automobiles, machine tools, chemicals, and steel allowed for the growth of a working class whose political representation would include bargaining rights to negotiate for higher wages and better working conditions, and inclusion in Social Democratic and liberal parties where workers would occasionally have a political voice. This “embedded liberal” system also constrained finance in ways that has long ceased to be true under neoliberalism. Countries implemented capital controls to regulate the export and import of financial capital. That contrasts with today’s neoliberal period, where financialization of profits has dramatically increased in virtually every capitalist country in the world.

It seems that the “Golden Age” of capitalism may well be an aberration. Capitalists were always hostile to many aspects of the “social democratic compromise” during the “Golden Age” period, but the combination of sunken costs in large-scale industry and a relative dependence on domestic workers for profitability and consumption made such compromises politically and economically tenable—for a time. However, the fissures in these capitalist compromises could be seen as early as the 1960s, with the rise of global capitalist competition, the steady reduction in the rates of profit for Fortune 500 firms from 1965 through the early 1980s, and the increasing demands of a working class that wanted more of the profit margins (strike waves were up in many capitalist societies in the late 1960s and early 1970s). The corporate counterattack was more than just a subjective political response on the part of capitalist coalitions, but a manifestation of what Marx theorized in *Capital* about a long-term tendency of the rate of profit to decline. Capitalists sought strategically to reduce the rate of profit decline through dramatic expansion of domestic and transnational lobbying networks, the latter of which helped to create the political preconditions necessary for a dramatic expansion of foreign direct investment that helped transform production structures. The corporations that lifted themselves from the long-term profit squeeze were those that restructured their operations most completely: severing their highest profit-making activities from those that were less profitable and more costly. This process saw the globalization of production across nation-states, with predictable consequences in terms of capital-labor relations. Labor has been on the defensive virtually everywhere, and the political parties that used to describe themselves as “working class parties” have increasingly shed that label as working class communities became fractured, undermined and destroyed.

But contrary to much mythology, this did not mean that the working class was suddenly reduced in numbers. For the most part, it meant that workers were taking jobs that paid less, were more concentrated in service industries, and were stripped of many of the health and retirement benefits they may have previously enjoyed. This restructuring of the labor force has made worker organization harder. It has also helped create a defensive posture on the part of trade union bureaucrats who have been able to hang onto their positions during this transition. Unions that were always “business unions” became even more focused on bargaining for (meager) wage increases as opposed to political education and mobilization of their membership—which some large-scale unions see as a threat to the bureaucratic status quo. In the U.S., for example, when unionized workers were actually given a choice of whom to endorse as President, most chose Bernie Sanders. But most unions did not give workers a choice: union bureaucrats determined the endorsement of Hillary Clinton as *fait accompli*. This very fact demonstrates what writers like Chris Hedges have rightly called the moral bankruptcy of contemporary liberal institutions and organizations. Instead of empowering rank and file workers, modern union bureaucrats are more content to protect a privileged hierarchy within their own organizations.

The crisis of labor representation is at the center of major political convulsions that we currently see on a global scale. In Europe, the failure of left parties to advance the interests of workers and the poor have helped leave the door more wide open for the rise of fascist parties to target immigrants as scapegoats. This dynamic certainly was a big part of the Brexit vote in Britain, where right-wing elites mobilized anti-immigrant sentiment in a way that convinced a significant section of voters to vote in favor of Brexit. But the final vote was too complicated for simplistic narratives that suggest that racism was the only motivating factor. There were significant numbers of workers who voted for Brexit due to the (accurate) feeling that the European Union

was unaccountable, unresponsive and even hostile to working class interests in Britain and elsewhere. The track record of EU support for corporate neoliberal policies, including a draconian emphasis on anti-inflationary currency stabilization and bailouts for large-scale European banks at the expense of working class taxpayers provided grist for those that felt that the EU was operating “by the rich, for the rich.”

Well before the Brexit vote, the British Labor Party had its own rebellion against the Blairite conservative faction that had long dominated the party. The rise of Jeremy Corbyn as Labor Party leader was due to a grassroots movement that overthrew a Labor Party establishment that had grown closer to the City of London’s financial sector than to its own rank and file labor membership. Corbyn understood that the political case for staying in the EU, though preferable to exit, was difficult to make on the terms being established by the corporate policymaking structure of the EU. After Brexit passed, the conservative bureaucrats in the Labor Party used it as an opportunity to mount a veritable “coup” against Corbyn, only to be beaten back by an aggressive rank and file whose actions proved that working class militancy can still work to create a political process capable of taking back a Labor Party that had swung to the right.

In the U.S., the Bernie Sanders’ movement caused similar convulsions among a Democratic Party establishment that gave preferential treatment to Hillary Clinton in the Democratic Party primaries. As Wikileaks showed by leaking documents written by insiders in the Democratic National Committee, there was a concerted effort on the part of Democratic Party leaders to discourage, disrupt, and prevent effective challenges to Clinton that were posed by the mobilization of a strong left base of rank and file Sanders supporters. The Democratic National Committee seemed threatened by internal polling that shows that rank and file Party members have been moving left across virtually every political and economic issue over the past decade. This poses problems for a corporate Democratic Party establishment that has long taken its cue from its wealthy corporate benefactors. It is past time for left websites like *Counterpunch* to acknowledge that activists can exhibit moral integrity by aggressively pushing for a left policy agenda while working inside the Democratic Party. The extreme moralism and finger-wagging of “high-minded” sectarian leftists who attack other leftists who choose to work inside the Democratic Party is misplaced and self-defeating. We on the left need a broad approach to change that involves an “inside-outside” strategy in relationship to the Democratic Party. The notion that the Party can never change is rather puzzling to me, as it reifies current trends in a way to guarantee that outcome by giving up the internal fight against Party and corporate elites that is already occurring inside the Party. Indeed, the left has increasing numbers on our side, and activists can contribute a lot through aggressive movement and organization building that works both inside and outside the system.

The crisis of neoliberalism, discussed brilliantly in a recent book by our own editorial member David Kotz titled *The Rise and Fall of Neoliberal Capitalism*, Harvard University Press, 2015, has created opportunities for left mobilization of the type being seen in the U.S. and Britain, as well as left mobilizations in Greece, Spain and more recently Germany with the emergence of Die Linke. The focus on so-called Northern capitalist countries is not to minimize what is occurring elsewhere, but the left in South America is clearly losing ground of late, beset by its own contradictions of policies and programs combined with decline in raw materials and commodities prices that has enabled capitalist coalitions to put leftist governments and

organizations on the defensive. The rise of a strong left in the Northern capitalist countries could well become a huge “shot in the arm” for left movements elsewhere. At least, that’s what we should strive to create: a true left internationalism that is not afraid to critique and attack the failed vessels of corporate privilege, whether it be the Democratic Party in the U.S. or the E.U. bureaucracy in Europe.