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## The Bankruptcy of Liberalism and Social Democracy in the Neoliberal Age

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# The Bankruptcy of Liberalism and Social Democracy in the Neoliberal Age

## Abstract

The increasing similarity between the economic policies of center-left and center-right political parties has effectively diminished the legitimacy of governments in relationship to their citizenry in Western Europe and the U.S. Capitalist democracies during the period of managed capitalism gained legitimacy by the appearance of the separation of capitalist ownership rights in the marketplace from the political institutions that govern capitalism. During this period, Social Democratic parties in Western Europe, and to a lesser extent the Democratic Party in the U.S., paid some amount of attention to labor unions and mass constituents in formulating their policy agendas. The era of neoliberalism (late 1970s to the present) has broken any such appearances, with the dominant political parties, regardless of party label, moving rightward to embrace many of the same economic policy agendas.

## Keywords

Party Polarization, Polarization, Neoliberalism, Corporate Power

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The increasing similarity between the economic policies of center-left and center-right political parties has effectively diminished the legitimacy of governments in relationship to their citizenry in Western Europe and the U.S. Capitalist democracies during the period of managed capitalism gained legitimacy by the appearance of the separation of capitalist ownership rights in the marketplace from the political institutions that govern capitalism. During this period, Social Democratic parties in Western Europe, and to a lesser extent the Democratic Party in the U.S., paid some amount of attention to labor unions and mass constituents in formulating their policy agendas. The era of neoliberalism (late 1970s to the present) has broken any such appearances, with the dominant political parties, regardless of party label, moving rightward to embrace many of the same economic policy agendas. This includes support by both center-left and center-right parties for the central components of what is often referred to as “neoliberalism”: reduction in social welfare spending, support for privatization of essential public services, deregulation of health and safety regulations, erosion of anti-trust laws, reduced taxes on the wealthiest citizens, and the globalization of markets on terms negotiated by corporate elites.<sup>1</sup> This increasing sameness of economic policy agendas on the part of mainstream political parties has coincided with lower voter turnout, dramatic reductions in public legitimacy—reflecting a rise in public distrust of governments and a belief that governments are run by the wealthy for the wealthy, and the emergence of third parties in Europe that are often dominated by the far right of the spectrum including xenophobic and openly racist and fascistic parties.<sup>2</sup> Instead of capitalist crises leading to the emergence of left-wing alternatives, which is currently the case in Greece and potentially Spain, the current strength of far right parties has eclipsed the ability of a coherent left to mount an effective counter-attack.

The inability of capitalist economic crises to generate the emergence of mass movements on the left is a puzzle worthy of further reflection. Left-wing scholars and activists have grappled with this question over the past two decades, and have managed to develop some theories as to why a left based in working class constituencies has not emerged to challenge the neoliberal consensus of policy-making elites. A full explanation is complex and cannot be reduced to only one variable. The emergence of a transnational global capitalism in which production is increasingly dispersed across the borders of states has fractured the ability of workers to defend themselves at the nation-state level.<sup>3</sup> The interest of transnational capital has been thoroughly globalized and protected through as many as 400 investment agreements signed between capitalist states during the 1990s and 2000s.<sup>4</sup> At the same time, workers are restricted from moving across borders which are increasingly policed and militarized. Those who have been allowed to cross the borders of nation-states face high-levels of marginalization, policing, and criminalization, further solidifying the structural power of capital both economically and politically.<sup>5</sup> Right-wing forces have been able to take advantage of these circumstances to wax nostalgic about the “loss of national heritage” in appeals to groups of white workers who are willing to accept such claims, generating increasing levels of support for neo-fascist groups. Meanwhile the parties in power of the center-left and center-right are quick to use immigrant labor as a scapegoat for broader societal problems, further lending legitimacy to far-right hate groups, and repeating historical patterns.

While important, the impact of structural global factors in explaining the drift of parties to the right of the political spectrum is not sufficient in explaining the lack of a clear left alternative. The institutional features of governance in an age of neoliberal capitalism need to be inserted into the equation to fully grapple with the politics of the right-turn. But for skeptics, it is

first necessary to show that this right-turn does exist across a range of states with diverse institutional and class histories. Fortunately, scholars have a tool to measure such shifts in policy preferences over time known as the Mapping Policy Preferences database, which examines the extent to which political parties of differing labels have adopted similar neoliberal policies while in positions of power in Western Europe and in North America. From the 1990s to the present, the trends from this database are quite clear: regardless of institutional differences or levels of commitment to social democracy, the trajectory of Social Democratic Parties in Europe and the Democratic Party in the U.S. show remarkable convergence in their support of neoliberal policies.<sup>6</sup> That means that ostensibly center-left parties have moved to embrace many of the tenets of neoliberal orthodoxy in supporting reductions in welfare spending, privatization of social services, “competition policy” that has served as a justification for greater liberalization of markets on terms highly favorable to corporate interests, and reductions in the tax and regulatory obligations of the upper income strata of their populations. The extent to which center-left political parties have turned in favor of neoliberalism, even in Scandinavian countries with a longer commitment to Keynesian redistribution, requires some amount of explanation.

The first part of the equation is the greater structural and instrumental power of capitalist political organizations which were central in promoting neoliberal policies at the highest levels of policymaking. This is not strictly a matter of lobbying, although there have been expansive networks of corporate lobbying in the U.S., Canada and Western Europe, led by the Business Roundtable in the U.S., the International Chambers of Commerce and the European Roundtable of Industrialists in Europe.<sup>7</sup> The most powerful corporate groups can minimize overt lobbying by exerting a more profound influence on policymaking through the process of agenda-setting, which entails the establishment of policy foundations funded by transnational corporate actors that can establish the parameters within which policy debates occur. For example, the policy technocrats within the European Union are advised by a network of well-connected policy foundations that do the bidding of their corporate donors, whose interests are often cloaked in the garb of technocratic problem-solving “solutions” to policy dilemmas. Much of the deregulatory and market liberalization policies in the European Union owe their existence to a well-established network of policy associations with deep ties to transnational capital.<sup>8</sup> Similarly, corporate networks have been directly involved in the negotiation of as many as 400 investment agreements led by the European Union and the U.S. that have helped establish the terms for the globalization of production, including corporate supply chains that have weakened the ability of labor unions to counter the negative effects of “free trade”.<sup>9</sup> The overwhelming representation of corporate elites as partners with political elites on both the center-right and center-left of the spectrum in establishing the specific policies embedded within these investment agreements goes a long way towards showcasing the entrenched nature of corporate power. Here there is little difference between Social Democrats in Europe and their Conservative counterparts; just as there is little difference in the U.S. between the Democrats and the Republicans.

The second part of the puzzle is more subtle but also significant: the professionalization of party hierarchies in the institutionalized discourse of neoliberalism has made their policy orientation closer to each other than their rhetoric or oppositional discourse would appear. Even in the U.S., where the scholarly literature of American politics has spilt much ink talking about the polarization of political parties, the polarization has occurred within an overarching agenda of neoliberalism. It was the Clinton Administration, after all, that not only embraced but implemented many of the neoliberal policies supported by the Reagan Administration in the 1980s: a move toward balanced budgets that saw an increase in reductions of federal social

welfare expenditures in the neoliberal era, an emphasis on criminalization and policing in federal justice policies, a further deregulation of the banking sector that reached its height in wide bipartisan support for the elimination of the Glass-Steagall Act which eliminated the already weakened barriers separating commercial and investment banking.<sup>10</sup> While the Clinton Administration did support the increases in tax rates for the upper two percent of taxpayers, the increase was not enough to offset its support for corporate restructuring and tax loopholes that further the neoliberal globalization agenda, not to mention its support and leadership in passing NAFTA—which became the model of corporate-backed investment agreements over the next twenty years. In other words, the regressivity of the Reagan era was codified and solidified by a Clinton Administration that talked of a “third way” whose rhetoric was designed to bypass association with traditional conservative or liberal policy proposals, but in fact gave ideological cover to neoliberal policy measures. Given the history of Democratic convergence with the neoliberal policy agenda, which actually starts with Democratic President Jimmy Carter, there is clearly a cavernous gap between political scientists’ contention that the parties are “polarized” and the rather overwhelming evidence that both parties have pursued neoliberal policy agendas.

Squaring the circle of this apparent discrepancy is an interesting task, and one that can only be tackled in a more detailed article than this one. But one part of the explanation for party polarization rests more on cultural and “identity” issues than class issues.<sup>11</sup> The extent to which Republican and Democratic Party elites diverge from one another is often expressed in social issues such as religion versus secularism, abortion rights vs. “pro-life”, nativism vs. legal immigration, and individual property rights such as gun ownership, all of which are rarely if ever discussed in the public arena within the larger context of corporate power and class privilege but instead are more narrowly conceptualized as a cultural war of identity pitting those that “think like us” against those that “oppose our values.” The framing of these identity and cultural issues contribute to a retreat from addressing class power and privilege in favor of “identity” markers, and has greatly contributed to the party polarization that does exist, even if it’s not polarization around neoliberalism, which both parties have endorsed.

In Western Europe, where a different set of technocratic institutional politics prevail, the party elites position themselves differently, as purveyors of a technocratic “wisdom” that comes from a regulatory and institutional structure increasingly insulated from public opinion. Indeed, the very establishment of a European Union around a European Central Bank that takes its cue from the German Bundesbank indicates the extent to which the European project is a corporate project, with roots of support from the most powerful corporate actors in Europe, not the least of which is the European Roundtable of Industrialists. But instead of the crass lobbying embedded in U.S. politics, the technocrats at the center of the regulatory apparatus of the E.U. legitimize the crafting of E.U. policies in the language of codified rule-making that is designed to insulate European elites from the more “narrow” concerns of citizens within the nation-states of Europe. The result has been a predictable gap between an E.U. elite that emphasizes a common European project, and European citizens who feel (correctly) that this project is being forced down their collective throats. With Social Democrats tied to the corporatist agenda of the E.U., with its top-down structure and its promise of social benefits and redistribution to the masses (which masks the neoliberalism at the heart of actual E.U. policies), the double-speak between what Social Democrats say about the benefits of the E.U. and how ordinary workers experience the actual neoliberal policies on the ground becomes harder to sustain. The result is an E.U. bureaucracy that is increasingly delegitimized, as evident by the negative votes on the E.U. Constitution in France and the Netherlands in 2005, while other votes were either cancelled or postponed as the

E.U. technocrats worked to move around public opposition to save their political project. The latest appointments of E.U. technocrats in place of actual governing officials to preside over the implementation of policies in the indebted states of Greece and Italy speak volumes about the replacement of citizenship with corporate technocracy.<sup>12</sup>

The upshot of this corporate technocracy is a fusion of corporate and state power that has brought all mainstream parties of the center-left and center-right into collaboration on behalf of the market interests they serve. To suggest, as many liberals and progressives do, that there is little choice but to participate fully in this plutocracy on the side of the lesser-evil is to beg the question: how “lesser” do we need to get before we can talk seriously about reinvigorating independent social movements based on class identification that have the power to pressure the elites from the outside, instead of perpetually giving these elites more legitimacy to ignore, silence and subjugate the left. This topic will be central to further commentary on this site.

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<sup>1</sup> David M. Kotz, *The Rise and Fall of Neoliberal Capitalism*. Cambridge: Harvard University Press, 2015.

<sup>2</sup> Peter Mair, *Ruling the Void: The Hollowing of Western Democracy*. London: Verso, 2013.

<sup>3</sup> Martin Hart-Landsberg, *Capitalist Globalization*. New York: Monthly Review, 2013.

<sup>4</sup> James Thuo Gathii, “The Neoliberal Turn in Regional Trade Agreements,” *Washington Law Review*, Vol. 86: 421, 2011.

<sup>5</sup> Aviva Chomsky, *Undocumented: How Immigration Became Illegal*. Boston: Beacon Press, 2014.

<sup>6</sup> Stephanie Lee Mudge, “What’s Left of Leftism? Neoliberal Politics in Western Party Systems, 1945-2004,” *Social Science History*, Vol. 35, No. 3: 337-380, 2011.

<sup>7</sup> Georgina Murray and John Scott, eds., *Financial Elites and Transnational Business: Who Rules the World?* London: Edward Elgar Publishers, 2012.

<sup>8</sup> David Cronin, *Corporate Europe: How Big Business Sets Policies on Food, Climate and War*. London: Pluto Press, 2013.

<sup>9</sup> Ronald W. Cox, “Transnational Capital and the Politics of Global Supply Chains,” *Class, Race and Corporate Power*, Vol. 1: Iss. 1, Article 4, 2013.

<sup>10</sup> Michael Meeropol, *Surrender: How the Clinton Administration Completed the Reagan Revolution*. Ann Arbor: University of Michigan Press, 1998.

<sup>11</sup> Stefan Krasa and Mattias Polborn, “Party Realignment on Cultural Issues is Responsible for Increased Political Polarization in Presidential Elections,” London School of Economics Blog, March 3, 2013.

<sup>12</sup> Wolfgang Streeck, *Buying Time: The Delayed Crisis of Democratic Capitalism*. London: Verso, 2014, 97-164.