

March 2023

## Neoliberalism, Crisis, Alternatives: Revitalizing Public Goods

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### Recommended Citation

Alfredo S. Filho, *Neoliberalism, Crisis, Alternatives: Revitalizing Public Goods*, 16 U. ST. THOMAS J.L. & PUB. POLY 23 (2023).

Available at: <https://ir.stthomas.edu/ustjlpp/vol16/iss1/2>

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# NEOLIBERALISM, CRISIS, ALTERNATIVES: REVITALIZING PUBLIC GOODS

ALFREDO SAAD FILHO\*

My address to you today focuses on neoliberalism, the evolving and developing crises of neoliberalism, and the ways in which we can think of alternatives to transcend, or to overcome, neoliberalism.

The first difficulty we have is that neoliberalism is a term that is used frequently in the social sciences and in the media, but often without a very clear content. A lot of my work in this area has been to try and contribute to the analytical grounding of this concept because I think it is hugely important in order to understand society, the economy, and politics today. For all the talk that we see about neoliberalism, it is difficult, and known to be difficult, to try and understand what it is, and the concept remains heavily disputed within the social sciences. This is the first challenge that we have, yet [it is] something that I believe can be defined and distinguished and examined. It dominates ideology, policymaking, and social organization today, and that is all beyond the economy.

One of the challenges for us now is to address what it is. Clearly, neoliberalism is conservative and neoliberal thought is conservative thought, and it is associated with the political right, but it is not just any kind of conservative thought. Neoliberal thought has specific features and those features and those ideas, they rule the world. They inform policymaking in most countries, and they are also the bedrock of the common sense of our age. This makes them hugely important in our lives. They are the things that don't need to be discussed, that are accepted without the need for a conversation about them.

Neoliberal ideas have very clear principles. They are, first of all, principles about the importance of property rights. I have tried to illustrate those principles with quotes by prominent neoliberal thinkers that you have

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on screen.<sup>1</sup> They are principles that value inequality, that look at distribution, and that look at the economic role of the state. They are principles that have to do with the meaning of liberty, the role of the individual in society, governance, the importance of ideas and the value of being able to control what ideas are diffused and how. They have to do with the notions of the efficiency of the public sector versus the private sector, and with the notion of the collective. What is the role of the collective in social life? This is all hugely important for structuring the ways in which society functions.

Now, in my view, we live today—and this is by no means accepted by everyone—we live in the age of neoliberalism. This is not just about dominant ideas or policies. Neoliberalism, in my view, is the current stage, the current phase, or the current mode of existence of global capitalism.<sup>2</sup> It is a phase, stage, or mode of existence that emerged after the end of the post-war boom and that spread from its main bases in the United States and in the United Kingdom throughout the global north through Atlanticism and it spread to the global south through the Washington Consensus.<sup>3</sup>

In my view the most important feature of neoliberalism is financialization—financialization in the sense of the subordination of economic reproduction and social reproduction to the accumulation of financial capital in all its forms.<sup>4</sup> The driver of this process of financialization,

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<sup>1</sup> The referenced slide included the following text:

- “A claim for equality of material position can be met only by a government with totalitarian powers.” Fredrich August van Hayek.
- “If history could teach us anything, it would be that private property is inextricably linked with civilization.” Ludwig von Mises.
- “I feel that this country is being destroyed by its philosophy. Specifically, by its universities. The most dangerous thing in this country today are the universities, because of teaching the kind of ideas that would necessarily have to lead to the destruction of this country.” Ayn Rand.
- “We are fast approaching the stage of the ultimate inversion: the stage where the government is free to do anything it pleases, while the citizens may act only by permission.” Ayn Rand.
- “There is no such thing as a free lunch.” Milton Friedman.
- “I am favor of cutting taxes under any circumstances and for any excuse, for any reason, whenever it’s possible.” Milton Friedman. “Liberty is always freedom from the government.” Ludwig von Mises.
- “If you put the federal government in charge of the Sahara Desert, in five years there’d be a shortage of sand.” Milton Friedman.

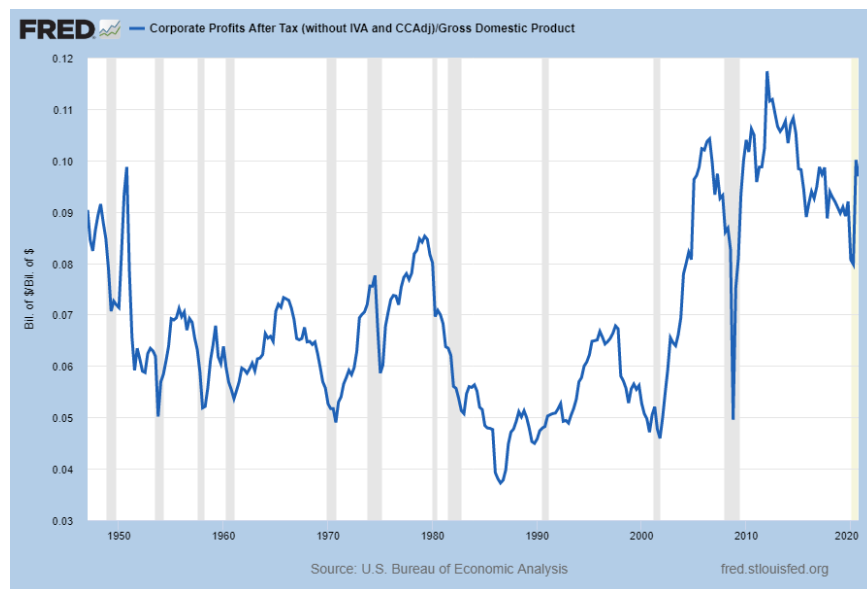
<sup>2</sup> Alfredo Saad-Filho, *Endgame: From Crisis in Neoliberalism to Crises of Neoliberalism* 14 HUM. GEOGRAPHY 133, 133 (2021).

<sup>3</sup> *Id.*

<sup>4</sup> *Id.*

in my view, is the transfer of state capacity to allocate resources from the state itself to a globally integrated financial system that is dominated by public and private institutions based in the United States.<sup>5</sup> It is this process that has allowed finance to control the most important sources of capital and the most important levers of economic policy in most countries.<sup>6</sup> It also permitted the restoration of the U.S. empire after the defeat in Vietnam, after the defeat with the Iranian Revolution, and after the Dollar Crisis in the 1970s.<sup>7</sup>

Neoliberalism led to an extraordinary recovery of profitability since the lows of profit rates in the turn from the 1970s to the 1980s.<sup>8</sup> This is what you see on the first graph on the top in this slide. Profitability recovered, and you can see the recovery from the mid-1980s, and the decline in profits with the global financial crisis around 2008-2010, but then profits recovered until the onset of the recent pandemic, or the still ongoing pandemic.<sup>9</sup>



While financialization permitted this recovery of profitability, it also increased immensely a sphere of speculation that is inseparable from the

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<sup>5</sup> *Id.*

<sup>6</sup> *Id.*

<sup>7</sup> *Id.*

<sup>8</sup> U.S. Bureau Econ. Analysis, *Custom Graph*, FRED, <https://fred.stlouisfed.org/series/CP> (last accessed Mar. 6, 2022).

<sup>9</sup> *Id.*

operations of finance itself.<sup>10</sup> This is what financial institutions do; they transfer value. They permit investment to take place, and they fuel an autonomous sphere of pure speculation. In doing this, finance and the financial institutions have been appropriating an increasing share of the total value produced in the economy. Finance tends to employ more and more people, and finance traditionally pays the highest salaries of all the major economic sectors.

The appropriation of increasing shares of value by finance has tended to support the concentration of income, and we will come back to this. In the United States for example—and I use the United States not just because you're based in the United States but because the data is more easily available for the U.S., and it is of course the most influential economy within the neoliberal camp—the profits captured by financial institutions were around 10 percent of total profits in the period following the Second World War, and they rose in the age of neoliberalism to towards 40 percent, and slightly above in the early 2000s.<sup>11</sup>



That share declined immediately after the global financial crisis but it very rapidly leapt to between 20 and 30 percent of total profits.<sup>12</sup> Since finance is not directly productive or value, these are transfers from the non-financial corporate sector, and they have contributed again to the polarization of incomes under neoliberalism.

The next significant feature of neoliberalism is the transnationalization of production and finance, that in common discourse is

<sup>10</sup> Saad-Filho, *supra* note 2, at 133.

<sup>11</sup> Matthew C. Klein, *Crush the Financial Sector, End the Great Stagnation?*, FIN. TIMES (Feb. 16, 2015), <https://www.ft.com/content/b182afcc-a40f-3f6a-9c46-1a81cec63258>.

<sup>12</sup> Saad-Filho, *supra* note 2, at 133.

what we call “globalization.”<sup>13</sup> This is about the international integration of the circuits of accumulation at the level of individual firms, no longer at the level of countries, and—to support and underpin this process—the liberalization of trade, of domestic finance, and of international capital flows.

Next, is the state. We are going to come back to this, but neoliberalism is not about the withdrawal of the state, or the reduction of the size of the state, or about the rolling back of the state in any significant way. This is a discourse for propaganda: it is a discourse for the masses. This notion is very clear within neoliberal thought: neoliberalism has a discourse for the masses, and this is the discourse: the state is inefficient, and the state should be reduced in size, it should withdraw from social life. However, in reality, the state needs to be strong. The neoliberal state may or may not be large, but it has to be interventionist in a particular way. It is the state that legitimizes neoliberalism itself in the ideological domain. It is the state that transfers to finance control over the sources of capital and introduces the new neoliberal legal framework. It is the state that puts together the new industrial structure and the new financial structure. It is the state that privatizes public assets and commercializes services, and it is the state that withdraws social security. It is the state that imposes means-tested benefits and enforces private sector performance criteria on the public institutions themselves. It is of course the state that represses the opposition.

This is the context in which neoliberalism was able to lead to rising profit rates and also led to growing inequality—remember the importance of inequality for neoliberal thought. It also had the consequence of leading to declining rates of investment and GDP growth, particularly in the advanced capitalist economies in the OECD, even though neoliberalism had created unprecedentedly favorable conditions for accumulation worldwide: the West won the Cold War; trade, finance and capital movements have been liberalized worldwide;<sup>14</sup> competing states now provide unprecedented support to accumulation. Tax rates have been cut, transfers have been cut, welfare provision has been cut.<sup>15</sup> The traditional sources of resistance have been defeated. Nationalist movements, nationalist governments in the Global South, trade unions, peasant movements, left-wing political parties [are] all defeated, and neoliberalism has achieved ideological hegemony.<sup>16</sup>

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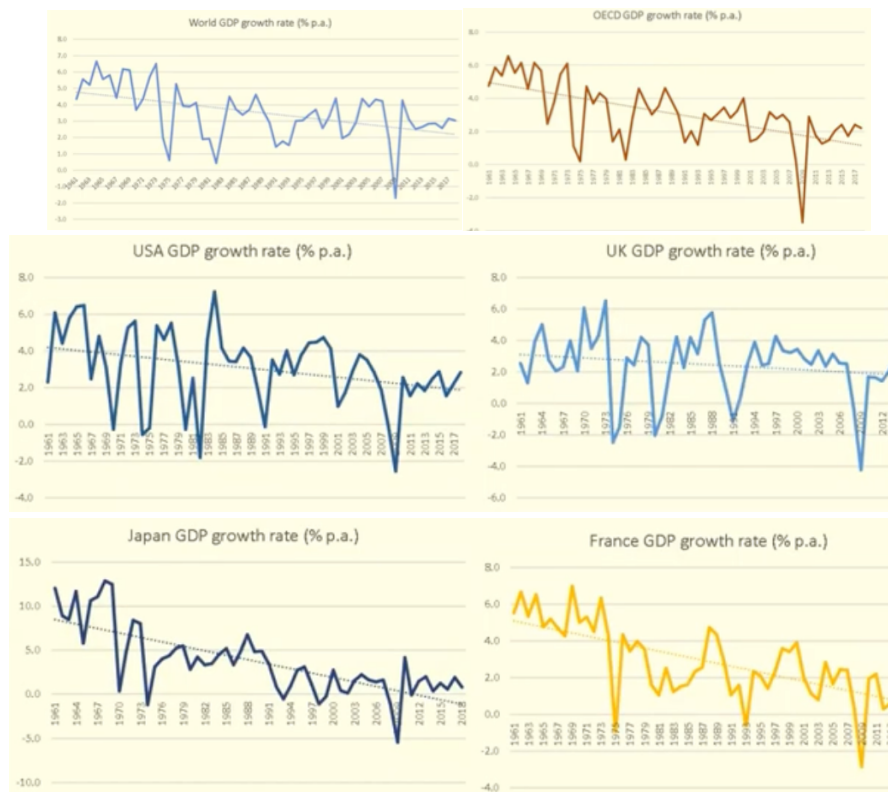
<sup>13</sup> *Id.*

<sup>14</sup> Alfredo Saad-Filho & Ben Fine, *Thirteen Things You Need to Know About Neoliberalism*, 43 *CRITICAL SOCIO.* 685, 689 (2016).

<sup>15</sup> *Id.*

<sup>16</sup> *Id.*

Neoliberalism achieved all the conditions that it wanted and what happened? Accumulation in the core countries has been slowing down consistently decade after decade for five or six decades already. GDP growth rates have been declining throughout the age of neoliberalism and, between 2007 and 2020, the West suffered the longest economic calamity and the weakest and most regressive economic recovery on record.<sup>17</sup> This is what I call the “economic paradox” of neoliberalism: that the achievement of extraordinarily favorable conditions for accumulation was associated with a complete inability to realize those conditions in the form of real economic prosperity.<sup>18</sup> If you look at GDP growth rates in the advanced economies in the OECD they have fallen. If you look at the world as a whole, GDP growth rates have also tended to decline to the extent that very recently our era was referred to as the “Great Stagnation.” This is true evidently for individual countries as well.



<sup>17</sup> Saad-Filho, *supra* note 2, at 133.

<sup>18</sup> *Id.*

Financialization has influenced social reproduction, and in doing this it has imposed social discipline in four significant ways. First, globalized neoliberal capitalism has spread across eastern Europe, Asia, sub-Saharan Africa, and Latin America in the recent decades.<sup>19</sup> Production taking place in those areas has been integrated with globalized circuits of accumulation. This has had the consequence of increasing competition within national working classes and between working classes in different countries. Second, [there have been] technological innovations, restructuring of production and changes to the patterns of employment. Associated with that, there were significant restrictions to wages, subsidies, benefits, entitlement systems, and all sorts of non-market protections that had been introduced previously under Keynesian, developmentalist or Soviet-style socialist regimes; they have all been dismantled to a significant extent.<sup>20</sup>

Then, neoliberalism imposed restrictive monetary and fiscal policies—at least before the global financial crisis—and associated that with easy credit policies. Now, typically, the state doesn't provide directly, and the state doesn't transfer from the rich to the poor; instead, the state allows the poor to borrow to provide for themselves. The consequence has been that the poor, particularly in Anglo-Saxon economies, have tended to become tangled up into financial circuits.

Previously it was through their paychecks. Decades ago, you would be paid at the end of the week in cash. You receive an envelope, and you go home. Then you start being paid at the bank—your bank account. Then you have your credit card, then you have your mortgage, then you have your pension invested in the stock market, then you have to pay for education, for health, and for social provision. Pressures for repayment as debt accumulates exerts an enormous amount of discipline on people, under the threat that they might lose their house, they might lose their car, they might lose their reputation and then they can't borrow anymore.<sup>21</sup> The consequence has tended to push people to work longer and longer hours, in multiple jobs with casual or temporary contracts, under very stressful conditions.

All this I summarize under the term “financialization of social reproduction.” The consequence, once again, has been rising profit rates and rising inequality at the same time.<sup>22</sup> For illustration, total household debt in

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<sup>19</sup> Alison J. Ayers & Alfredo Saad-Filho, *Democracy Against Neoliberalism: Paradoxes, Limitations, Transcendence*, 41 CRITICAL SOCIO. 597, 603 (2014).

<sup>20</sup> Saad-Filho, *supra* note 2, at 133.

<sup>21</sup> Saad-Filho & Fine, *supra* note 14, at 693.

<sup>22</sup> *Id* at 698.



the United States in 1975 was in the region of \$734 billion.<sup>23</sup> By 2006, before the global financial crisis, debt was \$13 trillion.<sup>24</sup> Under these pressures, workers and the poor in very large numbers have tended to be drawn—and were drawn in the 1990s and early 2000s—into the logic of asset inflation to meet their needs by using their credit cards and by turning their houses and pensions into cash machines so that they could draw money and pretend to be earning higher salaries than they actually were earning.

In that sense, personal debt was the compensation for the lack of good jobs. It was the compensation for the lack of stable jobs and for the withdrawal of public provision of basic goods and services. Personal debt helped to ensure the achievement of higher levels of consumption, that was the be all and end all of neoliberalism. Consumption is the way in which you validate yourself in neoliberal society, and consumption serves to mask and disguise the structural problems of social reproduction under neoliberalism. This is what I capture under this notion of financialization of social reproduction.

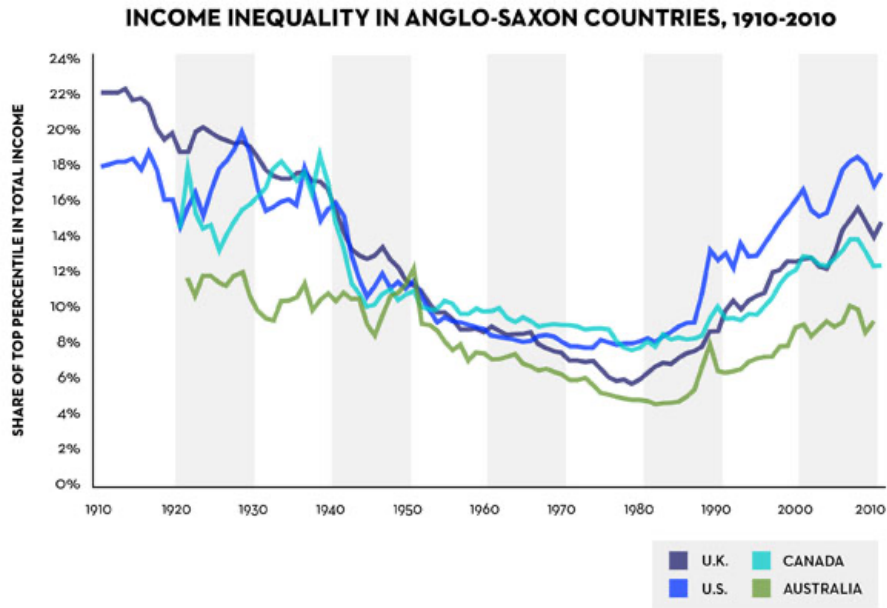
The implications for distribution under neoliberalism are widely known. This is what became known as the U-shaped curve after the work of Thomas Piketty in his book *Capital in the Twenty-First Century* that came out in 2013. That book really captured the moment and became an instant bestseller, even though it's a dry book written by an economist. What the U-shaped curve shows in this graph is the main Anglo-Saxon economies is at the beginning of the 20th Century the top 1 percent of the distribution of income had 20-something percent of the national income.<sup>25</sup>

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<sup>23</sup> Bd. Governors Fed. Rsrv. Sysm., *Households and Nonprofit Organizations; Debt Securities and Loans; Liability, Level [CMDEBT]*, FRED, <https://fred.stlouisfed.org/series/CMDEBT> (last visited Mar. 6, 2022).

<sup>24</sup> *Id.*

<sup>25</sup> *The Book That all the Economists are Reading: Das Kapital in the 21st Century*, ROLLING ALPHA (Apr. 15, 2014), <http://www.rollingalpha.com/2014/04/15/the-book-that-all-the-economists-are-reading-das-kapital-in-the-21st-century/>.



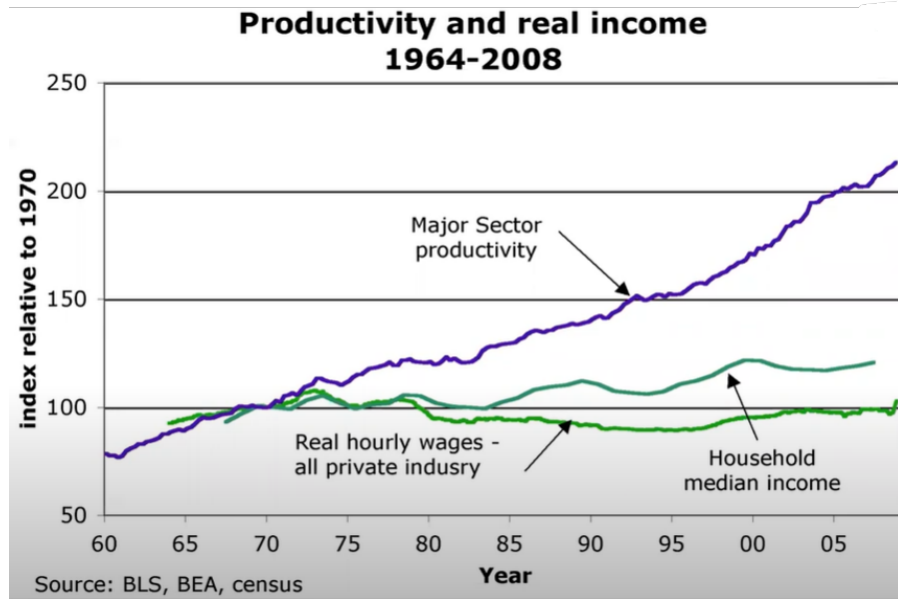
That proportion of income appropriated by the top 1 percent declined significantly especially after the Second World War and under the impact of the welfare state, but then, under neoliberalism, [there was a] sharp concentration of income once again.<sup>26</sup> We are now back to where we were—in terms of distribution—over a hundred years ago. This is a consequence of neoliberalism.

In the case of the United States, this is absolutely uncontroversial. No one disputes that the wage share of national income has tended to decline. Given the size of the U.S. economy, a decline of 5 percent of national income is absolutely massive and implies a substantial transfer from wages to profits, which is essentially what has been going on here: if the wage share falls, the profit share correspondingly rises.

The main reason for that effect is that wages have tended to stagnate. In the case of the United States, hourly real wages tended to peak in the early 1970s around 1972 or 1973, and then to stagnate, growing only very slowly in recent periods. I am excluding the recent adjustment after the pandemic because we still don't understand what's going on there, but looking at the longer-term picture, it's absolutely uncontroversial that real wages have tended to stagnate.

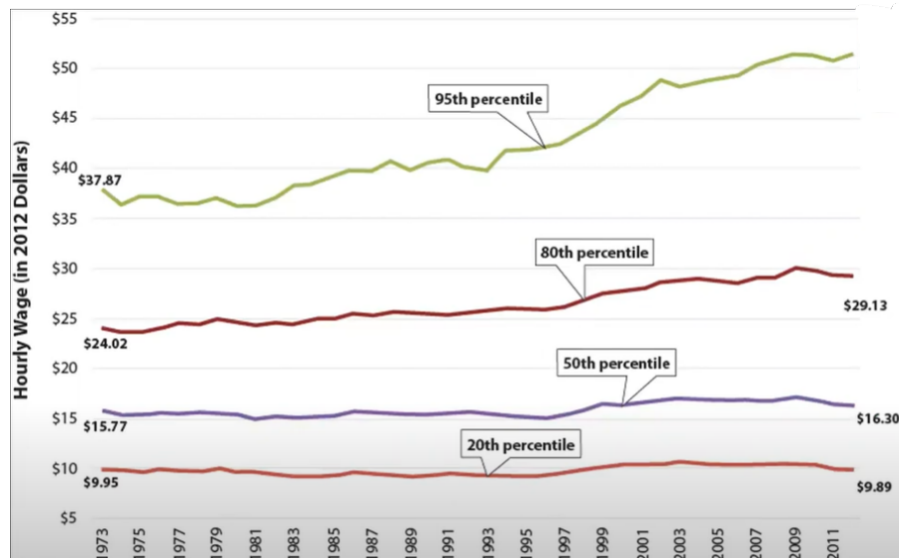
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<sup>26</sup> *Id.*



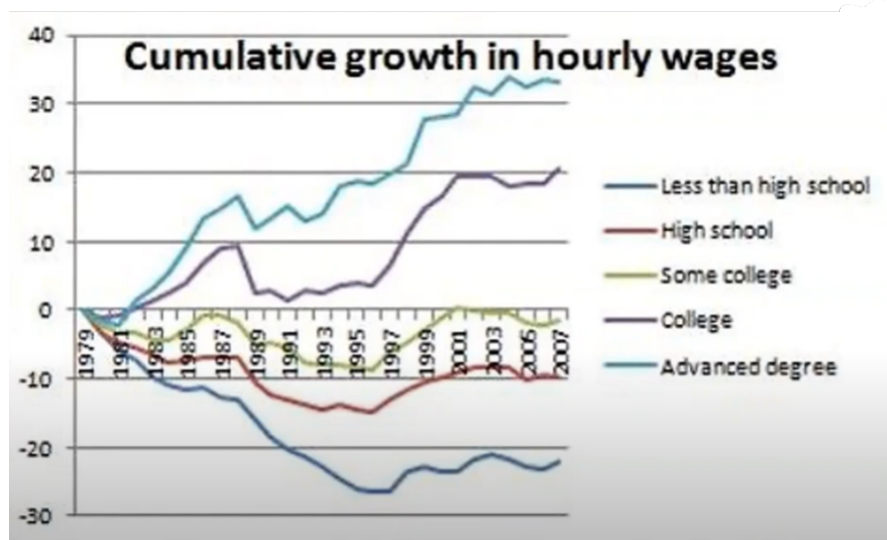
Now, if you look at the at the purple line, that's economic productivity. Economic productivity growth in the United States is very, very regular. It rises about 2.5 to 2.75 percent per annum and has done so since the second World War. No change there, it is essentially a straight line. Until the early 1970s, hourly wages were rising together with productivity. If wages are rising together with productivity, everybody is gaining and the distribution of the income doesn't change. Now, in the beginning of the 1970s, as I indicated previously, real wages stopped rising. If you look at the lower green line, that is, real wages, they basically stagnated and opened a wedge between productivity, that continued to rise, and wages that were stagnant. What is in the middle is the total household income, that grew not because wages increased, but because families worked more hours.

This is retired people going back into the labor market. This is students going into the labor market. This is housewives exiting the home, or partly exiting the home, and going into the labor market. It is households working more for the same wages. Their income rises, but the consequence is that you have to work more and more hours.

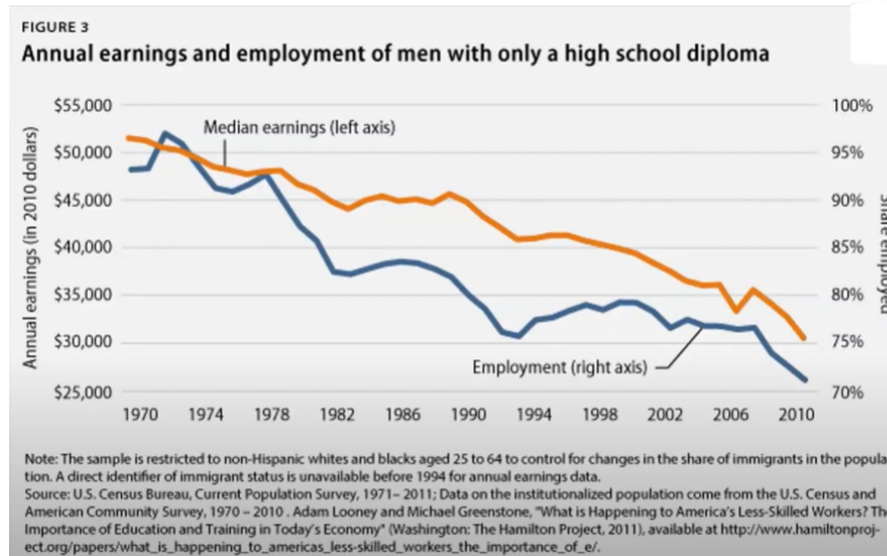


Now if you disaggregate wages, then again, the picture is very, very clear. For lowest paid wages in the United States—it's exactly the same for the case of the U.K. and of most advanced economies which are perhaps less dramatic, but it is still true—the lowest wages haven't moved for a very long time. But if you go up the distribution of wages, then wages start to go up as well. For the highest levels of wages, wages have risen by thirty or forty percent since 1973. So, the poorer you are, the more stagnant your wage is. The richer you are, the more privileged you are, the more your income rises—a picture of growing inequality once again.

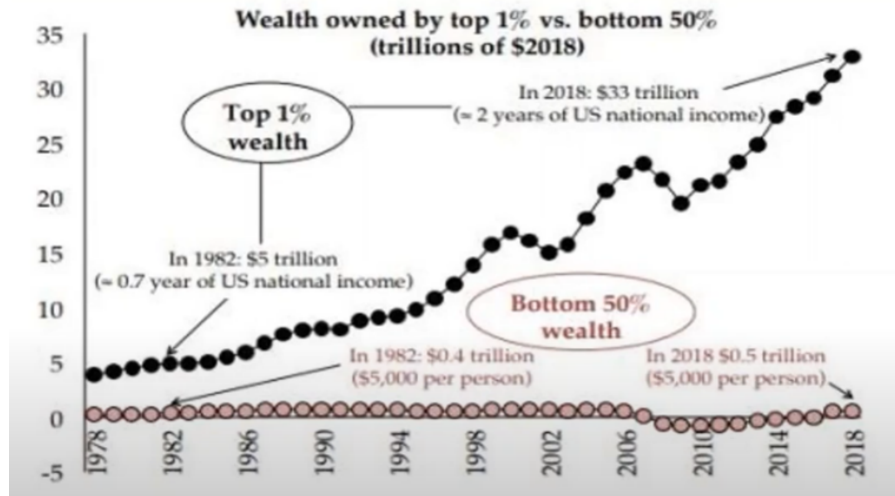
If you look at the relationship between incomes and years of education, then you have a similar picture once again. If you have less years of education, less than high school in this case, wages have tended to decline over time. In the age of neoliberalism, they declined by twenty-something percent. The more years of education you have, the more your salaries tended to rise, and if you have an advanced degree, university plus, then your income increased by more than thirty percent in the age of neoliberalism—inequality growing from another point of view.



If you look at men with only a high school diploma, if you look at the orange line, that shows incomes, real incomes, tending to decline over time. If you look at the blue line, that is the total number of jobs declining, the share of employment declining as well, so you lose both ways. If your level of education is lower, if your years of education are less, you tend to lose in terms of less opportunities for employment and because your income goes down.



## Snowballing wealth accumul at the top. Wealth stagnation at the bottom.



Then, if you look at the accumulation of wealth at the top—this illustration is from the book by Gabriel Zucman and Emmanuel Saez, *The Triumph of Injustice*—the bottom fifty percent, the pink-orange circles crawling along the bottom of this graph, the wealth of the bottom fifty percent of the population in the United States is roughly constant throughout the age of neoliberalism, while the wealth of the top one percent has increased immensely in the same period of time.<sup>27</sup> That is where those stagnant incomes went instead. They went to the very richest in society.

It is not just that wages stagnated, it is also that the tax rates of the rich have converged towards the tax rate paid by the poor. This is absolutely shocking, but it is true. When some individual rich person—particularly in the United States but elsewhere too—comments that they are paying as much tax as their secretary does, even though their means are incomparably more, this is correct. Taxation for the rich has declined enormously while taxation for the poor hasn't moved very much at all.

Now, the consequence, inevitably, is this type of picture—a picture of prosperity for the rich. The richer you are the more prosperous, economically, you tend to become. The poorer you are, tendentially, the poorer you tend to become. This is a picture of divergence, a picture of inequality. This is not just the case for the United States. You can go to country after country with the same, with very similar results. This is the case

<sup>27</sup> EMMANUEL SAEZ & GABRIEL ZUCMAN, *THE TRIUMPH OF INJUSTICE* (2019).

for Chile under the dictatorship of General Pinochet, exactly the same picture.<sup>28</sup> The richer you are, the richer you become—if you are in the top 10 percent, your income rises by 50 percent. Throughout the dictatorship, the poorer you are, linearly, the worse off you become—an absolutely dramatic picture of rising inequality.

The question is: what are the processes that generate those distributional consequences? One key process that I want to highlight is that neoliberalism restructured the economy very profoundly, and in doing this, in changing the economic base of society, it created a very large array of what I call “economic losers” under neoliberalism.<sup>29</sup> These are people who lost out economically, who lost out because millions of skilled jobs, in particular in the advanced economies, have been eliminated because entire professions have vanished or were exported, because employment opportunities in the public sector declined because of privatization, because of the retrenching of the public sector itself, because job stability declined, and because pay and conditions and welfare tended to deteriorate.<sup>30</sup>

It was also similar—it's not just a working-class problem—it's very similar for the middle-class. Increasingly, despite what superficially looks like it is in many ways a privileged economic position, they tend to be increasingly indebted, impoverished, anxious, and vulnerable. It is not just a feeling; it is the reality of the middle-class in many advanced economies. Now, in the advanced countries those losses and those losers tend to be concentrated in the traditional skilled working-class and among the poor, and that suggests that neoliberalism is the war of the rich against the poor. There is some truth to that, but neoliberalism is much more than just this.

Unquestionably, one of the consequences of neoliberalism is this.

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<sup>28</sup> José Gabriel Palma, *Homogenous Middles v. Heterogeneous Tails, and the End of the 'Inverted-U': It's All About the Share of the Rich*, 42 DEV. & CHANGE 87, 94 (2011).

<sup>29</sup> Saad-Filho, *supra* note 2, at 134.

<sup>30</sup> *Id.*



This is not photoshopped; these are true images. The top one is in the city of Sao Paulo in Brazil, and the bottom one is in Cape Town, in South Africa.



This is the tendency under neoliberalism—the creation and consolidation of patterns of drastic inequality.

Historically, neoliberalism has been through different periods that are divided by the early 1990s and then by the global financial crisis.<sup>31</sup> The first period is a period of transition—what I call a “shock phase”—of very aggressive promotion of private capital with no regard for the consequences.<sup>32</sup> This establishes neoliberalism as a fact on in the ground and requires strong states. State intervention is essential to contain labor, to destroy the left, to promote the transnational integration of capital, and to put

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<sup>31</sup> Saad-Filho, *supra* note 2, at 133.

<sup>32</sup> *Id.*



in place the new institutional framework.<sup>33</sup> This is a phase that goes on from Chile in 1973 through Argentina to the United States and the United Kingdom under Thatcher and Reagan.<sup>34</sup> It closes historically with the East Asian Crisis in the mid 1990s.<sup>35</sup>

Then we move into, historically, the second phase of neoliberalism—the “third wayist” phase, the mature phase. This is a phase that is politically symbolized, by Bill Clinton, by Tony Blair and Gerhard Schroeder. It is a phase of consolidation, of the hegemony of finance, which is a phase of state management of the new modalities of international integration of production.<sup>36</sup> It is a phase of consolidation of neoliberal subjectivities through the colonization of the mind: at that point, people actually believe in neoliberalism.<sup>37</sup> Neoliberalism is what exists out there, but it's now perceived to be the right thing too. At this point there is no more space for the traditional left because society had changed, the economy had changed, and most people do not believe in left-wing ideals anymore.<sup>38</sup>

After the global financial crisis, we have a time period that is distinguished by the loss of the legitimacy of neoliberalism.<sup>39</sup> You give neoliberalism everything that it wants, and it delivers the worst economic crisis in recent history. What is going on here? It is the loss of legitimacy because of the astronomical cost of salvaging finance, instead of salvaging families.<sup>40</sup> Instead of salvaging the poor, you salvage the banks. Why do you do that? That's the logic in the nature of neoliberalism, but the loss of legitimacy is a very significant development.<sup>41</sup> For the first time since the shock phase, neoliberalism must be maintained primarily by brute force, rather than ideology.

In terms of politics, there are two key tensions in neoliberal political theory that are very difficult to resolve. One is about the size of the state, the scope, the limits, the strength of the state.<sup>42</sup> The other is about the degree of

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<sup>33</sup> *Id.*

<sup>34</sup> *Id.* at 133–34.

<sup>35</sup> *Id.* at 134.

<sup>36</sup> Alfredo Saad-Filho, *Endgame: From Crisis in Neoliberalism to Crises of Neoliberalism*, 14 *HUM. GEOGRAPHY* 133, 134 (2021).

<sup>37</sup> *Id.*

<sup>38</sup> *Id.*

<sup>39</sup> *Id.*

<sup>40</sup> *Id.*

<sup>41</sup> *Id.*

<sup>42</sup> Saad-Filho & Fine, *supra* note 14, at 687.

democracy under neoliberalism.<sup>43</sup> Usually, as I mentioned previously, the goal of the neoliberal reforms is presented as being to reduce the size of the state by some criteria—share of taxes in GDP, number of state-owned enterprises, number of civil servants, etc.<sup>44</sup> That's completely irrelevant, and it is no surprise that when you look at this type of data you will see no particular trend even though society and the economy have changed dramatically.<sup>45</sup>

The point is exactly what Hayek highlights here—“it is the character not the volume of government intervention.”<sup>46</sup> The size of the state, however it might be measured, is irrelevant. To talk about rolling back the state is misguided, in my view, because the neoliberal state is not aiming to extinguish itself. The neoliberal state is there to create a new type of government, a new type of society, a new type of citizenship, a new type of subjectivity towards what they see as a society of entrepreneurs, a society where there are no social problems.<sup>47</sup> In this context, unemployment is not a social problem. All problems that used to be social are conceptualized as failures of the individual.<sup>48</sup> There are no longer any social problems, and in order to resolve those problems in real life the neoliberal response is that you need to change individual behavior. You need to drill into people a change in behavior instead of asking for the state to intervene and help them. “No one should be supported at the expense of anybody else” is the logic of neoliberalism. Instead of a logic of solidarity, neoliberalism involves the creation of a logic of competition.<sup>49</sup>

In this sense, neoliberalism is a political rationality. It seeks to change the actions of the rulers, and change the conduct of the ruled. That creates a tension between neoliberalism and democracy. In 1944, Friedrich von Hayek published *The Road to Serfdom*, in order to defend capitalism against any form of central planning, and against the claim that capitalism leads to fascism.<sup>50</sup> Hayek says that what we need to do is ensure market freedom as a fundamental guarantee of liberty.<sup>51</sup> Only in those circumstances

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<sup>43</sup> *Id.*

<sup>44</sup> *Id.*

<sup>45</sup> *Id.*

<sup>46</sup> FRIEDRICH A. HAYEK, *THE CONSTITUTION OF LIBERTY* 222 (Univ. Chi. 1960).

<sup>47</sup> Saad-Filho & Fine, *supra* note 14, at 687.

<sup>48</sup> *Id.* at 688.

<sup>49</sup> *Id.*

<sup>50</sup> FRIEDRICH A. HAYEK, *THE ROAD TO SERFDOM* (Routledge Press, 1944).

<sup>51</sup> *Id.*

can we have democracy and political freedom as well. Now, this does generate a set of tensions within neoliberal thought, tensions that are very difficult to resolve.

That became humorously clear in the correspondence that Hayek sent to *The Times* of London in 1978, defending Margaret Thatcher.<sup>52</sup> Before Margaret Thatcher was prime minister, she was leader of the opposition, and at that time Hayek was a privileged advisor.<sup>53</sup> Hayek was also reporting the joy that he had had visiting Chile under General Pinochet, and said that people there were more free than they were in the government of democratically elected President Salvador Allende.<sup>54</sup>

This makes it clear that neoliberalism has a particular understanding of the meaning of freedom: it is essentially freedom to keep property, and freedom to trade. Political democracy is a consequence of that, and it has to be subordinate to it.

When we look at the ways in which neoliberalism has evolved over time, we can see some of its limitations. For example, the globalization of production disintegrates established systems of provision and creates patterns of employment that are widely perceived to be undesirable. Financial markets drain capital from production and create economic volatility, instability and crises. Neoliberal policies undermine the coordination between economic sectors, and those policies are not self-correcting. It is very difficult to change economic policies in the age of neoliberalism.

In this sense, neoliberalism hollows out political democracy and it directly leads to the crisis of democracy that we witness today. This is what I have highlighted in the form of three paradoxes. I have mentioned the economic paradox—you give neoliberalism all the economic conditions it might want, and it delivers crisis and economic instability, instead of broad-based prosperity. The political paradox is that, as neoliberal democracies spread around the world, the democratic elements in the political order were undermined by the economic order of neoliberalism.

This led to the rise of what I call “spectacular political leaders” who promised to address the problems of neoliberalism by imposing more neoliberalism together with different forms of personality cult.<sup>55</sup> This leads to the paradox of authoritarian neoliberalism, which is that those spectacular

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<sup>52</sup> Letter from F.A. Hayek to The Editor, *THE LONDON TIMES* (July 26, 1978).

<sup>53</sup> *Id.*

<sup>54</sup> *Id.*

<sup>55</sup> Saad-Filho, *supra* note 2, at 135.

leaders are committed to neoliberalism and to their own personal power as well, but they are neither able nor willing to address the problems of neoliberalism. Instead, they pursue a politics of confrontation, division, and strife in order to shift attention away from their inability to address the demands of their own voters.<sup>56</sup>

What I see now is neoliberalism going into a prolonged period of crisis politics, that cannot deliver stability. Instead, this is likely to lead to the emergence of new forms of fascism, as neoliberal economies face crises after crises and prolonged stagnation, and neoliberal politics confronts the disaggregation of traditional forms of democracy.<sup>57</sup> In this, alternatives might emerge:

- Alternatives that go all the way to **Utopian Socialism**—Marx called it utopian socialism back in the 19<sup>th</sup> century, where social change would come from the progress of the human mind, from scientific discoveries, or from education.
- **Social Democracy**, that was dominant in Western Europe, at least in the post-Second World War period, but Social Democracy self-destructed by being unable to resolve the problems of unemployment, declining growth rates, and rising inflation in the 1970s.
- The **Zapatista** initiative in Mexico, an extremely interesting grounds-up initiative, but with no aspiration to capture power or change government policy.
- Or, the **Pink Tide** in Latin America, that achieved significant gains in poverty reduction but was ultimately defeated in recent years, not having changed the economies of those countries, that continued to be dependent on primary product exports and de-industrialize themselves.
- **New Left alternatives** emerging in the United States, in the United Kingdom, across Europe, but stumbling heavily against resistance, difficulties of organization, and successive experiences of defeat, similar with anti-austerity movements.

Where are we then? I will stop here. We have looked at the material basis, what I call the “material basis,” of neoliberalism. We notice a tension between the deployment of democratic political forms to implement exclusionary economic policies. We see the contradiction democracy has as

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<sup>56</sup> *Id.*

<sup>57</sup> *Id.*

an inclusive political system tasked with enforcing excluding policies on the economic domain. This leads necessarily to a state that is hostile to the majority of the population, even though a democratic state is supposed to respond to majority pressure. We have, then, a structural political crisis. We have also a structural economic crisis under neoliberalism—a neoliberalism that is highly unstable, even though it remains strong in the ideological domain.

I think attempts to develop avenues to transcend neoliberalism have to focus on what defines and distinguishes the left, which is the concerns with equality, collectivity, economic democracy, political democracy, the restoration of the public sphere, and the notion of public goods. And this requires a project of de-commodification and de-financialization of social reproduction focusing, I suggest, on what is immediately urgent to the vast majority of people: health, education, transport, housing, and so on: what we understand as the public goods. If we can do this, and if we can mobilize around those areas, then I think we have a fighting chance of intervening on neoliberalism, transforming it, transcending it before the next pandemic, and before the next environmental catastrophe, because neoliberalism will not be able to address these society-wide problems.<sup>58</sup>

There is certainly scope for these programs. This has been demonstrated most recently: in the United States through the Bernie Sanders campaign; through the Black Lives Matter movement; in the United Kingdom through the movement in support of Jeremy Corbyn in the Labour Party; in Greece through the Syriza administration, at least during the rise of that administration; in Brazil through the Workers' Party; or in Spain through Podemos. Every one of those experiences ended in failure. But each of them accumulated knowledge, understanding and new experiences that may serve us well in the future as new ways of mobilization against neoliberalism.<sup>59</sup> I am a realist, I hope. But I am also very optimistic, that maybe we are starting to find forms of organization that are effective, and that we can now move on to build this new wave of movements that can finally transcend neoliberalism. I think this is the most important challenge for the new generation of mass movements.

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<sup>58</sup> Saad-Filho, *supra* note 2, at 136.

<sup>59</sup> *Id.*