

After Neoliberalism What?

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By Walden Bello*

The Covid 19 pandemic is the second major crisis of globalization in a decade. The first was the global financial crisis of 2008-2009, from which the global economy took years to reach a semblance of recovery.

Trillions of dollars of paper wealth went up in smoke during the 2008 crisis, but few cried for the out-of-control financial players who had triggered the crisis. More serious were the impacts on the real economy. Tens of millions of people lost their jobs, with 25 million in China alone in the second half of 2008. Air cargo plunged 20 per cent in one year (which was good for the climate). Global supply chains, many of whose links were in China, were severely disrupted. *The Economist* lamented that the “integration of the world economy is in retreat on almost every front.”

But contrary to the *Economist’s* fears, and to the dismay of those who had welcomed globalization’s crisis, possible reforms were brushed aside and, after the depths of the recession in 2009, there was a return to business as usual. Though the world entered what orthodox economists called a phase of “secular stagnation” or low growth with continuing high unemployment, export-oriented production via climate-destructive global supply chains and world trade resumed their forward march.

Connectivity: The New Catch Phrase

Carbon emissions had decelerated in the depths of the crisis, but they now resumed their upward trend. Air cargo traffic rebounded and air travel grew even more spectacularly. After declining by 1.2 per cent in 2009, air travel grew annually by an average of 6.5 per cent between 2010 and 2019. “Connectivity” in transport, particularly air transport, was supposed to be key to successful globalization. As the director general of the powerful International Air Transport Association put it, “Dampening demand for air connectivity risks high quality jobs, and economic activity dependent on global mobility...Governments must understand that globalization has made our world more socially and economically prosperous. Inhibiting globalization with protectionism will see opportunities lost.”

China Champions Globalization and Connectivity

Globalization may have staged a recovery, albeit fragile, but the financial crisis and the global stagnation that followed cost it dearly in terms of its legitimacy, especially in the United States and Europe, where movements of the right took advantage of the situation to advance economic nationalist agenda. China, meanwhile, took advantage of the West’s retreat into economic nationalism and isolationism by promoting itself as the new champion of globalization. At Davos, in January 2017, President Xi Jin Ping said that “the global economy is the big ocean you cannot escape from” in which China had “learned to swim.” He called on world political and corporate leaders to “adapt to and guide globalization, cushion its negative impacts, and deliver its benefits to all countries and all nations.”

More than this, Xi offered to back up his words with a trillion dollar mega-program: the Belt and Road Initiative (BRI) that evoked the fabled “silk routes” through which trade between China and Europe was carried out in early modern times. This ambitious program consisting

of dam-building, road and rail construction, setting up coal plants, and extractive ventures was geared to promote what Beijing called “global connectivity.” Originally meant to “link” Asia to Europe, BRI was opened up to every country on earth in 2015, so that there was no longer one belt and one road but multiple routes, including a “polar silk route.”

While the pro-globalization clique clapped, others were more skeptical. Some saw the whole thing as simply a way to export the surplus capacity problem dogging Chinese heavy industry by lassoing countries with loans into massive capital intensive projects.

Focus on the Global South, the organization to which I belong, described the BRI as “an anachronistic transference to the 21st century of the technocratic capitalist, state socialist, and developmentalist mindset that produced the Hoover Dam in the US, the massive construction projects in Stalin’s Soviet Union, the Three Gorges Dam in China, the Narmada Dam in India, and the Nam Theun 2 Dam in Laos. These are all testaments to what Arundhati Roy has called modernity’s ‘disease of gigantism.’”

In 2019, before Covid 19 came along, despite a worsening trade war between China and the United States, there still seemed to be no alternative to globalization.

This Time is Really Different

The 2008 financial crisis failed to put an end to globalization. Instead, a new phase of globalization, “connectivity,” emerged. That phase has now ended. As countries put up barriers to the travel of people and the transport of goods and global supply chains are either voluntarily or de facto dismantled, the big question is, what will replace globalization/connectivity as the new “paradigm?”

Crises do not always result in significant change. It is the interaction or synergy between two elements, an objective one, meaning a systemic crisis, and a subjective one, that is, the people's psychological response to it that is decisive. The global financial crisis of 2008 was a profound crisis of capitalism but the subjective element, popular alienation from the system, had not yet reached a critical mass. Owing to the boom created by debt-financed consumer spending over the two previous decades, people were shocked by the crisis, but they were not that alienated from the system during the crisis and its immediate aftermath.

Things are different today. The level of discontent and alienation with neoliberalism was already very high in the global North before the coronavirus hit, owing to the established elites' inability to reverse the decline and living standards and skyrocketing inequality in the dreary decade that followed the financial crisis. In the US, the period was summed up in the popular mind as one where the elites prioritized saving the big banks over saving millions of bankrupt homeowners and ending large-scale unemployment, while in much of Europe, especially in Southern and Eastern Europe, the people's experience of the last decade was captured in one word: austerity.

The coronavirus pandemic in short, has roared through an already destabilized global economic system suffering from a deep crisis of legitimacy.

So the subjective element necessary for change, the psychological critical mass, is there. It is a whirlwind that is waiting to be captured by contending political forces. The question is who will succeed in harnessing it. The global establishment will, of course, try to bring back the "old normal." But there is simply too much anger, too much resentment, too much insecurity that have been unleashed. And there's no forcing the genie back into the bottle.

Though for the most part falling short of expectations, the massive fiscal and monetary interventions of capitalist states in 2020 and 2021 have underlined to people what is possible under another system with different priorities and values.

Neoliberalism is dying; it's only a question if its passing will be swift or "slow," as Dani Rodrik characterizes it.

Who Will Ride the Tiger?

Only the left and the far right, in my view, are serious contenders in this race to bring about another system.

Progressives have come up with a number of exciting ideas and paradigms developed over the last few decades for how to move towards a truly systemic transformation, and these go beyond the left-wing technocratic Keynesianism identified with Joseph Stiglitz and Paul Krugman. Among these truly radical alternatives are the Green New Deal, participatory socialism, degrowth, deglobalization, ecofeminism, food sovereignty, and "Buen Vivir" on "Living Well."

The problem is these strategies have not yet been translated into a critical mass. They do not have traction on the ground.

The usual explanation for this is that people are "not ready for them." But probably more significant as an explanation is that most people still associate these dynamic streams of the left with the center left. On the ground, where it matters, the masses cannot yet distinguish these strategies and their advocates from the social democrats in Europe and the Democratic Party in the US that were implicated in the discredited neoliberal system to

which they had sought to provide a “progressive” face. For large numbers of citizens, the face of the left is still the Social Democratic Party (SPD) in Germany, the Socialist Party in France, and the Democratic Party in the US, and their records are hardly inspiring, to say the least.

In short, the center-left’s thorough-going compromise with neoliberalism tarnished the progressive spectrum as a whole, even though it was from the non-mainstream, non-state left that the critique of neoliberalism and globalization initially issued in the 1990’s and 2000’s. It is a sad legacy of giving in to the neoliberal narrative that must be decisively pushed aside if progressives are to connect with and transform into a positive, liberating force the mass anger and *ressentiment* that are now boiling over.

Advantage: Far Right

Unfortunately, it is the extreme right that is currently best positioned to take advantage of the global discontent because even before the pandemic, extreme right parties were already opportunistically cherry-picking elements of the anti-neoliberal stands and programs of the independent left—for instance, the critique of globalization, the expansion of the “welfare state,” and greater state intervention in the economy—but putting them within a right wing gestalt.

Europe witnessed radical right parties—among them Marine Le Pen’s National Front in France, the Danish People’s Party, the Freedom Party in Austria, Viktor Orban’s Fidesz Party in Hungary—abandoning, at least in rhetoric, parts of the old neoliberal programs advocating liberalization and less taxation that they had supported and now proclaiming they were for the welfare state and for more protection of the economy from international

engagements, but exclusively for the benefit of the people with "right skin color," the "right culture," the "right" ethnic stock, the "right religion." Essentially, it's the old "national socialist" class-inclusivist but racially and culturally exclusivist formula. Unfortunately, it works in our troubled times, as shown by the unexpected string of electoral successes of the far right that have pirated large sectors of social democracy's working class base. Even your own Social Democratic Party has surrendered to the Far Right on immigration policy to preserve its traditional base, providing a model for a disastrous right-wing turn for other European social democratic parties.

And, of course, as far as the climate is concerned, right wing parties and regimes promise nothing but disaster, as underlined by what was wrought globally by Donald Trump's climate denialist policies over four years. European far right parties may be a little more careful when it comes to climate owing to a broader popular agreement over climate there, but you can be assured they don't think saving it is a priority.

Since the United States is the "thousand pound gorilla" of the global politics, the so-called "leader of the Free World," let me say a few words recent developments there. The storming of the US Capitol over two months ago, on January 6, underlines the massive threat posed by the far right that now dominates the Republican Party, which used to be a center-right party.

What is most striking about these elections is that 47.2 per cent of the electorate voted for Trump despite his awful mismanagement of the pandemic, his lies, his anti-science attitude, his divisiveness, and his blatant pandering to white nationalist groups like the Nazis, Klan, and Proud Boys. *Over 11 million more people voted for Trump in 2020 than in 2016.*

57 per cent of white voters (56 per cent women, 58 per cent men) went for Trump. White solidarity is on the ascent and, more than opposition to taxes, opposition of abortion, and unqualified defense of the market, it is now the defining ideology of the Republican Party. Indeed, even before Trump, support for the Republican Party was already overwhelmingly white.

What Trump managed over the last few years as president was not so much to transform an already racially polarized electoral arena but to mobilize his racist and fascist base to almost completely take over the Republican Party. That is where the danger lies now: the fascist mobilization by a white supremacist party of a white population that is in relative decline numbers-wise and faces more electoral failures owing to its loss of demographic hegemony.

Despite the fact that political power in the US has passed to President Joe Biden and the Democratic Party, the reality is that there now exists in that country, a state of undeclared civil war, where the opposition Republican Party is now the party of white supremacy and the Democratic Party is now regarded as the party of people of color.

Do developments in the US portend the future of Europe?

...But Don't Count Out the Left

But one would be foolish to count out the left. History has a complex dialectical movement, and there are often unexpected developments that open up opportunities for those bold enough to seize them, think outside the box, and are willing to ride the tiger on its unpredictable route to power--of which there are many on the left, especially among the

younger generation. In this connection, let me end by reminding all of us of Antonio Gramsci's unforgettable words: "Pessimism of the intellect. Optimism of the will."

Thank you very much.

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