

Neoliberalism as the Agent of Capitalist Self-Destruction

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The neoliberal era can be retrospectively identified as beginning with the economic crisis of 1973, or, more precisely, with the strategic response of state managers and employers to that crisis. Previous eras in the history of capitalism have tended to close with the onset of further period of systemic crisis; 1973, for example, saw the end of the era of state capitalism which began in 1929. The neoliberal era, however, has not only survived the crisis which began in 2007, but its characteristic features are, if anything, being further extended and embedded, rather than reversed.

Yet, although neoliberalism has massively increased the wealth of the global capitalist class, has it also restored the health of the system itself? The crisis which gave rise to neoliberalism was, after all, caused by the end of the unprecedented period of growth which characterised the post-war boom, and the consequent accelerating decline in the rate of profit, unimpeded by the countervailing tendencies – above all arms spending – which had held it in check since the Second World War. These levels of growth were never resumed, but it would be wrong to claim that capitalism experienced no recovery after 1973. The boom from 1982 to 2007 was certainly uneven and punctuated by particularly sharp financial crises and recessions in 1987, 1991, 1997 and 2000; but these were normal expressions of the business cycle and only a misplaced fixation with using the unique and unrepeatable period between 1948 and 1973 as a comparator could justify treating these as symptoms of crisis. When crisis did return in 2007–8, it simply proved that neoliberalism was no more capable of *permanently* preventing this than any other mode of capitalist

regulation.

Neoliberalism does, however, represent a paradox for capitalism. Its relative success as a ruling-class strategy, particularly in weakening the trade union movement and reducing the share of profits going to labour, has helped to disguise that some aspects of this mode of regulation are proving unintentionally detrimental to the system. Serving the interests of the rich is not the same – or at least, not always the same – as serving the interests of capital and may, in certain circumstances, be in contradiction to it. Simply doing what the rich want is unlikely to produce beneficial results for the system as a whole, although it may help increase the wealth of individual capitalists. For not only are capitalists generally uninterested in the broader social interest, which we might expect, but they are also generally incapable of correctly assessing their *own* overall collective class interests, which might seem more surprising – although as we shall see, it is a long-standing phenomenon, observed by many of the great social theorists from late eighteenth century onwards. As a result, capitalist states – or more precisely, their managers – have traditionally acted to make such an assessment; but in the developed West at least, neoliberal regimes are increasingly displaying an uncritical adherence to the short-term wishes of particular business interests. This is not the only emergent problem: the increasingly narrow parameters of neoliberal politics, where choice is restricted to ‘social’ rather than ‘economic’ issues, has encouraged the emergence of far-right parties, usually fixated on questions of migration, which have proved enormously divisive in working-class communities, but whose policies are in other respects by no means in the interests of capital.

The self-destructive nature of neoliberal capitalism has nothing necessarily to do with the removal of restrictions on markets. The rise of neoliberalism made it fashionable to

refer to Karl Polanyi's *The Great Transformation*, the assumption being that neoliberalism is in the process of realising Polanyi's nightmare: reversing the second part of his 'double movement' – the social reaction against markets – and unleashing the mechanisms that he saw as being so destructive of society and nature.

Leaving aside the fact that capitalism was always capable of producing social atomisation, collective violence and environmental destruction, even in periods when the state was far more directly involved in the mechanisms of production and exchange than it is now, there are two problems with this position. First, rhetoric apart, capitalists no more favour untrammelled competition today than they did when monopolies and cartels first appeared as aspects of the emerging system in the sixteenth century. Second, one would have to be extraordinarily naïve to believe that the neoliberal project has been about establishing 'free' markets in the first place, although this myth has been assiduously perpetrated by social democratic parties who, eager to disguise their own capitulation to neoliberalism, emphasise their opposition to the marketisation of all social relationships, even though no-one – except perhaps the followers of Ayn Rand – seriously imagines this is either possible or desirable. In what follows I will mainly draw on the experiences of the UK and the US, since these were the first nation-states in which neoliberalism was imposed under democratic conditions – unlike Chile or China, for example – and where it has in many respects gone furthest. To understand the real nature of the difficulties inadvertently caused for capital by neoliberalism we have to begin with the role of capitalist states 'in general'.

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How did capitalist states operate before neoliberalism? There are two foundational aspects of capitalism: the 'horizontal' competition between capitals and the

'vertical' conflict between labour and capital. The role of the capitalist state is to impose a dual social order determined by these two processes: over competing capitals so that market relations do not collapse into 'the war of all against all', and over the conflict between capital and labour so that it continues to be resolved in the interest of the former. Beyond this, states also have to establish 'general conditions of production', which individual competing capitals would be unwilling or unable to provide, including some basic level of technical infrastructure and welfare. These functions are mainly 'internal' to the territory of nation-states, but they must also represent the collective interests of the 'internal' capitalist class 'externally' in relation to other capitalist states and classes, up to and including the conduct of war.

In order to maintain links to capital in all its multiple incarnations, the state must partly mirror capital's fragmentation. As this suggests, not every action carried out by the state need necessarily be in the direct collective interest of the ruling class – indeed, if it is to give the appearance of adjudicating between different class and other interests then it is essential that they are not, so long as these actions are ultimately *subordinated* to ruling class interests. Nevertheless, the capitalist state has nevertheless tended not to be run by capitalists themselves. Why not?

The earliest social theorists to concern themselves with the emergent capitalist system – which they tended to refer to as 'commercial society' – were unambiguous in their assessment of how narrow business interests were. Since Adam Smith is – quite unfairly – treated as the patron saint of neoliberalism it may be worth reminding ourselves of his still-refreshingly candid views about the capacity of business interests for deception and oppression, and their inability to see beyond their own immediate interests. Nearly a century later in the 1860s, Smith's greatest successor, Karl Marx, was able to

point in *Capital* to the example of the British Factory Acts as an example of how the state had to intervene to regulate the activities of capital in the face of initial opposition from the capitalists themselves. Reflecting on the entire legislative episode, Marx noted the way in which it took Parliamentary legislation to force capital to accept regulation of the length of the working day. Indeed, the most irreconcilable positions were expressed not by employers but by their ideologues, the most important of whom was Herbert Spencer, who saw – and here we can detect the genuine ancestry of contemporary neoliberalism – the spectre of socialist slavery in any form of state intervention.

The thesis concerning bourgeois incapacity was not only restricted to critical supporters of capitalism like Smith or opponents like Marx. Joseph Schumpeter yielded to no-one in his admiration for the heroic entrepreneur, but also noted during the Second World War that, with the possible exception of the United States, the bourgeoisie was so incapable of self-rule that it required a non-bourgeois group as a 'master'. Without the kind of constraints provided by this pre-capitalist framework, the more sober instincts of the bourgeois would be overcome by the impulse towards what Schumpeter called 'creative destruction'. The delegation of power to the state therefore exists because of the inaptitude of the capitalist class compared to other ruling classes in history: feudal lords combine an economic and political role; capitalists perform only the former – although the necessity for capitalists to devote their time to the process of accumulation and their own multiple internal divisions also militate against their functioning directly as a governing class.

Schumpeter was, however, too pessimistic: from the First World War in particular, the pre-capitalist classes which had acted as the shepherds of capital were increasingly replaced by state managers: the professional politicians and civil

servants respectively responsible for the legislative and executive wings of the state. At the most fundamental level, the common interest between capitalists and state managers stems from their common class position: both are part of the bourgeoisie. If we visualise the bourgeoisie as a series of concentric circles, then the capitalist class as such (actual owners and controllers of capital) occupies the centre and a series of other layers radiates outwards, with those closer to the periphery being progressively less directly connected to the core economic activities of production, exploitation, and competition, and more involved with those of the ideological, administrative, or technical aspects, which are nevertheless essential to the reproduction of capitalism. The incomes that state managers are paid from state revenues ultimately derive from the total social surplus value produced by the working class, as are the profits, interest, and rent received by different types of private capitalist. And this applies not simply to the source of their income but also to its level, since the relatively high levels of remuneration, security, and prestige enjoyed by these officials depend on the continued exploitation of wage labour. At that level the interests of state managers and capitalist are the same.

These groups have a shared ideological commitment to capitalism, but their particular interests arise from distinct regions of the totality of capitalism, in its various national manifestations. A shared background in institutions like schools, universities, and clubs helps to consolidate a class consciousness that articulates these interests, but a more fundamental reason is that the activities of states are subordinated to the accumulation of capital. In the British case, the state may not do this as successfully as the capitalist class might wish, but that is an indication of the problems of managing long-term relative decline, not that the state managers have different goals. Regardless of their class origins, state managers and capitalists are drawn together into a series of mutually supportive relationships. The former

need the resources provided by individual national capitals, principally through taxation and loans, in order to attend to the needs of the national capital as a whole; the latter need specific policy initiatives to strengthen the competitive position of their sector of the national capital within the global economy. There have nevertheless always been tensions, above all the fear on the part of capitalists that states – which they regard as Weberian autonomous entities with their own interests – will either restrict or abolish their right to private property. What gives these fears plausibility is precisely the fact that state managers have both to facilitate the process of capital accumulation and ameliorate its effects on the population and environment, returning us to the Factory Acts and capitalist responses to them described by Marx in 1867.

Has the neoliberal era seen the capitalist class finally succeeding in 'binding Leviathan', to quote the title of an early British neoliberal text by William Waldegrave? We need to be clear that it is not the nature of capitalist states themselves that has changed: they still need to perform the core functions described at the beginning of this section. There is no 'neoliberal state', but there are 'neoliberal regimes'. In the case of the UK the regime began, not with Margaret Thatcher's General Election victory in 1979, but around half-way through the preceding Labour Government of 1974–9 and it persists, with variations, to this day, whatever the bleating from Polly Toynbee and others on the liberal left about the supposedly fundamental differences between the two main parties.

What has changed is that the relationship between neoliberal regimes and capital since the 1970s has prevented states from acting effectively in the collective, long-term interest of capitalism. Neoliberal regimes have increasingly abandoned any attempt to arrive at an overarching understanding of what the conditions for growth might be, other than the supposed need for lowering taxation and regulation and raising labour

flexibility. Apart from these, the interests of the total national capital is seen as an arithmetical aggregate of the interests of individual businesses, some of which, to be sure, have rather more influence with governments than others. In so far as there is a 'strategic view' it involves avoiding any policies which might incur corporate displeasure, however minor the inconveniences they might involve for the corporations, which of course includes regulation. These developments have, not unexpectedly, led to complete incomprehension among remaining Keynesians of the liberal left such as Ha-Joon Chang and Will Hutton, but they are not beyond explanation. The reason is not simply because of successful lobbying and PR on behalf of individual businesses or industries, pernicious and pervasive though these increasingly sophisticated activities undoubtedly are. But corporations have always done this: why are state managers now so predisposed to respond positively to their efforts? The answer is in the way in which neoliberalism has reconfigured politics.

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The necessary distance between the state and capital (or between state managers and capitalists) that Smith, Marx and Schumpeter from their different political perspectives all regarded as being essential for the health of the system, is being minimised. In particular, the regime adoption of timescales associated specifically with the profit-maximising drives of financial capital is important as it indicates the short-termism involved. Three factors are important in producing this tendency.

The first is the depoliticization of the political wing of the state managers through the delegation of functions away from the government in office to ostensibly 'non-political' bodies, the introduction ostensibly 'objective' assessments of the effectiveness of policy and imposition of binding 'rules' which restrict the range of actions which politicians can

take. In relation to the latter in particular, each successive phase of the neoliberal experiment saw the incremental abandonment of the repertoire of measures through which governments had traditionally influenced economic activity, beginning with Geoffrey Howe's abandonment of exchange controls in 1979 and concluding (to date) with Gordon Brown's transfer of the power to set interest rates from the Treasury to an unelected committee of the Bank of England.

As a consequence of their heightened 'managerial' function, politicians have increasingly become a professional caste whose life-world is increasingly remote from any other form of activity, economic or otherwise, and therefore more autonomous, while simultaneously becoming more committed to capitalist conceptions of the national interest, with business as an exemplar. Consequently, most discussion of politics – in the developed world at least – is devoted to expending more or less informed commentary and speculation on essentially meaningless exchanges within Parliaments and other supposedly representative institutions. Debates therefore have the quality of a shadow play, an empty ritual in which trivial or superficial differences are emphasised in order to give an impression of real alternatives and justify the continuation of party competition. To understand why, we have to focus on the weakening of the labor movement, since one of the inadvertent roles which it historically played was to save capitalism from itself, not least by achieving reforms in relation to education, health and welfare. These benefitted workers, of course, but also ensured that the reproduction of the workforce and the conditions for capital accumulation more generally took place. In this respect social democracy occupied a similar place to the pre-capitalist elites identified by Schumpeter as necessary to rule on behalf of a congenitally incapable capitalist class. But with the weakening of trade union power and the capitulation of social democracy to neoliberalism, there is currently no social force capable of either playing this reformist role directly or by

pressurizing non-social democratic state managers into playing it.

The second factor, opposed to the depoliticization of politicians, is the politicization of the non-political wing of the state managers: the civil servants. As the political parties became less distinct from each other, the officials required to implement their increasingly similar policies are required to turn themselves more completely into extensions of the parties themselves. In the US, the politicization of the civil service has always been a more significant factor than in the UK, but even there the neoliberal era saw a heightening of the existing tendency. The permeability and lack of technocracy of the US state bureaucracy compared to the French or British may have some advantages for capital, but generally hinders the separation of policy making from political considerations and leads to the politically motivated choice of budget projections. These tendencies were exacerbated by the Civil Service Reform Act of 1978 which further weakened the autonomous basis of the government bureaucracy. In the UK, following hard on the heels of the United States as always, there has been since 1979, and especially since 1997, a more generalised influx of private-sector appointees into the civil service, to the point where it has been effectively subject to a corporate takeover. But even in relation to the permanent home civil service, the expectation that senior civil servants in particular will not attempt to point out the difficulties involved in governmental policies or even consider alternative ways of delivering policies, but simply present arguments to justify them, regardless of the empirical data.

The third and final factor in producing chronic short-termism in neoliberal regimes is the de-politicization of the electorate. Except it is not so much de-politicization as *abstention* by sections of the electorate who no longer have any parties for whom to vote. Many of those electors still involved in casting their vote do so – appropriately enough –

on a consumer model of political choice, where participation is informed by media-driven perceptions of which result will be to their immediate personal benefit. Unsurprisingly, the numbers prepared to carry out even this minimal level of activity are declining. This *can* be reversed, as was demonstrated in the popular insurgency for a Yes vote during the 2014 Scottish independence referendum, where 97 percent of population registered to vote and 85 percent actually did; but under 'normal' conditions, those who vote are more likely to belong to the middle-classes, who tend to have a more focused view of their material interests and deploy more interventionist strategies for maintaining them than those bearing the brunt of austerity. Ironically, one reason for the rise of neoliberalism in the U.S. was a paradoxical outcome of the successful demand for greater democratic accountability during the 1960s and 1970s. This led to the weakening of both congressional committees and party structures, and produced a new breed of 'entrepreneurial politicians' interested in highlighting issues popular with specific audiences which would provide them with a stable following.

A model for 'returning power to the people' along these lines was built early on in the neoliberal experiment, in the US. The most fully developed version can be found in California. Since the mid-1970s, politics in the world's fourth biggest economy have been characterised by a combination of falling voter participation among working class and minority groups, and a targeted use of local referendums on 'propositions'. The latter have been designed to defend property values by blocking integrated schooling and urban development, and by preventing progressive taxation. Proposition 13 was passed in 1978 and signalled the commencement of the neoliberal era in the US by capping taxes on property, even though house values were rising. As a result, the burden of taxation fell disproportionately on income tax, even though for most worker's salaries and wages were stagnant or falling – and even increasing income tax requires a two thirds majority in

both Houses of the State Legislature.

It is the self-interested behaviour of a mobilised middle-class that has brought California to fiscal crisis in 2009, after which the usual remedies of cutting public services, including child health care, were now being offered as a solution to the structural inability of the state to raise the necessary levels of taxation. The paralysis of California may foreshadow the future of U.S. politics as a whole and, in turn, the U.S. may foreshadow the future of politics in the rest of the world, a development for which there are, unfortunately, historical precedents.

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The entire neoliberal project was premised on the irreversibility of the process: the abolition of regulatory mechanisms, dismantling of welfare programs, ratification of international treaties for which there are no formal mechanisms allowing them to be either amended or annulled, and so on – all these could be reversed, but it would require new legal and administrative structures which would in turn require planning and a political will to do so which has not existed since the beginning of the neoliberal era. For all practical purposes then, members of the ruling class in the West are now united in accepting neoliberalism as the only viable way of organising capitalism as an *economic* system, but they are divided in relation to how capitalism should be organised as a *social* system. They may all be neoliberals now, but they are not all neoconservatives. In the US both Democrats and Republicans are openly committed to capitalism, but there are also real divisions of opinion between them concerning, for example, gay rights or environmental protection.

Electoral support for the far-right in these circumstances is based on the apparent solutions it offers to what are now two successive waves of crisis, beginning respectively in 1973–4 and 2007–8, which have left the working class in the West

increasingly fragmented and disorganised, and susceptible to appeals to blood and nation as the only viable form of collectivism still available, particularly in a context where any systemic alternative to capitalism – however false it may have been – had apparently collapsed in 1989–91. The political implications are ominous. The increasing interchangeability of political parties, discussed above gives the far-right an opening to appeal to voters by positioning themselves as outside the consensus in ways which speak to popular appetites for destruction fostered by capitalism itself.

The potential problem for the stability of the capitalist system is however less the possibility of far-right parties themselves coming to power with a programme destructive to capitalist needs, than their influence over the mainstream parties of the right, when the beliefs of their supporters may inadvertently cause difficulty for the accumulation process. Take an important area of Republican Party support in the US. Since the late sixties Republicans have been increasingly reliant on communities of fundamentalist Christian believers, whose activism allows them to be mobilised for voting purposes. But this religious core vote, or at any rate their leadership, naturally also demand the implementation of policies in return for their support. The problem for the Republicans is not, however, only that the extremism of fundamentalist Christianity may alienate the electoral 'middle-ground' on which the results of American elections increasingly depend. What is perhaps interesting here is less the consciously oppositional elements of right-wing populist ideology, which tend to be directed against the socio-cultural views of one (liberal) wing of the ruling class, and more what I referred to earlier as outcomes which might be unintentionally 'detrimental' to capital. In other words, politicians may be constrained from undertaking policies which may be necessary for American capitalism, or be forced into taking decisions which may harm it.

But it is not only religious belief which can cause difficulties for U.S. capital; so too can overt anti-migrant racism. One concrete example of this is the Tea Party-inspired Beason-Hammon Alabama Taxpayer and Citizen Protection Act – HB56 as it is usually known – which was passed by the State legislature in June 2011, making it illegal not to carry immigration papers and preventing anyone without documents from receiving any provisions from the state, including water supply. The law was intended to prevent and reverse illegal immigration by Hispanics, but the effect was to cause a mass departure from the many of the agricultural businesses which relied on these workers to form the bulk of their labour force. But the effects went deeper. Before the laws introduced it was estimated that 4.2 percent of the workforce or 95,000 people were undocumented but paying \$130.3 million in state and local taxes. Their departure from the state or withdrawal to the black economy threatened to reduce the size of the local economy by \$40 million. Moreover employers had to spend more money on screening prospective employees, on HR staff to check paperwork, and on insuring for potential legal liabilities from inadvertent breaches of the law. In an earlier era, social democratic reforms were usually intended to enable the system as a whole to function more effectively for capitalists and more equitably for the majority, however irreconcilable these aims may be in reality. But far-right reforms of the type just discussed are not even intended to work in the interests of capitalists, nor do they: they *really* embody irrational racist beliefs which take precedence over all else.

The British Conservative Party has encountered similar problems to the Republicans in relation to Europe. The imperial nationalism unleashed by the Conservatives before 1997 in relation to 'Europe', was not because the EU was in any sense hostile to neoliberalism, but as an ideological diversion from the failure of neoliberalism to transform the fortunes of British capital. The nationalism invoked for this

purpose now places a major obstacle for British politicians and state managers who want to pursue a strategy of greater European integration, however rational that may be from their perspective. A 2013 British Chambers of Commerce poll of 4,387 companies showed only eighteen percent agreeing that full withdrawal from the EU could have a positive impact, while a majority of sixty-four percent supported remaining inside the EU while repatriating some powers: unsurprisingly, the real source of anti-EU feeling is small business. The key beneficiary of the anti-European hysteria has been UKIP and its success has in turn emboldened the right within the Conservative Party, even though the policies associated with both are incoherent. But these contradictions may not matter in terms of the political struggle for power. The narrowly-won Swiss referendum vote in 2014 to introduce quotas on migrants from the EU, passed against the wishes of local capitalists and ruling classes of Europe and potentially bringing retaliation from Brussels, gives a small indication of what might follow.

If I am right that certain aspects of far-right politics are counter-productive in relation to the needs of capital, it does not follow that the increased chaos consequent on the implementation of these policies would necessarily be of benefit, even indirectly, to the left. Defence of the system is always the principle objective of the bourgeoisie, even at the expense of temporary system malfunction. In a situation where economic desperation was leading to mounting disorder, far-right parties would be brought into play to direct attention from the real source of social anguish onto already-identified scapegoats, no matter what price they exacted in terms of policy.

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What we see emerging is a symbiotic relationship between one increasingly inadequate regime response to the problems of capital accumulation and another increasingly extreme response

to the most irrational desires and prejudices produced by capital accumulation. In *Descent*, the most recent novel by the Scottish science fiction author, Ken McLeod, the author imagines a situation in the near future where the ruling classes of the world take coordinated legal and military action in a passive revolution ('the Big Deal') to smash the dominance of financial capital, restore that of industrial capital and essentially put an end to the neoliberal era. This aspect of the novel is far more incredible than the alien encounters that occur elsewhere in its pages. Clearly, in situations of absolute, immediate crisis, short-term emergency measures would be introduced in the same way as the effective nationalisation of banks and other financial institutions took place in both the US and UK during 2008. But these were minimal interventions to prevent outright collapse, save the institutions (and the practices which brought them to the point of crisis in the first place) without using them for any coherent strategic end, let alone any broader social purpose; and of course on the basis that they would be re-privatised as soon as possible.

Let me clear what I am not saying. I am not suggesting that it should be the work of socialists to propose solutions to the crisis of capitalism. It is always necessary to argue for reforms, of course, but the idea that the application of Keynesian solutions would restore the Golden Age of the post-war welfare state is simply illusory and underestimates the extent to which those years were the result of a unique set of circumstances. Booms will continue to occur, as they did between 1982 and 2007, but the beneficiaries will become fewer and fewer. Consequently, I am not predicting that developments discussed here mean that capitalism will simply collapse under the weight of its own internal contradictions either. Scenarios of this type, from those of Rosa Luxemburg onwards, have been proved false in the past and there is no reason to suppose that they will be any more accurate in the future. Indeed, a collapse not brought about by the conscious

intervention of the oppressed and exploited would not be to their advantage in any case, but simply a step towards the barbarism to which Marxists from Engels onwards have seen as the consequence of failing to achieve a socialist society. And this is no mere slogan: the condition of central Africa and parts of the Middle East today indicates the presence of actually existing barbarism as the daily reality for millions. Events in the developed world are unlikely to take this form, at least until environmental catastrophe becomes irreversible, but rather involve a gradual and, for all but the very poorest, almost imperceptible worsening and coarsening on their conditions of life.

What I am suggesting is that neoliberalism as a strategy has almost been too successful as a method of capitalist regulation. It has finally brought about the situation that Schumpeter feared, where creative destruction has no limits or boundaries. Both Engels and Benjamin envisaged capitalism as a runaway train heading for destruction. It appeared, within less than a decade of the latter's suicide in 1940, that forces within capitalism itself were capable of 'pulling the hand break'; it now appears that his initial intuition was right and that revolution is all stands in the way of the disaster that otherwise awaits.

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