

*Article 1.6***SOCIAL CRISES, CRISES OF DEMOCRACY,
NEOLIBERALISM IN CRISIS****BY ROMARIC GODIN, TRANSLATED BY FRED MURPHY***November/December 2019*

The current global social tensions have in common the rejection of inequality and the loss of democratic control. The engine driving these challenges may well be the fading relevance of neoliberalism, which is aggravating its own crisis and opening the door to confrontation.

The military is in the streets of Santiago; Urquinaona Square is in flames in Barcelona; and barricades are bristling in the streets of Beirut. While political and media circles in France are upset about a veil [A reference to ongoing debate in France over laws that bar the wearing of overt religious symbols, including in particular veils worn by Muslim women. —*Translator*], the world seems to be ablaze. In fact, the scenes of violent riots that have marked recent days are not isolated. They come after similar scenes in Ecuador, Haiti (where the popular uprising continues), Iraq, Egypt, Indonesia, Hong Kong, and Colombia, not to mention earlier movements in Zimbabwe, Nicaragua, Romania, Serbia, and, of course, the Yellow Vests movement in France.

It is of course possible to see in all of these events only local movements responding to specific cases: endemic poverty in Haiti, persisting militarism among the Chilean right, the partial or total dollarization of the Ecuadorian and Lebanese economies, the refusal by Spain to recognize the “Catalan question,” and the democratic aspirations of Hong Kong. None of these explanations are wrong, but are they sufficient? Local social or democratic movements have always existed, but whether we like it or not, the peculiarity of the moment is that they have arisen at the same time. Inevitably, the fact that revolts are happening at the same time on five continents suggests that they are indeed linked in certain ways.

**Neoliberalism Seeks to Survive
and Aggravates Its Own Crisis**

The connection could well be found in the great crisis the world entered in 2007–2008. Beyond what most observers remember—the “Great Crash” that followed the collapse of Lehman Brothers on September 15, 2008—the crisis is much deeper and persists to the present day. Because it is not a simple financial or economic crisis: it is rather the crisis of a mode of managing capitalism; that is, neoliberalism, which is based on putting the state at the service of capital, the financialization of the economy, and the commodification of society.

Like the crises of the 1930s or 1970s, the current crisis profoundly challenges the contemporary functioning of capitalism. Such crises are often long and

accompanied by periods of unrest. As the historian Adam Tooze has shown in *The Deluge*, the disruption of capitalism began not with the 1929 crash but rather during World War I and was not actually resolved until after World War II. As for neoliberalism, it only came fully into being in the 1990s, 20 years after the previous paradigm had gone into crisis.

Even today's crisis has been prolonged and deepened as neoliberalism struggles to avert its own demise. But in seeking to survive, it is pushing the world into the abyss. Of course, neoliberalism survived the shock of 2008 and even emerged from 2010 strong enough to present "solutions" such as global fiscal austerity and "structural reforms" aimed at destroying any remaining protections for workers and the most precarious. But by seeking to remain dominant, neoliberalism has further deepened its own crisis.

The initial salvation of the global economic system was indeed a leap forward in growth, led mainly by a Chinese regime anxious to continue fueling Western demand, the lifeblood of China's economic system. But this headlong rush has resulted in unprecedented industrial overproduction, which in turn plays no small part in brutally exacerbating the climate crisis. Some figures will show this easily: China produces in two years more steel than the United Kingdom—long the world's largest steelmaker—produced in 150 years; and more cement than the United States produced during the whole of the 20th century. This strategy has failed. It has led to retrenchment in the Chinese economy that is hitting its emerging suppliers directly, from Brazil and Argentina to Ecuador and Venezuela. All have experienced sharp declines in demand for raw materials and have had to adjust their policies accordingly.

The other engine for safeguarding neoliberalism has been the use of monetary policy to avoid fiscal stimulus in Western countries. In fact, this has only succeeded in rescuing the financial sector and large multinational groups. In other respects the neoliberal rescue plan has failed profoundly. Global growth has not recovered, and productivity growth is stagnant despite the "technological revolution." The private sector invests too little and often badly. In recent months, the global economy has entered a phase of further slowdown.

In these conditions, the continued application of neoliberal reforms to safeguard corporate profit margins and the incomes of the wealthiest has also had an aggravating effect. As we have seen, profits are badly invested or little invested, productivity growth continues to slow, and the wealth available to be shared is less abundant. But since, in response to this slowdown, priority is still given to the rich and to businesses, existing inequalities widen even more for those who are investing little or nothing. According to this logic, as soon as an adjustment becomes necessary, the greatest effort is demanded from those who can least afford it—through use taxes like those on WhatsApp in Lebanon, through the removal of fuel subsidies in Ecuador and Haiti, or through increased charges for public transportation in Chile. All such measures have a direct impact on people's needs for work and income generation.

Even if growth-rate differentials end up bringing emerging economies in closer sync with those of so-called advanced countries and thus reduce inequalities at the global level, inequalities within nations are widening more than ever. This was the conclusion reached by the economist Branko Milanović in *Global Inequalities*, who foresaw the return of the question of social class. Thus it is a resurgence of class struggle that we are now witnessing at the global level.

For a long time, it was thought that criticizing neoliberalism was a “privilege of the rich,” reserved for those in the most advanced countries who failed to grasp its benefits. It was argued that rising inequality was the price to be paid for development. And we had to accept it in the name of those people who were being lifted out of poverty. But that discourse can no longer work, and that is the novelty of the current situation. The challenge reaches the emerging countries. The first blows were struck in Brazil in 2013 with the downturn in the commodities market and an unprecedented social movement against the move to increase the cost of public transport under President Dilma Rousseff, seen by some as a turn toward neoliberalism by the *Partido dos Trabalhadores* (Workers’ Party). Since then, the wave has intensified and is now affecting countries like Chile that have long been hailed by international institutions as exemplars of success and stability.

In these emerging countries, the hold of neoliberalism is at the breaking point. The need for growth and competition leads to a stalemate: as growth slackens, the reality of inequality becomes evident, while past increases in living standards fail to keep up in a context of slowing global trade. The mirage that living standards might catch up to those in the most advanced countries, the great neoliberal promise, disappears with measures like those already mentioned. No solution is presented to these populations other than fresh impoverishment.

Return of the Social Question

Neoliberalism is helpless. Locked in its logic of extractivism and fictional growth, it clutches onto phantoms: the “trickle-down theory,” the Laffer curve, or the Coase Theorem, which holds that issues of distributive justice must be kept separate from economic reality. It does so thanks to another of its salient features: the “management” of democracy, whereby the economic sphere must not be subjected to democratic decision-making but must be preserved from the “feelings” of the crowd or, to use President Emmanuel Macron’s notorious phrase, “unfortunate passions” (*passions tristes*). But such segregation is less and less possible as inequalities deepen and the climate crisis becomes more acute. After five decades of managed democracy, people are demanding that their own emergencies be addressed instead of those of “markets” or “investors.”

The current crisis of neoliberalism has three aspects: an ecological crisis, a social crisis, and a democratic crisis. The current economic system is unable to respond to these three profound sources of discontent. Faced with an ecological emergency, it puts forward market solutions and fiscal repression of consumption by the weakest. In the

face of social and democratic demands, its response is indifference. In fact, responding to such demands would require a profound change in the economic paradigm.

Addressing the climate crisis would require a complete reorientation of investments and an end to basing the economy so much on real estate and financial bubbles. This would imply a complete overhaul of the monetary system. The seeds of such a transformation are shown in the Green New Deal that has been proposed in the United States, which has struck fear among neoliberal economists, because if the legislation is enacted, the climate transition would no longer entail weakening the working class but acting in concert with it. By ensuring a massive redistribution of resources to the detriment of the richest, the more modest classes could achieve better livelihoods without destroying the planet. Finally, greater popular participation could assure that such decisions are not made for the benefit of the richest and for capital, but in the common interest. This is exactly what neoliberalism has always rejected: this ability of democracy to “change the economic deal”—precisely what the world needs today.

In other words, these three emergencies and three requirements are deeply linked. Resolving the social question is necessarily a democratic and ecological question. But since such changes are wholly rejected by neoliberalism and the states that operate under its logic, it remains for people in the streets to express their needs. This is what is crystallizing today. Depending on the region, the priorities may be different, but the same system is being challenged—global neoliberalism. Moreover, all movements are undergoing an evolution in terms of these democratic and social questions, and in some cases ecological concerns are also coming to the fore. Everywhere, therefore, the challenge is profound and touches on the economic, social, and political systems.

In a video broadcast on social networks in mid-October, Spanish police were seen clubbing Catalan independence demonstrators in the streets of Barcelona. On the wall, graffiti in Catalan can be seen: “*aço és llutta de classe*”—this is class struggle. Behind the Catalan national question has always been the demand for a more just and redistributive society. When repression strikes, this reality takes over. The desire to regain democratic control in Catalonia also reflects social and ecological priorities. (One of the activists convicted by the Spanish courts, Raül Romeva, was elected to political office and was a scholar of international relations before joining the independence movement.)

In France, the Yellow Vests movement did not stop with a simple tax revolt, nor did a rollback in the carbon tax stop the movement. The movement called into question the practice of democracy and the government’s anti-redistributive policies. It has even joined forces with environmentalists, as shown by the joint occupation of the *Italie Deux* shopping mall by hundreds of Yellow Vest and Extinction Rebellion activists in early October. Anxieties about the end of the month—how you’re going to pay your bills—have begun to converge with anxieties about the end of the world. In Ecuador, the situation is quite similar: The fight against the end of fuel subsidies has highlighted the extent of inequalities affecting indigenous populations, who have for years been in revolt against the extractivist logic of governments looking to bring in dollars.

In Lebanon, where just seven people own wealth equivalent to one-quarter of the country's GDP, mass protests rejected privatizations and increased taxes—measures that were supported by an all-party “national unity” government. This link between social movements and democratization is also evident in Chile. And in Hong Kong, democratic protests against a Chinese regime that seeks at all costs to cover up the crisis of its economic model have taken a clear social turn.

This is only the beginning. There is no hope that the crisis of neoliberalism will be resolved quickly—quite the contrary. To social pressures will be added repeated climate disasters, such as those experienced in the Caribbean in recent years, which will only degrade social conditions further. Above all, states seem unable to find solutions other than those found in the neoliberal playbook. Admittedly, in Ecuador or Lebanon, the protesters have seen some results, with the withdrawal of austerity measures and of increased taxes on the poor, respectively. In Lebanon, a redistributive measure, a tax on bank profits, was even granted. But such victories are fragile and, as we have seen, they do not resolve either the underlying problems or the democratic demands.

Confronted with this ongoing conflict and the challenge to its effectiveness, neoliberalism could harden and take cover behind the “legitimate violence” of the state to survive. Like President Emmanuel Macron in France, who condones police violence, so it was with Prime Minister Pedro Sánchez in Spain, who visited only wounded police in Barcelona on October 21, or with Sebastián Piñera, the Chilean president invited to the G-7 meeting in Biarritz in September, who made his announcement with military figures standing by as in the days of Augusto Pinochet. Piñera openly declared to the demonstrators, “We are at war.” The social war thus becomes global and it pits neoliberalism and its defenders against their opponents.

Given the violence of this war and the rulers' inability to move beyond neoliberalism, state defense of the interests of capital may converge with neo-fascist and nationalist movements, as has been the case for quite some time in the countries of Eastern Europe, or more recently in English-speaking countries, and now also in India and China. The stability that capital so urgently demands can only be achieved through the militarization of society to accompany its commodification. Neoliberalism has proved that it is not incompatible with such an evolution: its original laboratory was Pinochet's Chile, a country where freedom was locked down but where foreign capital was quite welcome. This return of history is a sinister omen, one that calls for urgent reflection about the construction of social, ecological, and democratic alternatives. ▣

Note: The original version of this article appeared in French in *Mediapart* (mediapart.fr) on October 21, 2019.

Sources: Adam Tooze, *The Deluge: The Great War, America and the Remaking of the Global Order, 1916–1931* (Penguin Books, 2014); Branko Milanović, *Global Inequalities: A New Approach for the Age of Globalization* (Harvard University Press, 2016).
