

NEO-LIBERALS: FROM VICTORY HYMN TO SWAN SONG

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Until recently, they were singing the final victory of capitalism over the state. Today they are watching the sun set over their idols.

Hard on the heels of the collapse of communist regimes and the democratic revolution in Eastern Europe came the victory song of neo-liberals conservatives: “Capitalism has triumphed and the power of the market has shown its economic superiority over that of the state.

Capitalism, in comparison with state control, had already proved to be compatible with democracy. Now, it would show itself to be the system most capable of leading nations toward “efficiency and development”.

In this climate of euphoria, an article by Jerry Muller in the review “Commentary” (1988) summarized all the predictions made over the 20th century concerning the end of capitalism, including those of some of its most fervid supporters such as Joseph Schumpeter. Muller’s conclusion was that “far from lying on its deathbed, despite all its problems, its promises and the multiplicity of its forms, capitalism seems increasingly to be key to the future, a privilege that was earlier thought to be that of socialism.”

It is clear that capitalism is not dead. But it does not make any sense to identify it with the future. Such reasoning is typical of the simplistic ideology that was quite openly expressed in a famous article of “The End of History” written by Francis Fukuyama for *The National Interest* review in 1989.

No left, nor right

According to Fukuyama, there is no left, neither there is a right. The era of ideologies and utopia is past and gone. The successor to capitalism is capitalism itself. The free market was the reality of yesterday, it is also that of today and will be that of forever.

Once the chattels of state control have been overthrown, individual competition will regulate our economies, our lives and our destinies.

Not much time has passed since then and already a very different wind is blowing from that of 1989, when the democratic revolution of Eastern Europe was filling neoliberal hearts with euphoria. The year that has just ended did so in a very different climate.

The Economist of London, whose writers included some of those singing capitalist victory with most enthusiasm, is now talking of “difficult times”, with particular reference of the North American recession.

Margaret Thatcher, symbol of the new neoliberal right, suffered a defeat that, in the final analysis, was significantly inflicted on her by the European Economic Community (EEC), where the technocrats are building a strong and active state, thanks to an efficient combination of state and regulations.

In the United States, there has been a depressing evaluation of the eight years of Ronald Reagan administration, characterized by a popular neoliberalism. It has since been shown that the “prosperity” of those years was built on the basis of a growing public deficit and foreign debt, wage freezes, and increase in poverty and a concentration of wealth.

A realistic analysis of the 1980’s shows that real economic success was achieved by Japan and most of the EEC countries, whose economies were oriented toward the market and were externally and internally competitive, but at the same time functioned through a mixed formula of market and state.

In this context, the gigantic failures have been those of the state a la Soviet Union, which perestroika has been unable to reform, and of Latin American-type capitalism – subordinate, indebted and characterized by an unprecedented financial crisis.

Statism vs capitalism

The issue is one of statism – incorrectly called socialism or real socialism – and of peripheral capitalism. In both systems the state has grown in disproportionate fashion, has burdened itself with debts, has become a victim of a deep and generalized financial crisis, and has reached paralysis – no longer an agent of development but an obstacle to development.

At the same time, neoliberals are facing economic problems in the United States and Britain. They have failed to realize that even if state intervention should be limited and controlled, it should not be eliminated nor should the state be weakened.

Both Reagan and Thatcher wanted to see the state in its barest form and for both this was the final stumbling block, even if the former US President was more disposed toward rhetoric than effective action, while the former British Prime Minister was more inclined to mix rhetoric with concrete action.

Both set out on a road opposed to that of the European social democrats and of the indefinable Japanese system: neoliberal ideology blinded them to the fact that the corporate institutions of civil society, representing the sectored interests of labour and business groups are often more beneficial than the state of the market when they manage to reach agreement under the auspices of the state.

State regulation represents the risk that, since it is not subject to self-regulation, can remain on the fringes of any system of control. Nevertheless, it is absolutely necessary for correcting the weaknesses of the market in macro-economic programmes, in technological development, in seducing social inequality and in defending the environment.

It goes without saying that the weaknesses of the state are often serious. But the challenge facing democratic societies is precisely that of construction reasonably flexible mechanisms for correcting these defects.

Margaret Thatcher had the courage and the determination of statesman, but her ideological radicalism stopped her from placing Britain on the road to development. She was concerned that the state was overblown, that industry has lost competitiveness, and that the trade unions had too much power. Despite the determination with which she fought to overcome these obstacles, Thatcher found herself dragged down by an ideological neoliberalism which called for a minimum state presence and rejected the mixed formula of market and state mechanisms that is prerequisite of modern day societies. Even if she managed for a period to reactivate the economy and make it more competitive, she ended her days in government with an economy once again in crisis, hit by high inflation and even more serious social inequalities.

The neoliberals have not learned the lesson recalled by John Kenneth Galbraith in a recent article for *The New York Review of Books*: the success of the economic systems of the EEC countries and of Japan is due to the fact that instead of primitive capitalism, there has been “social, even if imperfect, democracy” in which the market has been profoundly modified by the economic and social regulation of the state.

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