

## **THE LEFT AND THE CRISIS**

Luiz Carlos Bresser-Pereira

*Folha de S. Paulo*, June 1st, 2009

The economic disaster we are experiencing today is a consequence of the hegemony, in the last 30 years, of neoliberalism – a right-wing ideology that deregulated financial markets. However, in the European Parliament elections that will take place this week, left-wing parties are not expected to advance and to regain the majority held by the Right. How to explain this fact? Why European voters, who always prove to be more politically aware – more able to vote according to ideological principles and take into account the achieved results – are not shifting now to the Left?

My opinion is that the Left is not benefiting from the crisis because, whenever it held power in these last 30 years, it made so many concessions to neoliberal market fundamentalism that, ultimately, its politics often resembled the politics proposed by the Right. This did not happen at social level because left-wing parties remained faithful to the idea that it is up to the State to increase social expenditure in education, healthcare, social security and, thus, to reduce inequality. Whereas neoliberalism advocated an extremely competitive individualism based on meritocratic principles, the Center-left wing rejected the assumption of human being's inherently selfish nature, and, assuming instead that human behavior is the result of a dialectics between two basic instincts – the instinct of survival and the instinct of peaceful coexistence – it affirmed the possibility and the need of solidarity or of civic virtues, and advocated the State's active role in reducing inequalities. This was its strength.

In the economic domain, however, the Left's background is not as positive. It had an enormous difficulty in (1) resisting the proposal of neoliberal deregulation, and (2) conceiving an economic alternative to neoclassical economics and to conventional economic policies. It did not resist deregulation because it let itself be persuaded by the argument of efficient and self-regulated markets. And it was incapable of practicing an alternative economic policy – although a Keynesian and developmentist alternative does

exist – not only because ideological hegemony was very strong, but also because mediocre Keynesian and developmentist economists interpreted Keynes incorrectly and preached something that politicians know to be catastrophic: fiscal irresponsibility.

The saddest episode in the surrender of the Left to neoliberalism was the shift to the Right made in 1983 by François Mitterrand's left-wing administration. The incompetent policy adopted by the government in the previous two years led the country to an economic crisis, and, as a result, this same government was suddenly faced with no alternative but to adopt the orthodoxy that the conservative establishment called for.

A left-wing economic policy requires from its policymakers the ability to reduce inequalities without adversely affecting the entrepreneurs' investment opportunities. Therefore, it must, on the one hand, promote the wage increase with productivity and encourage the production of basic consumer goods rather than luxury ones, and, on the other hand, make a distinction between entrepreneurs, whose profits must be adequate, and rent-seekers' interests and rents, that must be moderate. Should the Left have oriented its economic policy in that direction, it would certainly benefit today from the crisis.