

From Neoliberalism to Possible Alternatives

Del neoliberalismo a posibles alternativas

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Resumen

Este artículo tiene como objetivo mostrar posibles alternativas al neoliberalismo. Una alternativa progresista a esta última fase del capitalismo tiene que tener un punto de partida y de llegada. El punto de partida es el capitalismo neoliberal: sus principios, su desempeño económico en los últimos 40 años y cómo los neoliberales tomaron el poder. El punto de llegada consiste en el tipo de desarrollo que queremos para nuestro futuro y los medios que utilizaremos para lograrlo. Hay, al menos, tres posibles opciones progresistas al neoliberalismo en la actualidad: (1) el retorno al keynesianismo, (2) el retorno al socialismo real, y (3) las nuevas experiencias de desarrollo, como Mondragón, Kerala, y el llamado socialismo del siglo XXI. Los resultados de esta investigación muestran que el desempeño económico y social del neoliberalismo ha sido pobre, pero cualquier alternativa progresista al neoliberalismo debe ser eficiente y establecer los medios de cómo lograr sus metas.

Palabras clave:

- Neoliberalismo
- Keynesianismo
- Socialismo
- Desarrollo y cambio social

Abstract

This article aims to show possible alternatives to neoliberalism. We think that a progressive solution to this last phase of capitalism has to have both a departure and an arrival point. The departure point is neoliberal capitalism: what it is now, what it has been during its performance in the last 40 years, and how neoliberals have seized power. The arrival point consists in the kind of development we want for our future and the means we use to achieve it. Currently, there are at least three possible progressive options to neoliberalism: (1) return to keynesianism, (2) return to real socialism, and (3) encourage new development experiences such as Mondragon, Kerala, and the so-called socialism of the 21st century. Our conclusions show that neoliberal economic and social performance has been poor but that any progressive alternative to neoliberalism must display economic superiority to neoliberalism and establish the means of how to achieve its goals.

Keywords:

- Neoliberalism
- Keynesianism
- Socialism
- Development and Social Change

JEL: B5, B14, D3

1. Introduction

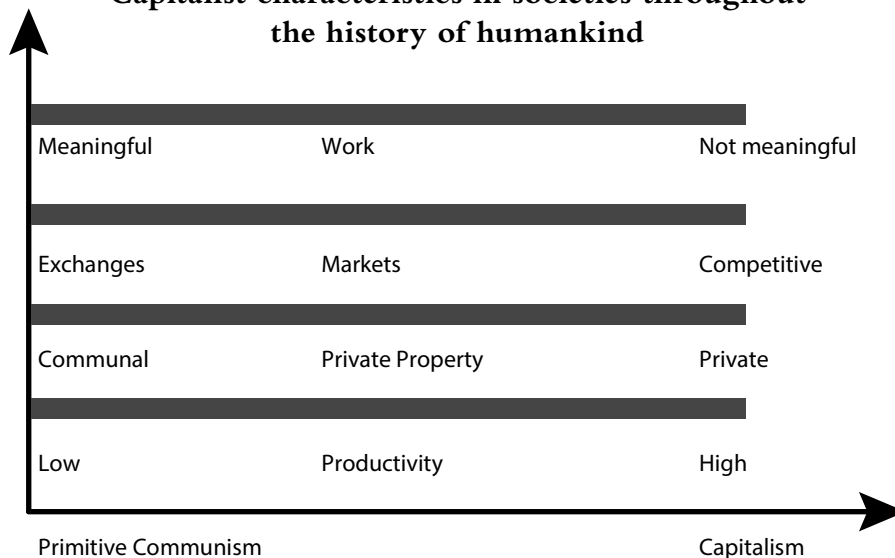
The objective of this article is to outline possible alternatives to capitalism in its neoliberal phase. In 2007, the deepest world crisis since the Great Depression started and has continued with neither a theoretical nor a practical solution to date. As a response to the crisis, countries have applied keynesian but mostly neoliberal policies. However, such policies have not produced

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(3) Unrestrained markets (black color). In other modes of production, competitive markets did not exist or were restricted to politics, culture, religion, etc., (white and gray colors). Most of the 19th century, in the opinion of some scholars, was characterized by unregulated markets, the Golden Age was characterized by regulated markets (above all, financial markets), and neoliberalism has been characterized by unregulated markets (above all, financial markets); and

(4) The abandonment of meaningful job for workers (black color). The main differences between keynesian and neoliberal capitalism, in addition to those mentioned previously, are that the latter opposes policies that could promote social justice and the intervention of the state in long-term development activities.

Figure I
Capitalist characteristics in societies throughout the history of humankind



3. Neoliberal economic performance

We have just seen the main empirical principles in which neoliberal capitalism are rooted. Social and economic performance of the capitalist neoliberal era is discussed elsewhere (Felix 2000; Franke and Chasin 2000; Duménil and Lévy 2005; McNally 2011; Maass 2010; Isidro Luna 2013). We highlight only two aspects of the economic and social conditions in this section: (1) a

require low capital (so the investment is low and the profit high); (3) to protect the now private enterprises of competition; (4) to ensure internal security through the police and army; (5) to maintain low inflation, high interest rates, and free mobility of capital in order to provide a good environment for financial activities; and (6) to transfer resources from the poor people to the wealthy people. Of courses, the application of some measures has depended upon the historical conditions of each country. Now we proceed to describe how neoliberalism seizes power around the world.

Neoliberalism was imposed for the first time in Chile (1973) with the overthrow of Salvador Allende. Later, at the end of the 1970s and early 1980s, it reached England (1979) and the US (1980). Neoliberalism was incorporated by Latin American countries throughout the 1980s and, finally, the countries of Eastern Europe at the beginning of the 1990s. In some occasions, to take the power neoliberals used violence, in other they used peaceful means, and in other occasions they took advantage of specific historical events.

For example, the strategy followed in Chile was a broad political agenda with brutal violence, since the socialist president, as Harnacker (1999) says, had won the government but not the power, so he had to face this agenda: (1) a clear strategy of the right to divide the left-wing political parties, (2) the attack carried out by the mass media, (3) the lack of loyalty of the armed forces, (4) the intent of the capitalist sector to stifle the national economy, (5) a campaign promoting freedom and private property, and (6) the shaping of thought in important universities and centers of knowledge and of Chilean students by more important universities in the United States, such as the University of Chicago.

In the US, neoliberalism was established in a democratic way by means of a clear strategy followed by the National Association of Manufacturers (NAM) and the National Chamber of Commerce that took over universities (Harvey 2005), which in turn created campaigns to promote freedom in the mass media and founded neoliberal think tanks (Crotty 2000). In addition, neoliberals used the fiscal crisis of the states as proof that the public sector was inefficient, and they also took over the Republican Party and later in the 1990s partially took control over the Democratic Party.¹ Neoliberals also instituted

¹ The argument that the right took control partially over Democrats is based on Pollin (2003, 21-47). Pollin comments that during the Clinton Administration, there was not any major break with the set of policies undertaken by the Republicans in the previous administration. He uses four points to support his contention: 1) people who ran big corporations were set to work in important positions. An example of this is Robert Rubin, who first was co-chair of Goldman Sachs, after which he became Secretary of the Treasury, and finally, he was one of the most influential executives

countries from the 19th century to the present day. From the 1940s to the 1970s, there was economic growth in the majority of the countries in the world; there was exploitation in a Marxian sense but wages and the volume of employment increased. The business cycle was smoothed; then, Keynesians will propose a reindustrialization of countries, capital controls, a rise in public spending, and an end to neoliberal austerity programs.

A further progressive option is real socialism. During the 20th century, socialism was a model of development that competed with Keynesianism and development economics. Today, for scholars such as Li (2013, 11 and 12), real socialism is the only option to the current economic crisis:

The 20th century socialist economies were essentially models of national development within the general historical framework of the capitalist world system. Instead, as capitalism ceases to be a viable historical system, socialism may prove to be the only viable solution to the fundamental crisis confronting humanity in the 21st century.

For Li, neoclassical criticisms of socialism do not represent any hindrance to the establishment of it. First of all, capitalism is inefficient as is socialism. Information and incentive problems can be solved only partially in socialism because decisions are taken based on wrong information (as well as it is in capitalism). Incentive problems can be solved via a gradual transformation of the consciousness of people. However, Li does not further explain the last issue. The great advantage of socialism over capitalism is that the former outscored the latter in fulfilling social needs.

In our opinion, the idea of planning does not involve whether socialism is as good or as bad as capitalism. Social production and consumption as well as planning were key for Marx, as expressed in the *Grundrisse* (Marx 1973, 108 and 109):

On the basis of communal production, the determination of time remains, of course, essential. The less time the society requires to produce wheat, cattle, etc., the more time it wins for other production, material or mental. Just as in the case of an individual, the multiplicity of its development, its enjoyment and its activity depends on economization of time. Economy of time, to this all economy ultimately reduces itself. Society likewise has to distribute its time in a purposeful way, in order to achieve a production adequate to its overall needs; just as the individual has to distribute his time correctly in order to achieve knowledge in proper proportions or in order to satisfy the various demands on his activity. Thus, economy of time, along with the planned dis-

Mondragon is the self-management abilities, but the drawback is the markets remain.

Kerala in India is an experience of development with high people participation and administration through the state (see Parayil 2000; Franke and Chasin 2000). It has been a successful case of “public action to democratic means” (Parayil 2000, 10). In spite of historically poor economic performance, Kerala has obtained good social indicators. In some of them, Kerala has achieved the same level of development as advanced countries. Kerala has a long history of social movements combined with political participation dating back to the end of the 19th century when an intermediate caste organized against social “exclusion practiced by the upper-caste Hindus” (Kannan 2000, 58). Subsequently, some upper castes, Catholics, Muslims, and above all lower castes organized to build new educational institutions in the first quarter of the 20th century with “their aim of casteless society” (Ibid., 58). In the mid-1950s, several communist organizations in Kerala encouraged new ways of education. Currently, Kerala promotes education and presents a paramount rate of unionization (see Heller 2000; Dreze and Sen 2002).

Mondragon and Kerala have achieved the means to provide a better quality of life for people. They have shown two important ingredients to a better society: (1) something can be done with scarce resources, and (2) organization of people produces good results in a society. In addition to this, according to Allen (2011), Marx’s idea of the transition from capitalism to socialism has to follow this pattern: first of all a revolution has to occur led by the workers. The peasants will then embrace the revolution, followed by the intermediate classes, and so on. Kerala’s struggle seems to fit this pattern. Thus, important lessons can be learned from it. However, MCC and Kerala experiences have not been carried out in a national-state level, and specifically Kerala has undergone very low rates of economic growth.

The last option is 21st century socialism. The option refers to the experiences of some Latin American countries, especially Venezuela, after 2004. Accounts of the Latin American kind of socialism can be found in Lebowitz (2006). According to Lebowitz (2006, 89), this brand of socialism must encourage a new kind of knowledge:

Here, too, was a vision of the new Bolivarian subjects producing themselves - both in the political sphere (“the participation of the people in forming, carrying out and controlling the management of public affairs is the necessary way of achieving the involvement to ensure their complete development,

higher than zero and the improvement of some social indicator. In a broader sense, development must include the full development of all human potential (Marx 2001). This kind of abstract concept must involve meaningful production and consumption. In both processes, a human being is reproduced as a human being not as an object, and with no room for exploitation. The common middle-ground between these two views of development can be found in Sen (1999, 3 and 6), who states: “a process of expanding the real freedoms that people enjoy [among these freedoms] ...freedom of exchange and transaction is itself part and parcel of the basic liberties that people have reason to value.”

Even though all three kinds of development involved in the three concepts are difficult to achieve, choosing one is very important because it provides the standard that society considers worthy and the set of institutions we can use to accomplish it. For example, taking the middle concept, markets can produce growth and increase productivity. However, markets also produce the following:

(1) A commodification of human beings. To live, a human being has to work. Without means of productions, people have to sell their labor force to capitalists. In that process, human beings have disappeared. Human beings can be considered a factor of production that can be defined according to a modern concept: human capital, (2) An enhancement of values such as individualism and competition. For Mill (1867, 49), markets have some advantages but he also recognizes the claims of some socialists:

It is the principle of individualism and competition, each one for himself and against all the rest. It is grounded on opposition of interests, not harmony of interests, and under it every one is required to find his place by struggle, by pushing others back or being pushed back by them. Socialists consider this system of private war (as it may be termed) between every one and every one, especially fatal in an economical point of view and in a moral. Morally considered, its evils are obvious. It is the parent of envy, hatred, and all uncharitableness; it makes every one the natural enemy of all others who cross his path, and every one's path is constantly liable to be crossed.

Therefore, more important than technical problems, such as planning from the transition to capitalism to another alternative such as socialism, is the modification of some institutions that are rooted in our society.

7. Conclusions

In any historical moment, the future is unknown and social change is possible. Some scholars believe that with the current economic crisis we are seeing the dismissal of neoliberalism. The mobilization of people all around the world but especially in Latin America has been put forth as an example of this view. Similar feelings have been expressed regarding previous failures. After the Great Depression, Polanyi (2001) thought that free markets would never again dominate the ideas of policy-makers. Also, Blackburn (1991) thought that with the downfall of real socialism, this system would never again be an alternative to capitalism. Neoliberalism is a failure because it has produced lower growth rates than keynesianism and real socialism. Furthermore, it has not satisfied people's basic needs. However, its failure does not mean that these options are an alternative to capitalism for two principal reasons: (1) society has changed--keynesianism and real socialism did very good things, but that was in the past (the institutional frame where keynesianism and real socialism were embedded no longer exists), and (2) both systems failed in facing the challenges of this evolving society. New development experiences are based more on people's freedom and self-management. These experiences have proven that something can be done with limited resources using democratic means. However, a plan is needed to establish in the short run as well in the long run the necessary institutions to achieve the plan. How will the alternative address the following problems: (1) civil wars, (2) outflow of capital, (3) economic backwardness, (4) counter revolutions, (5) the remnants of old institutions, (6) political dissent, and (7) material poverty?

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