

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

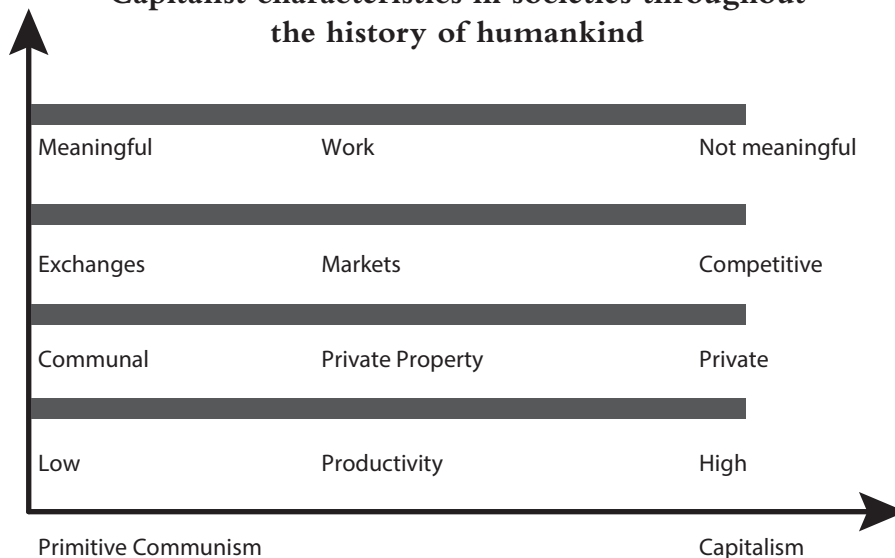
The objective of this article is to outline possible alternatives to capitalism in its neoliberal phase. In 2007, the deepest world crisis since the Great Depression started and has continued with neither a theoretical nor a practical solution to date. As a response to the crisis, countries have applied 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

a campaign against unions, which were defeated in the 1980s. Finally, once the power was gained, there was a concomitant increase in military spending, a tax policy in favor of the wealthy, a rise in interest rates, and the deregulation of the financial system to promote free mobility of capital.

Finally, in Latin America, the set of neoliberal policies was prepared by the debt crisis of 1982. These countries had to accept Structural Adjustment Lendings (SALS). These SALS consisted of a stabilization program (reductions in public spending or exchange rate alignments) and economic restructuring (trade and financial liberalization and the reduction in the size of the public sector). The implementation of these programs was the charge of the World Bank (WB) and the International Monetary Fund (IMF). Later, the policies imposed in Latin America would be a model summarized in what is known as the Washington Consensus.

5. Alternatives to neoliberalism

The current economic crisis has exacerbated stagnation and inequality. To solve the crisis, neoliberals propose to go deeper in institutions such as individualism, private property, and competitive markets, with no pretension of social justice. Ultimately, this current crisis can be solved in a progressive way or in a negative way (Harvey 2005). The last option could be carried out by a conservative capitalist sector that not only cares for profits but also for rules of conduct (involved with racism and fanatic religious groups). Then, there are three possible progressive options to neoliberalism: (1) return to keynesianism, (2) return to real socialism, and (3) embrace new socialist development experiences based on Mondragon, Kerala, and the so-called socialism of the 21st century.

As was stated above, capitalism is a world system based on the exploitation of labor; its objective is to obtain the largest profit possible in the short run. Therefore, a progressive option to capitalism has to strengthen the power of workers and peasants and diminish the power of capitalists. In doing so, socialism is not the only option, but also a keynesian capitalism. The prosperity that characterized the Golden Age has never been repeated in capitalist cou-

in Citigroup. 2) The trade policy, set by the Clinton Administration, took an orthodox point of view about free trade. To illustrate this, Pollin uses the case of NAFTA (North American Free Trade Agreement). 3) Policies concerning workers were addressed to "...the dismantling [of other] ... welfare assistance programs..." (Ibid.,29), and the fiscal policy was oriented to gain a surplus. 4) The financial policy was set up to develop financial markets. An example of this is the dismantling of the Glass-Steagall Act through the Financial Services Modernization Act.

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-

tribution of labour time among the various branches of production, remains the first economic law on the basis of communal production. It becomes law, there, to an even higher degree.

So, in a socialist economy planning must be possible and its performance must be better than in a capitalist society. It is better not because it responds to social needs but because it also holds high productivity. More used values for people have to be produced with less labor time (Marx1981), “Socialism will show itself to be superior to capitalism only if it proves better at husbanding time,” point out Cockshott and Cottrell (2005, 47).

Unfortunately, real socialism did not achieve high development of productive forces and neither change social consciousness. Up to this point, we have described two alternatives to neoliberalism. Both of them outscored neoliberalism in economic performance and social indicators. However, they also had several drawbacks, including: (1) the inability of solving the world crisis in the 1970s. This situation gave rise to the famous Thatcher’s phrase “there is no alternative”, (2) the absence of democracy in the case of socialism and the low political participation in the case of capitalism, (3) the destruction of the environment, (4) the presence of exploitation in both systems. In the case of capitalism, capitalists exploited workers and peasants. In socialism, the state exploited workers and peasants, and (5) the resilience of old institutions in both modern systems. Thus, in our opinion, other experiences of development have to be taken into account, three of which include Mondragon, Kerala, and the so-called socialism of the 21st century.

Mondragon Cooperacion Cooperativa (MCC) is a corporate group that emerged after WWII, founded by a Catholic priest working with a group of five engineers with the objective of raising the volume of employment and encouraging growth in the Basque region (Spain). The paramount characteristic of Mondragon is the self-management abilities it tries to enhance in the workers (as the personal participation in making management decision (Campbell 2011, 1)) and the necessary institutions to accomplish this, such as the General Assembly, the Governing Council, and the Social Council. Today, Mondragon has 289 companies not only in the Basque region but also throughout the world. In addition, it furnishes employment to 80 321 people worldwide.² Some scholars question whether MCC has responded adequately to the challenges of globalization, being able to face international competition successfully (Clamp 2000; Azevedo and Gitaby 2010). Good thing of

² Unfortunately, it is estimated that 20 percent of employees are part time or temporary workers (Allen 2011).

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.

6.2 *How progressive movements are going to seize power*

In seizing power, neoliberals used violence as well peaceful means (see section 4). Does the same option exist for progressive options to neoliberalism? If the option chosen is keynesianism, this will be the alternative that would present fewer problems than other options. For this reason, some postkeynesians think that the current crisis can be solved with some political movement. Huberban’s words remain true-- if neoliberals fought fiercely to take power, they would not cede now to another capitalist path with more social justice. Selection of the socialism alternative would lead us to the following conundrum suggested by Hayek (2001): Can socialism be achieved by non-socialist means? These questions prompt other two additional: (1) Is it possible to achieve socialism by peaceful means? And, (2) Is it possible to achieve socialism without taking the power of the state? Regarding the first question, historically, socialist alternatives implemented by means of an armed revolution or a democratic means have occurred. Russia is an example of the first case; Chile is an example of the second. The Chilean experience has been the fundamental reason to argue that socialism by pacific ways is not possible because if you do not destroy your enemy when you have the opportunity, he will destroy you when he grasps the power. Politically, this assertion can be true, but it contradicts the principles of socialism based on the full development of the capabilities of all individuals (solidarity, cooperation, and altruism). Regarding the second question, it poses the same problem, how something that is not socialism can produce socialism in the long run. “You cannot build a society of non-power relations by conquering the state .Once the logic of power is adopted the fight is lost,” states Holloway (Author’s translation 2002, 35). In his rebuttal to Bakunin’s Statism and Anarquism (2010), Marx singles out that confrontations and a certain type of state can exist as long as the remnants of the old society have not disappeared. However, this assertion leads to the following question: How long will it take for these old remnants to disappear? Of course, it depends on class struggle but the answer may be centuries. The state is a capitalist institution, and some of the progressive option experiences (including those of Kerala or Venezuela) rest on the state as well as on the former real socialism. Can the state build a new socialist 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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