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If there are alternatives, why don't more people believe in them?

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Neoliberal capitalism is unpopular but imagining alternatives is difficult, nonetheless. From the 1980s to the 1990s, the glitzy world of big money impressed people not only people who were invested in it but even many of those who were increasingly indebted to, or sidelined by it. In those days, old-fashioned capitalism and its grey-suited managers seemed hopelessly out of date. Even people who didn't like it very much came to believe that there was no alternative to the neoliberal remaking of capitalism.

The widespread lack of understanding of the state's central role in steering the housing, savings, and public services that Main Street had come to take for granted into the orbit of finance was understandable in the frenzied bubble days of the New Economy of the 1990s. After the subsequent series of financial and economic crises that followed, however, it is more generally accepted that capitalist states are big money's enforcers. At crunch time, it is state officials who evict people from their homes, sell public assets and slash services, jobs, and wages in order to minimize big money's losses and secure its property and power. It is not wonder that Main Street increasingly resents its bruising engagement with finance, loses trust in markets as well as the states that, instead of offering protections from these market forces, reinforces their polarizing tendencies. Government bail-outs, expansion of money supplies through central banks and, if necessary, injections of public spending are utilized to keep actually existing neoliberalism afloat. These political practices demonstrate the irrelevance of neoliberal teachings, reenforcing the crisis of legitimacy of markets and states in societies dominated by neoliberal capitalism. Dismay, disappointment, feelings of powerlessness and insecurity, anger and anxiety abound.

Popular reactions often fall within a binary framework, positing 'us' versus 'them,' where the 'us' can refer to the vague notions lie the 99% or equally vague notions of 'the people' or imagined communities of nations, races and/or believers. Correspondingly, 'them' can refer to the 1%, a conspiracy of bankers, backroom-dealers, oligarchs and plutocrats, an elite and its imagined allies in the ranks of inferior nations, races and/or religious communities. All of the above are strongly correlated with a sense of the powerless, exploitation and besieged 'good' pitted against the arrogant and powerful 'bad'.

A common thread that often runs through such articulations of discontent is a rejection of anything economic. If troubles on Main Street are caused by the economics of state-supported markets, alternatives are deemed to be non-economic. The widespread desire on the part of victims to escape economic constraints places left alternatives that might be translated into a social force pitted against neoliberal capitalism at a disadvantage. In other words, the Keynesian desire to use the state to rectify the shortcomings of markets, and the Marxian idea of replacing capitalist states and markets with an economy that is collectively owned and run have one thing in common: they envision an alternative political economy and thus build their analytical and strategic thinking around the 'e-word' that so many people try to avoid.

Right-wing alternatives encourage such escapism by promoting identity politics, cultural wars and clashes of civilization. These alternatives are as imaginary as the national, racial and/or religious

communities around which they are constructed. If pursued in reality, they contribute to the fracturing of neoliberalism within and across countries rather than offering alternatives to it. The quest for alternatives in this realm of identity politics and clashing civilizations makes disappointment a foregone conclusion. The imagined superiority of a chosen group over allegedly lesser groups may be embraced as a substitute for the glitter that surrounded the rise of global finance, but it is destined to wear off, too. This often leads to a further radicalization of right-wing populism and its channeling into other fundamentalisms, including the prescription of more stringent belt-tightening for the allegedly undeserving. But it is also capable of triggering some re-thinking. The demand for left alternatives may be limited, but the fact is that there is a potential demand that activists and scholars on the left could tap into. The question is how well they are prepared to do so.

It's a long way from 'Ya Basta' to 'This is what we want'

Activists have repeatedly demonstrated their capacity to express dissatisfaction with neoliberalism. This was true for the Zapatista's 'Ya Basta', the World Social Forum's 'Another World is Possible,' and Occupy's 'We Are the 99%'. Mobilizations around these slogans generated hope for progressive alternatives, but in the end they couldn't be sustained. These outbursts of protest and rage have been followed by periods of passivity and resignation. Sustaining large-scale mobilizations over extended periods of time is difficult, but it should be possible to keep core groups of activists together – activists who, during times that the reserve army of protestors is taking a break, reflect on past experiences and strategize for the future. If their goal doesn't extend beyond getting protestors out in the street, a new catchy rallying cry might be sufficient. But much more is needed if the goal is to build an alternative capable of challenging and eventually replacing neoliberalism, which is fractured by its own internal contradictions but remains dominant nevertheless.

This does not imply that the answer is to replace simple slogans with baroque economic theories. What is needed are analyses that help to identify the weaknesses in neoliberalism and which can be used to in the formulation of demands focusing on these weaknesses. These demands, in turn, should appeal to people whose discontent with neoliberalism is varied but which can allow for a convergence toward concrete common goals. Such goals should be part of a longer chain of further demands and goals which, taken together, provide a vision of an economy and society markedly different from neoliberal capitalism. The '8-hour-day', 'All Power to the Workers' and Soldiers' Councils', 'Land and Freedom' are prominent examples of such demands that have been raised by the left, demands that promised different layers of the popular classes a better life but couldn't be fulfilled without substantially challenging the capitalisms of the times and places when they were raised. These slogans were condensed expressions of an understanding of these respective capitalisms and of the necessity of transforming them. This isn't true of the recent slogans 'Ya Basta', 'Another World Is Possible' and 'We Are the 99%,' which are honest expressions of discontent, but nothing more.

Fortunately, there is a left tradition of advancing economic alternatives that, when connected to broader and more specific mobilizations, offer the core of a program around which an alternative political bloc can be developed. Linking the vision of economic transformation to the mobilization in pursuit of civil rights was the plan of those activists who promoted the Freedom Budget for All Americans in the 1960s. In a different way, both the British Alternative Economic Strategy and the Common Program of the French Socialists and Communists in the 1970s and early 1980s aimed at embracing some of the impulses coming from the various social movements of the time in order to move left electoral politics the beyond the advocacy of the Keynesian welfare state. The neoliberal bloc that was emerging at that time managed to amalgamate both popular and ruling class discontent with the Keynesian welfare state to defeat these projects of the left. But the ideas that they had advanced survived in small circles of dissident academics and scholars affiliated with unions, left parties, NGOs and think tanks.

Engagement with the anti-globalization movement and, more recently, anti-austerity struggles, has led to attempts to update these alternative economic policies. These kinds of collaborations haven't led to a conceptual and organizational merger between theory and practice at anywhere near the level of what was achieved by scholars, organizers, and activists in the 1970s. But this is not to suggest that today's leftists should aim at remaking the alternative bloc that existed at that time. The fact that an emergent neoliberal bloc was able to defeat it shows that the progressive bloc had some serious weaknesses. Moreover, it was the defeat of the 1970s progressive bloc that opened the way to the triumph of neoliberal capitalism that confronts today's left with economic, social and political conditions radically different from those that prevailed in the 1970s. Scholars, organizers and activists working towards an alternative bloc today may draw on this experience, but they have a lot of adjusting and updating to do.

Keynesian traces in neoliberal capitalism

The common denominator of different alternative economic policies advanced in the past was their use of the Keynesian welfare state as a starting point, with an eye toward overcoming the discrimination experienced by certain social groups and extending democracy from the political to the economic system. Some versions of these policies also addressed ecological concerns and sought ways of limiting the rising power of multinational corporations. Some versions were presented as pathways toward socialist transformation while others carefully avoided the question whether they were compatible with the imperatives of capital accumulation and/or acceptable to capitalist ruling classes. In its most moderate versions, alternative economic policies were presented as promoting the interests of capitalists more effectively than individual capitalists could, purportedly avoiding the behaviour that generated capitalist crises.

As it turned out, capitalists weren't interested by the prospect of leftists explaining what their true capitalist interests were. Even though crises did bring unsold merchandise, idle capacity and losses, capitalists preferred not to embrace Keynesian analysis, concluding that sooner or later it might be deployed in a manner that would squeeze their profits. Rather than going down that road – to bankruptcy and Hayekian serfdom -- they utilized another aspect of capitalist crises, -- the swelling reserve army of labour previously unknown in the post-WWII-era -- to contain union demands and eventually launch the neoliberal counter-offensive. This has been so successful that today's advocates of alternative economic policies, rather than suggesting a 'Keynes Plus' as their 1970s predecessors did, now demand a 'Back to Keynes' approach as the key alternative to neoliberalism. Other concerns remain on their wish list, but they are of secondary importance.

Translating the 'Back to Keynes' message into better sounding slogans might be possible, but it is by no means certain this would gain much traction. After all, while Keynes was purged from most economics curricula, his approach was never absent from the economic policies pursued by modern capitalist states. In other words, advancing alternative economic policies is not just about proper marketing and/or waiting for people to 'get it'. It is also about asking whether the suggested alternatives are sufficiently alternative to make a difference to people seeking alternatives if they were applied to the economic system.

It bears remembering that Keynesian measures were applied with considerable success during the Great Recession that began in 2008. As a result, the free fall of the world economy was stopped within a matter of months. But the resulting increase in public debt that was incurred in the process was used to justify a new age of ruthless austerity. This utilization of Keynes involves the blaming of government spending – even when it goes to save capitalist institutions! – for the resulting deficits and debt. It doesn't matter that rounds of tax cuts went to the benefit of corporations contributed infinitely more to the wrecking of public purses than did the welfare payments that neoliberals love to disparage. All that

matters is that the existence of such government payments – *any* government payments – and the resulting public debt offers the pretext for more austerity. Campaigning and mobilizing for taxing the rich may create the possibility of some change. But should be anticipated that fears of profit and wealth squeezes among the propertied classes will eventually trigger resistance to any substantial state-engineered redistribution of society's wealth.

Another Keynesian aspect of neoliberal capitalism, one that receives significantly less attention than the state's budgetary policies, is the expansion of cheap credit that contributes to the sustaining or expansion of demand when private investment is lacking. The fact that there are some instances when interest rates cannot be lowered to a level capable of spurring a level of investment demand sufficient to absorb available savings didn't go away just because neoliberals brag about the magic of supply and demand. Keynes suggested that under such circumstances, public spending should be used to compensate for the slack of private demand. This political fix to monopoly capitalism's economic woes fell out of favour when the propertied classes came to understand that the continuation of accumulation utilizing Keynesian means would lead to accelerating demands from the popular classes and a resulting profit-squeeze. In short, they were prepared to accept recessions as a means of recreating a reserve army of labour that had been depleted by the WWI and the post-war boom and deploy this army against active workers and their unions. As their policy responses to the Great Recession demonstrate, however, they had no desire to see the return of *laissez faire* economics.

The emergency spending programs that were deployed during the Great Recession played their part in avoiding a depression. But a more crucial role has been played by the shift in deficit spending from the public to private households. Access to cheap credit has allowed them to increase their spending beyond current income levels, thereby generating an increase in aggregate demand. Rising house prices temporarily covered up the fact that the cost of servicing these credits would be much greater than households could reasonably be expected to support. As long as the mortgage-house-price-spiral kept on spinning, aggregate demand continued to be fuelled. Warnings that the increase in property values was masking rising debt levels were ignored. Savings for which there was no investment demand were recycled back into the economy in the form of increased consumer credit, backed by rising property values. This new way of recycling excess savings has been described as privatized or stock market Keynesianism. Like Keynesianism based on deficit spending by governments, it was limited by the problems generated by the acceleration of debt.

In different ways, fictitious capital, debt and inflation are problems for both Keynesian and neoliberal capitalism

There is an aspect of accumulation under monopoly capitalism, whether regulated by Keynesian welfare states or neoliberal states using elements of Keynesian strategy, that Keynes didn't take into account. The accumulation of fictitious capital, profit claims derived from it and debt complementing both outpace the production and realization of profits generated by productive capital. In the Keynesian era, the endemic overaccumulation taking place in the realm of finance was adjusted to the actual accumulation taking place in the realm of productive capital through the phenomenon of permanent inflation in markets for goods and services. In order to defend their real wages and enjoy their share of productivity gains, workers, through their unions, factored inflation into their demands and thus doing their part in generating the price-wage-spiral that characterized the postwar era. Politicians inspired by Keynesian ideas hoped that incomes policies could contain an escalation of wage and price increases. However, capitalists viewed such policies as unacceptable attempts by state and union bureaucrats to interfere with their prerogatives as capitalists. In their view, the right to manage, which they were not willing to sacrifice under any circumstances, included pre-emptive or retaliatory price increases to defend profit margins against workers' demands. Workers had a very similar view. For many of them, incomes policies were an objectionable attempt to sacrifice hard-

earned wage increases on the altar of Keynesian technocracy. As long as unemployment was low and fears of job loss of little significance, demanding wage increases or going out on wildcat strikes were seen by workers as effective means of securing their share of the Keynesian economic pie. As these attitudes became generally accepted, the result was that low, permanent levels of inflation accelerated into runaway levels, a turn that Milton Friedman identified as the weakest link in the Keynesian policy chain.

Ordinary households, financiers and capitalists who had been keeping money in the bank rather than investing it when profit prospects looked poor, began to identify inflation as a major threat to their wealth and power. It was at this juncture that monetarism offered a way out. However, while the disinflation that began with the Volcker-shock and brought the capitalist centres to the verge of deflation during the Great Recession secured money's function as a reliable store of value, it destroyed the mechanism that had accomplished a reliable devaluation of financial overaccumulation during the postwar boom. As it turned out, neoliberal capitalism, for which monetarism had opened the door, propelled financial overaccumulation to record heights. More precisely, soaring stock markets push profit claims to ever higher levels and put complementary constraints on wages, ensuring that even economic upswings generating rising employment levels won't see rising wages. Before neoliberal globalization, rising employment allowed workers to ask for higher wages without fearing to lose their jobs for making such demands. Nowadays, finance capital defines benchmark profits. Failure to meet them, leads to the relocation of operations to places where workers are more accommodating. In the past, deducting all costs from revenues yielded profits. They were a residual income. Now profits are set and wages have to be adjusted as a residual.

During the Keynesian era, permanent inflation in markets for goods and services continuously devalued the purchasing power of incomes as well as over-accumulated financial claims. It thus served as a social mollifier and accumulation stabilizer. Asset-inflation in the neoliberal era drives accumulation forward but also sets the stage for manias, panics and crashes. Plummeting stocks devalue overaccumulated finances, too. They do this recurrently, as part of the specific form the capitalist crises cycle has taken on under neoliberalism. This annulment of significant amounts of fictitious capital and overaccumulated profit claims clears the ground for another round accumulation driven by asset inflation. The role of privatized or stock market Keynesianism in this cycle is to draw the wealth of private households with little or no savings into the whirlwinds of upward-spiralling wealth illusions that regularly end in the loss of original assets and leave unpayable debts behind.

People going through the rollercoaster of financial hopes, fears and frustrations don't engage in economic analysis to dissect the neoliberal and Keynesian elements of the game in which they are placing their bets. But there is a growing sense that something is wrong with this game. Any proposal to change it that refuses to go beyond the parameters of neoliberalism can't gain much traction, economically. The consequence is that such proposals can only pave the way to further popular frustration down the road. The problems of maxed-out credit cards, mortgages and student loans and pensions caught up in the insecurities of stock market evaluations cannot be ignored. There is nothing wrong with adding the re-regulation of finance to the demand-management agenda of alternative economic policies, but overreliance on it misses the main point. Aggregate debt levels of private and public households have reached a point where they are simply not repayable. But the continued pretence that these debts can and should be paid constitutes an impediment to any substantive departure from neoliberalism and its discontents.

Integrating proposals to cancel at least some of the existing debt burden, which grows larger with every round of austerity policies, into alternative economic policies is necessary for these alternatives to become both popular and effective. Without debt forgiveness, it is easy for neoliberals to insist that public spending proposals cannot be financed, given existing debt levels. It doesn't matter whether these debt levels resulted from public spending or tax cuts or both. But it does matter that the argument against public spending today can be made - simply by pointing to already existing debt levels without asking where they came from. It goes without saying that proposing debt cancellation

goes beyond the policy mix featuring class compromise. The neoliberal recipe of using debt to justify further cuts in services for the popular classes shows very clearly that this is a question of class struggle over the distribution of wealth and incomes. This will continue as long as there is sufficient debt that can be used as a weapon against the popular classes. It won't stop unless social movements emerge insisting upon the cancellation of debt at the expense of the propertied classes.

Going beyond rage against the system requires democratic alternatives

To recap: advancing alternative economic policies featuring a 'Back to Keynes' approach has its limitations because there are contradictions between the imperatives of capital accumulation and the workings of the Keynesian welfare state, contradictions that contributed to the latter's demise. A further limitation is that the superceding, neoliberal form of capitalism contains certain Keynesian elements that render the claim that Keynesianism inherently represents an alternative to neoliberalism somewhat dubious. But so far we have dealt only with the economic content side of the story. Mainstreet is not only outraged by the economic outcomes of neoliberal capitalism but also by the way the whole system is run. Rage against the 1% or the elite of oligarchs and plutocrats also is based on a very realistic sense of powerlessness among the subordinated classes. Charismatic leaders on the populist and fundamentalist right build support on the basis of such sentiments by promising to 'really take on the powers that be'. Their followers can't, and probably really don't, expect to overcome their own powerlessness by supporting these types of leaders. But they may comfort themselves by believing that some of the glorious leader's light might shine on them. At the same time, it must be acknowledged that the same rage can also lead to the creation of 'power to the people'-type demands.

Picking up on such demands and linking them to an alternative economic agenda is difficult for if we limit ourselves to a set of policies derived from Keynesian ideas with a focus limited to aggregate analysis and welfare state policies. Some proponents of alternative economic policies in the 1970s were aware of this problem. They responded by advocating an extension of democracy from the existing system of formal, truncated political representation to a more thoroughgoing form of democracy involving the reconstitution of public and private sector organizations. The economic democracy they had in mind reflected the intense shop-floor struggles taking place at the time and aimed at further empowering the workers engaged in these struggles.

As these shopfloor battles as well the ideological ones involving left alternatives to the Keynesian welfare state were lost, the once-popular idea of workplace democracy sank into oblivion. Reviving these idea would certainly be an important aspect of creating an alternative social-political bloc to oppose neoliberalism. However, the thoroughgoing commodification of many aspects of life that has taken place under neoliberalism – aspects that had been, at least partially, sheltered from the imperatives of capital accumulation during the Keynesian era -- compels those interested in creating an alternative to address the question of democracy beyond the shop floor on the agenda, as well. This includes the need to recapture and transform state apparatuses as well as civil society on the national and international levels. Recent movements from the World Social Forum to Occupy and its offshoots in other countries have acknowledged the fact that the ever higher concentration of capital undermines even representative democracy in its existing, limited form.

Expressing discontent with 'the system', many activists in these movements embrace horizontalism and localism as alternatives to the hierarchies of states and markets. Both Keynesian and Marxist critics rightly point out that without confronting the power of neoliberal capitalism, this kind of alternative is likely to raise false hopes and end up in disillusionment and frustration. At the same time, if properly engaged, the democratic impulse coming from these movements has the capacity to reinvigorate the search for democratic intermediations between individuality and collectivity that has been absent from the left mainstream. The Keynesian welfare state as well as Soviet communism

shared a technocratic character, which meant that both of the two actually existing socialisms did their share in discrediting left alternatives. To make alternative economic policies more attractive in the future, it is not only important to move from a 'Back-to-Keynes' to a 'Beyond-Keynes' message but also to come up with the kind of democratic organizational approach that has become widely popular in the era of the WSF and Occupy, but which can be applied in a manner that has an impact that of beyond local communities.

Isn't Marx the answer?

An obvious way to move beyond Keynes is adopting Marx as godfather of alternative economic policy. Drawing on his economic and political theories might help to overcome the conceptual limitations of policies inspired by Keynes. But moving in this direction requires as much rethinking of Marxism as it does from Keynesianism. There is a long tradition among Marxists of critiquing Keynesianism and many of the arguments in this presentation draw on them in way or another. But too often these critiques imply that laying out the limits of Keynesianism is sufficient to win people over to the Marxist cause. But in today's world, Marxian socialism is even less popular than Keynesian alternative economic policies. In the version with which it is widely identified, the Marxism of actually existing Eastern European socialism, shares with Keynesianism a technocratic character that flies in the face of popular desire for democratic participation. And although representative democracy, the political form in which Keynesian welfare states developed in the post-WWII-era, had its deficiencies, vividly articulated by 1960s New Lefties and new social movements from the 1970s onwards, it clearly scored better on the democratic-content scale than the politburo-dictatorships in the East.

It is true that the identification of Marxism with actually existing Eastern European socialism is problematic. Marxists were among the harshest, perhaps the harshest critics of this system, and tirelessly pointed out that that system had nothing to do with a society organized on the basis of Marxian principles. But such criticisms hardly resonated beyond the world of Soviet communists and their Marxist critics. To outsiders, it was all the same. Some of the critics turned the fact of political isolation into a virtue and went all the way from being involved in socialist politics to focusing on a purely theoretical critique of political economy, Keynesian welfare states, and Soviet communism. This critique is useful in sharpening a sense for the limits of capital accumulation and social reforms relying on continued accumulation and class compromises. It also produced valuable critiques of bureaucratic rule in private corporations as well as state apparatuses, East and West. But the fact that Engels once wrote a scathing critique of utopian socialism and that Marx declined requests to draw roadmaps to socialism doesn't negate the fact that when socialist movements began wielding power, transformative strategies became a necessity to further advance these movements. Tragically, the outcomes of actually occurring transformations became the reason for many Marxists to retreat from efforts to change the world into activity confined to merely interpreting it. Interpretation is certainly an indispensable part of changing the world but it won't contribute to real change unless it is connected to the anger, fears, hopes and desires of the many who feel there's something wrong with the world and are looking for alternatives. Unless interpretations can be translated into programs and slogans capturing the imagination of the discontented, no alternative bloc capable of actually changing the world and avoiding some of the mistakes of past social movements, will be pursued.

Perhaps some of the existing interpretations of capitalism, supplemented by critical analysis of the history of the left, can be condensed into slogans with a mobilizing capacity similar to yesteryear's slogans like the '8-hour-day', 'All Power to the Workers' and Soldiers' Councils' or 'Land and Freedom'. There's lots in those three that is worth fighting for these days as much as it was in the past, necessary additions and updates notwithstanding.