

Endgame: from crisis in neoliberalism to crises of neoliberalism

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This article outlines a political economy interpretation of the COVID-19 pandemic, framed around its relationship to the dynamics, contradictions and limitations of global neoliberalism. It argues that the pandemic emerged in a context of growing inequalities and deepening crises in neoliberal economies and their political systems, and that the pandemic is likely to reinforce the exclusionary tendencies in the current phase of capitalism, with detrimental implications for democracy. In turn, the pandemic has revealed the limitations of neoliberalism like never before, with adverse consequences for the legitimacy of capitalism itself, and opening unprecedented spaces for left political activity. The analysis below draws upon my previous research work on neoliberalism, especially Ayers and Saad-Filho (2015, 2020), Boffo et al. (2019), Fine and Saad-Filho (2017) and Saad-Filho (2010, 2017, 2020a, 2020b).

Neoliberalism and its economy

We live in the ‘age of neoliberalism’. This is not simply a matter of identifying the dominant ideas or policies: instead, neoliberalism ought to be seen as the current *stage, phase or mode of existence* of global capitalism. Neoliberalism emerged gradually and tentatively after the end of the post-war boom, and it spread worldwide from its main bases in the US and the UK through Atlanticism in the North, and through the Washington Consensus in the South and the East.

The most significant feature of neoliberalism is *financialisation*, meaning the subordination of economic and social reproduction to what Karl Marx called interest-bearing capital. The core of financialisation is the transfer of control over resource allocation from the state to a globally integrated financial system, dominated by institutions based in the US. This is what allowed finance to gain control of the main sources of capital and the key levers of economic policy, and permitted the restoration of US imperialism after its defeats in Vietnam and Iran and the dollar crisis in the 1970s. Financialisation also underpinned the transnationalisation of production and finance, which became known as ‘globalisation’.

While neoliberalism drove an extraordinary recovery of profitability since the lows in the early 1980s, financialisation fuelled a vast sphere of speculation and a growing trend of appropriation of national income by the financial institutions themselves, with significant implications for (rising) inequality and (falling) investment and GDP growth rates – despite the unprecedentedly favourable conditions for accumulation created by neoliberalism itself. Yet, instead of thriving on the basis of these conditions, accumulation in the core countries has been slowing down for several decades and, between 2007 and 2020, the West suffered the longest calamity and the weakest and most regressive recovery on record. This may be called *the economic paradox of neoliberalism*: the delivery of extraordinarily favourable conditions for accumulation has been associated with worsening performance and greater vulnerability to deeper and more long-lasting crises.

Three phases of neoliberalism

Historically, global neoliberalism has been through three phases, roughly divided by the mid-1990s and the Great Financial Crisis (GFC). The first (‘transition’) phase emerged in opposition to the previous system of accumulation (Keynesian social-democracy, developmentalist, Soviet-style socialist or whatever else). This phase generally required forceful state intervention to contain labour, destroy the left, promote the transnational integration of domestic capital and finance and introduce the new institutional framework, regardless of the consequences for society, employment, balance of payments sustainability and so on. This phase opens with the

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transitions in the Southern Cone in Latin America in the 1970s, followed by Thatcherism and Reaganism, the structural adjustment programmes in the South and the transitions to capitalism in the former Soviet Bloc and China, and it closes with the East Asian crisis, in the mid-1990s.

Politically, the transitions to neoliberalism were associated with a wide variety of paths. These can be more authoritarian, from Pinochet and Videla to Thatcher and Reagan, or they can be linked to democratic transitions, as in the cases of Brazil, South Africa, South Korea and Eastern Europe. Whatever the path of transition, a 'typical' democratic political form of neoliberalism became established in the 1990s. These neoliberal democracies were heavily circumscribed. In particular, they included an institutional apparatus designed to separate the economic and political domains, lock in neoliberalism and insulate economic policymaking from interference by the majority, in order to secure the hegemony of finance.

The second ('mature' or 'third wayist') phase intensified the financialisation of economic and social reproduction, institutionalised the new modalities of international integration, consolidated neoliberal democracy, legitimised the system of accumulation through the imposition of a new neoliberal subjectivity and introduced typically neoliberal social policies to contain the deprivations and adverse social consequences of the transition. By then, the political space for traditional left activity had been severely curtailed, both because the economy and society had changed and because most people no longer believe in left values. These institutional, social and political changes also reduced drastically the policy space available to nominally democratic states and largely disabled their policymaking capacity, reducing the scope for legitimate opposition: since there was (at this point) *really* no alternative to neoliberalism, there were no policy choices to be made and no need to debate the economy. Instead, the political space was taken up, in rapid sequence, by matters of culture, religion, nationalism and racism.

As the neoliberal transition restructured economies and societies, it created a large array of economic 'losers'. Millions of skilled jobs were eliminated, especially in the advanced economies; entire professions vanished or were exported, and employment opportunities in the public sector worsened because of privatisations and 'retrenching'. Job stability declined, and pay, conditions and welfare protections tended to deteriorate almost everywhere. In the meantime, the institutionalisation of neoliberal democracy compounded the alienation of the 'losers'. Their legitimate concerns were systematically ignored, and their resentments, fears, hopes and feelings of alienation and anger were captured by the mainstream media and dislocated towards ethical conflicts between 'insiders' and 'outsiders' and between 'good' and 'bad' individuals, framed by appeals to 'common sense'. These conflicts were, then, frequently viewed through the lens of 'undue privilege' given by the state to the

'undeserving poor', minorities, foreigners and foreign countries. The long-term consequence has been the delegitimation of politics, the build-up of alienation and anomie and – given the destruction of the left – the creation of spaces for the far right.

The *political paradox of neoliberalism* is that the institutionalisation of neoliberal democracy undermined the foundations of democracy itself: structures of representation became unresponsive, public policy became both rigid and indifferent to the majority, and the state signalled that class-based collectivities would no longer be recognised, and that cash-poor individuals were either 'failures' or 'crooks'. At the same time, the economic limitations of neoliberalism implied that legitimate material aspirations – validated routinely by the consumption-oriented cultures of neoliberalism – would not be satisfied, and that the next generation would not do as well as their parents did. This was a decisive rupture with a generational contract ('our children will do better than us') that had helped to validate capitalism since the 18th century. In the end, it was each person for themselves – except for the perception that minority groups were either being given (by the state) or were taking (by dishonest means) what did not belong to them. This was a combustible situation.

The mature phase of neoliberalism was closed by the GFC, which severely eroded the legitimacy of financialisation and neoliberal economic and social policies. The global crisis led to a third phase of neoliberalism, distinguished by the need to manage the consequences of the GFC in a context of loss of legitimacy due to the widespread realisation of the vastness of the shock and the astronomical cost of saving finance, the perception that neoliberalism had concentrated income and wealth and imposed unpopular patterns of employment, and that it had failed to deliver rapid and stable accumulation. The lynchpin of the economic strategy after the crisis was the combination of ultra-loose monetary policies (symbolised by successive waves of 'quantitative easing' in the largest economies, aiming to bail out finance) and 'fiscal austerity' (in order to socialise the losses).

Authoritarian neoliberalism

Given the faltering ideological hegemony of neoliberalism and financialisation, this combination of policies would, inevitably, require the intensification of repression and the introduction of new forms of exclusion in order to stifle the opposition. The effort was made, but it proved to be too much: political control slipped from the traditional neoliberal elites, leading to the emergence of anti-systemic forces polarised by 'spectacular' authoritarian leaders and a new generation of far right movements. Symbolically, on 23 June 2016, Brexit won the UK referendum and, on 9 November, Donald Trump was elected US President. These were components of a much wider process by which authoritarian

governments were installed in several countries by means of elections (Austria, Chile, Italy, Philippines, Poland, UK, US), abuses of the Constitution (Brazil, Hungary, India, Russia, Turkey), judicial-parliamentary coups (Bolivia, Brazil, Honduras, Paraguay) and military coups (Egypt, Thailand). Their rise has been coterminous with the hollowing out of the neoliberal (technocratic and exclusionary) democracies in these and other countries.

The leaders fronting these movements invariably present themselves as being strong; they cultivate a politics of resentment, appealing to common sense, appearing to talk ‘honestly’, and claiming the ability to ‘get things done’ by force of will and, often, through their business acumen, while also promising to deploy their strength of character and outsider status to confront an array of enemies in order to gain support from the ‘losers’. These enemies can include the neoliberal state, finance, globalisation, the elites, experts, entrenched interests, corrupt politicians, self-interested civil servants, captured institutions, foreigners and so on, all of whom allegedly attack ‘our’ nation and hurt ‘our’ hard-working and long-suffering people. Significantly, those authoritarian leaders overtly campaign against specific facets or consequences of neoliberalism but, when in power, implement programmes *intensifying* neoliberalism under the veil of nationalism and a more or less explicit racism. Invariably, then, these policies hurt their own electoral base, making the authoritarian neoliberal regimes fundamentally unstable, and potentially leading to a politics of permanent crisis that opens spaces for the far right.

Given its structural causes, this is not a transitory political shift that will cancel itself out as voters come to terms with their own mistakes and reinstate the power of the traditional political elites. Instead, what we have is a *political crisis in neoliberalism*, where the rise of authoritarian leaders is a symptom of the decomposition of neoliberal democracy, the outcome of the crisis of ‘restructured’ economies, political systems and institutions of representation and evidence of the hijacking of mass discontent by the far right. Nationalism and racism offer ‘the people’ a way to respond to real injuries, restore a sense of collectivity lost elsewhere and reaffirm their worth, which neoliberalism denies in every other way. In other words, the rise of authoritarian neoliberalism is the reflex of a desperate search by the losers for ways to short-circuit a blocked political system, and secure gains for people who have grown tired of losing out to presumably undeserving ‘others’. To their right stand even more dangerous movements claiming greater political coherence, and aiming to represent the ‘losers’ in more aggressive ways.

The *paradox of authoritarian neoliberalism* is that the economic and political crises of neoliberalism promote the personalisation of politics and the rise of ‘spectacular’ leaders untethered by ‘stabilising’ intermediary institutions: traditional political parties, trade unions, social movements and the law. Those leaders are committed to neoliberalism and to their own personal power. When in office, they promote a

radical version of neoliberalism while attacking all forms of opposition, push globalisation and financialisation and transfer even more power to the neoliberal elites. Yet, these agendas harm their own political base. Society is increasingly divided, wages decline, taxes become more regressive, social protections are corroded, economies become more unbalanced and poverty grows. Mass frustration intensifies, feeding unfocused discontent, which the ‘leaders’ navigate by fostering new resentments and emerging conflicts. They cannot stop or their popularity must decline, since they cannot resolve actual problems: they can only *perform* – see, for example, the striking cases of D. Trump, B. Johnson and J. Bolsonaro in the US, UK and Brazil, respectively. It follows that authoritarian neoliberalism is intrinsically unstable and its dynamics will, perhaps unintentionally, offer increasing prominence and scope to the emergence of modern forms of fascism.

The pandemic arrives

This degenerating political dynamics was overwhelmed by the COVID-19 pandemic, which triggered the deepest economic contraction in the history of capitalism. As soon as the pandemic hit, neoliberal discourses about the imperative of ‘fiscal austerity’ and the limitations of public policy vanished, as neoliberal governments retreated hastily into a *faux* Keynesianism. The disintegration of the global economy left the most uncompromising wealthy neoliberal economies, the UK and the US, exposed as being unable to produce enough face masks and personal protective equipment for their health personnel, or ventilators to keep their hospitalised population alive. Those insufficiencies were not merely a misfortune: they were outcomes designed by policy. Four decades of neoliberalism depleted state capacities in the name of the ‘efficiency’ of the market, promoted deindustrialisation through the ‘globalisation’ of production and the pursuit of short-term profitability, and built fragile financial structures secured by magical thinking and state guarantees.

With the pandemic, capital was immediately sheltered almost everywhere, while the workers in general, and the ‘losers’ in particular, lost jobs, incomes, businesses and credit lines. In turn, the gradual disintegration of democracy was already evident, together with an emerging authoritarianism. After the pandemic, increasingly totalitarian governments incompetently addressing the pandemic quickly claimed the right to control movements, the legitimacy to intercept communications, cross-check contacts and health status, and the mandate to deploy the military to control civilians. Finally, neoliberalism had already created ‘flexible’ labour markets, and they have tended to become even more flexible as economies re-emerge, for example with workers being rehired with even worse contracts than they had before.

IMF (2020) estimates suggest unprecedented GDP contractions in 2020 (e.g. 9.1% in Brazil, 7.8% in Germany, 10.2% in the UK, and 8.0% in the US, among other unprecedented collapses of output and income), together with large fiscal deficits. In response, several governments have already expressed their intention to shift to a 'new austerity' as soon as possible, while relying on even stronger repression to secure political stability. This is untenable because, in economic terms, austerity is unjustifiable. If it is imposed by force, austerity will undermine (what remains of) democracy and, with it, the legitimacy of these governments, with the additional difficulty that austerity will harm disproportionately the 'losers' from the previous phases of neoliberalism, which are the mass base of the authoritarian administrations. These limitations directly suggest the likelihood of a long period of crisis politics, with unpredictable implications.

Movements on the left

Inklings of the structural tensions outlined above have emerged along three lines. First, the Sanders campaign in the US and the Corbyn movement in the UK (and, earlier, Syriza in Greece, and the Workers' Party in Brazil), although defeated in the short-term, demonstrated the depth of dissatisfaction with neoliberalism and the scope for mass mobilisation for progressive alternatives.

Second, the contrast between more and less successful states confronting the pandemic – for example, between the experiences in Brazil, Ecuador, India (except Kerala), Italy, Sweden, the UK and the US, and those of Argentina, China, Cuba, Ethiopia, Germany, Ghana, Greece, Kerala, New Zealand, Senegal, South Africa, South Korea, Taiwan and Vietnam – demonstrate the importance of integrated public policy, state capacity and a strong manufacturing base, in contrast with the depredation of the economy and the institutions of the state by the uncompromisingly neoliberal administrations. In this sense, then, this is a *pandemic with neoliberal characteristics*, in which the impositions of neoliberalism have led to tens of thousands of avoidable deaths.

Third, several radically neoliberal administrations pressed for inhumane (and highly unpopular) strategies of 'herd immunity' early in the pandemic, which they were forced to abandon under heavy pressure from below. Taken together, these experiences are suggestive of the limitations of neoliberalism, and they can help to energise a new generation of left movements for democracy and accountability of the state, and against neoliberalism.

Conclusion

Even though the tendency is undeniably for a prolonged economic stagnation and the emergence of new forms of fascism, there are counter-tendencies pointing to the possibility of resurgence of the left. In order to strengthen them,

mobilisations can be organised around the defining concerns of the left with equality, collectivity, and economic and political democracy.

Neoliberal discourse claims that there is a trade-off between health and the economy, and that countries 'must' choose a place on the purported continuum between herd immunity and lockdown. In contrast, the left can stress that there is no such dichotomy because the economy cannot function if people are insecure or unhealthy; moreover, capital fetishises the economy and instrumentalises people in order to exploit them. It can also be stressed that there is no dichotomy between democracy and efficiency. In the early days of the pandemic, the mainstream media and several governments in the West argued that it would be impossible to control the virus like China had done, because their countries were democracies and China is a dictatorship. This was an obfuscation. Experiences around the world show that there is no such trade-off: countries have performed more or less well depending on their public policies, rather than political regimes. In reality, the neoliberals wanted to avoid taking costly measures to protect life, since their preference has always been for profits at the expense of people.

The left can articulate demands to secure life and promote social equality during the pandemic, and push for redistribution, well-being and the rediscovery of the collectivity that has emerged, tentatively, through the strains of the pandemic. In doing this, it is also possible to settle the costs of the pandemic – and finance the transition to democratic and sustainable economies – through progressive taxation and the defiscalisation of the economy; that is, transcending neoliberalism in a progressive direction. This work will be difficult, but it is both possible and urgently necessary; in doing this, the overlapping *crises in neoliberalism* can be challenged, and turned into a generalised *crisis of neoliberalism* pointing in a progressive direction.

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