ECONOMY AND ECOLOGY 03.01.2022 | Tobias Debiel & Mathieu Rousselin

Is a post-neoliberal world possible?

Despite its unparalleled ability to generate crises, neoliberalism has proved remarkably resilient. Has the pandemic finally sounded its death knell?

Like little before it, the Covid-19 pandemic has sent shockwaves through the global economy and political systems. From the moment the virus emerged, concern that growth and health services would collapse – and potentially take political systems down with them – led to worldwide state interventions which were reminiscent of those in the 2008 financial crisis.

For many commentators, the pandemic looked like a challenge to the neoliberal hegemony of liberalisation, deregulation, and privatisation and to the principle of global state competitiveness. The market, after all, has proven clearly incapable of responding adequately to crises – and understandably, the death knell for the primacy of neoliberalism in global economic relations has been sounded ever more frequently of late.

But do the global financial crisis of 2008 and the Covid-19 pandemic really point towards a post-neoliberal era? Or is neoliberalism a particularly stubborn palliative patient which, to general astonishment, just keeps on going? And how will the neoliberal order face up to the next – and indubitably most serious – crisis: climate collapse?

These days, you certainly have to spend some time searching until you find anyone willing to argue publicly in favour of neoliberalism. Those on the other side of the argument – such as former chief economist of the World Bank Joseph Stiglitz – are getting ever more confident, demanding that 'neoliberalism must be pronounced dead and buried.'

The victory of neoliberalism

At the same time, however, real-world political practice remains characteristically neoliberal – and anyone listening for a ticking clock will hear the sound of silence. While, in the years following the Second World War, Keynesian instruments were applied to erect the welfare

states of the industrialised West, since the 1970s, neoliberal economics has fought and won the war against its nemesis.

An early victory in this struggle – and a particularly brutal one – was secured in Chile, where Augusto Pinochet forced his way into power, bringing with him a crowd of 'Chicago Boys' (followers of Chicago economist Milton Friedman) who, following the *coup d'état*, took a wrecking ball to the socio-economic achievements of democratic socialist Salvador Allende.

The triumph of neoliberalism in Chile would turn out to be indicative of what was to come: under the 'Washington Consensus' established during the 1980s in financial institutions across the globe and, not least, in the US government, the neoliberal mantra became a worldwide orthodoxy.

Yet in the face of both its own systemic weaknesses and the onslaught of its opponents, the neoliberal model has proven remarkably resilient.

The macroeconomic teachings of Keynesianism, whose clearest manifestation was in the concept of the welfare state, were replaced by two fundamental tenets: the primacy of individual economic freedom with nigh-on absolute protection for private property and an orientation of the state towards market-rules competitiveness predicated on the four governance instruments of privatisation, deregulation, tax reductions, and free trade.

After the oil price spikes and debt crises of the 1970s left Keynesianism looking bankrupt, the financial crisis of 2008 appeared, at first sight, to be a similar moment of truth for neoliberal economics: banks collapsed, growth shrunk, and unemployment grew, leading to social tensions in countries across the globe. All of this made it appear that there could be a 'shift to a post-neoliberal regime that would be more actively concerned with system-level risk and impose restrictive regulations on financial institutions and markets.' And indeed, as banks were rescued, the principles of deregulation were, at least temporarily, reversed.

Yet in the face of both its own systemic weaknesses and the onslaught of its opponents, the neoliberal model has proven remarkably resilient – as quickly became clear when rescue packages for countries such as Portugal and Greece were agreed in accordance with an ideology of strict fiscal austerity. Neither did it take long for risky financial instruments such as derivatives (future deals speculating on price movements) to rear their ugly head: by December 2013, trading in derivatives had reached its pre-crisis level.

Then came the pandemic

The second great crisis of the 21st century was caused by the pandemic. In early 2020, it triggered a serious global recession and, similarly to the financial crisis, the response was massive state intervention. And yet there was a very clear difference between the two moments: as Covid-19 spread, neoliberal precepts such as fiscal austerity – embodied by Germany's 'black zero' budgetary policy – were called into question and cast aside, vanishing 'faster than one could spell "bankruptcy".'

In the industrialised economies of the West, Covid-19 led to a renaissance and re-legitimisation of state involvement that went far beyond the flash-in-the-pan interventions of the 2008 financial crisis. This didn't just mean far-reaching expansions in state debt and the renouncement of austerity: with broad societal acceptance, states curtailed fundamental individual freedoms at the heart of traditional liberal thinking such as the freedom to travel or to meet others in both public and private spaces, the right to form associations and clubs, and the free exercise of religion.

Up until the pandemic, even large-scale crises such as that of 2008 had not yet posed a real danger to the primacy of neoliberal principles.

Moreover, the holy cow of neoliberalism – the sanctity of patents – was called into question by none less than US President Joe Biden, who supported a WTO exception to deprive private pharmaceutical companies of exclusive rights to intellectual property related to vaccines against Covid-19.

Even if patent protection was, in the end, left untouched, the return of the state and its primacy in setting binding rules in the service of the common good may be considered a preliminary sign of an alternative model to neoliberalism.

Up until the pandemic, even large-scale crises such as that of 2008 had not yet posed a real danger to the primacy of neoliberal principles. Indeed, such crises were used as justifications to enact far-reaching state interventions against the common good in order to stabilise the neoliberal system and its key protagonists. For the longest time, it looked as if its sheer resilience was both a defining characteristic and a key to the success of neoliberal economics. Yet the measures taken by states to combat Covid-19 have shaken this edifice at least in part.

The crisis ahead: climate breakdown

In terms of its dramatic effects and lasting nature, the pandemic is easily surpassed by the global climate crisis. Global warming will be the permanent crisis of the 21st century and, alongside the nuclear threat, the most serious danger to the survival of human life on this planet. There have already been several attempts to counter climate change using neoliberal tools such emissions trading.

None of this is to say, of course, that neoliberalism's toolbox is empty.

Yet the meagre results show more than amply that these approaches are at best complementary instruments, not the decisive policies for the far-reaching socio-economic transformation required. As such, when it comes to mitigating against climate change, the neoliberal credo of trusting to market mechanisms is looking just as shaky as the naïve hope that the state can simply wait until producers and consumers start behaving in an ecologically sustainable manner.

None of this is to say, of course, that neoliberalism's toolbox is empty. Externalities can be internalised, for instance: ecological costs can be integrated into pricing for goods such as meat and flights. The question, however, will be whether we have time for these methods to take effect or whether far more prohibitive measures are needed to put a stop to consumers' most damaging habits.

Openly communicated or hidden as market-compliant price rises, either way, there will be no other option than to sanction ways of behaving which, though often stylised as 'a way of life' or 'lived freedom', jeopardise the freedom of future generations. While these kinds of measures will be effective against climate change, they will need to be balanced with substantial social compensation so as they do not lead to further inequality and create new injustices.

While the Covid-19 pandemic has shown that neoliberal norms can be overridden and institutional rules renegotiated to assign the state a more proactive role, there are as yet few indications that this alternative model will give due consideration to the social question.

On the contrary, it looks as if the costs of the crisis are to be shared out in a very inequitable manner. This is bound to engender resistance on the part of those in precarious situations or dependent on the current system – and will represent a boon to right-wing populist movements. The

transition to a post-neoliberal model can only succeed if the transformation is not only ecological, but social, too.



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