

Misconceptions about Neo-Liberalism*

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Neo-liberalism is often seen only as an economic policy. This per se might not matter, since a specific set of economic measures do, no doubt, fall under the rubric of neo-liberalism. But by reducing neo-liberalism only to a set of economic measures, a misleading impression is often conveyed that this set of measures are a matter of choice on the part of the ruling bourgeois political formation, i.e. that a “non-neo-liberal” set of measures could also be followed, even in conditions of contemporary capitalism, if only the bourgeois political formation ensconced in government had decided to do so.

Reducing neo-liberalism only to an economic policy creates scope for this misconception. In fact, however, neo-liberalism is a mere description (and a bad one at that) of a whole set of measures that are associated necessarily with the hegemony of globalized finance. These measures are not a matter of choice by some particular bourgeois political formation; they would have to be adopted in the contemporary epoch by any bourgeois political formation, i.e. as long as the country remains within the capitalist orbit, whence it also follows that any political formation that wishes seriously to overturn these measures would necessarily have to be prepared to transcend capitalism. It may have to do so, no doubt, through all kinds of complex tactical steps, but it cannot lull itself into overlooking the necessity for doing so, a point that acquires particular significance in the context of Greece today and of other European countries that may throw up anti-“austerity” Left-wing governments in the coming days.

The point being made here is analogous to the one that Lenin had made against Karl Kautsky on the question of imperialism. He had accused Kautsky of thinking of imperialism as a policy and thereby suggesting that a non-imperialist policy was also possible at that time, either on the basis of monopoly capitalism itself, or through a reversion from monopoly back to “free competition”, from which monopoly itself had already emerged. Both these possibilities, he had argued, were utterly unreal, and represented sheer wishful thinking, or a “petty bourgeois” pipe-dream.

To underscore his point that one could not detach imperialism from monopoly capitalism in this manner, that it was not a “policy” that could or could not be adopted depending on the volition of the ruling government under monopoly capitalism, he had defined imperialism as the monopoly phase of capitalism. Kautsky’s rejoinder to this, namely that if one defined imperialism as monopoly capitalism, then one did not prove the “necessity” of imperialism for capitalism but simply pushed it by definition, also emerged naturally from his position. It only expressed his perception that the necessity of imperialism was an independent matter which had to be separately established, whence it followed as a possibility that one could retain monopoly capitalism but do away with this necessity, i.e. that a non-imperialist policy was possible at that time even without transcending capitalism.

Exactly analogously neo-liberalism is not a separate detachable thing from contemporary capitalism. It is contemporary capitalism, a manifestation of this contemporary capitalism, characterized as it is by the hegemony of globalized, i.e. international, finance capital.

One often comes across a mirror image of this argument of “separability”, which is prevalent in Left-wing circles, especially in Europe, regarding “globalization”. This holds that the “globalization” occurring today is a “good” thing, even though contemporary capitalism is “bad”, so that we should somehow retain this “globalization” even while trying to transcend contemporary capitalism. What this argument does is to detach contemporary “globalization” from contemporary capitalism, and suggesting that we should retain the one but not the other. But the “globalization” that is occurring today is no less a manifestation of

contemporary capitalism than the economic measures covered under the term neo-liberalism. Just as one cannot get rid of neo-liberalism while retaining contemporary capitalism, likewise one cannot get rid of contemporary capitalism while retaining contemporary globalization. They together constitute an integral unity that has to be transcended. Through what particular tactical steps this is done is a separate issue, but to imagine that one component of it can be retained while the other is discarded is to ignore this unity. It amounts to wishful thinking.

The question that arises is: what are the characteristic features of this unity that constitutes contemporary capitalism? One can obviously touch upon only a few of them here, but all of them follow from the fact that today's capitalism is "capitalism unrestrained". The restraint that capitalism faced when it was engaged in a struggle against the aristocracy (which had *inter alia* forced the enactment of factory legislations in England); the restraint that capitalism faced when it was engaged in a struggle against the rising proletariat, when it looked as if socialism was about to conquer the world; and the restraint that capitalism faced when it was organized on "national" lines, as "national" finance capital trying to impose its will upon the nation-State against the resistance of the working people, especially in the post-second war period when this resistance had forced the institution of electoral democracy in the advanced capitalist countries: this conjuncture of restraints appear for the moment to have been lifted. The socialist challenge has abated for the moment; and "globalization" of capital has forced nation-States, even those whose governments derive support from the working class, to accede to the demands of this capital. The characteristics of contemporary capitalism therefore follow in a sense from this conjuncture of "capital unrestrained". What are these characteristics which are immanent in capitalism, but are now getting expressed with unprecedented "freedom"?

One is the spread of commoditization on a scale not seen till now. Of particular relevance here is the commoditization of sectors like education and health. In the oldest capitalist country of the world, England, more than two centuries had to elapse since the industrial revolution, before the sphere of higher education got opened up to private profit-making. Commoditization of higher education has two implications. One is that those who are the products of it are also mere commodities with little social sensitivity, and what is true of the advanced capitalist countries holds with far greater strength in the so-called "emerging" capitalist countries; the destruction of social sensitivity among the products of higher education is carried to far greater lengths here. The other is an attempt to commoditize whatever remains of the intellectual resistance to capitalism, and hence enfeeble it.

The second characteristic is a ruthless destruction of petty production. Capitalism historically had subjugated petty production (or more generally pre-capitalist production) for its own ends through colonialism, without necessarily supplanting it (except in the temperate regions of white settlement where the land of the "natives" was taken over by immigrants from the metropolis); but against such subjugation there had also been massive resistance from the petty producers. In our own history, the string of revolts, from the Indigo revolt to the 1857 uprising, culminating in large-scale peasant support for the anti-colonial freedom struggle, are obvious examples of such resistance. Decolonization had brought some restraint upon such subjugation, but contemporary capitalism, negating the post-colonial dirigiste economic regimes and integrating the corporate-financial oligarchies of the ex-colonial nations into the corpus of international finance capital, has not only revived this ruthless process of subjugation of petty producers, but is now embarking on a massive process of dispossession of such producers, of naked "primitive accumulation of capital", of which the "Land Grab Bill" currently before the Indian parliament is an obvious example. The phenomenon of 200000 peasants committing suicide in the wake of India's assimilation into the world hegemonized by international finance capital, underscores the severity of this process.

The third is an enormous increase in economic inequality, not just in wealth but also in incomes, and not just globally, between the working people of the world and the corporate-financial oligarchies of the world, but also within each country, between these two poles within each country. So significant this problem has become that, Thomas Piketty's book on it became an instant best-seller. And even the Davos economic summit of the world leaders of capital listed it as one of the three major issues confronting "mankind". The reason for this increase in inequality is that while the world reserve army of labour remains large and undiminished, its baneful consequences, of not allowing real wage rates to increase, are now not confined only to the third world countries where such large labour reserves exist. They also extend to the advanced capitalist countries whose workers too have to eschew demands for wage-increases, lest capital, now "globalized", moves to lower-wage third world countries. Thus, with real wages everywhere not increasing, all increases in labour productivity raise the share of surplus in output, and hence income inequality. This occurs globally as well as within each country.

An aspect of this phenomenon is the growth in world hunger. We suggested above that real wages remain tied to some subsistence level in third world countries. But even this does not happen. The privatization of education, health and other essential services, increase their costs enormously, which erodes the purchasing power in the hands of the working people, and actually lowers their per capita real expenditure on food. When we add to this, which basically concerns the employed workers or "the active army of labour", the fact that the dispossession of petty producers also swells the reserve army, the scale of increase in the magnitude of world hunger, becomes understandable.

The fourth characteristic is linked to this increase in inequality. Such an increase produces at the world level a tendency towards over-production (since a shift of income distribution from the working people to the big capitalists has a demand-depressing effect). In a situation where the nation-States confronting international capital, have little option but to obey its diktat, capital uses this fact to wrest further concessions from the State on the grounds that such concessions, by improving the state confidence of the "investors", would overcome the crisis of over-production. In short, a dialectic of growing income inequality, persisting or even accentuating economic crisis, and growing class power of capital that actually aggravates both inequality and crisis but is defended paradoxically as a way out of the crisis, gets built up in the contemporary conjuncture.

The fifth characteristic follows from this. Such democratic institutions as exist in capitalist countries had got built up as a result of workers' struggles. Once this "restraint" of workers' militancy has been lifted, capitalism's natural tendency would be to scuttle such institutions (also inter alia by commoditizing them). In addition however the dialectic mentioned above, of growing inequality, persisting crisis, and increasing class power of capital, which is justified in the name of overcoming a crisis that nonetheless persists, increases capitalism's fear of, and hostility towards, democratic institutions. From financing fascist groups, to dividing people along ethnic and religious lines, to blatant recourse to mendacity (as in the case of the Iraq war), to outright suppression of democratic institutions, a whole range of methods are employed to ensure that such institutions are suitably enfeebled. At the same time the attempt to keep people divided creates a situation of social disintegration. Recourse to political authoritarianism and to social disintegration thus become the hall-mark of contemporary capitalism.

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