AUSTERITY AGAINST DEMOCRACY
AN AUTHORITARIAN PHASE OF NEOLIBERALISM?

Greg Albo and Carlo Fanelli
To download this pamphlet and to learn more about the Centre for Social Justice, see our website at www.socialjustice.org
Austerity
Against
Democracy
An Authoritarian Phase of Neoliberalism?

Contents

Neoliberalism and Austerity ........................................... 5
The Making of Neoliberal Policy ...................................... 8
Authoritarian Neoliberalism: A New Phase?..................... 12
The End of Democratic Capitalism? ................................. 26
References ........................................................................... 34

Greg Albo and Carlo Fanelli
“From its very beginnings, the new doctrine was quite consciously set in opposition to socialism as an alternate economic and democratic order to capitalism and as an unyielding defender of the institutions of private property. In its specific programmatic mandate, neoliberalism was an offspring of the Great Depression and set against Keynesian state intervention. But however much its protagonists set themselves up as outsiders, neoliberalism was never an alien political doctrine to economic and political elites of Western Europe and North America: neoliberal ideas were always incorporated as a legitimate component of state policy discussions.”
Neoliberalism and Austerity

The practice of neoliberalism is many-sided, exhibiting institutional variation and alternate policy modalities across geographic regions and scales of the state. The entire spectrum of political parties, moreover, has been comprised in governing as neoliberal administrations. This is, in many ways, quite startling. For the theoretical origins of neoliberalism can be traced back to the 1930s to a tiny eccentric group of liberal intellectuals meeting in Paris to discuss the prospects for war and the threats posed, as they saw it, by ‘totalitarianism’ and ‘collectivist planning’ (Mirowski and Plehwe, 2009). Their emergent ‘new’ liberalism incorporated marginalist economic thought from the late 19th century with a political philosophy rooted in late 18th century Western Europe. From its very beginnings, the new doctrine was quite consciously set in opposition to socialism as an alternate economic and democratic order to capitalism and as an unyielding defender of the institutions of private property.

In its specific programmatic mandate, neoliberalism was an offspring of the Great Depression and set against Keynesian state intervention. But however much its protagonists set themselves up as outsiders, neoliberalism was never an alien political doctrine to economic and political elites of Western Europe and North America: neoliberal ideas were always incorporated as a legitimate component of state policy discussions, particularly in Germany, the U.S. and Britain. As Jamie Peck (2008, pp. 3–4) has argued, “[Neoliberalism] was a transnational, reactionary and messy hybrid right from the start...It represented an attempt to conceive and construct a market-(like) order, one that has since been perpetually reconstructed through practice.”

The foremost expositors of contemporary neoliberalism had the aim of recreating a liberalism in defense of capitalism suited for the ages. This is best exemplified, in both their economic theories and political tracts, in the writings of Ludwig von Mises, Friedrich von Hayek and Milton Friedman. Von Mises, of course, was a central figure in Austrian economics in its opposition to Marxism and its crusade against state intervention in markets (including approving of Italian fascism for its crushing of the left). His wartime move to the U.S. was central to anchoring neoliberal thinkers on both sides of the Atlantic. But it was Hayek and his 1944 Road to Serfdom that best exemplified the political
objectives they set out, and the controversial contention that market freedoms are a necessary prerequisite for democratic freedoms as “only capitalism makes democracy possible” (1976, p. 69-70). For Hayek, democracy is understood foremost in procedural terms as a “constitutionally-limited liberal democracy” that can safeguard against the potential market-inhibiting “abuses of democracy” (Farrant, McPhail and Berger, 2012, p. 516). In this vein, Hayek famously followed von Mises in his oft-noted preference for a ‘liberal dictator’ to a ‘democratic government lacking liberalism’. Hayek believed that ideas seeped into public consciousness and policy slowly. Incremental intellectual and policy changes, taken together, could be systematically transformative. Following the Second World War, neoliberal thought became more institutionalized, notably with the establishment of the Mont Pelerin Society in 1947, which slowly brought together German ordoliberals, British intellectuals from the London School of Economics (where Hayek was located) and the University of Manchester, the scattered adherents to the Austrian School of Economics, as well as American neoclassical economists from the Chicago School of monetary theory and the Virginia School of public choice (Stedman Jones, 2012).

Neoliberalism was further nurtured in the postwar period by well-funded think tanks like the Institute of Economic affairs in London and later the Heritage Foundation in Washington, the Fraser Institute in Vancouver, and many others. Not only did these institutes maintain a constant stream of policy papers and conferences, they came to exercise a significant influence in the development of university curricula and hiring practices, especially in economics, but slowly across all ‘policy-centred’ disciplines (Mirowski and Plehwe, 2009). The growth of neoliberal think tanks and influence in academe and policy circles reshaped the contours of public policy advocacy, at first among the activist intelligentsia and later politicians, slowly gaining a prominent position in public consciousness. This “permanent campaign of persuasion,” as Kozolanka (2007, p.7) calls it, sought to capture the public imagination, legitimate neoliberal policies in policy discourse and, eventually, attain a place in state practices.

Across the postwar boom neoliberals proved relentless in their critique of state – and especially social – expenditures as excessive and unaffordable. Particularly unionized workers were chastised by politi-
cians, business sectors and media pundits as lethargic, unproductive and uncompetitive. Market freedoms were understood as the necessary check on the centralized power of the state. These views became canonized (as was the intent) in Milton Friedman's 1962 book, *Capitalism and Freedom*. Here unlimited economic freedoms are viewed as a means to the end of political freedom: “History suggests only that capitalism is a necessary condition for political freedom” (Friedman, 2002, p. 17). As with Hayek, freedom is necessarily dependent upon market freedoms and private property, and democracy is understood almost exclusively in formal and procedural terms.

The historically specific character of capitalist social relations and liberal democracy is, then, marginalized from the core focus by neoliberals in theory, and the universalizing tendencies of market exchange and private property are privileged as the real spaces of human freedom. This is why, in our view, neoliberalism as a political practice should not be read as a juxtaposition of (less) state against (more) market. As a set of policy practices, neoliberalism has been about a particular kind of state suited to the logic of capital in a specific historical phase of capitalist development. As such, it has been directed at reducing public services and assets in order to open-up the state sector to new profit-making opportunities; lowering wages, benefits and working conditions for a more flexible and market-dependent workforce; and deploying the coercive capacities of the state to enforce these ‘market measures’. The politics of austerity that has emerged out of the Great Recession of 2008-10 takes further steps toward the ‘total privatization’ of the public sector. It is enforced by a ‘disciplinary democracy’ that ever more deploys anti-democratic measures that marginalizes, and even criminalizes, dissent in defense of austerity and market freedoms. It is ever more difficult to envision the ‘democratic capitalism’ that has animated social democracy, even for its foremost theorists today, as a feasible alternative. This raises the question without providing any ready-made answers, of course, of the prospects for the radical democracy of socialism to re-emerge as the banner under which the political opposition against neoliberalism and capitalism is organized.
The Making of Neoliberal Policy

By the late 1960s neoliberalism had surfaced as both a recognizable set of ideas and political movement. The crisis of the 1970s was rooted in the relative weakening of capital vis-à-vis labour amidst declining profit margins leading to both rising unemployment and inflation. As well, the collapse of the Bretton Woods system in 1971 ended the convertibility of gold to U.S. dollars and the subsequent move to flexible rates that further encouraged international capital flows. These changes occurred in conjunction with the rebuilding of the productive capacities of Europe and Japan, the 1973 Arab oil embargo, capital flight to newly emerging industrial regions with cheaper pools of labour and lower environmental standards, as well as technological and organizational restructuring in the manufacturing heartlands of North American and Central Europe (Harvey, 2005; Panitch and Gindin, 2012).

By the 1980s, as the limits of Keynesian policy became clearer in its inability to address the economic impasse, neoliberalism offered an alternate policy kit to tackle stagflation and a political practice firmly set against emergent democratic and anti-capitalist demands. Neoliberal policy experiments had earlier precedents, in particular the Chilean military junta of Augusto Pinochet (which Hayek praised as a necessary ‘transitional dictatorship’). But its political materialization as an alternative governance project was represented by the election of Margaret Thatcher in the UK and Ronald Reagan in the U.S. and their period in power across the 1980s.

Over the next two decades, neoliberalism became not merely dominant but uncontested as the guiding vision of a democratic ‘market economy’. Although there are differences, both the Austrian and Chicago schools of economics that guided the remaking of economic policy agree that government intervention into the economy obstructed the market from allocating resources efficiently, violated private property rights and, thus, undermined the foundation for democratic freedoms. Markets, for Friedman and Hayek, inherently tend toward rebalancing and severe economic downturns are the result of government policy mistakes. Government efforts to secure social entitlements such as healthcare, education, pensions, and so forth, are, moreover, always an infringement on some individual’s choices and freedoms. Proponents of
neoliberalism maintain that states ought to be limited to securing the institutional preconditions for a competitive market and, once established, mold state practices to ensure market rule. As such, neoliberals propose that states should be limited to the protection of private property, security, national defense and the legal enforcement of contracts so as to allow market forces the most favourable conditions for accumulation (Milonas-kis and Fine, 2009).

This social vision translates into the programmatic core of the neoliberal policy matrix: an economic policy focus on inflation control and supply-side incentives; privatization and commercialization of public sector assets and services; liberalization of trade in goods and capital movements; restructuring of labour (and business) regulations to reduce market ‘impediments’; and societal commodification of goods and services in toto (Birch and Mykhnenko, 2010). Around this policy hub, an enormous number of state initiatives followed, briefly sketched below, that steadily transformed the social form of the state into a set of institutions and policy mechanisms supporting market disciplines.

In terms of economic policy, neoliberal directives pointed toward keeping real wage increases below increases in productivity, monetarist shock therapy followed by inflation-targeting by the central bank, regressive tax reform, the constraints on the growth of social services, an export-led growth strategy, lifting controls on foreign direct investment and trade liberalization. In terms of welfare policy, an ethos of personal responsibility and individual culpability supplemented by private charity, philanthropy and volunteerism would be prioritized in the place of state-administered social programs (Peck, 2010).

The transformation of the public sector was linked to the adoption of so-called ‘new public management’ theory, built around the theses of the Virginia School in how to turn the state into a series of internal markets. This theory asserted “that government, and more broadly, the public sector should function more like the private sector and should look to the market for inspiration and, whenever possible, emulate it” (Shields and Evans, 1998, p. 56). Something like a policy manual materialized for public sector management: the privatization of public goods and services; a greater reliance on outsourcing and contracting-out; commercialization of state services such as user-pay provisions and monetization of public assets; and competition between public agencies,
use of short-term and contract labour. In the neoliberal ‘lean’ state, the privatization and commercialization of public services has steadily usurped any counter mechanisms – ombudsman offices, freedom of information, citizen participation and review panels, new forms of democracy, and so forth – for democratic accountability and social provision.

The liberalization of trade and capital flows meant a reworking of the Bretton Woods and GATT institutions and putting in place, through concerted policy initiatives and happenstance, a new international governance matrix across the entire world market. This was a project to discipline the ‘global south’ to break from nationalist projects of import substitution industrialization, and to facilitate the transition of the former East Bloc zone and China, Vietnam and others into capitalism. These policy objectives – the so-called ‘Washington Consensus’ – were institutionalized through various international agencies such as the World Bank, International Monetary Fund and World Trade Organization. The principle of conditionality underlay aid loans giving these agencies a dual role: on the one hand disbursing loans, grants and financial aid through Structural Adjustment Loans and Programs; and, on the other, granting these loans on the ‘conditionality’ of eliminating ‘market-inhibiting’ policies and adapting the neoliberal policy environment (Van Waeyenberge, 2010). Structural adjustment programs were typically codified in documents stretching to hundreds of pages of policy changes such as privatization of state-owned assets and services, fiscal cuts, monetary, inflation and interest rate targets and capital account liberalization. In effect, national parliaments and executives were ‘disciplined’ to a follow the neoliberal policy course. A plethora of bilateral and regional ‘free trade agreements’ further promoted trade and investment liberalization and the protection of private property, especially in the form of foreign direct investment, through trade-related investment and intellectual property rights clauses. The international governance framework, in other words, with its intricate web of external administrat-
ors, legal structures and treaty frameworks led by the core capitalist states, became another disciplinary mechanism on democratic decision-making in favour of the world market.

Across the 1990s, the employment relationship was re-worked to expose workers more forcefully to ‘market forces’. As Standing (1999, p. 42) has argued, these labour market measures were designed to “weaken protective regulations, restrict collective institutions and strengthen pro-individualistic regulations.” So-called ‘flexibility’ arrangements have increased the use of shift work, short-term contracts, workplace speed-up, evening and overnight work, part-time labour, weekend work, rotating and split shifts, variable schedules, as well as casual and seasonal employment. These labour market disciplinary mechanisms escalated the pace of work, led to a growing precariousness of job tenure, and heightened stress and work-life conflicts owing to long hours of work and lack of control over working-time (Vosko, 2006).

The reworking of state regulatory frameworks and levels of administration had the intent of limiting the scope of national discretion in altering distributional bargains, property rights and market outcomes via state intervention. This often has had the appearance of an assault on the national state by the market. But this is a fundamental misreading. It has been a recasting of state functions through the upwards transference of regulatory responsibilities to international bodies – an ‘internationalization of the state’ in terms of specific regulatory functions – to structure national market frameworks; and the simultaneous devolution of operational responsibilities, particularly of the welfare state, to subnational governments – a ‘localization of the state’ for policing and building infrastructure to support firm-level competitiveness – without matching fiscal supports (Streeck and Thelen, 2005; Brenner and Theodore, 2002). The neoliberal restructuring of the state not only provided a blockage to progressive governments from using their national democratic authority to pursue ‘market-disengaging’ policies, it also established a competitive regulatory dynamic internal to neoliberalism within and between governments. In other words, inter-jurisdictional competition locked in further neoliberization – ‘there is no alternative’. This meant the continual encroachment of commodification in all spheres of everyday life – the ‘rights to the city’, in a sense, became defined in daily experience as the neoliberal freedoms of the ‘rights of the market’.
Authoritarian Neoliberalism: A New Phase?

The neoliberal period has been associated with the processes of financialization. This refers to the overall role of finance in economic activity and the enhanced standing of central banks and monetary policy in the economic policy branches of the state. It is also that economic development is increasingly ‘finance-led’ via the expansion of credit markets, the role of finance in overall corporate structures and decision-making, the vast expansion of derivatives and other secondary markets and even the role of credit in meeting the needs of households. Finance’s prominence, and indeed centrality, in the political alliances of capital has translated into a more determining place in the power structures of the state and role in the shaping of government policy (Albo, Gindin and Panitch, 2010). In this sense, the rise of central banks to policy preeminence in the early phases of neoliberalism was the foundation for the ‘shock therapy’ used to fight inflation. But it also meant, by both design and unintended consequence, that the wealth and income of creditors (i.e., the financial sector) would grow relative to other sectors; bank deregulation would increase the problem of overleveraging and systemic risk from bank failures; the internationalization of capital would be driven, in good part, by finance; and state debt management would become more deeply intertwined with the bond markets. Finance, therefore, has occupied a more pivotal role as the central agency allocating surplus capital and credit between potential uses and thus in the disciplining of industry. With the shift in the administration of public debt, finance not only achieved greater leverage over state policies through supplying and overseeing state credit and debt in the form of loans and guarantees. Finance also attained a fulcrum position to maintain continual pressure on the state for its project of total privatization and commodification of the public sector.

Indeed, financialization and the accompanying financial volatility and credit crises became, not unexpectedly, one of the distinguishing features of neoliberalism. But each financial crisis, surprisingly, from the initial Volcker Shock of the early 1980s on, reinforced rather than undermined the leading position of central banks, credit and finance in the economy and finance capital in the state and power structures. This dynamic was brought to a head in 2008 with the explosion of a global fin-
ancial crisis of an unprecedented scale (Panitch, Albo and Chibber, 2010).

What began as an isolated series of mortgage defaults in pockets of the U.S. economy in the fall of 2007 leading to the insolvency of a few high risk lenders, quickly turned into a major bank and financial market liquidity crisis. From there, the crisis exploded into an economy-wide problem of insolvency for a whole range of vastly over-leveraged financial institutions. The financial meltdown then just as quickly mutated into a global economic crisis by 2009 as the U.S. subprime mortgage-backed securities that triggered the crisis were discovered in the portfolios of banks and hedge funds around the world. All the core states were soon exposed as being just as over-leveraged in their national banking systems with their own areas of ‘systemic risk’ revealed.

The governments of the G8/G20, coordinated by central banks given increased operational powers, intervened with trillions in loans to guarantee inter-bank lending and the purchasing of government and commercial paper. In an attempt to avoid a global depression, the G8/G20 synchronized the lowering of central back interest rates and various additional ‘backstops’ to the money markets and pledged to keep open international markets in order to stave off a feared turn to protectionism. As well, across the U.S. and Europe from 2008-10, a series of forced bank mergers, quasi-nationalizations and bailouts by the public sector resulted in ‘troubled assets’ being shifted into the state sector and onto central bank balance sheets. This was not, as so many misread the policies being implemented, a return to Keynesianism and state acting against volatile and uncontrolled markets. This was the ‘emergency monetarism’ that many neoliberals had long formulated as part of their necessary policy arsenal in the case of severe demand shocks caused by instability in financial markets depleting the available means of exchange (notably Friedman himself, and Ben Bernanke at the U.S. Federal Reserve and a longstanding neoliberal economist). Additional stimulative measures included temporary public works programs, particularly those related to infrastructure, as a means of supporting effective demand and bolstering consumption. To avert any possible misinterpretations of their intents, and reassure of the continued political affinity to neoliberalism, all G20 member governments agreed to further open their markets to capital, guarantee credit availability and monetize public assets.
Since 2012, with the economic crisis no longer in danger of spiraling out of control, states have been steadily reconstructing – and then deepening – the neoliberal policy mix. Executive power has been reinforced at the expense of parliaments often in the guise of ‘technical governments’. Special economic agencies to set out a strategy for the restructuring of the state have, as well, been formed, at a distance from line departments and parliamentary accountability, and reporting directly to the executive of the state. Central banks, too, have been given further operational autonomy from any form of democratic accountability to deploy a variety of monetary policy ‘techniques’, such as ‘bad banks’, ‘stranded debt’, and ‘quantitative easing’, to shift bank liabilities into the public sector and onto central bank balance sheets. And as the credit crisis mutated into a sovereign debt crisis, ‘fiscal consolidation’ has become the ‘technical’ operational mandate for a further shifting of the tax burden, reducing welfare state provisions, seeking union concessions and a massive ‘monetization’ of public assets. Given a potential long period of stagnation and the neoliberal strategy to address public debt, the core capitalist countries have now entered into a phase of ‘permanent austerity’ (a theme repeated by the international agencies who have suggested a 10 to 20 year horizon for the working out the impact of the crisis on government debt levels) (Albo and Evans 2010).

There are two features of this phase of neoliberalism, however, that merit further scrutiny – the project of ‘total privatization’ and the policing of political protest.

![Figure 1: Worldwide Revenues from Privatizations 1988-2013, first half](source: Privatization Barometer, 2012, p. 3)
**Total Privatization:** The privileging of market freedoms above democratic practice is at core of the philosophy of neoliberalism. This proposition translates into an economic policy strategy ever intent, we have argued, on the total privatization and commodification of the public sector.¹ The first privatization wave of state-owned enterprises (SOEs) under the neoliberal mandate spanned from the mid-1980s to the end of the 1990s. It was led by Latin America and the transitional economies of the former Soviet Union (China taking a somewhat different path toward market capitalism). It is estimated that from 1985-99 more than 8,000 acts of privatization were undertaken around the world with a value of over $1.1-trillion. The same study suggests that for every dollar of developing country debt owed to the IMF from 1980-84 half was paid through the privatization of SOEs over the next 15 years (Brune et al., 2004).² After a mild slowdown in the momentum of privatization in the early 2000s, the process picked up steam as many European countries liquidated assets during the post-9/11 recovery before slowing again with the onset of the 2008 financial crisis when buyers were few and far between (see Figure 1 on page 14).

But the project of total privatization is now gaining new momentum. According to a survey in *The Economist* (2014), one of the lead trumpets for a radical commodification of the public sector, 2012 brought about the third highest volume of privatizations by value on record, with the final tally for 2013 likely to rival the previous year’s. Britain, for example, recently privatized Royal Mail and is looking to shed other assets like URENCO, a specialist in uranium enrichment; Japan is looking to sell Japan Post, estimated to be worth $40-billion; Australia

---

1. There is no generally accessible database on privatization to draw upon. This has been bestcatalogued by the Privatization Barometer and the IMF-World Bank, who are relied on here.
2. Brune and his co-authors (2004, p. 196) show that: “Privatization revenues exceeded $100-billion (in 1985 dollars) in Italy, Japan, and the United Kingdom, and over $50-billion in Australia, Brazil, and France. Relative to their GDPs, the five largest privatizers were Bolivia, Guyana, Hungary, Panama, and Portugal, each of which had sold state-owned assets worth more than 30 per cent of their 1985 GDPs by 1999. Privatization revenues exceeded 25 percent of 1985 GDP in another four countries – Australia, Chile, Malaysia, and New Zealand. By 1999, total revenues from privatization exceeded 5 per cent of 1985 GDP in 60 countries.”
has intimated at plans to sell its postal, financial and aviation assets; and France is considering liquidating investments in Renault, Thales and Orange. Even this briefest of listings is remarkable (and the databases that exist are breathtaking in the range of privatizations), and suggest that anything is possible.

This is only, The Economist advises, the beginning. States are taking an overall assessment of the ‘assets’ and ‘liabilities’ of the public sector to lay out a long-term strategy for privatization and monetization (see Figure 1). This approach laid out in the earliest stages of the crisis by multinational consulting firms such as KPMG (2009) as a necessary restructuring of the public sector to pay for the crisis. According to the OECD, its 34 member countries have over 2,000 majority-owned SOEs employing nearly 6 million persons and worth some $2.2-trillion. When including minority stakes in enterprises held by states, this rises to almost $900-billion and includes another 2.9 million workers. As Figure 2 shows, when sub-national SOEs are included the total value rises to over $4-trillion.

Figure 2: Central and Sub-national SOE (per cent of GDP)

Source: Bova, Dippelsman, Rideout and Schaechter, 2013, p.9.
In an effort to reduce public debt-to-GDP ratios (see Figure 3), states are implementing a massive program for the liquidation of public assets. This is despite the fact that most countries total assets are above gross debt levels and thus seemingly quite manageable.

As Figure 4 suggests, there is a huge stock of non-financial assets that might be available for privatization or monetization under the various neoliberal administrative modalities. The Economist (2014) reports that OECD countries own more than $9-trillion in government land and buildings, roughly equivalent to 18 per cent of their gross general government debt.

If ‘fiscal consolidation’ is the technical term being invoked as the justification for the ‘total privatization’ project, the specific prompts are several. As a sign of credible neoliberal policy reform alongside receiving European Union bailout and structural adjustment funds, for example, countries like Poland and Greece are privatizing a range of assets from utilities to land, resources, telecom, electricity and transport; Portugal has been pushed to privatize airports, the national airline, shipyards, TV stations and state lotteries. If these are the most dramatic examples, they are a general trend across Europe as part of the new austerity drive (Privatization Barometer 2012; TNI 2013).

Public sector management reform, in the absence of full-out privatization, is another source of the restructuring. The OECD (2012;
2008), through its public governance project, has been actively supporting various schemes for ‘monetization’ of public assets such as public-private-partnerships, contracting-out and leasing opportunities, and formulating new ‘neoliberal’ budgetary and management norms.

Another prompt has come from international loans and central governments where privatization has been a compulsory condition of the loan or inter-governmental transfer. Both the EU and the World Bank, for example, have aggressively pushed for P3s in areas traditionally difficult to fully privatize using this fiscal leverage. This includes, water, healthcare and infrastructure, as well as transport, education, pensions and climate change initiatives just to name a few (see IFC, 2014; Bortolotti and Milella, 2006; Köthenbürger, and Whalley, 2006). In Chicago, the sale of parking meters in 2008 for $1.2-billion up-front was widely criticized as an inadequate return to the state for the assets disposed, as was the sale of Royal Mail, estimated to be worth as much as $16-billion, and sold for only $6.5-billion (Futrelle, 2012; Chorley, 2014). But it is less the returns to the state or the impact on ‘fiscal consolidation’ than the gains in economic freedom, as the neoliberals tally the impact, that counts.

The project of ‘total privatization’ is also gaining support and legal reinforcement through the new round of bilateral and regional free trade agreements being negotiated. The Trans-Pacific Partnership (TPP)
which aims to link North America with the Asia-Pacific region, as well as the Comprehensive Economic Trade Agreement (CETA) between the European Union and Canada (with the U.S. and EU now negotiating the Transatlantic Trade and Investment Partnership – TTIP) are the two most significant examples, each sharing many NAFTA-like provisions (Arregui and Roman, 2013; EPSU et al., 2010; Kelsey, 2011). In both cases, the terms of the agreement are likely to increase pressures for privatization and monetization of public assets and services. As proposed, the agreements would provide additional hurdles for activist industrial policies, from the extension of production led by SOEs to setting performance requirements that oblige foreign investors or service providers to purchase locally, transfer technology or train local workers. The combined impact of proposed investment, services and procurement rules would also make it more difficult to reverse failed privatizations.

*Disciplining Dissent*: From its philosophical origins in the liberal right’s antagonism toward socialism, neoliberalism has accepted that constraints on democracy may be necessary to defend capitalist markets. A ‘de-democratization’ tendency – what some refer to as ‘post-democracy’ – has often been observed as a central feature of state practices over the neoliberal period. Since 2008 more overtly ‘authoritarian’ measures that extend the post 9/11 expansion of the security state can be detected. This is not a claim that a ‘police’ or ‘exceptional’ state has displaced liberal democratic proceduralism in the last few years, but it is to insist on the increasingly plebiscititarian character of elections and the anti-democratic temperament that now pervades political society.

This is reflected, for instance, in the resurgence of the hard right and the revival and spread of a myriad of neo-fascist and populist parties and movements in Europe and North America. In Europe, the examples are many and include the National Front in France, Party of Freedom in the Netherlands, the True Finns in Finland, Northern League in Italy, Swiss People’s Party, Freedom Party in Austria, Progress Party in Norway, Danish People’s Party, National Democratic Party in Germany, Jobbik in Hungary, Golden Dawn in Greece and Ukip in the UK. Though varying in their degree of right-wing and nationalist militancy, they are united by their xenophobic anti-immigrant and anti-European Union stances, as well as social, religious and fiscal conservatism infused

In North America, a new hard right populism can be found in the Tea Party in the U.S. as well as a number of sub-national parties such as Canada’s Wildrose Alliance, which have emerged in the context of the rightward drift of all the mainstream political parties. These hard right forces have some presence in the Republican Party in the U.S. and the governing Conservative Party in Canada. In both Europe and North America, the far-right parties often hold a not insignificant number of seats in their legislatures, and command a sizeable percentage of the popular vote. The spread of right-wing populism has been a key political resource in the accumulation of enhanced state powers for surveillance and coercion and the curtailment of equal civil and political freedoms for all citizens.

In a conjuncture where social alternatives have been marginalized, the ‘irrational’ politics of the far right has had the space to grow. But the social grievances generated by austerity – however much neoliberals defend them as a restoration of market freedoms – have also been greeted by political resistance. A recent heroic effort by Ortiz et al.

Figure 5: Number of Worldwide protests by Main Grievance/Demand

Source: Ortiz, Burke, Berrada and Cortes, 2013, p. 13
(2013) has attempted to capture the growth of protest over the course of the crisis. They document over 800 political protests between January 2006 and July 2013 across 87 countries (covering some 90 per cent of the world’s population) (see Figure 5 on page 20).

While uneven, every year since the global slump kicked in, protest and discontent has risen, particularly in high-income capitalist core states, but also across the ‘global south’. This research identifies four sectors of grievances: issues related to economic justice and anti-austerity protests related to declining public services, income inequality and precarious work; the failure of political representation and political systems, such as an absence of deeper democracy, corporate influence and government surveillance and policing; global justice, which includes IMF structural adjustment policies, rising food prices, environmental justice and the global commons; and community/people’s rights, such as an end to ethno-racial discrimination, indigenous rights, women’s equality and gay rights. They also record what has been frequently commented on in assessments of the left and the crisis (Panitch, Albo and Chibber, 2012). That is, since the recession protest movements have had the addition of middle-income earners, youth and the elderly, joining with trade unions and activist groups. These protest movements have also extended their repertoire through a variety of tactics and direct actions, including, blockades, bank and government office ‘flash-mobs’, the ‘squares occupations’ movement, and multiple forms of civil disobedience. As well, new forms of ‘whistle-blowing’ and computer ‘hacktivism’ have been directed against national governments, but also corporations, international financial institutions, free trade policies and state violence.

It is this opposition that has been met by a ‘hardening’ of the state and the characterizations of a new phase of ‘authoritarian neoliberalism’. This claim is based, in part, on the further strengthening of executive power and insulation of economic policy from parliamentary accountability that we noted above. But it also arises from the incredible multiplication of legalized restrictions and policing modalities for the disciplining of dissent by the ‘austerity state’ (Eick and Briken, 2014). These developments are too extensive and diverse to be catalogued, but they can be illustrated.

In a recent study, LeBaron and Dauvergne (2014) argue that governments are increasingly framing protestors, and political opposition
in general, as a threat to economic recovery and competitiveness. A variety of mechanisms for ‘policing’ – and even criminalizing – protest are being deployed (Wood 2014). States, for example, are infiltrating oppositional groups, such as environmental and Occupy protestors, defunding equity-seeking organizations, closing down public spaces for protest, and expanding fines and criminal charges for ‘illegal’ protests. The various surveillance, organizational and technical capacities developed in the ‘fight against terrorism’ are now also used for domestic scrutiny and ‘pacification’ of protests. These include, not surprisingly, the whole battery of facial recognition software, telephone, computer and electronics hacking, and metadata mining. The formal appearance of democracy remains in ‘free elections’ and the formalism of ‘parliamentary procedures’. But the security and policing capacities of the state are being reconfigured in a way that reduces democratic freedoms and restricts the explosions of popular democracy that emerge in protests, assemblies and workplace and movement building. Richard Seymour (2013) has caustically pointed out that, under the guise of crisis management, the “state assumes measures for enhanced popular control at just the moment when it is trying to manage an unpopular reorganizing of public services, welfare and capital-labour relations.”

In many cases, the new measures for policing dissent have legislative backing of various kinds. For example, Bill H.R. 347, created in the midst of the Occupy protests in the U.S. in 2012, makes it a felony to “enter or remain” in an area deemed “restricted”. Strengthening earlier legislation, this Bill comes on the heels of the 2012 National Defense Authorization Act, which gives the president the power to order the incarceration of any person anywhere in the world without charge or trial. The Bill restricts access to any building or area protected by the Secret Service. Not only does its protection cover the U.S. president, it extends to other high-ranking politicians, foreign leaders and dignitaries, and includes special events of national significance (often suggested to encompass protests at the Democratic and Republic conventions, the Super

3. Our focus here is on national anti-protest laws and the erosion of democratic rights and freedoms. It is important to note, however, that a number of sub-national governments, particularly at the state and local level have implemented a range of anti-protest laws, as have university campuses restricting political expression and assembly by both students and faculty.
Bowl, and so forth). H.R. 347 criminalizes a broad range of protest actions, including anything “that impedes or disrupts the orderly conduct of Government business or official functions” and “obstructs or impedes ingress or egress to or from any restricted building or grounds” (Lennerd, 2012). Engaging in disorderly or disruptive conduct is also criminalized and could potentially include striking public sector workers, political rallies, protest marches, peaceful assemblies and public space sit-ins. Standard punishment includes a fine and one year jail term, whereas more serious offenses can carry a ten-year term. Although seemingly contravening the American First Amendment protecting freedom of speech and peaceful assembly and protest, both bills were passed with virtually unanimous support from both Republicans and Democrats (Camp, 2012).

In Canada, the new anti-protest laws are, more or less, a direct response to anti-austerity movements. Their antecedents lie in the explosion of protests during the June 2010 G8/G20 meetings in Toronto, and the lengthy and militant student strikes in Quebec in 2012. The former has been called by the Ontario Ombudsman the “most massive compromise of civil liberties in Canadian history”, while the latter saw the implementation of Bill 78 in Quebec that effectively outlawed student strikes, making it illegal to protest without police permission, wear face paint or a mask (Wyatt, 2012). The national government has mainly changed its operational mandates in surveillance to encompass political dissent. But it did pass the provocative Bill C-309 in 2013 which makes

![Austerity Is Working](image-url)

*for the 1%
it a punishable crime to paint your face or wear a mask during raucous and confrontational demonstrations with sentencing, astonishingly, up to five years in prison. Painting one’s face or wearing a mask has, of course, long been used as satire, to protect against employer reparations or to skirt unjust surveillance. Moreover, “unlawful assembly” that causes people “to fear on reasonable grounds” that it “will disturb the peace tumultuously” or provoke others to do so may carry a ten-year jail term (Jones, 2012).

In Britain, Labour Party parliamentary opposition to the radical austerity agenda of the Coalition government has been, at best, tepid. But many student, Occupy and anti-cuts demonstrations have been militant symbols of opposition. The government’s proposed legislative rejoinder was the Antisocial Behaviour, Crime and Policing Bill. Although defeated in the upper house and now constrained in its scope, the Bill initially sought to ban spontaneous gatherings and provided for injunctions against anyone 10 years or older that “has engaged or threatened to engage in conduct capable of causing a nuisance or annoyance to any person.” (Monbiot, 2014). But freedom of assembly and other civic freedoms have continued to be constrained by the Public Order Act and various anti-terrorism legislation extended to monitoring a range of protest activities.

Spain and Greece have been at the centre of the European crisis and anti-austerity protests. In Greece, the barrage of protests, general strikes, occupations, and street-fighting has been unrelenting for several years with barely an imprint on parliamentary decision-making. Instead, the pressure from the Troika of the European Central Bank, European Commission and IMF has led radical structural adjustment packages focused on the sell-off of public assets, privatization of public services, anti-labour legislation and new subsidies to business. The recent restrictions on demonstrations include increased fines and jail time for impeding access to government or public buildings or negatively impacting business (Spiliopoulou, 2013). In Spain, new laws enacted in light of anti-austerity protests against cuts to education, healthcare and restrictive labour laws toughen penalties for unauthorized street protests, including fines up to $800,000. Demonstrating near parliament or any other unauthorized areas can include a jail term of up to two years (O’Leary and Gonzalez, 2013).
The new restrictions on protests being adopted by the core capitalist states are consistent with the neoliberal view that a free society pivots around market freedoms. This may, at times, require restrictions on the exercise of oppositional claims that infringe on market activities and the exercise of rights over private property, as with the neoliberal contentions in the 1970s that Western governments were suffering from the ‘excesses of democracy’. As Seymour (2013) notes, “For the state to do its business [in defence of the market] its authority has to be restored: hence, the salience of ‘law and order’.”

If the anti-democratic thread coursing through neoliberalism in theory and practice is not new, it still merits emphasis. In no two conjunctures is the array of social forces and the exercise of state power the same. The domestic surveillance and coercive capacities the state now has at its disposal to monitor and disrupt democratic opposition is unrivalled. This phase of permanent austerity has, moreover, disparaged organized political opposition to austerity, in neoliberal ideological discourse and the operational mandates given to the coercive branches of the state, as enemies of the state for their resistance to the market. The authoritarian tendencies of neoliberalism as actual state practice, whatever libertarian credentials might be invoked by some of its thinkers, has mutated into a ‘disciplinary democracy’. The substance of democracy as a process of struggle between social classes and groups over alternate socio-economic orders, and the development of citizenship capacities, has been eviscerated. This is the case whether governance is exercised by hard right political regimes, ‘technical governments’ or social democratic parties of the centre-left accepting austerity for a turn in the seat of state power. What remains of democracy is the procedural legitimacy provided by elections offering a choice among teams of political elites who then defend the disciplines of the market and administer a progressively more coercive state. This is, to be sure, another unnerving step toward the hoary world of exceptional political regimes and the arbitrary deployment of state power.
The End of Democratic Capitalism?

The democratic claims of neoliberals for a moral life of freedom has, since Hayek, been built on individual subordination to market imperatives enforced by the legitimate exercise of state coercion in defense of contracts and property. In practice, however, as opposed to the abstractions of radical individualism, neoliberalism reinforces the inequalities of social class and the differentiated dependence on markets at the expense, we contend, of the egalitarian and developmental processes of democracy. Indeed, the neoliberal project has been so intertwined with ‘de-democratization’ and ‘authoritarian’ measures that are impossible to separate them in practice. Wendy Brown (2006, p. 710), has vividly written of how neoliberalism’s hyper valorization of the market has fused with conservatism’s traditional deference to the state’s coercive powers to produce a profoundly anti-democratic politics:

...neoconservatism does valorize power and statism, and when those energies are combined with the moralism and market ethos, and when a public is molded by the combination of these energies and rationalities, a fiercely anti-democratic political culture results. This is a culture disinclined to restrain either statism or corporate power, and above all one that literally comes to resent and even attack the classic principles and requirements of constitutional democracy.

This is what we have referred to here as ‘disciplinary democracy’ – the political form of ‘permanent austerity’.

Few would not have made the political calculation, especially on the left, that the discredit of neoliberalism by the crisis and the hardening of the state would not have provided a revitalization of the project of ‘democratic capitalism’. But the social democratic parties have provided few – some might say any – departures in alternate governance over the crisis. These parties have proven as able in reconstructing the neoliberal policy matrix as they had been in helping assemble it through the Third Way in the 1990s. This is a remarkable setback for the democratic capitalism thesis of political organization and social advance. The origins of
the thesis lie in the revisionist controversy in the German SPD in the early 20th century and given, perhaps, its clearest statement by Rudolph Hilferding. In addressing the SPD’s 1927 Congress, he argued: “Organized capitalism is the replacement of the capitalist principle of free competition by the socialist principle of planned production. The problem is posed to our generation: with the help of the state, with the help of conscious social direction, to transform the economy organized and led by capitalists into an economy directed by the democratic state” (quoted in Harrington, 2011, p. 57).

Hilferding’s contention was followed, as events would have it, by the traumas of depression, fascism and war. In the early 1980s, as neoliberal policy was struggling to achieve policy hegemony, Gosta Esping-Anderson (1985, p. 3) put forward a parallel evolutionary program for a democratic capitalism: “The notion of a social democratic ‘road to power’ is premised on the assumption that class formation under democratic parliamentary conditions can provide the strength and solidarity needed to transform capitalism. It is also premised on another assumption: that electoral politics and reformist accomplishments will enhance social democratic progress.”

Esping-Andersen’s formulation has been as important to the current generation of social democratic thinkers as Hilferding’s was to his. But social democratic theorizing is now as austere as social democratic parties are in practice. Colin Crouch, for one, has moved from a programmatic vision of ‘competitive corporatism’ sustaining ‘egalitarian’ class compromises in core countries to a dismal reading of the ‘post-democratic’ condition. Against neoliberal austerity and the impossibility of returning to state-directed economic policy (“the outmoded confrontation between ‘state and market’”), a crack for reform is open for extra-market institutions providing constraints leveraged by civil society mobilizations. Crouch identifies the possibility not of a democratic project, but of a “‘comfortable accommodation’. This is partly because corporate power makes it its business to bind them all together, but also partly because the only alternative to some kind of accommodation would be a rather wretched society” (2011, p. x).

Crouch is hardly an isolated theorist in concluding the project of democratic capitalism is at an impasse, if not dead. The most extreme case is, perhaps, Jurgen Habermas – extreme for the illusions conjured
about the EU as now the historical bearer of this project. In response to the crisis revealing the end of national alternatives, Habermas (2012, p. x) suggests, in a flight to normative theory when concrete analysis is called for, that the EU embodies the “transnationalization of democracy” carrying forward the “constitutionalization of political authority” (p. 18). But rather than examine the actual modalities by which the EU works (and has worked and will work) through the ECB, directives on deregulation and austerity and liberalization of capital movements, Habermas makes the astonishing claim that a central accomplishment of the EU is the constraining of national states and what is now required, somewhat belatedly, is the closing of the “democratic deficit” (p. 12).

This is a liberal idealism unconstrained by the actual political economy of contemporary capitalism. Far more formidable analysis is to be found in a trio of interventions from the most important policy thinkers associated with the case for more ‘market coordinated economies’ (as the project of democratic capitalism is also now commonly called). Miles Kahler and David Lake’s, Politics in the New Hard Times (2013), gathers an array of the most notable comparative political economists noted for their insistence that ‘politics matters’ in determining economic outcomes, particularly in crises that discredit the prevailing policy paradigm. From this starting point, the central question asked is, to say the least, a bit startling – “a crisis without consequences?” (p. 20). But rather than systematically probe why the ‘democratic capitalism’ project did not recapture lost ground to neoliberalism, that “the current lack of political change differs from past crises” is explained largely by the pre-existing institutional determinations in liberal ad coordinated market economies “in the face of tight international constraints” (p. 21). Old political battles continue and ‘politics still matters’, with some new political cleavages opened up for the far right, but the old neoliberal playbook still rules the day in government policy-making. There is, across the vast and careful empirical analysis provided in the New Hard Times, a strange and unexpected disappearance of social democratic strategy as a variable that needs accounting for.

The analytically elegant reader from Nancy Bermeo and Jonas Pontusson, Coping with Crisis (2012), focuses the lens of comparative political economy more on the dynamics of economic policy-making in the advanced capitalist core countries in the reaction to the economic
slump. It is politics, they also insist, formed in national settings that determine the responses to the global crisis. The national particularities of liberal and coordinated market economics, in this assessment, outweigh any international efforts at coordinated crisis management, even at the behest of the American state and its economic authorities. As they summarize, “government responses to the Great Recession have been framed, and indeed crafted, as market-enhancing… responses were framed (and designed) as they were precisely to underscore (and ensure) institutional continuity” (pp. 26-27). Policy options proved constrained for a panoply of reasons – financial constraints, the Euro blocking devaluation, the prevalence of neoliberal ideology, the lack of capacity for regulating industry and finance, and others all pointing to the specificities of the institutions of state capacities. But even while concluding that no radical departures occurred and that institutional continuities prevailed over politics in determining the forms of austerity, the impasse of the democratic capitalism project is acknowledged only in the bleakness of political alternatives: “new coalitions with a redistributive agenda may yet
emerge, but if they do, they will have to confront an already established and powerful cross-class coalition that resists a more activist role for the state” (p. 28).

This last observation is, in fact, the starting point for the essays edited by Armin Schafer and Wolfgang Streeck, Politics in the Age of Austerity (2013), as the crisis has demonstrated the ‘social democratic straitjacket’. But in these texts there is far less emphasis on the ever more brittle liberal versus coordinated market economy distinction, indeed, the tenor of analysis suggests it is no longer of much usage for penetrating the politics of the austerity state. There is, instead, a blunt acceptance that neoliberalism is the policy matrix and social form of the state that has triumphed through the crisis. “[T]he predominant theme of domestic and international politics in the advanced capitalist democracies has become the consolidation of public finances through long-term institutionalized policies of austerity” (p. 17). Rather than go through the analytical irony of beginning with ‘politics matters’ only to conclude not in the case of the pivotal issue of the responses to a severe economic crisis, this volume moves directly from an autopsy of democratic capitalism to examine what might characterize the “democratic austerity state” with a “tightening fiscal straitjacket for democratic politics” (p. 17).
It is not credible to forward projects for social change, Schafer and Streeck counsel, particularly if they are redistributive in nature. The austerity state is a pervasive parameter for political choices, and centre-left parties have come to understand this. A few of the essays confront Habermas’s prospects for the EU to revive democratic capitalism. But, having averred from his philosophical idealism to focus on the realpolitik of the EU, the conclusion is that this is, at best, ‘a long shot’. Instead, it is the bleak realism that compels confronting the death of party democracy (including social democracy), the fortified hegemony of financial capitalism and the bind of fiscal constraints well beyond the impact of the crisis tripping up any reflationary plans. In consequence, “governments…have to turn their citizens into a disciplined quasi-workforce who willingly produce market compatible returns on the capital that has been invested in them, both by moderating their demands on the ‘social wage’ accruing to them as citizens and by continuously improving their productivity” (p. 20). In the most optimistic reading in the book on the staying power, if not vitality, of the Swedish model of democratic capitalism, Sven Steinmo still rather bluntly warns that “there is very little in this analysis that would lead us to conclude that Sweden has had a particularly responsive political democracy…. To try to build such a system…in other parts of Europe strikes this author, at least, as both dangerous and foolhardy” (2013, pp. 103-04).

These are astoundingly pessimistic readings of the political conjuncture even for the truncated ambitions of the centre-left post-Third Way. There is a striking economism of political agency – the demos of the popular classes – for all the ritualistic invocations that politics matters. Oppositional agency here is all but reduced to the means of adaptation to the new configuration of neoliberal power and economic practices. It is this kind of political lament and truncated analytic that has led to the disabling sentiment ‘that there is no alternative’, as practical policy advice (that is, ‘more state, less market’) is making no in-roads against neoliberalism. This serves to reinforce, however inadvertently from the intent, the radical democratic conclusions of socialist theory that there is no policy fix for the subordination of democratic freedoms to market imperatives – the ‘unfreedom’ of the many – that arise from the freedom of some to accumulate endlessly. The extraordinary exten-
sion of neoliberal practices in the name of austerity recalls an old observation of Marx (1976, p. 990) on democracy and power in capitalist societies:

Hence the rule of the capitalist over the worker is the rule of things over man, of dead labour over the living, of the product over the producer. For the commodities that become the instruments of rule over the workers (namely as the instruments of the rule of capital itself) are mere consequences of the process of production; they are its products. Thus at the level of material production, of the life-process in the realm of the social – for that is what the process of production is – we find the same situation that we find in religion at the ideological level, namely the inversion of subject into object and vice-versa.

If there is still meaning to democratic struggle today, and we contend against all the political and analytical compromises with the laws of the market that there is, it is in the vision underlying Marx’s comment. This is, indeed, the right moment to reclaim the practices of a developmental democracy remaking the popular agencies capable of transforming the total privatization of public spaces and everyday life into freedoms from the coercions of the market. •
The G-20 in Toronto
Room for Everybody

Free Speech Cage

kempkes union-art.com ‘10
References


TNI (Transnational Institute) (2013). Privatizing Europe: Using the Crisis to Entrench Neoliberalism. Amsterdam: TNI.


