

**IIPPE 2017**

**Berlin**

**Neoliberal Capitalism &  
Decline of Democracy**

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**SOAS &**

**Progressive Economists Group**

**<https://peg.primeeconomics.org/>**

# Full disclosure:

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(&Jeremy Smith) *Bringing democratic choice to Europe's economic governance: EU Treaty changes we need, and why we need them* (2017, online)

<http://www.rosalux.eu/publications/bringing-democratic-choice-to-europes-economic-governance/>

# Definitions

## Neoliberal capitalism

reduction of state regulation leading to the rise of finance to dominance

## Democracy (representative)

system of governance in which policies are decided by elected representatives selected through a process of universal suffrage with effective limits on power arising from inequalities



1930s

2010s



# Dictatorship

## **Anti-democratic**

system with formal representative democracy without effective limits to power resulting from inequality

## **Authoritarian**

system without representative democracy

## **Fascist**

authoritarian, explicitly anti-enlightenment, with a mass base (usually in petty bourgeoisie & unemployed)



Idealized  
(Athenian model)



Closer to reality



# **Democracy/Market contradiction**

## **Components**

Myth of free markets

Liberation of capital

Finance capital

**Analytical framework:**

**Why capitalist competition**



**conflict**



In the *Economic Journal* (57, 227, page 316, 1947)

K W Rothschild wrote:

**The oligopolistic struggle for position and security includes political action of all sorts right up to imperialism. The inclusion of these "non-economic" elements is essential for a full explanation of oligopoly behaviour...**



**19<sup>th</sup>/20th century  
first imperialist  
powers**

**New imperialist  
powers**



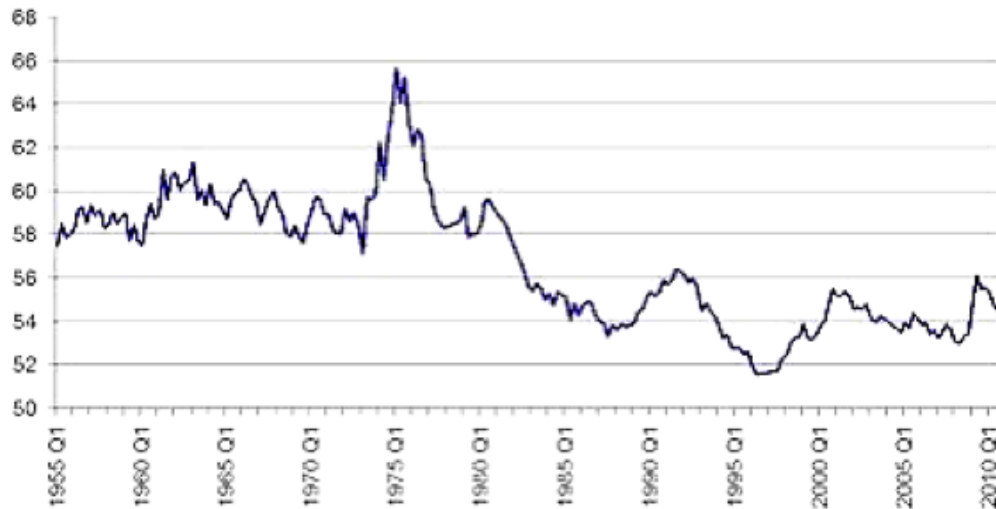
# Capitalist competition & conflict

**Thus, the analytical starting point:**

**Capitalist competition** is a process of **conflict** within economic sphere that spreads into the political sphere and includes at its limit civil & military conflict.

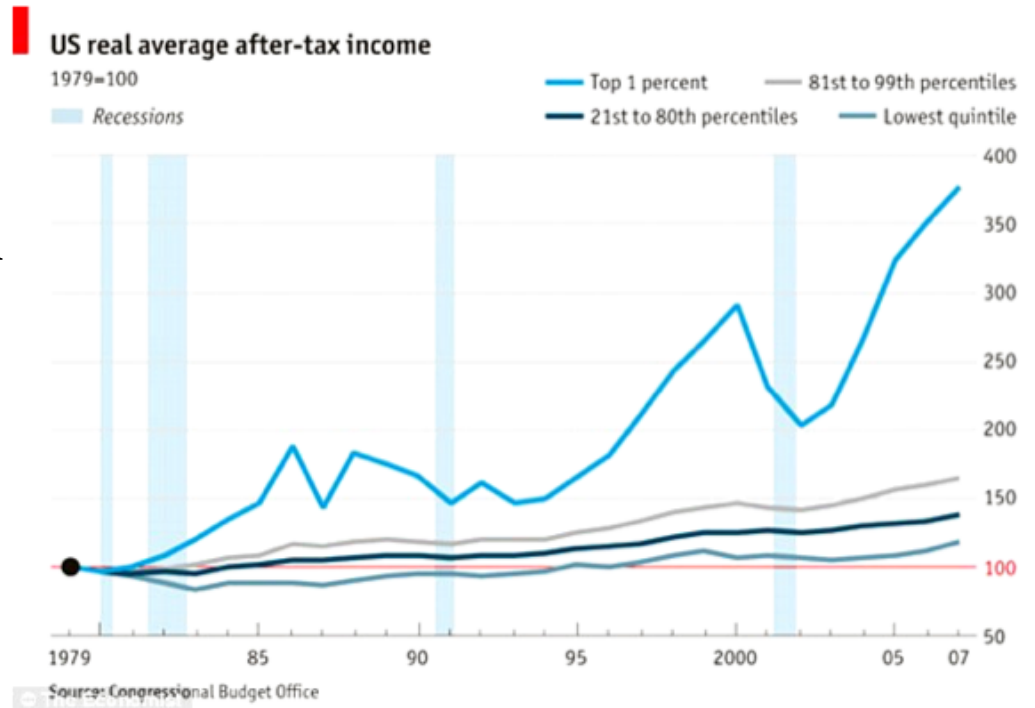
# **Competition & Distribution**

Wages as % of GDP



**Britain: wage share  
in national income**

**US size distribution  
of income**



# **Managed competition**

**Limited competition**



**Reduced class conflict**



**Stable distribution of income&wealth**



**Compliance through consent**



# **“Free” competition & inequality**

**Competition**



**Class conflict**

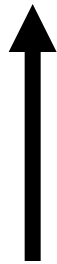


**Concentration of income & wealth**



**Compliance through repression**

**compliance through  
consent  
(repression exceptional)**



**social democracy**

**compliance through  
systematic  
repression**



**authoritarian  
capitalism**

# Common interpretation of 20<sup>th</sup> century

The generally accepted interpretation of 20<sup>st</sup> century history is that it involved a conflict between capitalism and communism/socialism.

The collapse of the Soviet Union resolved this conflict with capitalism the victor (though the victory may prove temporary).

# Re-interpretation

**20<sup>st</sup> century history & into the 21<sup>st</sup>  
involved a conflict between anti-  
democratic and democratic  
movements.**

**For most of the last 100 years anti-  
democratic forces have been the  
stronger.**



# **Democratic & anti-democratic tendencies 1920-2017**

## **1920-1938 Strengthening of anti-democratic movements & tendencies**

- fascism (Europe, Japan)
- authoritarianism capitalism (central & eastern Europe)
- authoritarian socialism/communism (Soviet Union)
- continuation of authoritarian colonial rule

**Democratic counter tendency** in United States with rise of trade unions and farmer-labour alliances in several states



# 1939-1950

## **Strengthening of democratic movements**

- defeat of fascist form of capitalist authoritarianism
- most progressive US period (1940-44)
- election of labour government in Britain
- first anti-colonial victories

Anti-democratic counter-tendencies