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Crisis Neoliberalism and Regimes of Permanent Exception

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Abstract
Since the world system emerged in the mid–19th century, the stages of capitalist development have all been initiated by economic crises. But unlike the crises of 1873, 1929 or 1973, that of 2007 did not signal the end of the neoliberal stage, but rather its continuation in more extreme forms. This break in the previous pattern requires us to periodise neoliberalism itself and understand how the cumulative effect of the policies implemented during the ‘vanguard’ and ‘social’ periods prepared the way for the current ‘crisis’ period, by restricting the options available to political and state managerial representatives of capital. By reorganising political economy in such a way that states respond to short–term demands by key sectors of capital rather than the needs of the system as a whole, neoliberalism has inadvertently undermined the accumulation process, producing permanent ‘states of exception’ as the only means of containing the resulting social crisis.

Keywords
Political economy, capitalism, neoliberalism, periodisation, regime shift, crisis, states of exception, ruling–class incapacity

Introduction
Capitalism was consolidated as a global system in the middle decades of the 19th century (Hobsbawm 1975: chapter 3). Leaving aside the regular oscillations between boom and slump constitutive of the business cycle, the world economy has experienced four systemic crises since then, respectively beginning in 1873, 1929, 1973 and 2007. Writing of the first three, Gérard Duménil and Dominique Lévy correctly note: ‘Each of these earthquakes introduced the establishment of a new social order and deeply altered international relations.’ But is it also the case that ‘the contemporary crisis marks the beginning of a similar process of transition’? (Duménil and Lévy 2011: 2) All previous phases of capitalist development have both begun with the crisis of the previous phase, which usually continued for several years as the system was restructured and the conditions for a new round of accumulation were prepared, and ended with their own crisis, requiring a new period of restructuring in turn. But although crises may ultimately all have the same cause in the tendency of the rate of profit to fall, and take the same form, in the overproduction of commodities, they are also crises of the particular way in which capitalism is organised at that point in time.

If 2007 was indeed the crisis of the current, neoliberal, form of capitalist organisation, as Duménil and Lévy claim (2011: 33–42), then—in the absence of a working class movement able to resolve the crisis in its own interest—we might have expected it to follow the pattern of 1873, 1929 and 1973, and initiate the transition to a new phase of capitalist development. But this is precisely what has not happened. ‘Crisis is a process’, writes Alex Law, ‘not a fixed condition.’ Consequently, crises have chronological limits; but as Law notes, this is not how they are currently understood: ‘Instead of a moment of exception precipitating a turning point, crisis becomes a normalised, semi–permanent condition’ (Law 2015: 13 and 13–29 more generally). One reason for this, nearly ten years since the crash of 2007, may be that the present crisis has actually become a ‘normalised, semi–permanent condition’. Instead of entering a new phase of capitalist development we have entered a new phase of the existing
neoliberal one. As Richard Dienst writes, ‘the moment of truth never happened’: ‘There has been no transformative revelation, no collective coming–to–our–senses, no realignment with reality, no Vergangenheitsbewalitgung for the boomer generation.’ At best, there has been ‘an adjustment in rhetoric’: ‘There might even be a new compromise within established opinion: the free market fundamentalists no longer need to claim infallibility in order to get what they want, while the idealists and sceptics can finally give up on the idea that there is any alternative to the present system’ (Dienst 2011: 12.)

The reason for what Colin Crouch calls ‘the strange non–death of neoliberalism’ is not hard to find. As he observes, ‘it is necessary to start from acceptance that political and economic elites will do everything they can to maintain neoliberalism in general and the finance–driven form of it in particular. They have benefited so much from the inequalities of wealth and power that the system has produced, compared with the experience of strongly redistributive taxation, strong trade unions and government regulation that constituted the so–called social democratic period’ (Crouch 2011: 118–119). But the relative success of neoliberalism as a ruling–class strategy has helped to disguise that some aspects of this mode of capitalist organisation has proved unintentionally self–destructive. Ross McKibbin has written of George Osborne (still British Chancellor of the Exchequer at the time of writing–March 2016): ‘He wishes to serve the interests of the rich, but has a very narrow conception of what those interests might be, which is why there is no plan B’ (McKibbin 2013: 3). Both points are certainly true, but ‘serving the interests of the rich’ is not the same–or at least, not always the same–as ‘serving the interests of capital’ and may in certain circumstances be in contradiction to it. In David Boyle’s elegy for the end of traditional middle class life, he quotes Paul Woolley, former stockbroker, academic and a ferocious critic of the Efficient Market Hypothesis:
This is the death of prosperity…I think capitalism is being driven over a cliff, and the funny thing is that the people who are driving it are meant to be the custodians for capital, and they’ve got the wrong instruction book. … All the tools they are using are predicated on a dud theory. They are doing the precise opposite of what they should be doing. (Boyle 2013: 144–145)

If this is so, then simply doing what capitalists want is unlikely to produce beneficial results, although it may help increase the wealth of individual members of their class. The question then is: why have states continued to act so directly on behalf of these ‘elites’, if their demands are detrimental to the system as a whole?

The answer I will give here is that neoliberalism has in a sense been too successful for the ruling class. In that it has weakened the capacity of capitalist states to act in the interest of their national capital as a whole. Originally improvised as means of resolving the last great capitalist crisis, neoliberalism has no answer to the return of crisis–or at least, no answer acceptable to the CEOs and shareholders it has enriched–other than to carry on with the strategies which brought us to this pass in the first place. If what I call vanguard neoliberalism established this phase of capitalist development, and social neoliberalism then consolidated it, the current period of crisis neoliberalism is primarily defensive, an attempt to preserve the now decaying order through ever–more generalised attacks on the subaltern classes–not as ‘occasional’ incursions to enable budget cuts here or prevent industrial action there, but as permanent aspects of the political regime.

And we should be clear that it is ‘regimes’ with which we are concerned here, rather than ‘states’. The latter need to perform certain core functions for capital throughout every phase of its development: there are no ‘neoliberal states’, but there are ‘neoliberal regimes,’ as Paul Du Gay and Alan Scott explain:
By taking the so-called Keynesian state as its base-line model, both neo-Marxist state theory and some broadly Weberian approaches...have incorporated non-essential aspects of the state’s activities into its identity or definition. Thus, the shedding or outsourcing of those activities is read as evidence of an absolute decline or a change in the nature of the state itself. ... The state/ regime distinction encourages us to interpret recent and contemporary developments differently. With respect to the former, rather than read the policy shifts of the last thirty years or so as a transformation of ‘the state,’ we have interpreted them as adjustments to changes in the environment within which states have had to operate, and in particular to the dominant regime in the sense of a coalition of social groups and confluence of ideas (even the term ‘environment’ here is somewhat misleading as these shifts have often themselves been state led, or by-products of state action). (Du Gay and Scott 2010)

In what follows I am primarily concerned with the experience of Britain and, to a lesser extent, of the US, for two reasons. These were the first nation-states in which neoliberalism was imposed under democratic conditions (i.e. unlike Chile or China) and where it has in many respects gone furthest. In particular, the components of the neoliberal order were first assembled into a coherent package in Britain in both vanguard neoliberal form during the premiership of Margaret Thatcher and social neoliberal form during that of Tony Blair. Perry Anderson’s decision to omit Britain, ‘whose history since the fall of Thatcher has been of little moment’, from his study of the European Union, is therefore incomprehensible, as Blair’s variant on the neoliberal regime has been far more insidiously influential than that of Thatcher (Anderson 2009: xii–xiii). The other reason why any overview of the neoliberal experiment has to focus on the twin metropolitan heartlands is rather that understanding
neoliberalism, like understanding any significant social phenomenon, can best be achieved by focussing on its most developed forms: ‘Human anatomy contains a key to the anatomy of the ape’, as Marx put it (Marx 1973: 105; see also Marx 1976: 90). These forms are not necessarily the most typical of the phenomenon, nor in the case of neoliberalism do they necessarily reveal the future pattern of development elsewhere in the world, since it has reinforced rather than undermined the inherent unevenness of capitalism; but subjecting them to scrutiny can perhaps reveal the essence of what we wish to understand and thereby more effectively oppose it.

**Neoliberalism Phases One and Two: From Vanguard to Social Neoliberalism**

In times of crisis capital requires politicians who will decide on a particular strategy and fight for it with absolute conviction, if necessary against individual members of the capitalist class themselves. During the 1930s, Gramsci discussed this type of ruling class response to crisis as ‘an organic and normal phenomenon’: ‘It represents the fusion of an entire social class under a single leadership, which alone is held to be capable of solving an overriding problem of its existence and of fending off a mortal danger’ (Gramsci 1971: 211). By autumn 1976 leading figures on the right and centre of the Labour Party had essentially accepted the case for reducing public spending and indeed a number of other New Right positions besides, including those on immigration and education–in some cases from intellectual conversion, but in most from temporary expediency, at least at this stage. As the financial journalist and early neoliberal Samuel Britain recalls:
Whenever I spoke to international or British gatherings on ‘Thatcherism’ in the first few years after 1979, the audiences were prepared for an attack or a defence. But they were taken aback by the contention that however much they were denounced by Labour in opposition, the most characteristic features of financial Thatcherism were also pursued by the last labour Government from 1976 to 1979, with only modest backsliding in the period approaching the 1979 election. (Brittan 1983: 239–240)

The result, however, was to both give credibility to the arguments of those who advocated these solutions from principle and to expose Labour’s own inability to deliver them in the face of opposition from a still–powerful trade union movement and its own left wing. The British Labour Party is by no means a typical example of global social democracy, but the inhibitions it still experienced during this period were typical: only in the exceptional cases of Australia after 1983 and New Zealand after 1984 did incumbent social democratic parties transform themselves into the agents of neoliberalism before it became the dominant form of contemporary capitalist organisation. Ha–Joon Chang is therefore right to refer to the period between 1973 and 1979 as an interregnum between the Golden Age and that of neoliberalism proper (Chang 2014: 87–106).

The establishment of neoliberal hegemony in the late 1970s usually required an entirely new political regime, one which did not reluctantly acquiesce in policies they would rather have avoided, but who were fully committed to their implementation and. Initially, this meant the established parties of the Right. In a British context, the role of Margaret Thatcher was therefore crucial to what followed. Her governments directly represented capital in so far as it was opposed to the working class movement (‘vertically’), but could not represent every component of capital (‘horizontally’), because there was no general agreement on capitalist strategy during the late 1970s, not least because individual capitals could and did suffer from
the one eventually adopted from 1979 onwards. In the transition from capitalism to socialism the working class requires two types of organisation: revolutionary parties with which to lead the struggle to destroy the existing state and organs of democratic accountability (‘worker’s councils’) with which to replace it. By contrast, the transition from one form of capitalist organisation to another does not require the bourgeoisie to develop similarly new institutional forms: the state is already dedicated to the defence of capitalism in a general sense, but the activity of the various state institutions need to be decisively turned in a specific and different direction. In the British case the dynamic behind the neoliberal turn came from a minority within the newly elected Conservative Party which acted as the vanguard of the British capitalist class. As late as the aftermath of the 1983 General Election, Thatcher could still note that: ‘There was revolution still to be made, but too few revolutionaries’ (Thatcher 1993: 306).

*Vanguard regimes of reorientation, 1979–1992*

The extent to which neoliberalism has been successfully imposed in any country has depended on the prior extent to which the power of organised labour has been reduced. Where it was not, or insufficiently so, the project tended to stall, at least temporarily, as a comparison of Britain with France would suggest. In most cases, however, the attack on trade union power involved three chronologically overlapping strategies.

The first was to deliberately allow mass unemployment to grow by maintaining high interest rates and refusing to provide state aid to industries in the form of subsidies, contracts or import controls. Interviewed by Adam Curtis in 1992 for his BBC documentary *Pandora’s Box*, Sir Adrian Budd, Chief Economic Advisor to the Treasury between 1991 and 1997, said
that he was concerned that some of politicians ‘never believed for a moment that this was the correct way to bring down inflation’:

They did, however, see that it would be a very, very good way to raise unemployment, and raising unemployment was an extremely desirable way of reducing the strength of the working classes—if you like, that what was engineered there in Marxist terms was a crisis of capitalism which re–created a reserve army of labour and has allowed the capitalists to make high profits ever since. (Curtis 2010)

Unemployed people themselves were treated increasingly harshly as the recipients of benefits with ever–decreasing value and the subjects of bureaucratic regimes of ever–increasing complexity. The effect of growing unemployment on the workplace was to discipline trade unionists into accepting what would previously have been unacceptable, including foregoing wage increases or even agreeing to reductions in existing wage levels (‘givebacks’) in order to prevent closures which were in many cases only postponed. For workers concerned over the possibility of redundancy, it is not the ‘likelihood’ of job loss that influences their behaviour, but the ‘consequences’–the possibility of a catastrophic fall in income. Inability to pay debts, bankruptcy and homelessness, all accompanied by enforced interaction with state institutions whose default attitude towards the unemployed is suspicion or outright hostility (Doogan 2009: 192).

The second strategy, the success of which ensured that little effective resistance to closures took place, was to provoke decisive confrontations between state–backed employers and one or two important groups of unionised workers: postal workers in Canada (1978), car workers in Italy (1980), air traffic controllers in the USA (1981), textile workers in India (1982) and miners in the UK (1984–5). The labour movement had already been
organisationally and ideologically weakened both by compromises with social democracy in office (the Social Contract in Britain, the Pact of Moncloa in Spain) and an inability to conceive of any alternative to it in opposition. The imposition of neoliberal regimes required imposing the type of defeat which had not yet occurred, but which the weakening of the trade unions made possible. These defeats then acted as examples to other unions, against a background of multiplying legal restraints and increasing employer intransigence. In none of these cases was victory for employers and governments guaranteed in advance; in every one victory was achieved not only by the unleashed power of the state—formidable though that was—but also the failure of other unions and their federal bodies like the AFL–CIO and the TUC to give effective support to unions under attack. Ruling classes rightly gambled that most sections of the trade union bureaucracy would instead give priority to the continued existence of their organisations, however much reduced in power, rather than offering effective solidarity to those under attack. The all–out frontal attacks on the labour movement and working class conditions characteristic of the first stage of neoliberalism largely ceased by the late 1980s, largely because the earlier onslaught had achieved the basic aim of weakening the labour movement, instilling among the trade union bureaucracy a generalised structural reluctance to engage in official all–out action. The achievement of this condition is perhaps the greatest service neoliberalism has achieved for capital. It allowed corporate restructuring, the closing of ‘unproductive’ units and the imposition of ‘the right of managers to manage’ within the workplace, which in turn ensured that wage costs fell and stayed down, so that the share of profits going to capital was increased.

The third strategy was to establish new productive capacity, and sometimes virtually new industries. In geographical areas with low or non–existent levels of unionisation and to prevent as far as possible the culture of membership from becoming established; latterly the process was repeated in the very areas, like Glasgow, where unionisation has previously been
strongest. One of the reasons why unemployment remained high even though new jobs were being created was that these involved new entrants to the labour market such as married women and the young, rather than those who had lost their jobs. This was a more prolonged, molecular process than the first two strategies, and one in which the employers rather than the state took the lead, although the latter gave support through grants, subsidies and tax breaks. If the classic example of this strategy was the movement of productive capital from the old ‘rustbelt’ industrial regions of the north–east USA to the southern ‘sunbelt’, similar, less extreme versions of the same process took place in England (from the north–east and north–west to the ‘M4 Corridor’) and Scotland (from Glasgow to ‘Silicon Glen’ and the New Towns). These geographical shifts within nation–states were more common and more damaging to trade union organisation than the threatened geographical shifts to locations in the Global South, which were often made by employers, but far less frequently carried out, not least because of the uncertainties over the ability of developing states to provide technological infrastructure and the cost in abandoning fixed capital which such relocations involved; however, as Graham Turner notes, ‘it is the threat of relocation that proves just as powerful as the reality of a transfer somewhere cheaper’ (Turner 2008: 10). These threats proved successful at least in part because of the way in which sections of the trade union bureaucracy and the left have exaggerated the extent of outsourcing and external relocation, the principle effect of which has been to further reduce the confidence of union members to resist. There has subsequently been a major shift of productive capacity to the Global South, above all to China, but it is important not to backdate this development to the period under discussion here (Smith 2015: 101–104).

The successful onslaught on the labour movement by the vanguard regimes allowed all the other components of the neoliberal repertoire that Chris Harman calls ‘anti–reforms’ to be implemented (2008: 118). Some of these proved to be either irrelevant in practical terms or of
a purely temporary significance and are now seen as intellectual curiosities. For example, monetarism, or governmental control of the money supply, was never seriously adopted by any state, least of all by the USA, which maintained an impressive record of deficit financing from the mid–1960s onwards that actually peaked during the vanguard neoliberal presidencies of Reagan and Bush the Elder. And in Britain, as Daniel Rodgers writes: ‘Monetarism turned out to be a bulldozer that could raze a building but could not erect one’ (2011: 55). Any catalogue of those policies which proved more enduring would have to include the following, although the following list is by no means exhaustive: privatisation of state–owned industries and utilities, flexible labour markets, outsourcing of non–core functions, deregulation of financial markets and the removal of exchange controls, abolition of protective tariffs and subsidies on essential goods, commodification of services once provided free at the point of use, the shift from direct and progressive to indirect and regressive taxation, and a monetary policy dedicated to the maintenance of low levels of inflation. But neoliberalism as a system incorporating these elements only emerged in a piecemeal fashion, after many false starts, accidental discoveries, opportunistic manoeuvres and unintended consequences.

The neoliberal onslaught also opened up the possibility of three longer–term developments, which were maintained throughout the following periods. The first was to increase the probability that, as economic growth resumed, as it increasingly did from 1982, working class organisation would not be in a position to take advantage of increased profit rates by pushing for higher wages and better conditions: in other words, that any future boom would primarily benefit capital not labour. The second was that, while forcing wage levels to remain stagnant or decline in real terms was desired outcome in one respect, it caused difficulties in another, namely restricted or falling levels of consumer expenditure: the answer, of course, was to create hitherto–unknown levels of working class debt. The third
was to assist the social and liberal democratic parties to adapt to neoliberalism by weakening the main source of countervailing pressure from the broader labour movement, thus ensuring that fiscal and other changes favourable of capital would not be reversed. ‘Neoliberals aimed to develop a thoroughgoing re–education programme for all parties to alter the tenor and meaning of political life: nothing more, nothing less’ (Mirowski 2009: 431). The ascent of these transformed parties of the centre–left to office signalled the advent of social neoliberalism

*Social Regimes of Consolidation, 1992–2007*

At the very moment neoliberalism consolidated into a coherent programme, it underwent a crucial mutation, which the adherence of previously reformist parties and movements made possible. Within a ten–year period, between the fall of the Berlin Wall in 1989 and the Battle of Seattle in 1999, all of the vanguard regimes of reorientation had been replaced by parties, or at any rate. Individual politicians ostensibly committed to an alternative path: Chile (1989), New Zealand (1990), the USA (1992), Britain (1997), and the USSR (1999). Yet, as Alex Callinicos notes, ‘the hegemony of neoliberalism is demonstrated precisely by the fact that its policies survived the electoral defeat of the parties that inaugurated it’ (2001: 7). Why could the neoliberal order not simply have been maintained by the original vanguard regimes?

The answer is provided by leading neoliberal practitioner, Alan Greenspan. In one of the many impressive if tactless outbreaks of honesty that appear in his autobiography: ‘The global economy—which must move forward if the world’s standards of living are to continue to rise and poverty to retreat—requires capitalism’s safety valve: democracy’ (2008: 332). But so long as citizens *have* democracy, and as long as they have political parties prepared to
represent their interests—however inadequately—for which to vote, there is always the possibility that the neoliberal order might be undermined. How to ensure that ‘democracy’ remains only a ‘safety valve’?

Neoliberal solutions to this dilemma were twofold. The first was to ensure that only sympathetic politicians are in control of the state, if necessary by non-democratic means. What we might call the Chilean option is not however the preferred one, mainly because of the many inconveniences which military and still more fascist dictatorships tend to involve for bourgeoisie themselves. The second solution was suggested precisely by the recognition that while formal democracy was desirable, substantive democracy was problematic. In 1939, Hayek recommended that economic activity should be removed as far as possible from the responsibility of politicians who might be expected to deploy it for electoral purposes (1939; see also the discussion in Streeck 2014: 97–103). And in this respect at least, neoliberalism has attempted to implement the programme of its theoretical antecedents. Ellen Meiksins Wood rightly identifies the current attitude of the US ruling class to democracy as consisting of two strategies: ‘One is to find electoral processes and institutions that will thwart the majority in one way or another. The other—and this is ultimately the most important—is to empty democracy of as much social content as possible’ (2006: 21).

What was required were ‘regimes of consolidation’, formally characterised by social or liberal democratic rhetoric, which were able to incorporate the rhetoric of social solidarity while maintaining and even extending the essential components of neoliberalism (Anderson 2001: 7). The social and liberal democratic parties brought an additional, more ameliorative element into the otherwise forbiddingly bleak repertoire of neoliberalism. This apparent supplementing of the naked laws of the market was originally marketed as a ‘third way’ between traditional social democracy and neoliberalism (Giddens 1998: chapter 1). It is more accurately described by Alex Law and Gerry Mooney as ‘social neoliberalism’, since it
involves not a synthesis of the two, but an adaptation of the former to the latter (2007: 264–265). As Owen Hatherley points out, social neoliberalism (he calls it ‘social Thatcherism’), did not begin with New Labour, but the post–Thatcher Conservative Government: ‘From John Major’s avowed intent to create a “classless society” to New Labour’s dedication to fighting “social inclusion”, the dominant rhetoric has been neoliberalism with a human face’ (2010: xiii–xiv). This is true, but it is also important to note that Major was no more capable of carry out the shift to social neoliberalism than Callaghan had been able to carry out the previous shift to vanguard neoliberalism: in neither case was their heart in it. The transition from regime of reorientation to regime of consolidation therefore involved a transition from what. In Gramsci’s terms, was a war of manoeuvre to a war of position: the first involved a frontal onslaught on the labour movement and the dismantling of formerly embedded social democratic institutions (‘roll–back’); the second involved a more molecular process involving the gradual commodification of huge new areas of social life and the creation of new institutions specifically constructed on neoliberal principles (‘roll–out’) (Peck and Tickell 2002: 40–45; Law 2009: paragraphs 2.2, 2.4–2.6; Gramsci 1971: 229–239).

Central to this shift were the social democratic parties that had traditionally seen their role as reforming, or even transcending capitalism. How did they come to play the role of open, unapologetic, supporters of the capitalist system, and in its most uninhibited form at that? Central to this process was the crisis of Keynesianism. In ideological terms, the collapse of the Stalinist regimes did not so much ‘prove’ as confirm the already widely held belief that any alternative form of economy to neoliberal capitalism was impossible. By 1989, virtually no–one regarded the Stalinist regimes as a model for socialism. The real ideological shock, although one which was more slow–acting, had been the earlier revelation that the welfare state in its post–1945 form was incompatible with capitalism, at least as anything other than a short–term expedient. Their capitulation represented the final stage in the normalisation of
neoliberalism: the point at which it became accepted, not as a temporary aberration associated with the programme of a particular political party, but the framework within which politics would henceforth be conducted. In Britain, the vanguardists of the Conservative Party certainly regarded the transformation of the Labour Party as one of their greatest achievements, precisely because it would ensure that the others would not be reversed (Harris 2009).

It is important to understand just how deep acceptance of the neoliberal order now became on the centre left. Here, for example, is Labour MP David Lammy writing in 2011 that the riots which swept England in the summer of 2011 had to be seen in the context of ‘two revolutions’: ‘The first was social and cultural: the social liberalism of the 1960s. The second was economic: the free market, liberal revolution of the 1980s. Together they made Britain a wealthier and more tolerant nation. But they have come at a cost, creating a hyper–individualistic culture. In which we do not treat each other well.’ Caveats aside, Lammy is of course concerned to stress his admiration for both ‘liberalism’ and ‘the creative genius of a market economy’: ‘But these two revolutions, built around notions of market freedom, sell Britain short unless they are moderated by other forces’ (2011: 17–19). In a similar vein, Ed Howker and Shiv Malik prefer to talk about two ‘paradigm shifts’. The first, in keeping with their general tendency to backdate developments to the post–war period, was ‘the post–1945 welfare era’ and the second ‘the post–1979 neo–liberal era’:

Both reforms were impressive in their scope and success. Atlee transformed a nation ravaged by war, torn by seemingly insurmountable differences in education, class and life expectancy, and gave even the poorest within it genuine prospects. Then Britain was saved again, this time by Thatcher, from a spiralling economic tumult of unproductive industry. She led a renaissance in entrepreneurship. What’s more,
successive generations in British society have fought to protect the rights of people regardless of their gender or race or sexuality. (Howker and Malik 2010: 220)

It is unsurprising then that these authors declare their belief in capitalism and assert that ‘the creation of wealth is not just desirable but vital—it’s the underpinning of any decision that we take as individuals or as a society’ (Howker and Malik 2010: 21).

These quotes illustrate how social neoliberalism was able to seduce sections of hitherto hostile sections of the middle classes, not by appealing solely to their economic interests, but by claiming that it embodied forms of social concern and tolerance in a way that vanguard neoliberalism, associated as it was with domestic neoconservatism, could not. They gave, so to speak, permission to partake of the feast without guilt. The first standard bearers for neoliberalism tended towards social conservatism, their successors—many of whom participated in the countercultural movements of the 1960s—have not, as any comparison of Clinton with Thatcher would suggest. The embrace of these cultural politics by the regimes of consolidation made neoliberalism acceptable to those who had previously rejected it in two ways.

The first was the dissociation of the cultural from the political critique of capitalism. The movements of 1968 saw, not for the first time, the convergence of two critiques of capitalism: the artistic and the social, concerned respectively with alienation and with exploitation. But these were associated with two different social groups: the former with students or newly graduated workers in white-collar employment, the latter with the working class in the traditional industries. Their concerns were also different: those responsible for the artistic critique wanted, above all, autonomy, personal freedom; those responsible for the social critique wanted, above all, security from the vicissitudes of the capitalist economy, the risks attendant on the anarchy of competition. The two could coexist and overlap in a period
where capitalism was being challenged, but in a period of working class defeat and left retrenchment, the artistic critique was all too easily assimilated into neoliberal claims about the abandonment of hierarchy, the freedom of the consumer and so on. It is of course true that. In the absence of an overall victory, capital will always find ways of making partial achievements for social liberation compatible with, or indeed into examples of, commodified relations.

The second was the endorsement of a politics of personal identity. While homogenisation is undoubtedly one aspect of neoliberal globalisation, it is always accompanied by the inescapable obverse, diversification. Capital has no problem at all with ‘difference’, except perhaps as one of niche marketing. Indeed, the identity politics of the 1980s and 1990s virtually invited this response, since neoliberalism is opposed to inequality arising from irrational prejudice. What this means is that the content of certain kinds of identity politics were profoundly changed by the context of neoliberalism. Memoirs of the sixties by those who participated in the sexual experimentation and consciousness-raising of the time contain self-criticisms of their inability to distinguish between liberation and libertarianism, a distinction which only became apparent as counter-cultural slogans about collective freedom were recycled in defence of the individual acquisitiveness and instant gratification (see, for example, Diski 2009: 8–9, 88–89, 114–115, 135–139 or Green 1989: 341). In some cases this was not a distortion of but an extrapolation from what was already present in aspects of the counter-culture.

Walter Benn Michaels was therefore correct to write in the wake of Obama’s victory over Hilary Clinton to become the Democratic Party Presidential candidate:

…the real (albeit very partial) victories over racism and sexism represented by the Clinton and Obama campaigns are not victories over neoliberalism but victories for
neoliberalism: victories for a commitment to justice that has no argument with inequality as long as its beneficiaries are as racially and sexually diverse as its victims. … In the neoliberal utopia that the Obama campaign embodies, blacks would be 13.2 per cent of the (numerous) poor and 13.3 per cent of the (far fewer) rich; women would be 50.3 per cent of both. For neoliberals, what makes this a utopia is that discrimination would play no role in administering the inequality; what makes the utopia neoliberal is that the inequality would remain intact. (Michaels 2008: 34)

For all practical purposes, members of the ruling class in the West are united in accepting neoliberalism as the only viable way of organizing capitalism as an economic system; but the same class is divided in relation to how capitalism should be organized as a social system. They may all be neoliberals now, but they are not all neoconservatives. In the US both Democrats and Republicans are openly committed to capitalism, but there are also real divisions of opinion between them concerning, for example, gay rights or environmental protection. Indeed, as James Davis writes, although ‘the social democratic and liberal left has embraced neoliberalism…the centre–left must also pay homage to ideas of justice and equality, most often directly at odds with their concrete economic policies, or fear a loss of support to competitors further to the left’ (2012: 101). With this caveat, we can nevertheless agree with Alex Niven that ‘In many ways, modern politics has come to resemble the pre–Labour movement Whig/Tory divide of the 19th and 19th centuries, with two parties representing different divisions of a sizeable wealthy class’ (2012: 11).

The late Peter Mair wrote of the way in which political parties have moved their locus from ‘society to the state’ becoming in the process ‘agencies that govern’ rather than ‘represent’ (2006: 48). As politicians become a professional caste whose life–world is increasingly remote from any other form of activity, economic or otherwise, and therefore
more ‘autonomous,’ they simultaneously become more committed to capitalist conceptions of the national interest, with business as an exemplar. Peter Oborne’s discussion of party convergence in Britain incorrectly assumes the process is complete, rather than simply well advanced, but his essential point is valid: ‘In practice the differences between the main parties are minor and for the most part technical. The contradiction between apparently bitter party competition on the political stage, and collaboration behind the scenes, defines the contemporary political predicament’ (2007: 93). Debates therefore have the quality of a shadow play, an empty ritual in which trivial or superficial differences are emphasized in order to give an impression of real alternatives and justify the continuation of party competition.

The potential for such a development has always been present in capitalist democracy. During the 1930s Gramsci distinguished between what he called ‘conjunctural’ and ‘organic’ phenomena. The former, ‘do not have any very far-reaching historical significance; they give rise to political criticism of a minor, day-to-day character, which has as its subject top political leaders and personalities with direct governmental responsibilities’. The latter, on the other hand ‘give rise to socio-historical criticism, whose subject is wider social groupings—beyond the top figures and beyond top leaders’ (1971: 177–178). What has changed is that the conjunctural is no longer an aspect of politics; it has become its essence. Consequently, most discussion of politics—in the developed world at least—is devoted to expending more or less informed commentary and speculation on essentially meaningless exchanges within Parliaments and other supposedly representative institutions.

Vanguard and social neoliberalism emerged sequentially, but once the latter had modified the overall nature of the regime, it became possible for governments which emphasised the doctrines associated with one or the other to alternate, as when the Republican George Bush replaced the Democrat Bill Clinton in 2001. The return of the Conservatives to office in the
UK, first in Coalition with the Liberal Democrats (2010) then as a majority government (2015) might suggest that crisis neoliberalism is simply a return to vanguard politics, but this would be simplistic. Vanguardism cannot be revived in its original form, partly because the division between vanguard and social neoliberalism has to a certain extent broken down—it is difficult to imagine an Equality Act (2010) or Marriage (Same Sex Couples) Act (2013) being passed under one of Thatcher’s governments—but mainly because most of the original objectives of vanguard neoliberalism were achieved, at least to the extent that they ever could be. And yet, contrary to fantasies about abolishing boom and bust, crisis nevertheless returned in 2007.

**Crisis Regimes of Permanent Exception, 2007–**

‘Sovereign is he who decides on the exception’, wrote the German legal theorist and future Nazi Carl Schmidt in 1920 (2006, 5). By this Schmidt meant that sovereigns, which could be collective bodies, were defined by the ability to suspend established legal norms during moments which they deemed to be crises or emergencies. In effect, the decision to which Schmidt refers involves identifying those groups which are to be treated as outside the law. The cadres of neoliberalism in Britain have—contrary to the assertions of George Osborne—no ‘long–term economic plan’, no solution to the crisis which capitalism is undergoing. At the dawn of neoliberalism Left–commentators predicted that a new form of ‘exceptional state’ was emerging in response to the crisis (Hall et al 1978: chapter 9; Ratner and McMullan 1983). Their error was partly one of timing and partly in relation to where the exception lay. For what is being constructed is not a ‘state of exception’, but rather—bearing in mind the distinction drawn earlier in this article—a *regime* of exception—involving both pre–emptive
repression and diversionary scapegoating of groups ranging from people with disabilities to the entire Muslim population, native–born, migrant or refugee.

The dilemma of crisis neoliberalism is therefore that it has no strategy for restoring general levels of profitability. Having bailed out the debts incurred by the banks responsible for the crisis and thereby transforming them into state or ‘sovereign’ debt, regimes then announced the need for ‘austerity’ to compensate for the supposed failure of the state to ‘live within its means’ by incurring these debts in the first place (Blyth 2013: 5–7; Peck 2014: 19–20). Ideologically, this may have been a brilliant manoeuvre, but neither attacking the incomes of unemployed single parents nor demonising asylum seekers is going to rescue British or American capitalism, although it has helped to deflect hostility from the ruling class to these groups by legitimising hatred and providing ‘psychic compensation’ for those in marginally more secure positions. Any longer term strategy—*in the overall interests of capital, not social justice*—would have to address the dysfunctionality of the financial system, the refusal of firms to invest in productive capacity and low levels of tax intake attendant on a fiscal system massively skewed towards the wealthy. The reason politicians and state managers are not prepared to do this is a result of the cumulative impact of the preceding two periods of neoliberalism.

It should come as no surprise that capitalists are generally uninterested in the broader social interest; what is perhaps surprising is that they are also generally incapable of correctly assessing their own overall collective class interests, although it is a long–standing phenomenon, observed by many of the great social theorists from late 18th century onwards (see, for example, Smith 1976: Book I, Chapter XI, 278; Marx 1976: 606–610; Schumpeter 1994: 138–139). As a result, capitalist states—or more precisely, their managers—have traditionally acted to make such an assessment; but in the developed West at least, neoliberal regimes are increasingly displaying an uncritical adherence to the short–term wishes of
particular business interests. Nor is this the only emergent problem: the increasingly narrow parameters of neoliberal politics, where choice is restricted to ‘social’ rather than ‘economic’ issues, has encouraged the emergence of hard–right parties, usually fixated on questions of migration, which have proved enormously divisive in working–class communities, but whose policies are in other respects by no means in the interests of capital.

The self–destructive nature of neoliberal capitalism has nothing necessarily to do with the removal of restrictions on markets. The rise of neoliberalism made it fashionable to quote a passage from Karl Polanyi’s *The Great Transformation*, the most famous sentence of which reads: ‘To allow the market mechanism to be the sole director of the fate of human beings and their natural environment. Indeed, even the amount and use of purchasing power, would result in the demolition of society’ (1957: 73). The assumption is invariably that neoliberalism is in the process of realizing Polanyi’s nightmare: reversing the second part of his ‘double movement’–the social reaction against markets–and unleashing the mechanisms which he saw as being so destructive of society and nature. Leaving aside the fact that capitalism was always capable of producing social atomization, collective violence and environmental destruction, even in periods when the state was far more directly involved in the mechanisms of production and exchange than it is now, there are two problems with this position. First, rhetoric apart, capitalists no more favour untrammeled competition today than they did when monopolies and cartels first appeared as aspects of the emerging system in the 16th century. Second, one would have to be extraordinarily naïve to believe that the neoliberal project has been about establishing ‘free’ markets in the first place, although this myth has been assiduously perpetrated by social democratic parties who, eager to disguise their own capitulation to neoliberalism, emphasize their opposition to the marketization of all social relationships, even though no–one–except perhaps the followers of Ayn Rand–seriously imagines this is either possible or desirable (Dardot and Laval 2013: 182–191). All
serious analysts of neoliberalism have identified the role of states in creating and managing markets for capital. Nevertheless, there have always been tensions between capitalists and state managers. As Fred Block writes:

The possibility exists that state managers, to improve their own position, will seek to expropriate, or at the very least, place severe restrictions on the property of the dominant classes. This threat is the root of the emphasis in bourgeois ideology on the need to prevent the emergence of a Leviathan state that swallows civil society. Yet since the bourgeoisie or other propertied classes cannot survive without a state, these classes have little choice but to seek a *modus vivendi* with the state managers. In social formations dominated by the capitalist mode of production, the dominant historical pattern has been the development of a *modus vivendi* that is highly favourable to the owners of capital. (1987, 84)

Yet this *modus vivendi* is permanently under threat, since state managers have both to facilitate the process of capital accumulation and ameliorate its effects on the population and environment: ‘The consequence is that many of the state actions that have served to strengthen capitalism have been opposed by large sections of the capitalist class because they are seen as threats to class privilege and as steps towards a Leviathan state’ (Block 1987: 86–87). The attitude Block describes returns us to the Factory Acts and capitalist responses to them described by Marx in 1867. Has the capitalist class then finally succeeded in ‘binding Leviathan,’ to quote the title of an early British neoliberal text? (Waldegrave 1978)

The relationship between neoliberal regimes and capital has since the 1970s prevented states from acting effectively in the collective, long–term interest of capitalism and leading
instead to a situation where, according to Robert Skidelsky, ‘ideology destroys sane economics’ (Skidelsky 2014: 29). It is true that neoliberal regimes have increasingly abandoned any attempt to arrive at an overarching understanding of what the conditions for growth might be, other than the supposed need for lowering taxation and regulation and raising labour flexibility. Apart from these, the interests of the total national capital is seen as an arithmetical aggregate of the interests of individual businesses, some of which, to be sure, have rather more influence with governments than others. These developments have led to incomprehension among remaining Keynesians of the liberal left. ‘It is the decay of power,’ writes Will Hutton:

The centre fragments and power devolves to myriad new forces that often exercise their power with narrow obsessions in mind. Who now speaks for the whole? Who keeps a macro view, mediating competing interests and conflicts and has the courage to make decisions based on a strategic view of all our interests, not just sectional ones? (Hutton 2013)

In so far as there is a ‘strategic view’ it involves avoiding any policies which might incur corporate displeasure, however minor the inconveniences they might involve for the corporations, which of course includes regulation:

Despite the importance of the corporate sector, allowing firms the maximum degree of freedom may not even be good for the firms themselves let alone the national economy. In fact, not all regulations are bad for business. Sometimes, it is in the long–run interest of the business sector to restrict the freedom of individual firms so that they do not destroy the common pool of resources that all of them need, such as natural resources
or the labor force. Regulations can also help businesses by making them do things that may be costly to them individually in the short run but raise their collective productivity in the long run—such as the provision of worker training. (Chang 2011: 190–191)

In a US context, Doug Henwood writes that ‘policy is now made through a Wall Street lens of maximizing profits over the next few quarters, and the long term can take care of itself,’ which in turn suggests that ‘the distinction between the American ruling class and its business community—with the ruling class presumably operating on a time scale of decades rather than quarters—has largely collapsed’ (2005, 71: 73). Henwood’s point about the regime’s adoption of timescales associated specifically with financial capital is important as it indicates the short–termism involved, which is embedded at every level. Reflecting on the ‘brutal hire and fire culture’ of the banking sector, Joris Luyendijk, asks:

Why would people on a trading floor worry about the risks or ethics of the complex financial products they were selling, let alone about the long–term financial health of their own bank? Why would they even think about it as ‘their’ bank, knowing that they could be out of the door in five minutes—either fired without prior warning or poached by a competitor? Why would a risk manager or compliance officer in such an environment sound the alarm? Why not screw your client given that it is all perfectly legal and you are under immense pressure to ‘perform’?

He concludes: ‘This was beginning to look like a blueprint for short–termism’ (2015: 153–154). And this behaviour extends from the attitude of individual traders and hedge–fund managers to corporate decision–making. ‘Short–termism is not new to corporate life,’ writes
Phillip Inman (2015): ‘For decades analysts have lamented how executives obsess about hitting quarterly targets to please shareholders and secure their bonuses. This is compounded by the shareholder’s representative—the fund manager—seeking to hit their own quarterly targets.’ Citing the arguments of the OECD, he suggests: ‘A government needs to step in…because no boardroom can act alone, especially when the short–term measurement of success is so ingrained in the financial system. All public companies submit to it, and do little to support reform while the personal rewards remain bountiful.’

Governments, however, show no sign of ‘stepping in’. The Scottish science fiction author, Ken McLeod, has imagined a situation in the near future where the ruling classes of the world take coordinated legal and military action in a passive revolution (‘the Big Deal’) to smash the dominance of financial capital, restore that of industrial capital and essentially put an end to the neoliberal era (2014: 129–142). This aspect of the novel is far more incredible than the alien encounters that occur elsewhere in its pages. Clearly, in situations of absolute, immediate crisis, short–term emergency measures would be introduced in the same way as the effective nationalisation of banks and other financial institutions took place in both the US and UK during 2008. But these were minimal interventions to prevent outright collapse, save the institutions (and the practices which brought them to the point of crisis in the first place) without using them for any coherent strategic end, let alone any broader social purpose; and of course on the basis that they would be re–privatised as soon as possible; but beyond this? (Cahill 2012: 123–124)

Nancy Fraser compares Franklin Roosevelt’s denunciation of ‘the malefactors of wealth’ in a radio broadcast of 1936 with Barack Obama’s feeble contribution to a televised Presidential debate in 2012 when he essentially refused to draw any substantive economic distinctions between himself and Mitt Romney. As Fraser argues, this is not simply a matter of individual personality, for ‘Obama’s weakness is hardly unique’:
It is the broader pattern—the across-the-board collapse of political Keynesianism that must be explained. Faced with the failure of an entire political stratum to make any serious attempt to stop an impending train wreck, we cannot restrict ourselves to hypotheses centred on individual psychology. (2013: 122–123)

Instead, as Fraser herself notes, we have to focus on the weakening of the labour movement, since one of the inadvertent roles which it historically played was to save capitalism from itself, not least by achieving reforms in relation to education, health and welfare. These benefitted workers, of course, but also ensured that the reproduction of the workforce and the conditions for capital accumulation more generally took place. In this respect social democracy occupied a similar place to the pre-capitalist elites identified by Schumpeter as necessary to rule on behalf of a congenitally incapable capitalist class. But with the weakening of trade union power and the capitulation of social democracy to neoliberalism, there is currently no social force capable of either playing this ‘reformist’ role directly or by pressurizing non-social democratic state managers into playing it. That leaves the state apparatus itself, but the necessary distance between the state and capital (or between state managers and capitalists) that Smith, Marx and Schumpeter from their different political perspectives all regarded as being essential for the health of the system, has been minimized. Ironically, China may be one of the few areas where this is not the case. Slavoj Zizek writes that, ‘arguably the reason why (ex–) Communists are re–emerging as the most efficient managers of capitalism: their historical enmity towards the bourgeoisie as a class fits perfectly with the progress of contemporary capitalism towards a managerial system without the bourgeoisie’ (2012: 11).
Why is this happening? The reason is not simply because of successful lobbying and PR on behalf of individual businesses or industries, pernicious and pervasive though these increasingly sophisticated activities undoubtedly are (Cave and Rowell 2014). Corporations have always done this: why are state managers now so predisposed to respond positively to their efforts? The answer is in the way in which neoliberalism has reconfigured politics in four ways.

The first involves the constraints on policy, particularly economic policy, which have tightened throughout the neoliberal era; and these are not merely ideological constraints, but increasingly and cumulatively practical. In Britain, for example, MP John Redwood noted of his time in the Conservative Research Department during the early 1980s: ‘In our policy discussions we would always include the question of whether the changes we were proposing could be made irreversible’ (2004: 63). Each successive phase of the neoliberal experiment saw the incremental abandonment of the repertoire of measures through which governments had traditionally influenced economic activity, beginning with Geoffrey Howe’s abandonment of exchange controls in 1979 and concluding (to date) with Gordon Brown’s transfer of the power to set interest rates from the Treasury to an unelected committee of the Bank of England. Perry Anderson described the former as the Thatcher regime’s ‘first and most fundamental act on coming to power’, but the same may be said of the second in relation to Thatcher’s successor (1992: 181). The consequence has been a ‘depoliticization’ of the economics. Magnus Marsdal, for example, notes the decline in Danish public anger between the introduction of pension cuts by the Social Democrats in 1998 and the General Election in 2001 because of the almost total agreement between different parties and commentators about their necessity: ‘This depoliticizing of economics leads to the politicizing of everything else’ (2013: 51). As Peter Burnham writes, ‘depoliticization is a governing
strategy and in that sense remains highly political’; it is a strategy which operates by ‘placing at one remove the political character of decision making’. For Burnham, it takes three forms:

First, there has been a reassignment of tasks away from the party in office to a number of ostensibly ‘non–political’ bodies as a way of underwriting the government’s commitment to achieving objectives. … The second form…is in the adoption of measures ostensibly to increase the accountability, transparency and external validation of policy. … Finally, depoliticization strategies have been pursued in an overall context favouring the adoption of binding ‘rules’ which limit government room for manoeuvre.

(1999: 47–50)

The last is perhaps the most important and has been absolutely consistent throughout the entire neoliberal era. The Irish novelist Colm Toibin recalled how in 1985, during the vanguard period, he met two Americans in Buenos Aires while covering the trial of the Argentinean generals on charges of crimes against humanity. These turned out to be representatives, respectively, of the World Bank and the IMF, in country to dictate terms for the resolution of the economic crisis. They had little patience with these attempts to bring the uniformed criminals of the former regime to justice, ‘my American friends said it was a waste of money and a waste of time. Argentina, economically, they said, was a basket case, in desperate need of root and branch reform. The trial was, at best, a distraction’. It was an encounter with demonstrators protesting job losses and wage cuts that revealed even more clearly their attitude to ordinary Argentineans:

One of the guys I was with grew really angry, could barely contain himself in the taxi. This was the last thing Argentina needs, he said. Protests like this were not just a waste
of time, they were irresponsible. The country was going to have to go through years of hardship, he said, to get to a position where it could begin again. There were no choices. Argentina was not just broke, it owed a fortune and the costs of public service were outlandish. Protesting would not make the slightest difference. (Toibin 2010)

Still in Argentina, John Lanchester reports a conversation from the social neoliberal period:

‘The thing about organisations like the IMF is they simply don’t care what your circumstances are,’ I was told by an Argentinian financial Minister who’s dealt directly with the organization during negotiations in the early noughties. ‘You might have particular historic reasons why a programme existed, targeting child poverty, or slum sanitation, or whatever, but they made clear they had no interest in that. They were just waiting for you to stop talking so they could tell you what to do. It was the same package of solutions for everyone irrespective of local history and conditions or social problems. Just take it or leave it and shut up’. (Lanchester 2014: 5)

These are of course examples of the IMF imposing discipline on one of the more developed regions of the Global South; but the Eurozone now its own native institutions dedicated to doing so in the heartlands of global capitalism. As Wolfgang Streeck argues:

Since in Europe it is not yet possible, in the name of economic rationality, to do away with the remnants of national democracy, especially the accountability of governments to their voters, the method of choice is to integrate national governments into a non-democratic supranational regime—a kind of international superstate without democracy—
and have their activities regulated by it. Since the 1990s, the European Union has been converted into such a regime. (2014: 114)

In Yanis Varoufakis’s revelations about his encounters with the Troika, it was precisely the EU institutions—the European Central Bank and the Commission—and not the International Monetary Fund—which took the most unbending position. As he later recalled:

…there was point blank refusal to engage in economic arguments. Point blank. … You put forward an argument that you’ve really worked on—to make sure it’s logically coherent—and you’re just faced with blank stares. It is as if you haven’t spoken. What you say is independent of what they say. You might as well have sung the Swedish national anthem—you’d have got the same reply. (Varoufakis in Lambert 2015, 33)

The second factor, and opposed to the ‘depoliticization’ of economic policy, is the ‘ politicization’ of the state managers. As the political parties became less distinct from each other, the officials required to implement their increasingly similar policies are required to turn themselves more completely into extensions of the parties themselves. In the US, the politicization of the civil service has always been a more significant factor than in the UK, but even there the neoliberal era saw a heightening of the existing tendency. What Monica Prasad calls ‘the permeability and lack of technocracy’ of the US state bureaucracy compared to the French or British may have some advantages for capital, but generally ‘hinders the separation of policy making from political considerations’ and leads to ‘the politically motivated choice of budget projections’. These tendencies were exacerbated by the Civil Service Reform Act of 1978 which ‘further weakened the autonomous basis of the government bureaucracy’ (2006, 93). In the UK, following hard on the heels of the United
States as always, there has since 1979, and especially since 1997 been a more generalized influx of private–sector appointees into the civil service, which Oborne describes as being increasingly ‘emasculated’ as a result, to the point where it has been effectively subject to a ‘corporate takeover’ (2007: 113–153). But even in relation to the permanent home civil service, the expectation is that senior civil servants in particular will not attempt to point out the difficulties involved in governmental policies or even consider alternative ways of delivering policies, but simply present arguments to justify them, regardless of the empirical data, except where those policies contravene the neoliberal order. Colin Leys argues that in the UK there are four ‘enabling conditions’ for this abandonment of evidence: ‘the replacement of the culture of Royal Commissions by the culture of ‘grey’ literature; the loss of critical independence on the part of the academic research community; the de–politcization of the electorate; and the return to respectability of irrational beliefs’ (2008: 130). The latter two are factors in their own right in producing chronic short–termism in neoliberal regimes.

The third, ‘de-politicization of the electorate’ is perhaps better understood as abstention by sections of the electorate who no longer have any parties for whom to vote. The existence of these strategies has been openly admitted by the ideologues of neoliberalism. Phillip Bobbit, an adviser to the White House under Bill Clinton, has argued that we are entering a period in which the nation–state is being replaced by what he calls the ‘market state’, a formation characterised by ‘paradoxes’, one of which is that, ‘there will be more public participation in government, but it will count for less, and the role of the citizen qua citizen will greatly diminish and the role of citizen as spectator will increase’ (2002: 234). Many of those electors still involved in casting their vote do so–appropriately enough–on a consumer model of political choice, where participation is informed by media–driven perceptions of which result will be to their immediate personal benefit. Unsurprisingly, the numbers prepared to carry out
even this minimal level of activity are declining (Mair 2006: 32–45). The key point, however, is that those who do vote are more likely to belong to the middle–classes—the real middle classes, that is, not the imaginary middle–classes whose endless trials so exercise leader–writers for the *Daily Mail*—who tend to have a more focused view of their material interests and deploy more interventionist strategies for maintaining them than those bearing the brunt of austerity.

The fourth factor is the return of ‘irrational beliefs’: the revival of the far–right as a serious electoral force. Electoral support for the far–right is based on the apparent solutions it offers to what are now two successive waves of crisis, which have left the working class in the West increasingly fragmented and disorganised, and susceptible to appeals to blood and nation as the only viable form of collectivism still available, particularly in a context where any systemic alternative to capitalism—however false it may have been—had apparently collapsed in 1989–91. The political implications are ominous. The increasing interchangeability of political parties, discussed above, gives the far–right an opening to appeal to voters by positioning themselves as outside the consensus in ways which speak to their justifiable feelings of rage (Cole 2005: 222–223). The potential problem for the stability of the capitalist system is however less the possibility of far–right parties themselves coming to power with a programme destructive to capitalist needs, than their influence over the mainstream parties of the right, when the beliefs of their supporters may inadvertently cause difficulty for the accumulation process—as in withdrawal from the EU in the case of the UK or a halt to migration from Mexico and Central America in the case of the US. Here we see emerging a symbiotic relationship between one increasingly inadequate regime response to the problems of capital accumulation and another increasingly extreme response to the most irrational desires and prejudices produced by capital accumulation.
I am not suggesting that the developments discussed here mean that capitalism will simply collapse under the weight of its own internal contradictions. Scenarios of this type, from those of Rosa Luxemburg onwards, have been proved false in the past and there is no reason to suppose that they will be any more accurate in the future. Nor am I even suggesting that we have entered a phase of permanent crisis. As I said in the Introduction, no crisis is permanent and claims to the contrary have an unfortunate tendency to be disproved even as they are made (see, for example, Harman, 1984: 121). It would be more credible to argue that, as the system ages, the counter–vailing tendencies to the tendency of the rate of profit to fall become fewer and less effective. Booms will continue to occur, as they did between 1982 and 2007, but they will be weaker and the range of beneficiaries fewer.

More enduring than the crisis which is bringing them into existence will be the regimes of permanent exception, whose political powers and ideological deceptions are too convenient for ruling classes to abandon, given their inability to shape economic events; these regimes will have to be consciously overthrown. And here the multiple contradictions of capitalism may point in this direction. Because neoliberalism has moved ‘official’ politics so far to the right, many issues which in the era of the Long Boom would have been considered ‘reformist’ demands, or even elementary issues of human decency, are now resisted by the dominant institutions of capitalist society, of which the attitude of the Troika to the Greek arguments for the end of austerity has provided a striking demonstration. Reforms themselves have the potential to constitute revolutionary demands in a context where the regimes are unable to allow them. But the parties and movements which could accomplish this task, some of which have declared themselves since 2011, must be the subject of a separate discussion.
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