Neoliberalism, the State, and the Left: A Canadian Perspective

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An assessment of the left today must begin with an analysis of neoliberalism. For over the past two decades neoliberalism has come to dominate public discourse and the modalities of the state in one country after another. The ascendancy of neoliberalism has occurred through a series of interconnected transformations that began with the economic turmoil of the 1970s, the rise of New Right governments across the 1980s, and the deepening internationalization of the circuits of money and industrial capital, modes of communication, and governance structures in the 1990s. Neoliberalism has come to mark a historic turning-point in the balance of power, the social forms of economic and political power, and the patterns of everyday life. From the perspective of the renewal of the left in Canada, and indeed North America, it is critical that we record the importance of this point and its many implications.

Neoliberalism is not a monolithic ideology or political program. There is unevenness in the universalization of the neoliberal project in North America as elsewhere. The basic idea is that the state should be limited in its role in modern society apart from securing private property rights and contracts. One of neoliberalism's key ideologues, *New York Times* correspondent Thomas Friedman in his book *The Lexus and the Olive Tree,* exactingly summarizes the agenda:

> ...a country must either adopt, or be seen as moving toward, the following golden rules: making the private sector the primary engine of its economic growth, maintaining a low rate of inflation and price stability, shrinking the size of its state bureaucracy, maintaining as close to a balanced budget as possible, if not a surplus, eliminating and lowering tariffs on imported goods, removing restrictions on foreign investment, getting rid of quotas and domestic monopolies, increasing exports, privatizing state-owned industries and utilities, deregulating capital markets, making its currency convertible, opening its industries, stock and bond markets

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> to direct foreign ownership and investment, deregulating its economy to promote as much domestic competition as possible, eliminating government corruption, subsidies and kickbacks as possible, opening its banking and telecommunications systems to private ownership and competition, and allowing its citizens to choose from an array of competing pension options and foreign-run pension and mutual funds (pp. 86–7).

Neoliberalism's "golden rules" have the objective of expanding the sphere of the capitalist market globally. But they also are intended to "narrow the political and economic choices of those in power" such that "policy choices get reduced to Pepsi or Coke—slight nuances of taste, slight nuances of policy, slight alterations in design to account for local traditions, but never any major deviations from the core golden rules" (pp. 86–7).

Neoliberalism is much more than the above ideas of Friedrich Hayek, Milton Friedman, and Robert Nozick replacing those of J. M. Keynes, J. K. Galbraith, and John Rawls. It is closely associated with the rise of the New Right regimes of Margaret Thatcher in Britain, Ronald Reagan in the United States, and Brian Mulroney in Canada in the 1980s; the New Right project continues under the U.S. Administration of George W. Bush. In Canada, Tory governments of the richest provinces of Ontario and Alberta under the populist leadership of Premiers Mike Harris and Ralph Klein respectively have continued on as neoliberalism's standard-bearers. But neoliberalism has been equally practiced by political regimes of the center-left, such as the Third Way social democratic governments of Europe through the 1990s, the Clinton presidency in the United States, the *Parti Québécois* in Québec and the New Democratic Party (NDP) provincial governments stretching from Ontario, under Premier Bob Rae in the early 1990s, to the current NDP governments in the prairie provinces of Manitoba and Saskatchewan. The Canadian national Liberal government of Prime Minister Jean Chretien and the British Columbia Liberal government of Premier Gordon Campbell have done their bit as well: Chretien governs to the right of Mulroney on both domestic and trade issues, while Campbell's draconican cutbacks are to bring the "Alberta advantage" to the Pacific side of the Rockies. It is a cold hard fact of contemporary politics that regimes of different political stripes have all endorsed capitalist globalization and implemented policies of deregulation, privatization, and social austerity. We get neoliberalism even when we elect social democratic governments.

Neoliberalism, Power, and the State

Neoliberalism, then, cannot be reduced to a discourse about market society, "golden rules" for public policy or regimes of the New Right. It is a particular social form of class rule within capitalism. There is still much confusion about this point on the left. Too often populist sentiment against the effects of neoliberalism is registered as an anti-capitalist political alternative.

Neoliberalism developed out of an important shift in the balance of class forces and the defeat of the left, and in particular social democracy. The economic turmoil of the 1970s initially met with diverse responses across the capitalist countries. One set came from the social democratic left in the form of the Common Program in France, the Historic Compromise in Italy, the Bennite left and local socialism in Britain, the Meidner Plan to socialize capital in Sweden, and progressive legislation in North America like the Humphrey-Hawkins Full Employment Bill in the United States and the National Energy Program in Canada to extend public control and investment in a key resource sector. (In the less economically advanced zones, revolution was in the air from Portugal and Mozambique to Vietnam and Nicaragua.) These projects varied significantly. But they had in common an attempt at reflation, widening workplace participation, managed trade to promote economic development and payments stability, and "Keynes-plus" strategies for increasing social control over aspects of investment previously left to the unilateral suzerainty of capitalists.

These projects all met, in an equally varied manner, political defeat. In the most contested cases of France and Sweden in the 1980s where the left could be said to have been strongest, the defeats came in the form of capital strikes that destabilized international payments and the economy. The lesson taken here was that progressive economic policy henceforth had to be consistent with economic internationalization. Development of multi-national blocs and international governance agencies, such as the European Union and the World Trade Organization (WTO), despite their free market heritages and agendas, had to take precedence. In other countries, the New Right emerged explicitly to break with the policies of the "social market" and to disorganize its defenders. This was the political importance of the Professional Air Traffic Controllers strike in the United States, the miners' strike in Britain, and the assaults on public sector workers in Canada waged through the 1980s.

The political defeat of the left became a rout in the 1990s. Class

struggle was successfully waged from above in an ever-widening series of fronts: internationalizing capital movements, free trade pacts, imperialist wars, privatizations, curtailment of refugee and migrant rights, wage rollbacks, and attacks on trade union freedoms. In one country after another neoliberalism consolidated. This was not per se a failure of the efficacy of the interventionist economic program. The continued deterioration of economic conditions, living standards, and social infrastructure suggests, if anything, that the technical assessment regarding the limits of unfettered capitalist markets had merit. The defeats were chiefly political: to sustain even a modest egalitarian social agenda democratic control had to be placed over capital mobility and allocation, and capitalists were having none of this. The sclerosis of the traditional organizations of the left and the failure of social democracy, to engage in political battles beyond electoralism was starkly evident. Subsequent general strikes such as the Ontario Days of Action or the French transport strikes served mainly to confirm this. No amount of hard left agititation about union bureaucracy sell-outs could conceal that the necessary political resources for an alternative were absent. Indeed, the social democratic alternative of "progressive competitiveness" of high value-added, high-skills export production that has come to pose as an alternative yielded the same stream of government cutbacks and calls for wage austerity. The policy choice had truly become between Pepsi and Coke.

There are several dimensions to the neoliberal socioeconomic order that any renewal of the left in North America or abroad must now confront. First, a critical set of obstacles emerges out of the economic circuits of capital. The long period of economic stagnation has reinforced the internationalization of production, finance, and circulation. The increased dependence of all states on the world market has been added to by the deflationary bias of deregulated financial markets, government restraint, and the inflation-targeting of monetary policy. The interaction of slow growth, surplus capacity, and competitive world markets has had several consequences. It has allowed capitalists to increase rates of exploitation at workplaces, use regulatory arbitrage to gain tax and environmental concessions, and seek out further trade liberalization and investor protections. International agencies such as the WTO, the International Monetary Fund, and the World Bank have been central to managing these processes. Neoliberalism has thus entailed a process of "competitive austerity" attempting to bolster profits at the expense of growing inequality

between and within states. The consequent weak demand conditions have been held up largely by an explosion in credit taken on by both corporations and consumers, especially in the United States which has served as importer of last resort by flooding the world with dollars and debt. The Japanese, Turkish, and Argentinian asset collapses and deflations are the most vivid symbols of the global economic imbalances. Another crushing round of spending and tax cuts in North America is equally telling. There is no technical set of policies, including the Tobin tax on financial transactions that has been the main policy advanced by anti-globalization forces (and a central plank coming out of the January World Social Forum in Porto Alegre), that would break this vicious circle. The global economic impasse is foremost a crisis of an alternative politics.

Second, these economic developments cannot be seen apart from shifts within the ruling bloc. The postwar period, in Canada, was anchored in an alliance of industrial and commodity capital, supported by financial capital. Foreign capital provided loans and capital goods for branch plants producing for the domestic market. This ruling alliance served as a "national bourgeoisie" with which unions and social democratic parties could strike social compromises over wage gains and state policy as part of a common agenda of building a national economy. This compromise was based upon a strategy of resource exports, branch-plant investment by multinational corporations, and the opposition of Canadian manufacturers to free trade with the United States.

Under neoliberalism, the ruling bloc has undergone several critical transformations: the massive financialization of the economy has seen the re-emergence of finance capital, with financial monopolies gaining ownership leverage over industrial enterprises; new sectors of export-oriented industrial and commodity capital have grown; and multinational capital receives extensive national state support for technology, capital goods, and expertise as part of forming international production networks. This ruling alliance entails an "interior bourgeoisie" still located in a national economy. But it is a ruling alliance increasingly dependent upon extending accumulation internationally, trade and capital flows and transnational linkages between capitalists like the Organization for Economic Cooperation and Development, the Davos Forum, Asia-Pacific Economic Cooperation forum or any number of international fora. This new alliance has underpinned, for example, the U.S. push for international trade agreements including

the pursuit of the Free Trade Area of the Americas. In Canada, business groups have presented a united front in favor of free trade since the mid-1980s. Even the continued relative economic decline that the North American Free Trade Agreement (NAFTA) was to reverse, as witnessed by the downward spiral of the Canadian dollar, has not fractured the new ruling alliance. The political terrain for another grand social compromise with a national bourgeoisie has evaporated. There are still many on the left in Canada and elsewhere, however, seeking to revitalize just such a political project.

Third, it is entirely misleading to see neoliberalism as an attack on the state in favor of the market, or as a hollowing out of the state to the global and local, or a bypassing of the state by corporate power. Neoliberalism has operated through the institutions of the nation-state. The state increasingly concentrates the exercise of political power relative to democratic actors, from parties to unions to NGOs, within civil society. It routinely invokes authoritarian measures in policing, administering social policy, and, as again seen in British Columbia. The foremost symbol of the concentration of political power has been the decline of legislative bodies and democratic accountability and the strengthening of the unilateral exercise of power by the executive branches. Astonishingly, wars are now engaged without parliamentary debate and sanction; the executive pursues a whole host of treaties, policies, and contracts without democratic oversight at all. Only the basest formalities of representative democracy are intact today in Canada, and these often remain encrusted in monarchical and colonial legacies with all the violations of democracy and self-determination that they imply.

The changes that neoliberalism has wrought to the modalities of the state have been equally significant. A range of international trade agreements and court rulings have constitutionalized enhanced protections of private property rights (the infamous Chapter 11 of NAFTA being the foremost example). The departments of the state have been re-ordered to augment the role of agencies dealing with economic internationalization and subordinate those dealing with welfare and labor policies. Similarly, a host of state functions concerned with economic matters, such as central banks, regulatory agencies, and special development projects, have been insulated from democratic structures by increasing their operational autonomy. This bureaucratic insulation occurs under the neoliberal guise of protecting the market from political interference, when in fact the political role of the market is

being strengthened to offset any democratic initiatives being fought through the state. As well, the entire state apparatus has been internally restructured through processes of marketization, privatization, and deregulation. Finally, the military, security, policing, and prison arms of the state have been systematically bolstered as part of a generalized militarization of both international relations and civil protest. The "strong" state that has been integral to the "free market" of neoliberalism can neither be simply captured and put to new ends nor directly assaulted from outside, as opposing tendencies on the left have often assumed in attempting to break out of the neoliberal straitjacket.

Left Renewal

The traditional organizations of the left have not escaped the damage wrought by neoliberalism. The geopolitical strategies of New Right governments contributed to the end of communist authoritarianism (with the remaining regimes and their bureaucratic elites increasingly incorporated within the processes of the capitalist world market), however limited their appeal had already become. The division of revolutionary organizations that turned too many issues on the left into disputes over the historical course of workers' states after 1917 has faded into the past. Out of the ashes of this past, a critical task is restoring the vision of political organization described by Rosa Luxemburg and Antonio Gramsci, in Luxemburg's words the "broadest democracy...schools of public life itself."

Neoliberalism has, moreover, furthered the processes of ideological realignment of social democracy; across the spectrum of social democratic parties, political programs and governing practices are making their peace with globalization and privatization just as earlier revisionism in the first third of the twentieth century made its peace with capitalism itself. Claims to union and working class allegiance may persist for a period (just as they exist in the Democratic Party in the United States, the leading parties of European Third Wayists and much of the NDP party apparatus in Canada.) But this will be at the cost of fostering the social democratic illusion that alternatives to neoliberalism can be found in a change of government or a specific policy. The fundamental alienation of working class people from electoral politics (now at alarming levels in all elections in Canada, the United States and much of Europe) has grown out of aspirations dissipated in the shared austerity that has been social democratic governance. Clearly any deep-seated left renewal must proceed from recognition of the limits

of these organizational legacies. The historical need to move on is as unavoidable as it is pressing.

The closure of existing political alternatives has hardly meant that the grievances against neoliberalism have disappeared. Rather, they have taken the form of social justice networks, rank and file trade union groupings, the anti-globalization movement, anti-racist campaigns, and a host of street protests, outside of parliamentary politics. Within these movements there is a growing embrace of the label "anti-capitalist." This is a major element of left renewal. It is the most active and effective opposition to neoliberalism, enormously important to rebuilding organizational capacities, political resistance, and inventiveness. However, the relationship of these movements to unions and working class politics—Teamsters and Turtles—is only formative and remains far from organic on both sides. And the tactical polarization between campaigns targeted at specific policy changes, such as anti-sweatshop legislation, and direct action opposition to the futility of parliamentarism, as expressed in the protests in Seattle and Québec, is strategically unbridged. This can be tactically defended as the genius of the movement for its flexibility and the inability to be co-opted by the state. But it also registers the distance that anti-capitalism still has from actually transforming the forms of rule of neoliberalism.

Left renewal will have to develop beyond a capacity for mass demonstrations protesting what we are against—beyond even the most militant forms of anti-capitalism. The constructive challenges of a viable socialist politics remains—the capacity to wage strikes for class-wide demands, electoral gains advancing a radical political program, and building egalitarian social alternatives in our everyday lives (as feminists have rightly insisted). Here the problem is not one of ideas to oppose neoliberalism; the left has never had more blueprints of alternate social orders, imaginative policies to build popular capacities and experiences to draw upon, and feminism, anti-racism, and ecology have hugely enriched our conception of the tasks ahead. The prospects of left renewal pivot around rebuilding an active democracy and exploring new organizational forms of political unity.

Our shared history of the twentieth century has made these tasks an enormous but necessary challenge. The most immediate need is to develop organizational vehicles where anti-capitalist strategies can be debated and developed across an array of organizations and struggles. This process is very uneven in its development. Outside North America, Socialist Alliances have formed in Britain, Australia, New

Zealand and other places, drawing in a wide range of revolutionary organizations and anti-capitalists, with positive if still limited results. The Green lefts in the Scandinavian countries have exhibited their own distinct but parallel process, as with the Workers Party in Brazil and many other developments in Latin America and Asia. Québec, too, is engaging in a significant process of a new formation of left groups that has few precedents. The left in English Canada, however, remains backward, stung by its defeats over free trade, and held back by the remains of hope for the NDP and the lingering political divisions of the past. The United States is still a desolate landscape for left prospects for the near future.

But there are signs of movement. The structured movement-against-capitalism developing in several major urban centers in Canada is grouping anti-capitalists and socialists in new ways (one could cite parallels in U.S. cities as well). The New Politics Initiative has challenged radical democrats within and outside the NDP to define themselves more clearly in terms of actually existing social democracy and anti-capitalism. The Citizen's Agenda of the Council of Canadians suggests a deepening politicization of civic organizations beyond their historic left-nationalism. And the anti-globalization movement has been forging new ties, of both campaigns and solidarity, among social activists and unions across North America. It is important that these initiatives be sustained for they begin from quite different initial agendas; points of convergence and common practice are likely to be found only through time and struggle.

From a socialist perspective, it is plain that an anti-capitalist project is fundamental to the processes of left renewal, challenging neoliberalism, and acknowledging what social democracy can no longer become. It is also the necessary project for debating and struggling for what we want to be—the project of ending exploitation and oppression for a society in which the freely associated producers themselves democratically govern as social equals in an ecologically responsible system of production. There is no shortage of needed undertakings: developing an anti-capitalist pole in the global social justice movement; holding conferences, workshops, and educational events of all kinds to debate through theoretical differences toward common strategies; developing cultural resources such as media centers, bookstores, film and book fesivals, art galleries, and newspapers; building a left grouping of rank and file activists within the union movement (a central challenge); and encouraging feminist and anti-racist perspec-

tives across any number of campaigns.

After so much has happened, and with so much left to do, it is good to heed Rosa Luxemburg: "A thousand problems. Only experience is capable of correcting and opening new ways. Only unobstructed, effervescing life falls into a thousand new forms and improvisations, brings to life creative force, itself corrects all mistaken attempts" (*Rosa Luxemburg Speaks* (NY: Pathfinder, 1970), p. 390.

What a Difference War Makes

Before Sept. 11, the military industry was in the dumps. The Pentagon's procurement budget was tight, military stocks were plummeting, and Donald H. Rumsfeld was considering deep cuts.

What a difference war makes. Congress authorized $17.5 billion for emergency war costs, providing an immediate boost to companies like Boeing, which makes precision-guided munitions, and General Atomics Aeronautical Systems, which produces the Predator, the unpiloted surveillance plane.

More important for the industry, President Bush has proposed increasing the military budget by $48 billion next year and $120 billion over five years, and Congress seems prepared to go along....

No wonder the *Jane's Defense Weekly* index of 20 military stocks is up about 25 percent since Sept. 11.

—*New York Times*, March 10, 2002