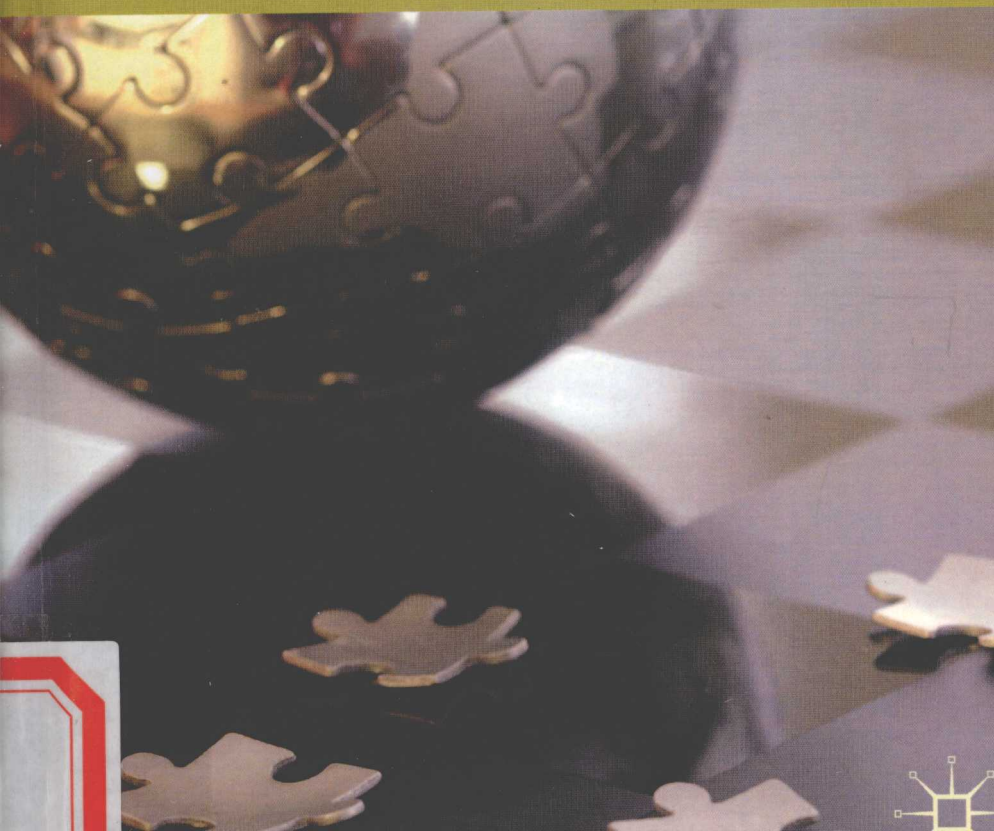


International Political Economy Series

# Neoliberalism in Crisis

Edited by  
Henk Overbeek and  
Bastiaan van Apeldoorn



# Neoliberalism in Crisis



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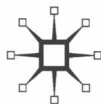
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# Abbreviations

ALBA	Alianza Bolivariana para los Pueblos de Nuestra América (Bolivarian Alliance for the Peoples of Our America)
BNDES	Banco Nacional de Desenvolvimento Econômico e Social (Brazilian National Development Bank)
BRIC	Brazil, Russia, India and China
CAPM	Capital Asset Pricing Model
CasP	Capital as power
CC	Comparative Capitalism
CCP	Chinese Communist Party
CEEP	European Centre of Employers and Enterprises providing Public Services
CEE	Central and Eastern Europe
CEO	Chief Executive Officer
CIC	China Investment Corporation
CME	Co-ordinated Market Economy
CNOOC	China National Offshore Oil Company
CSR	corporate social responsibility
CUT	Central Única dos Trabalhadores (United Workers' Centre, Brazil)
DME	Dependent Market Economy
EC	European Community
ECB	European Central Bank
ECJ	European Court of Justice
EP	European Parliament
ERT	European Round Table of Industrialists
ETUC	European Trade Union Confederation
ETUI	European Trade Union Institute
EU	European Union
FDI	foreign direct investment
FIH	financial instability hypothesis
FIRE	finance, insurance and real estate
FTAA	Free Trade Area of the Americas
G-20	Group of Twenty
G-7	Group of Seven
GATT	General Agreement on Tariffs and Trade
GDP	gross domestic product

GNI	gross national income
IASB	International Accounting Standards Board
IMF	International Monetary Fund
IOCs	International Oil Companies
LME	Liberal Market Economy
LTV	Labour Theory of Value
MAS	Movimiento Al Socialismo (Movement towards Socialism, Bolivian political party)
MC	monopoly capital
MDIs	multilateral development institutions
MNCs	multinational corporations
MoF	Ministry of Finance
MPT	marginal productivity theory
MST	Movimiento Sin Tierra (Brazilian Landless Workers Movement)
MVR	Movimiento Quinta República (Fifth Republican Movement, Venezuelan Socialist Party)
NDRC	National Development and Reform Commission
NOCs	National Oil Companies
NSS	National Security Strategy
OECD	Organisation for Economic Co-operation and Development
OPEC	Organization of Petroleum Exporting Countries
PBoC	People's Bank of China
PIW	Petroleum Intelligence Weekly
PNAC	Project for the New American Century
PSUV	Partido Socialista Unido de Venezuela (United Socialist Party of Venezuela)
PT	Partido dos Trabalhadores (Brazilian Workers' Party)
RMB	Renminbi (national currency of China)
ROCE	return on capital employed
ROE	return on equity
SAFE	State Administration of Foreign Exchange
SEC	Securities and Exchange Commission
SIA	Securities Industry Association
SME	state-permeated market economies
SNA	social network analysis
SOEs	state-owned enterprises
SWFs	sovereign wealth funds
TNCs	transnational corporations
TUAC	Trade Union Advisory Committee to the OECD

UK	United Kingdom
UNICE	Union des Industries de la Communauté Européenne (Union of Industrial and Employers' Confederations of Europe)
US	United States
USAID	United States Agency for International Development
WB	World Bank
WEF	World Economic Forum
WTO	World Trade Organization

# Preface

The idea for this volume was conceived during several discussions among the core members – Bastiaan van Apeldoorn, Laura Horn, Andreas Nölke, Henk Overbeek, James Perry, Arjan Vliegthart and Angela Wigger – of the erstwhile Amsterdam Research Centre on Corporate Governance Regulation (ARCCGOR, 2004–2009). Having completed what was our core business, that is, the four doctoral dissertations by Angela, Laura, James and Arjan, we originally intended to produce a volume centred on our collective work on the political economy of corporate governance regulation in order to present a coherent summary of our results. But the dynamics of our respective careers made it impossible to fulfil this project. As such things go, our group was quickly dispersed over universities in different European countries (Arjan even left academic life altogether), and each of us was facing new and demanding tasks in teaching and administration. In addition, each of us started a new phase in our research, often collaborating with new colleagues on issues that followed up on, but simultaneously had a different focus than, our collective work of the years before. However, we all felt there was enough overlap in our interests to maintain some sort of permanent affiliation: this was done through the creation of a virtual research network, the Amsterdam Research Center for International Political Economy ([www.arcipe.eu](http://www.arcipe.eu)), which our newest recruit, Naná de Graaff, also joined. During the founding meeting in the summer of 2010, we found that our new research interests had one common issue of overlap: the crisis that the neoliberal global order was thrust into by the still deepening disorder in the world's financial markets. And thus it happened that we decided to abandon the idea of writing a book summarizing our past research, resolving instead to produce a book on this overlap in our current research. By including in these plans some of the new colleagues with whom we had started to collaborate in other projects, we expanded our original group. The result is a collection of papers that, although coming from a variety of theoretical and methodological traditions, cohere through the fact that they address the same set of historical developments: the impact on the contemporary capitalist order (both and simultaneously in the key capitalist economies and globally) of the global crisis.

We wish to thank the editors at Palgrave Macmillan, in particular Series Editor Tim Shaw, for their enthusiastic support and for enabling us to get to the finish line in a relatively short period of time.

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# 1

## Introduction: The Life Course of the Neoliberal Project and the Global Crisis

*Bastiaan van Apeldoorn and Henk Overbeek*

In the wake of the fall of Lehman Brothers on 15 September 2008 and the subsequent near-total collapse of the global financial system, many predicted the end of the world of liberal capitalism or at least announced the death of the neoliberal ideology that had helped to constitute the global order over the past decades. The people making these predictions were those who had been leaders in espousing that ideology in the first place. Thus Francis Fukuyama, in October of 2008, declared that the 'American model' borne out of the Reagan revolution was 'the culprit' that had caused the crisis and worried that it would take many years to restore the damage to the 'American Brand' (Fukuyama 2008), while *Financial Times* columnist Martin Wolf (2009) argued that the 'era of liberalization contained the seeds of its own destruction'. Former Chairman of the Federal Reserve Alan Greenspan in a congressional hearing even famously admitted that his free market ideology was apparently 'not working', that there was 'a flaw in the model' that he had been working with for 40 years.<sup>1</sup> *The Economist* (2008), not quite buying the latter argument, did warn that 'economic liberty is [now] under attack and capitalism...is at bay'. In addition, the apparent failings of financial deregulation and liberalization as premised on the Washington consensus combined with worries about the rise of East Asian 'authoritarian state capitalism', producing concerns within Western elite circles regarding the survival of liberal capitalism itself (Bremmer 2010; Rachman 2011).

For some on the other side of the political spectrum, the 'crisis in the heartland' (Gowan 2009) not only spelled the end of neoliberalism, but also offered prospects for a more equitable and sustainable world.

Thus many shared the hope contained in Joseph Stiglitz's line that 'the fall of Wall Street is for market fundamentalism what the fall of the Berlin Wall was for communism' (Gardels 2008; Klein 2008; cf. Bond 2009; Albo et al. 2010; Peck et al. 2010). The moment of euphoria (like in 1989), however, did not last very long, and generally gave way to a much more sober mood, reflecting dismay about what is seen as the resilience of neoliberal practices if not an outright restoration, and in some respects even acceleration and further deepening, of the neoliberal project (cf. Peck et al. 2010; see also the contributions by Wigger and Buch-Hansen as well as Horn in this volume).

So the question must be raised whether, although the global financial and economic crisis from 2008 has obviously shaken the neoliberal consensus, this is a crisis *in* neoliberalism or a crisis *of* neoliberalism (cf. Saad-Filho 2010). In short, we tend to the view that the crisis is a crisis *of* neoliberalism, but not necessarily a terminal one: there is still life left for a phase of neoliberal dominance, but one wrought with deepening contradictions and increasingly unstable. Our arguments, which are borne out in the subsequent chapters in this book, can be summarized as follows.

First, although 'global finance' nearly derailed the global economy in 2007–2009, genuine reform of the financial sector throughout the Organisation for Economic Co-operation and Development (OECD) area has thus far been rather limited. Although many banks and other financial institutions have been (partially) nationalized or otherwise salvaged by capitalist states coming to the rescue of 'the system' in a global multi-trillion dollar bailout, government officials everywhere have been adamant in proclaiming that this is only a temporary measure, and that these institutions will be 'returned to the market' as soon as conditions allow.<sup>2</sup> Meanwhile many of the financial giants that survived the onslaught and escaped nationalization have restored much of their profitability (even if the outlook remains uncertain) and are again paying out big bonuses in spite of the public outcry (Murphy and Guerrero 2011; see also Henwood 2010). As the new CEO of Barclays Bank, Bob Diamond declared to the House of Commons Select Committee for the Treasury, 'the time for remorse is over!' (*The Guardian* 11 January 2011).<sup>3</sup>

Furthermore, in terms of government policy, most OECD governments are now hitting the brakes by going into full austerity mode. This return to neoclassical orthodoxy is particularly strong in the Eurozone, where the European Central Bank (ECB) and the German government are relentless in their imposition of the doctrine of balanced budgets

and austerity programs on the Eurozone periphery (e.g., Bellofiore et al. 2010). In the US too, the brief and partial revival of Keynesianism (cf. Hay 2011) has given way to a return to austerity. The new austerity seems to be above all an excuse to make yet deeper cuts in social expenditure and public services and to pursue with renewed vigour the kind of 'reforms' (privatization and marketization) that neoliberals have advocated since the 1970s but were able to carry out with only partial, though not insubstantial, success until now. It thus appears as if neoliberalism, rather than having forever perished in the flames of the global financial crisis, is arising from its ashes like a phoenix (cf. Peck 2010: 275). As Alex Callinicos (2010: x) wrote in a recent book on the crisis of the liberal world, 'the illusions have survived the bonfire'.<sup>4</sup>

Third, the resilience of neoliberalism is also a reflection of the political weakness of any possible alternatives: there appears to be no 'counter-hegemonic project' in the making. This then seems to ensure what Bob Jessop (2010) calls the 'continuing ecological dominance of neoliberalism'. However, with Gramsci (1971: 276) we may argue that '[t]he crisis precisely consists in the fact that the old is dying and the new cannot be born'. That the new is not yet born, and that we are unable to perceive its shape, however, does not mean that in fact the potential for transformation is not there. Although processes of neoliberalization may still continue, neoliberalism as a hegemonic project resting upon wide societal consent does appear to be unravelling. Indeed, if nothing else, the crisis has further eroded what was an already weakening legitimacy of neoliberalism, possibly beyond repair. As such, the crisis may also be viewed as above all a crisis of the global hegemonic project of neoliberalism, or what Gramsci would call an 'organic crisis' of the neoliberal world order (cf. Gill 2010).

Actually, as in any historical rupture, the current crisis is a multilayered phenomenon. Yes, as argued above, the crisis is first of all simultaneously a crisis of the dominant accumulation model of the past decades, a crisis of the hegemonic ideology underpinned by that model, and consequently also a crisis of the political and social order in the heartland of global capitalism. In this book the emphasis will be predominantly on these aspects of the crisis of neoliberalism (see in particular Part I of this volume, dealing with the impact of the crisis on the nature of capitalist regulation in the heartland of global capitalism).

However, underneath this organic political and economic crisis lie two deeper layers that affect not only the appearance but also the shape of any possible future resolution of the current crisis. First, there is the crisis of the Anglo-American hegemony that has shaped the global

capitalist order since its early days (cf. Van der Pijl 2006), expressing itself in the shift of the centre of gravity of global manufacturing towards East Asia, in the weakened position of the US dollar which has for so long underpinned US supremacy globally and indeed in a fundamental crisis of the ability of the US to impose its strategic supremacy worldwide. Second, there is the deep crisis of the ecosphere which has over the past decades been all but completely exhausted through the intense exploitation by capital, manifesting itself in the dual crises of climate change and fossil energy depletion, necessitating the creation of a new techno-industrial paradigm which will need to inform any potentially successful future accumulation model. These deeper layers of the crisis, while not the prime object of our attention in this introduction, do inform our understanding of the present and possible future trajectory of global neoliberalism (many aspects of these deeper layers of the global crisis are addressed in Part II of this volume).

In order to address these broad questions regarding crisis and continuity, we step back in this volume from the immediately apparent aspects of the crisis and focus on those contradictions revealing the limits of neoliberalism that were already visible before the crisis erupted. In this sense we go beyond recent literature addressing the theme of after/beyond neoliberalism, which displays a rather exclusive focus on the factors precipitating the (financial) crisis and its consequences (e.g., Albo et al. 2010; Panitch et al. 2010; McNally 2009 Duménil and Lévy 2011; Brand and Sekler 2009). However, before outlining in more detail the contents of this book, let us first elucidate its central *problématique* by (1) briefly outlining our understanding of neoliberalism and what we regard to be its central contradictions, and (2) indicating what might arise out of these contradictions in terms of possible trajectories of the post-crisis world.

## The life course of the neoliberal project

We define neoliberalism as a political project aimed to restore capitalist class power in the aftermath of the economic and social crises of the 1970s and the challenge posed to the rule of capital globally by the call for a New International Economic Order (Overbeek and Van der Pijl 1993; also Harvey 2005; Plehwe et al. 2006). Such a project, or *comprehensive concept of control*, is characterized by (1) a specific and relatively coherent set of *ideas* on how to organize the accumulation of capital and the maintenance of the social order, and (2) a specific