

The end of neoliberalism? Why the current crisis is different to 1989, 2001 and 2008

*The history of humanity is a story of crisis, punctuated by points of equilibrium and calm. Crises are so frequent, and often involve such terrible hardship and violence, that the fact any progress happens at all might be history's most surprising feature. **Luke Cooper (LSE)** explains why the current crisis is different to 1989, 2001, and 2008.*

Coronavirus stands out as a particularly serious moment in the history of human civilisation; firstly, on 'pure' economic terms the scale of the economic downturn is unlike anything the world has seen in peacetime; secondly, in a century that will be defined by manmade climate change, the pandemic is an early warning of humanity's ultimate vulnerability to the natural world. The intensive farming methods that make the spread of disease from animals to humans more likely are part of an unsustainable drive to exploit natural resources, which is reaching its inevitable ecological limits.

These two features make this 'year of crisis' distinct from the others we have seen over the last three or four decades. 2020 has now joined the ranks of 1989, 2001 and 2008 as years that come to represent more than points in a calendar. They signify moments of great turbulence and change in world affairs. The politics of today is in large part born out of these historical turning points.

Nationalism and the turning points: the rarely acknowledged global norm

Yet, the outcomes to these 'years of crisis' also reflected trajectories that were already in place prior to each of them. Communism had reached its limits in 1989 and was collapsing. The response of the hubristic Bush administration to the terrorist attacks of September 2001 was as predictable as it was disastrous. And the rise of political nationalism and populism after the 2008 financial crisis does not, at least in retrospect, look at all surprising. Economic crises have throughout history stoked nationalist passions and sentiments. The neo-conservatism that shaped the response to 9/11 was heavily laden with Anglo-American national assertiveness. Meanwhile, nationalism was also the dominant ideology amongst the rising powers, notably China. Consequently, while not preordained, a nationalist reordering of the world was always the most likely outcome of the 2008 crisis. Even in Central-Eastern Europe of 1989, seen as the consummately liberal transformation, the national awakening of different polities in their search for self-government was just as significant as the demand for political freedom.

Viewed from the current perspective the story of 1989 through to the crisis of 2020 is about the displacement of a globalist, neoliberal ideology with a much more conservative, nationalistic and even authoritarian one. As a consequence, our view of 1989 must in retrospect change too. Whereas at the time of the 9/11 terrorist attacks, the Chinese state looked like an anachronism, a one-party communist system in a thoroughly neoliberal world, in 2020 the crushing of the Tiananmen protestors in 1989 now seems to be of greater historical significance than the fall of the Berlin Wall in the same year. Many believed that opening up to the global capitalist market would solidify liberal democratic change. But the reverse proved to be true. Authoritarianism in China and elsewhere did not only survive the post-communist world: it thrived. Today the drift away from democratic towards authoritarian government sits easily with an economic system based on very high social inequality.



Memorial to the Tian'anmen Sq. Massacre (Wrocław, Poland).

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Neoliberalism is over, but what comes next?

In our new report, [The Dangers Ahead](#), we analyse the nature of the new authoritarian threat. Capitalism has become hugely dependent on the state, a tendency that preceded the crisis of 2020 but became completely obvious to millions as a result of it. Free market economic thinking of the classical variety, based on the idea the market left to its own devices is the best way of managing society, has now become a minority sport. But this, in turn, leads to a different set of problems for progressives.

State intervention does not, in itself, lead to economic redistribution or better-funded public services. It depends, above all, on which groups in society benefit from it. In 2008, intervention, particularly quantitative easing and the bank bailouts, directly supported those whose income derived from capital, over those dependent on wages. The pendulum has certainly swung further in 2020. The jobs creation schemes and support for workers' wages, which once would have been condemned as socialism show how far neoliberalism proper is out of fashion. But there is still an underlying capital-centric bias in how state resources are being mobilised and distributed. State intervention has been used to protect *existing* structures of investment and finance. For decades these structures have systematically benefited capital over labour. The question now is whether these interventions are moulded to change these structures and democratise the economy, or build an even more rentier capitalism. As Thomas Piketty has [argued](#) when returns on capital outpace those of wages high inequality will result. This means that without significant further change in the economic model, which prioritises labour over capital, the huge inequalities of our time will remain in the post-virus world.

As demands for greater inequality and redistribution grow, those opposed to it have a strong interest in striking a bargain with the new authoritarian nationalists. These forces tend to oppose the international cooperation needed to reign in the system of tax havens and cross-border financial flows, which allow capital to avoid taxation and regulation. Their vision of what the state should look like is also kleptocratic, distributing state resources to favour their supporters rather than upholding the public interest. As the state plays a larger role in the post-crisis economy, the 'kickbacks and cronyism' culture of the new nationalists will offer a tempting alternative to a much more redistributive model.

This is not set in stone. But we do have an outline of what the conflicts after the 2020 crisis will look like. One side will view coronavirus as another disaster of 'cultural globalisation' requiring a 'law and order' state and a doubling down on ethnic nationalism to keep out 'foreign threats'. To strike a bargain with the monied elite they will mobilise these ideas to protect a capital-centric, rentier economic policy, which applies states resources to uphold the vested interests of large-scale wealth-holders. The other side will advocate greater democracy, international cooperation and a new deal to address economic inequality and climate injustice.

Notably, the politics of free-market liberalism, especially in its American form, which was so crucial to the ideological outcomes of the crises of 1989, 2001 and 2008, now looks marginal. Even in the Democratic Party, after its bruising nomination contest, this shift is quite clear. Joe Biden's [platform](#) is well to the left of Obama's, and his climate change task force is [co-chaired](#) by high profile socialist Congresswoman, Alexandria Ocasio-Cortez.

So the 2020 crisis is much more intense. It poses starker choices for democrats. And it foreshadows greater crises ahead as climate change transforms from a prophecy into a lived experience.

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