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How to get beyond  
*neoliberalism* Colin Crouch



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# How to get beyond neoliberalism

Colin Crouch



**The Labour Party and its counterparts in most other European countries, still seem at a loss to assert a positive programme that challenges neoliberal orthodoxy. They still seem to believe that that orthodoxy has achieved an overwhelming public support to which they can respond only with 'us too'. In reality it is the vulnerability and unattractiveness of neoliberalism that provides social democracy with its chance to produce a coherent alternative, innovative but true to its own traditions.**

Very few people, apart from some of the swivel-eyed in right-wing think tanks, really believe in the general superiority of the unimpeded free market as the best way to organize human affairs. Most, whether experts or persons in the street, would probably agree with the statement that, while the market is a very useful device, it can have negative and damaging consequences and that we need various forms of protection from these. And this is not just about protecting other values from economic ones. In the case of the free-market chaos that produced the financial crisis, the pursuit of neoliberal policies did more damage to the economy than whole swathes of

regulation ever achieved. And in practice all democratic governments have to pursue some balance between market freedom and other goals. There are no purely neoliberal governments, except from time to time in parts of east-central Europe. Nevertheless, in today's world it is those parties (Conservatives, most Liberals, some Christian Democrats) that take as their standard pushing for ever more market, ever less protection from it, who seem confident that they represent the spirit of the times. It is those that stand explicitly for pursuing the balance (Labour Parties, Social Democrats, Greens) who are depressed, telling themselves and being told by everyone else that they are out of touch. They even have notably less energy than the new force in today's politics, the xenophobic populists, who pretend that the whole problem of fitting markets to society does not exist and that all woes are caused by foreigners in general and immigrants in particular.

This absurd situation needs to be set right. Admittedly, the concerns we nearly all have with unrestrained markets are diverse and not necessarily mutually compatible. Sometimes some of us need protection from the threat that we might lose our jobs for no good reason; or, if job loss is inevitable, we want the security of generous unemployment pay while we (with help) search for another. At other times others of us will want our local environment protected from damage by a large development project; at all times



all of us need our global environment protected from various man-made threats. We should nearly all like to be confident that the financial and moral environment can no longer be polluted by bankers seeking profits through the dishonest practices that deregulation made possible. At other times again some of us want to know that the medical staff, carers, teachers with whom we come into contact are motivated by a professional commitment rather than a need to make as much money out of us as possible. Readers can think of their own examples to extend the list. Behind it stands the dominant fact that globalization is extending the scope of markets ever further, without any similar pressures to extend protection from the disruption they cause.

We cannot always expect that our objections to some instance of the market's disruptive force will be seen as reasonable. The market might be serving larger goals than our own immediate interests. To take a very odd example, the Conservative-Liberal coalition in the UK is currently repealing a mass of regulations that have enabled local people to object to building developments; at the same time they are moving in exactly the opposite direction, strengthening local objection rights, on one issue alone: the construction of wind farms. This is a clear example of protecting people from market forces but it is odd for two reasons. First, it protects some aspects of local environments at the expense of the far larger environmental problems caused by conventional energy sources. Second, in limiting competition in the energy market by restricting the growth of wind sources, the main interests it is protecting from the market are the large petroleum and other energy corporations.

That example reveals the complexity of the relations we all have to the market and its consequences. None of us can seriously take up a stance of always favouring it or always opposing it. But there must be a strong prime facie advantage for political movements that place confronting the challenge of finding the balance at the heart of their philosophy and public appeal, rather than those that just talk of the need for more market until forced to make ad hoc compromises - as in the wind farm example.

It could once have been objected that labour movements and social democrats were primarily hostile to the market and therefore no better placed to take up this balanced stance than dogmatic free marketeers. The great achievement of the New Labour, Neue Mitte and similar movements within social democratic parties during the 1990s was to move those parties away from such a stance, into positions of full appreciation of what markets can achieve, provided they were set in the moderating context of the welfare state and various forms of regulation. Their error was to move so far in that direction that they tended to treat social policy and regulation as respectful nods to the museum pieces of their movement's histories, rather than as vital and highly relevant sources of new political energy as we face the ever intensifying disruption of globalized capitalism and markets, with their complex mix of gains and threats to daily life.

Disparate though the concerns we all have with markets may be, there is a unifying theme in the general proposition: 'more market, yes please; creative policies to humanize and mediate its effects, yes please also'. Note that this is not a conflict between those saying 'more market' and those wanting less market. In many areas of life there are good reasons for social democrats as much as anyone else to want an extension of markets. They bring choice to consumers and provide constant spurs to producers of goods and services, public and private, to improve the quality of what they are providing. The problem is rather that, while bringing its gains, the market also brings losses. Occasionally these have to be tackled by restricting the role of the market; but at other times it is a question of finding ways of channelling and accommodating its actions, not contesting them.

## Achieving the balance

We can see how this works and the coherent political strategy it provides, by looking in more detail at some of the examples listed above. First, employment security. In a fast-moving economy with fast-changing technology, many of us have to accept that our current jobs might not last for long. If we are to cope confidently with this without gnawing anxiety that our

# How to get beyond neoliberalism

ability to pay our bills will be suddenly undermined by loss of our current job, we need some guaranteed security that job loss will not lead to drastic income loss. This is especially pressing for young people who often have to expect a series of very temporary posts, or episodes with none at all, before they build up the experience and contacts needed to achieve some stability in the labour market. The answer to this is not to fight against labour market flexibility but to provide compensating security through other means. And this means very generous unemployment benefits. Yes, it is important that people try hard to get off benefits and are encouraged to do so by a mixture of negative and positive incentives. But unemployment benefits do not lose their importance. It is often argued that such benefits belonged to the old working population of the 20th century and are not relevant to today's aspirational strivers. The opposite is the case, for today's workers have far more of a burden of regular payments, particularly mortgages, to keep up if they are to maintain their life style. Unemployment benefits and serious active labour market policies providing training and general work skills should be at the forefront of strategies for accepting and coping with the uncertainties presented by tougher labour markets. (Although there has been much talk about active labour market policies, it has been mainly just talk, as the UK still spends one of the lowest proportions of its national income in all Europe on such programmes.) But this is not what is happening. The very word 'benefit' has become associated with scrounging and all parties agree that the only policy needed towards unemployment and other benefits is to reduce them and make life tough for people needing them.

Matters are slightly better with environmental issues. These are at least seen as 'modern' concerns of average and wealthy people, rather benefit seekers and the poor. Environment can here be understood widely to include the health challenges presented by the food, drink and tobacco industries and indeed the damage done to the economic and social environment by banks and other financial institutions. These are not so much problems of the market as those of capitalism, as most of the giant corporations in the energy, food, finance and other sectors that present our main environmental challenges are not really subject to the disciplines of a true market economy. But Labour politicians rarely address these

matters in these terms, as being about the abuse of power by corporations, or as issues that require us to use politics to shape the impact that we permit markets and corporations to have on our lives, to raise questions about the values that they impose on us and those that they threaten. Framed this way, these questions can be related together in a coherent line, which in turn links to the labour market challenges discussed above and which provides far more congenial territory for social democrats than for their opponents on which to fight.

Finally comes the problem of what is happening to the relationship between professionals of various kinds, the knowledge base of those professions and their clients. One of the great achievements of the 20th century welfare state was the development of professions rooted in public service, whose expertise was available to citizens when they needed it, without the payment of fees at the point of use. Some of those professions, particularly in health, law enforcement and education at all levels, achieved a level of public trust to which politicians, bankers and journalists could never aspire. The system was by no means without faults. Where there is a combination of high trust and esoteric knowledge there is likely to be arrogance and abuse. Frequent inspection, transparency and some market competition are necessary if these failings are to be kept in check. Many recent reforms have improved the professions by strengthening these processes. But now markets and capitalist interests are being brought into these public professions to the point where they are destroying the fundamental basis of the model. In the UK both schools and the National Health Service are gradually being privatized, mainly to transnational corporations. Professionals working in these services increasingly work to targets (designed either by governments or by manager) that can distort professional judgement. So far fee-paying has made only a small appearance but it is set to grow. Meanwhile, something possibly worse than fee-paying happens, as the contracts to run services are negotiated between public officials and corporate representatives in a cosy relationship that makes a mockery of the idea of a market and reduces the citizen to a mere 'user', not a customer or a client.

The issues raised here are the same as those in the labour market and the physical and social



environment. Markets and capitalism are having disruptive effects, distorting our lives and values in ways that seems beyond control. Just as in those other fields, we are crying out for political strategies that identify this disruption and challenge it, coherently across the board.

## Negative externalities

The technical economics term that unites these and some other themes is that of negative externalities: those consequences of economic action that harm certain interests but which do not feature in the cost calculations of the market transactions involved. The most obvious examples come from pollution: a factory's effluent might pollute a river but the costs of the pollution do not enter the factory's operational costs and in an unregulated market it will therefore ignore them. The phrase 'negative externalities' is hardly the stuff of public political debate but finding a better group of words is a task for the spin doctors. The idea itself is powerful and unifying and brings us to a further major need for the political left: rediscovering the potency of the ideas of citizenship and shared needs.

Economic theory is most at ease with the idea of externalities when they affect an identifiable group of individuals who can be asked how much it is worth to them to pay to rid themselves of a specified negative externality. Are they willing to pay enough to make it worth while for the factory not to pollute, or for medical practitioners or teachers not to be concerned with making a profit out of their clients at the expense of their real needs? How much will people pay to ensure themselves against job loss? If people are not prepared to pay enough, then the externality is not sufficiently damaging for the market activity to be modified.

There are obvious objections to this stance on grounds of the distribution of income and wealth but there are further issues: what if the externality affects a large, indefinite, not precisely knowable range of persons and if the risks of damage caused by it are large and very difficult to calculate, such that it is not feasible to estimate how much those negatively affected would have to pay to offset it? The characteristic externality risks in a globalized

economy, where resources are wielded on a vast scale, typically have this quality. It might be feasible to ask if an angling association is willing to pay a factory to stop polluting the river where its members fish; it is not possible to ask the world's population how much we are willing to pay to prevent economic activity from exacerbating climate change. On a smaller but still general scale, it is not possible for millions of individuals to know how much they need to pay to protect themselves from labour market uncertainty and to equip themselves for new jobs in an economy, the contours of which are as yet unknown. Only shared action at the level of public policy can help us. Political programmes that place all stress on advancing markets, with only ad hoc adjustments from time to time, are not capable of grasping this kind of challenge.

## Individuals and the collective

Seeing matters this way addresses a further problem that is currently agonizing social democrats: they seem stuck with a primary orientation to 'collective' things, while people are becoming more 'individualistic'. This confrontation presents itself in particular as one where the paradigmatic individuals are 'aspirational' in contrast with a rump of layabouts. The aspirational are the 'strivers', rather than the 'shirkers' whom collective social policy seems to conspire to help at their expense. Encouraging strivers is therefore what pro-market policies do, says the mantra; protecting skivers is what the welfare state does. But this entire political stance is nonsense. The last thing any governing elite wants is a fully striving, aspirational population. One of the lessons of the financial crisis, the LIBOR scandal, the payment protection scandal and other banking scandals, is that the most perfect examples of aspirational striving that our society knows, operators in the financial sector, include criminality and dishonesty as fundamental instruments in the entirely rational pursuit of their goals. Also, in political rhetoric the aspirational are always seen as nested in families. Why this defection from pure individual striving? Should not the truly aspirational also be seeking to improve on their personal relationships, refusing to be tied down to any particular domestic collectivity?

# How to get beyond neoliberalism

They are also usually depicted as being patriotically tied to their nation; why should this be so, when we know that the most successful entrepreneurs don't even pay tax in their own country, unless it happens to have the lowest tax regime. A true society of striving individuals would be an ungovernable mess of systematic tax dodgers, inveterate financial criminals and chronic adulterers. Governments do not want us all to be like that, just a few members of an elite. They need the rest of us to be moderate, restraining our striving by respect for law and various moral codes and obedience to our bosses. They want us to display market behaviour but with its potential for damage checked and regulated - as in the general stance towards markets that I am advocating here.

If this is the case, it is hypocritical to address voters as though they needed little more from public life than to be liberated to pursue their personal strivings and choices, as though mass political discourse need address people no differently from the way in which advertisements for products address consumers. Perhaps political parties have spent so long learning the techniques of commercial advertising that they know no other language. But the collective and ways of talking about it, are essential, as humans cannot survive outside of collectivities and it is the job of the political world to work out how we should arrange life within them. Showing how individual needs and circumstances fit into this bigger picture is essential but it cannot replace the bigger picture itself. To try to do so amounts to a de facto disenfranchisement of the majority of the population, whose attention is turned away from the general issues affecting their society towards their private concerns alone – the 'your hospital', 'your school', 'your local police force' rhetoric of 1997 New Labour.

Politics has to address people as citizens, not just as consumers, with rights and responsibilities that entitle and require them to think seriously about the things they need that cannot be achieved through the market, or which will actually be damaged if left to the market. Debate over negative externalities has to become central to democratic life within a global economy.

Sceptics will ask where the constituencies to support such an agenda are to come from. It is large and pursuit of it achieves the New Labour goal of holding the old working-class electorate while seeking new supporters in the rest of society more effectively than New Labour could do. Its shortcoming was that the old working class was taken for granted while the new voters were sought through a bland catch-all programme. The former noticed they were being ignored, while the support of the latter was invited on a purely pragmatic and therefore fleeting basis. The approach I have spelt out here sees renewed relevance in the traditional social policy agenda, a relevance which is bound into the wide range of other issues that appeals to a wide tranche of society. The market-correcting agenda will not appeal to everyone and it is not supposed to. But a majority should be able to recognize its concerns there and it is an agenda that today's Conservatives cannot imitate very far.

The carriers of a pro-social policy, pro-environment, anti-financial corruption, pro-public service professional can be found at many points; they certainly include middle- and some higher-income people, many of the young and particularly perhaps many women. The struggle to win women's votes has certainly been at the forefront of recent election campaigns but it has rarely been framed in anything better than market-research terms. Working women, especially working mothers, constitute the main way in which the profile of the post-industrial economy differs from the industrial one. More generally still, the long process of secularization has released women, far more than men, from a conservative political allegiance defined primarily by religion. Women are central to the new class structure and there is both a neoliberal and a social-democratic interpretation of their interests. To some extent it is a shared agenda, against a conservative one, increasing individual rights and combating discrimination. But the neoliberal agenda stops at the point where there are no barriers to enabling women to become full participants in markets. Only a social democratic agenda can move on to an agenda critical of markets, raising issues of work-life balance and problematizing the more general relationship between markets and other values and aspects of life. Because of the frequently greater complexity of the



balance of their own lives, women are more likely than men to be the paradigmatic citizens of the new social democracy.

## The future of citizenship

Mention of citizenship brings us to two knotty problems. First is the topical question of whether some citizenship rights (in particular entitlement to certain benefits) need to be earned by something more than living in a country or acquiring the right to carry its passport. Yes, they do. If the role of citizen is to be taken seriously and to dislodge that of consumer from the place it has usurped in mass democracy, if it is to entitle us to claim certain protections from the market, its content has to be strong and therefore costly. Citizens need to recognize the right of each other to join the community of rights and therefore of obligations. In practice this means that one needs to have worked, either in the paid labour force or as a full-time parent or unpaid carer, for a certain period of time. Neoliberals should be more liberal than social democrats in offering citizenship rights, because the content of what they offer is so much emptier.

Second, the limitations of national citizenship have to be faced. The principal challenges to our economic security come from global markets and democracy is very poorly equipped to operate at that level. We have to engage in the slow and painful process of building solidarities that can become the basis for elements of post-national citizenship, which can in turn enable democracy to challenge unregulated capital at the global level. For Europeans this means in the first instance constructing a level of rights and obligations at the level of the European Union, shaking that institution out of its current stance of prioritizing market making and ignoring the social agenda that must follow the negative externalities that process brings. At present exactly the opposite is happening. Because the EU is neglecting a social agenda, those concerned for citizenship rights are turning against pursuing further integration. That is not the British problem with the EU, which has more to do with imperial nostalgia and belief that the country shares a US global mission but it is the case in many other parts of Europe, from Sweden to Greece.

Retreat to the national level can do nothing to address global issues, apart from pursue the xenophobia that must lead eventually to isolationism and protectionism. At present things seem to suit the alliance of neoliberals and reactionaries that constitutes the contemporary political right. The more the neoliberal agenda produces an unregulated global capitalism that threatens people's security, the more voters turn to the xenophobic ideas that come from the other part of that alliance, enabling neoliberals to escape any negative consequences of their unsettling policies. But this cannot last indefinitely. Either the xenophobic part gains the upper hand within the alliance, eclipsing the neoliberal one, or the right splits into two hostile parts. If that happens, neoliberals themselves might have reason to support a modern social democratic approach, trying to create a population that can confidently welcome and engage with the challenges of global markets because it can feel secure that public policy is moderating and shaping their impact on its way of life.

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