

# Unmasking the State

## Commentary Session 9

The collapse of the post-war Bretton Woods economic system in the 1970s led, as we discussed in earlier sessions, to a range of changes in state policies and structures as neoliberalism took hold globally. In this session we're going to explore the dramatic consequences for representative democracy over recent decades.

The ending of what might be termed traditional politics and the rise of authoritarian and populist rule are intimately connected with neoliberal ideas, policy and practice and their current crisis. I will argue that they reinforce the case for a transition beyond the limited representation embodied in the present system. We should set out to create new forms of direct, participative democracy and new democratic institutions. We will return to that revolutionary idea in the next session.

In the early years of the century, politics and democracy as they were generally understood, were pushed aside. Mainstream parties converged as the balance between state and capital changed dramatically. A transnational, no-borders world economy and financial system reduced the impact of conventional economic measures like tax or interest rate changes.

Now, if you were a mainstream party, the push was to adapt to and embrace the new global economic order. Labour changed quicker than the Tories. The result: New Labour and the warm embrace of deregulation, outsourcing, subsidies for low-paying employers and a reliance on the financial industry.

Eventually, the Tories caught up and convergence was the result. Ironically, the idea of consumer choice which is so intrinsic to neoliberal thinking, was missing when it came to elections, apart from the two occasions when Jeremy Corbyn was Labour leader. He, you will remember, faced continued hostility and sabotage from the Parliamentary Labour Party

As Saad Filho and Sayers explain in *Democracy against Neoliberalism*, the neoliberal project sets out to reduce citizens with social and political rights to consumers. As they say: "Individuals are regularly invited to make a token visit to the polling booths, where they consume the freedom to vote by registering their preferences in much the same way as they express their identities by choosing soft drinks, clothes"

They describe it as a "sterilization of the political process", which amounts to the "depoliticization of politics".

Politics without politics is hard to get your head round. But representative democracy since the creation of universal suffrage is founded on the possibility of alternative agendas, strategies and so on. Creating meaningful reforms and using the state to improve living standards. Take those possibilities away, and the system becomes a shell. Or, as former US vice-president Al Gore once put it, democracy as we know it becomes hollowed out.

Political parties became more remote from the membership, using focus groups and polling to gauge 'public opinion' and adjust policies. By the time of the financial crash in 2008, the decay was deep-rooted. A mounting lack of trust in governments, low voter turn-out

resulted. In place of solutions to issues and challenges, in came the ‘war on terror’, the ‘war on drugs’ and actual wars in Iraq, Afghanistan and illegal military interventions elsewhere.

Leading political scientist Wolfgang Merkel has pointed out that the tension between capitalism and democracy was, as he puts it, “moderated” in the post-1945 period. Neoliberalism broke that compromise, a process we have described in earlier sessions. Socio-economic inequality transformed directly into political inequality, says Merkel.

The corrosion of the democratic process in the neoliberal period was matched by an ever-closer relationship between state and corporations. As the marketisation and outsourcing of public services grew, so too did corporate donations to political parties, particularly the Tories. Government departments are connected to the corporate world in a myriad of relationships.

As one researcher observed, whole areas of public spending were moved from statutory to contract law. Private Finance Initiative deals are a typical example. Hospitals and schools tied into high-cost PFI deals face losing their buildings to contractors if they are unable to meet interest and other payments.

Abby Innes, assistant professor at the London School of Economics has noted that the “combination of state failures and corporate state capture is tailor made to undermine public trust” and that there remains a near total lack of legal regulation around some of the most serious risks.

This merger of state and the corporate world came to a head during the first year of the pandemic when contracts were handed out like confetti for masks, ventilator and other equipment without any due diligence. Billions of pounds of taxpayers’ money were squandered as a result and friends of ministers enriched.

This carefree, unregulated practice easily found its way into the behaviour of politicians themselves. Donations received by prime minister Johnson for the decoration of his flat, for example, went largely unchecked while his defence of an MP who failed to declare money he had received from the private sector led to a by-election defeat. The amorality of a government hosting bring-a-bottle parties during lockdown is clear proof that what used to be called public service with its own ethics is now no different from what goes on in the corporate world. Corporate capture indeed!

We have discussed in earlier sessions how state power is now more dispersed than ever as a result of the creation of a variety of arms-length bodies, so-called executive agencies and the involvement of industry bodies in the drafting of regulations. Then there is outsourcing and marketisation of public services. In a landmark report, the Trades Union Congress outlined the extent to which the private sector is at the heart of what it called the relationship between state and citizens.

The market in public service contracts is valued at about £100 billion a year. In other words, taxpayers’ money is being recycled directly to the private sector in a kind of state-guaranteed gravy train. In effect, the state picks up the risk when firms fail to deliver or collapse like care company Carillion did.

The opening up of public services to market forces and competition is most evident in the NHS. The Health and Social Care (HSC) Act, brought in by the Coalition government in 2012,

created a competitive market for health services. The government still provides the funding but no longer has responsibility for providing comprehensive healthcare.

The new Health and Care Bill, will give extensive new powers to the Secretary of State, reduce regulation, further fragments the NHS and allows private companies a role in deciding which NHS services will be provided where, and for whom.

Even before the 2008 financial crash, neoliberalism had laid the basis for the growth of populism. Traditional party loyalties were swept aside in many countries. Reformist and social democratic parties moved away from their core supporters, seeking out the mythical middle ground. Whole groups of voters were suddenly cast adrift. Deindustrialisation in the older capitalist countries led to a massive transfer of jobs to areas of cheaper labour. Whole towns and regions went into decline. Trade unions became weaker, losing members at a rapid rate. Average wages fell along with their share of national wealth. Inequality grew. We'll come back to look at all this in more detail in the final session when we look at next steps.

The meltdown of the banking system – which is covered extensively in the Composing Capitalism course – accelerated this social and political destabilisation. A decade and more of enforced austerity without any serious political opposition from mainstream left-of-centre parties drove increasing numbers into poverty. So called “flexible working” means zero hours contracts for many. Key local services that many relied upon have been starved of resources or eliminated altogether. The bail out of the bankers was paid for by those least able to do so.

Into this maelstrom stepped politicians like Trump, Johnson and Macron, among others, with their populist claim to stand with “the people” and against the “establishment” who want to keep things as they are at the expense of the working man and woman. Some, like professor Michael Cox, have pointed out the populism is also an expression of the sense of powerlessness. The powerlessness of ordinary citizens when faced with massive changes going on all around them. And the powerlessness too of leaders who don't have the answers to the many and new challenges facing society under the impact of neoliberalism.

The period before the crash witnessed the first steps towards authoritarian rule expressed in both domestic and foreign policy. The so-called ‘war on terror’ led directly to detention without charge for suspects swept up by the state. Digital surveillance was taken to unprecedented and secret levels by the British and UK governments as Edward Snowden revealed.

The invasions of Afghanistan and Iraq were made on a pretext alongside the illegal bombing of former Yugoslavia and regime change in Libya. New conflicts beckon over resources as the wheels come off the neoliberal project and states try to protect local economies.

While Trump has gone, his Republican Party has imposed his policies at state level. They have reduced voting rights, undermined abortion rights and prevented schools from taking Covid precautions. Many endorsed the January 6 2020 attack on the Capitol and are preparing for a second attempt when conditions are right.

In the UK, the Tory government came to power with a huge majority on the back of a populist pledge to ‘get Brexit done’. They have ‘taken back control’ with a vengeance, using the cover of the pandemic to build the edifice of a police state. The right to demonstrate is

under the most severe attack since the early 19th century. Police will get massive powers to prevent assemblies and marches.

An estimated million people could be disenfranchised under the government's plan to impose a system of photo ID at elections. The Electoral Commission is losing its relative autonomy and being brought under government control. During the pandemic, the government has effectively ruled by decree and the state is unlikely to give up these powers any time soon. And where there are problems there are always scapegoats at hand. Refugees seeking a home in Britain, braving the Channel in small boats, are in the frame. Now the plan is to ship them out of the UK to be processed in a third country, creating the country's very own Guantanamo.

Populism itself is in crisis, however, because it's based on creating an imagined past rather than finding solutions within the present. Reality intrudes and populist dreams turn into nightmares. The Tories wanted Johnson to take on the so-called elites and Make Britain Great again after Brexit. Instead, there is soaring inflation, increased taxes on working people, unaffordable energy costs and drawn out wrangles with the EU post Brexit. In the US, Trump failed to deliver jobs and higher wages and significant groups of voters turned against him.

He tried to bring the political system down and narrowly failed. This time. But the trans-Atlantic crisis for populism raises the spectre of what comes next for a political system in meltdown.

Seeing the crisis of democracy as part of the crisis of the social system as a whole will help us understand both the dangers as well as the possibilities. Neoliberalism has captured the political process and placed it at the service of capital. This has weakened conventional democracy beyond repair, in my view. Practical experience has also shown that effective representative democracy is actually incompatible with neoliberalism.

If the emergence of populism is a desperate attempt by the political class to retrieve the situation while sustaining support for the state, then the dangers become clear. When populism fails – as it must because it tries to straddle too many classes and interests all at once – what are the options?

They are not pretty. There is no way back to the pre-neoliberal period. Transnational corporations are here to stay and they have their own, insistent agenda. The global financial system is all powerful. The economy is driven by profit maximisation. This is immune to change because it's the very heart, the very nature of what corporations do .

As we have described, the political system can, if it has to, function without democracy.

So the tendency, the drift within the state is towards outright dictatorship, fascism and war. Under these conditions, I argue, it's impossible to protect our democratic rights without, at the same time, organising to create a totally transformed democratic state. What that could look like and how we might achieve a true democracy is up for discussion in our final session.