Reclaiming the State

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A Progressive Vision of Sovereignty for a Post-Neoliberal World

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Introduction: Make the Left Great Again

The West is currently in the midst of an anti-establishment revolt of historic proportions.

The Brexit vote in the United Kingdom, the election of Donald Trump in the United States, the rejection of Matteo Renzi's neoliberal constitutional reform in Italy, the EU's unprecedented crisis of legitimation: although these interrelated phenomena differ in ideology and goals, they are all rejections of the (neo)liberal order that has dominated the world – and in particular the West – for the past 30 years.

Even though the system has thus proven capable (for the most part) of absorbing and neutralising these electoral uprisings,[1] there is no indication that this anti-establishment revolt is going to abate any time soon. Support for anti-establishment parties in the developed world is at the highest level since the 1930s – and growing.[2] At the same time, support for mainstream parties – including traditional social-democratic parties – has collapsed.

The reasons for this backlash are rather obvious. The financial crisis of 2007–9 laid bare the scorched earth left behind by neoliberalism, which the elites had gone to great lengths to conceal, in both material (financialisation) and ideological ('the end of history') terms. As credit dried up, it became apparent that for years the economy had continued to grow primarily because banks were distributing the purchasing power – through debt – that businesses were not providing in salaries. To paraphrase Warren Buffett, the receding tide of the debt-fuelled boom revealed that most people were, in fact, swimming naked.

The situation was (is) further exacerbated by the post-crisis policies of fiscal austerity and wage deflation pursued by a number of Western governments, particularly in Europe, which saw the financial crisis as an opportunity to impose an even more radical neoliberal regime and to push through policies designed to suit the financial sector and the wealthy, at the expense of everyone else. Thus, the unfinished agenda of privatisation, deregulation and welfare state retrenchment –

temporarily interrupted by the financial crisis – was reinstated with even greater vigour.

Amid growing popular dissatisfaction, social unrest and mass unemployment (in a number of European countries), political elites on both sides of the Atlantic responded with business-as-usual policies and discourses. As a result, the social contract binding citizens to traditional ruling parties is more strained today than at any other time since World War II – and in some countries has arguably already been broken.

Of course, even if we limit the scope of our analysis to the post-war period, anti-systemic movements and parties are not new in the West. Up until the 1980s, anti-capitalism remained a major force to be reckoned with. The novelty is that today – unlike 20, 30 or 40 years ago – it is movements and parties of the right and extreme right (along with new parties of the neoliberal 'extreme centre', such as the new French president Emmanuel Macron's party En Marche!) that are leading the revolt, far outweighing the movements and parties of the left in terms of voting strength and opinion-shaping. With few exceptions, left parties – that is, parties to the left of traditional social-democratic parties – are relegated to the margins of the political spectrum in most countries. Meanwhile, in Europe, traditional social-democratic parties are being 'pasokified' – that is, reduced to parliamentary insignificance, like many of their centre-right counterparts, due to their embrace of neoliberalism and failure to offer a meaningful alternative to the status quo – in one country after another. The term refers to the Greek social-democratic party PASOK, which was virtually wiped out of existence in 2014, due to its inane handling of the Greek debt crisis, after dominating the Greek political scene for more than three decades. A similar fate has befallen other former behemoths of the social-democratic establishment, such as the French Socialist Party and the Dutch Labour Party (PvdA). Support for social-democratic parties is today at the lowest level in 70 years – and falling.[3]

How should we explain the decline of the left – not just the electoral decline of those parties that are commonly associated with the left side of the political spectrum, regardless of their effective political orientation, but also the decline of core left values within those parties and within society in general? Why has the anti-establishment left proven unable to fill the vacuum left by the collapse of the establishment left? More broadly, how did the left come to count so little in global politics? Can the left, both culturally and politically, become a major force in our

societies again? And if so, how? These are some of the questions that we attempt to answer in this book.

Though the left has been making inroads in some countries in recent years – notable examples include Bernie Sanders in the United States, Jeremy Corbyn in the UK, Podemos in Spain and Jean-Luc Mélenchon in France – and has even succeeded in taking power in Greece (though the SYRIZA government was rapidly brought to heel by the European establishment), there is no denying that, for the most part, movements and parties of the extreme right have been more effective than left-wing or progressive forces at tapping into the legitimate grievances of the masses – disenfranchised, marginalised, impoverished and dispossessed by the 40-year-long neoliberal class war waged from above. In particular, they are the only forces that have been able to provide a (more or less) coherent response to the widespread – and growing – yearning for greater territorial or national sovereignty, increasingly seen as the only way, in the absence of effective supranational mechanisms of representation, to regain some degree of collective control over politics and society, and in particular over the flows of capital, trade and people that constitute the essence of neoliberal globalisation.

Given neoliberalism's war against sovereignty, it should come as no surprise that 'sovereignty has become the master-frame of contemporary politics', as Paolo Gerbaudo notes.[4] After all, as we argue in Chapter 5, the hollowing out of national sovereignty and curtailment of popular-democratic mechanisms – what has been termed depoliticisation – has been an essential element of the neoliberal project, aimed at insulating macroeconomic policies from popular contestation and removing any obstacles put in the way of economic exchanges and financial flows. Given the nefarious effects of depoliticisation, it is only natural that the revolt against neoliberalism should first and foremost take the form of demands for a *repoliticisation* of national decision-making processes.

The fact that the vision of national sovereignty that was at the centre of the Trump and Brexit campaigns, and that currently dominates the public discourse, is a reactionary, quasi-fascist one – mostly defined along ethnic, exclusivist and authoritarian lines – should not be seen as an indictment of national sovereignty *as such*. History attests to the fact that national sovereignty and national self-determination are not *intrinsically* reactionary or jingoistic concepts – in fact, they were the rallying cries of countless nineteenth- and twentieth-century socialist and left-wing liberation movements.

Even if we limit our analysis to core capitalist countries, it is patently obvious that virtually all the major social, economic and political advancements of the past centuries were achieved *through the institutions of the democratic nation state*, not through international, multilateral or supranational institutions, which in a number of ways have, in fact, been used to *roll back* those very achievements, as we have seen in the context of the euro crisis, where supranational (and largely unaccountable) institutions such as the European Commission, Eurogroup and European Central Bank (ECB) used their power and authority to impose crippling austerity on struggling countries. The problem, in short, is not national sovereignty as such, but the fact that the concept in recent years has been largely monopolised by the right and extreme right, which understandably sees it as a way to push through its xenophobic and identitarian agenda. It would therefore be a grave mistake to explain away the seduction of the 'Trumpenproletariat' by the far right as a case of false consciousness, as Marc Saxer notes;[5] the working classes are simply turning to the only movements and parties that (so far) promise them some protection from the brutal currents of neoliberal globalisation (whether they can or truly intend to deliver on that promise is a different matter).

However, this simply raises an even bigger question: why has the left not been able to offer the working classes and increasingly proletarianised middle classes a credible alternative to neoliberalism and to neoliberal globalisation? More to the point, why has it not been able to develop a *progressive view of national sovereignty*? As we argue in this book, the reasons are numerous and overlapping. For starters, it is important to understand that the current existential crisis of the left has very deep historical roots, reaching as far back as the 1960s. If we want to comprehend how the left has gone astray, that is where we have to begin our analysis.

Today the post-war 'Keynesian' era is eulogised by many on the left as a golden age in which organised labour and enlightened thinkers and policymakers (such as Keynes himself) were able to impose a 'class compromise' on reluctant capitalists that delivered unprecedented levels of social progress, which were subsequently rolled back following the so-called neoliberal counter-revolution. It is thus argued that, in order to overcome neoliberalism, all it takes is for enough members of the establishment to be swayed by an alternative set of ideas. However, as we note in Chapter 2, the rise and fall of Keynesianism cannot simply

be explained in terms of working-class strength or the victory of one ideology over another, but should instead be viewed as the outcome of the fortuitous confluence, in the aftermath of World War II, of a number of social, ideological, political, economic, technical and institutional conditions.

To fail to do so is to commit the same mistake that many leftists committed in the early post-war years. By failing to appreciate the extent to which the class compromise at the base of the Fordist-Keynesian system was, in fact, a crucial component of that history-specific regime of accumulation – actively supported by the capitalist class insofar as it was conducive to profit-making, and bound to be jettisoned once it ceased to be so – many socialists of the time convinced themselves 'that they had done much more than they actually had to shift the balance of class power, and the relationship between states and markets'.[6] Some even argued that the developed world had already entered a post-capitalist phase, in which all the characteristic features of capitalism had been permanently eliminated, thanks to a fundamental shift of power in favour of labour vis-à-vis capital, and of the state vis-à-vis the market. Needless to say, that was not the case. Furthermore, as we show in Chapter 3, monetarism – the ideological precursor to neoliberalism – had already started to percolate into left-wing policymaking circles as early as the late 1960s.

Thus, as argued in Chapters 2 and 3, many on the left found themselves lacking the necessary theoretical tools to understand – and correctly respond to – the *capitalist* crisis that engulfed the Keynesian model in the 1970s, convincing themselves that the distributional struggle that arose at the time could be resolved within the narrow limits of the social-democratic framework. The truth of the matter was that the labour–capital conflict that re-emerged in the 1970s could only have been resolved one way or another: on capital's terms, through a reduction of labour's bargaining power, or on labour's terms, through an extension of the state's control over investment and production. As we show in Chapters 3 and 4, with regard to the experience of the social-democratic governments of Britain and France in the 1970s and 1980s, the left proved unwilling to go this way. This left it (no pun intended) with no other choice but to 'manage the capitalist crisis on behalf of capital', as Stuart Hall wrote, by ideologically and politically legitimising neoliberalism as the only solution to the survival of capitalism.[7]

In this regard, as we show in Chapter 3, the Labour government of James Callaghan (1974–9) bears a very heavy responsibility. In an (in)famous speech in 1976, Callaghan justified the government's programme of spending cuts and wage restraint by declaring Keynesianism dead, indirectly legitimising the emerging monetarist (neoliberal) dogma and effectively setting up the conditions for Labour's 'austerity lite' to be refined into an all-out attack on the working class by Margaret Thatcher. Even worse, perhaps, Callaghan popularised the notion that austerity was the only solution to the economic crisis of the 1970s, anticipating Thatcher's 'there is no alternative' (TINA) mantra, even though *there were radical alternatives available at the time*, such as those put forward by Tony Benn and others. These, however, were 'no longer perceived to exist'.[8]

In this sense, the dismantling of the post-war Keynesian framework cannot simply be explained as the victory of one ideology ('neoliberalism') over another ('Keynesianism'), but should rather be understood as the result of a number of overlapping ideological, economic and political factors: the capitalists' response to the profit squeeze and to the political implications of full employment policies; the structural flaws of 'actually existing Keynesianism'; and, importantly, the left's inability to offer a coherent response to the crisis of the Keynesian framework, let alone a radical alternative. These are all analysed in-depth in the first chapters of the book.

Furthermore, throughout the 1970s and 1980s, a new (fallacious) left consensus started to set in: that economic and financial internationalisation – what today we call 'globalisation' – had rendered the state increasingly powerless vis-à-vis 'the forces of the market', and that therefore countries had little choice but to abandon national economic strategies and all the traditional instruments of intervention in the economy (such as tariffs and other trade barriers, capital controls, currency and exchange rate manipulation, and fiscal and central bank policies), and hope, at best, for transnational or supranational forms of economic governance. In other words, government intervention in the economy came to be seen not only as ineffective but, increasingly, as outright impossible. This process – which was generally (and erroneously, as we shall see) framed as a shift from the state to the market – was accompanied by a ferocious attack on the very idea of national sovereignty, increasingly vilified as a relic of the past. As we show, the left – in particular the European left – played a crucial role in this regard as well, by cementing this ideological

shift towards a *post-national* and *post-sovereign* view of the world, often anticipating the right on these issues.

One of the most consequential turning points in this respect, which is analysed in Chapter 4, was Mitterrand's 1983 turn to austerity – the so-called *tournant de la rigueur* – just two years after the French Socialists' historic victory in 1981. Mitterrand's election had inspired the widespread belief that a radical break with capitalism – at least with the extreme form of capitalism that had recently taken hold in the Anglo-Saxon world – was still possible. By 1983, however, the French Socialists had succeeded in 'proving' the exact opposite: that neoliberal globalisation was an inescapable and inevitable reality. As Mitterrand stated at the time: 'National sovereignty no longer means very much, or has much scope in the modern world economy. … A high degree of supra-nationality is essential.'[9]

The repercussions of Mitterrand's about-turn are still being felt today. It is often brandished by left-wing and progressive intellectuals as proof of the fact that globalisation and the internationalisation of finance has ended the era of nation states and their capacity to pursue policies that are not in accord with the diktats of global capital. The claim is that if a government tries autonomously to pursue full employment and a progressive/redistributive agenda, it will inevitably be punished by the amorphous forces of global capital. This narrative claims that Mitterrand had no option but to abandon his agenda of radical reform. To most modern-day leftists, Mitterrand thus represents a pragmatist who was cognisant of the international capitalist forces he was up against and responsible enough to do what was best for France.

In fact, as we argue in the second part of the book, sovereign, currency-issuing states – such as France in the 1980s – far from being helpless against the power of global capital, still have the capacity to deliver full employment and social justice to their citizens. So how did the idea of the 'death of the state' come to be so ingrained in our collective consciousness? As we explain in Chapter 5, underlying this post-national view of the world was (is) a failure to understand – and in some cases an explicit attempt to conceal – on behalf of left-wing intellectuals and policymakers that 'globalisation' was (is) not the result of inexorable economic and technological changes but was (is) largely the product of state-driven processes. All the elements that we associate with neoliberal globalisation – delocalisation, deindustrialisation, the free movement of goods and capital, etc. – were (are), in most cases, the result of choices

made by governments. More generally, states continue to play a crucial role in promoting, enforcing and sustaining a (neo)liberal international framework – though that would appear to be changing, as we discuss in Chapter 6 – as well as establishing the domestic conditions for allowing global accumulation to flourish.

The same can be said of neoliberalism *tout court*. There is a widespread belief – particularly among the left – that neoliberalism has involved (and involves) a 'retreat', 'hollowing out' or 'withering away' of the state, which in turn has fuelled the notion that today the state has been 'overpowered' by the market. However, as we argue in Chapter 5, neoliberalism has not entailed a retreat of the state but rather a reconfiguration of the state, aimed at placing the commanding heights of economic policy 'in the hands of capital, and primarily financial interests'.[10]

It is self-evident, after all, that the process of neoliberalisation would not have been possible if *governments* – and in particular social-democratic governments – had not resorted to a wide array of tools to promote it: the liberalisation of goods and capital markets; the privatisation of resources and social services; the deregulation of business, and financial markets in particular; the reduction of workers' rights (first and foremost, the right to collective bargaining) and more generally the repression of labour activism; the lowering of taxes on wealth and capital, at the expense of the middle and working classes; the slashing of social programmes; and so on. These policies were systemically pursued throughout the West (and imposed on developing countries) with unprecedented determination, and with the support of all the major international institutions and political parties.

As noted in Chapter 5, even the loss of national sovereignty – which has been invoked in the past, and continues to be invoked today, to justify neoliberal policies – is largely the result of a willing and conscious limitation of state sovereign rights by national elites. The reason why governments chose willingly to 'tie their hands' is all too clear: as the European case epitomises, the creation of self-imposed 'external constraints' allowed national politicians to reduce the politics costs of the neoliberal transition – which clearly involved unpopular policies – by 'scapegoating' institutionalised rules and 'independent' or international institutions, which in turn were presented as an inevitable outcome of the new, harsh realities of globalisation.

Moreover, neoliberalism has been (and is) associated with various forms of authoritarian statism – that is, the opposite of the minimal

state advocated by neoliberals – as states have bolstered their security and policing arms as part of a generalised militarisation of civil protest. In other words, not only does neoliberal economic policy require the presence of a strong state, but it requires the presence of an *authoritarian* state (particularly where extreme forms of neoliberalism are concerned, such as the ones experimented with in periphery countries), at both the domestic and international level (see Chapter 5). In this sense, neoliberal ideology, at least in its official anti-state guise, should be considered little more than a convenient alibi for what has been and is essentially a *political and state-driven project*. Capital remains as dependent on the state today as it was under 'Keynesianism' – to police the working classes, bail out large firms that would otherwise go bankrupt, open up markets abroad (including through military intervention), etc. The ultimate irony, or indecency, is that traditional left establishment parties have become standard-bearers for neoliberalism themselves, both while in elected office and in opposition.

In the months and years that followed the financial crash of 2007–9, capital's – and capitalism's – continued dependency on the state in the age of neoliberalism became glaringly obvious, as the governments of the US, Europe and elsewhere bailed out their respective financial institutions to the tune of trillions of euros/dollars. In Europe, following the outbreak of the so-called 'euro crisis' in 2010, this was accompanied by a multi-level assault on the post-war European social and economic model aimed at restructuring and re-engineering European societies and economies along lines more favourable to capital. This radical reconfiguration of European societies – which, again, has seen social-democratic governments at the forefront – is not based on a retreat of the state in favour of the market, but rather on a reintensification of state intervention on the side of capital.

Nonetheless, the erroneous idea of the waning nation state has become an entrenched fixture of the left. As we argue throughout the book, we consider this to be central in understanding the decline of the traditional political left and its acquiescence to neoliberalism. In view of the above, it is hardly surprising that the mainstream left is, today, utterly incapable of offering a positive vision of national sovereignty in response to neoliberal globalisation. To make matters worse, most leftists have bought into the macroeconomic myths that the establishment uses to discourage any alternative use of state fiscal capacities. For example, they have accepted without question the so-called household budget analogy,

which suggests that currency-issuing governments, like households, are financially constrained, and that fiscal deficits impose crippling debt burdens on future generations – a notion that we thoroughly debunk in Chapter 8.

This has gone hand in hand with another, equally tragic, development. As discussed in Chapter 5, following its historical defeat, the left's traditional anti-capitalist focus on class slowly gave way to a liberal-individualist understanding of emancipation. Waylaid by post-modernist and post-structuralist theories, left intellectuals slowly abandoned Marxian class categories to focus, instead, on elements of political power and the use of language and narratives as a way of establishing meaning. This also defined new arenas of political struggle that were diametrically opposed to those defined by Marx. Over the past three decades, the left focus on 'capitalism' has given way to a focus on issues such as racism, gender, homophobia, multiculturalism, etc. Marginality is no longer described in terms of class but rather in terms of identity. The struggle against the illegitimate hegemony of the capitalist class has given way to the struggles of a variety of (more or less) oppressed and marginalised groups: women, ethnic and racial minorities, the LGBTQ community, etc. As a result, class struggle has ceased to be seen as the path to liberation.

In this new post-modernist world, only categories that transcend Marxian class boundaries are considered meaningful. Moreover, the institutions that evolved to defend workers against capital – such as trade unions and social-democratic political parties – have become subjugated to these non-class struggle foci. What has emerged in practically all Western countries as a result, as Nancy Fraser notes, is a perverse political alignment between 'mainstream currents of new social movements (feminism, anti-racism, multiculturalism, and LGBTQ rights), on the one side, and high-end "symbolic" and service-based business sectors (Wall Street, Silicon Valley, and Hollywood), on the other'.[11] The result is a *progressive neoliberalism* 'that mix[es] together truncated ideals of emancipation and lethal forms of financialization', with the former unwittingly lending their charisma to the latter.

As societies have become increasingly divided between well-educated, highly mobile, highly skilled, socially progressive cosmopolitan urbanites, and lower-skilled and less educated peripherals who rarely work abroad and face competition from immigrants, the mainstream left has tended to consistently side with the former. Indeed, the split between

the working classes and the intellectual-cultural left can be considered one of the main reasons behind the right-wing revolt currently engulfing the West. As argued by Jonathan Haidt, the way the globalist urban elites talk and act unwittingly activates authoritarian tendencies in a subset of nationalists.[12] In a vicious feedback loop, however, the more the working classes turn to right-wing populism and nationalism, the more the intellectual-cultural left doubles down on its liberal-cosmopolitan fantasies, further radicalising the ethno-nationalism of the proletariat. As Wolfgang Streeck writes:

> Protests against material and moral degradation are suspected of being essentially fascist, especially now that the former advocates of the plebeian classes have switched to the globalization party, so that if their former clients wish to complain about the pressures of capitalist modernization, the only language at their disposal is the pre-political, untreated linguistic raw material of everyday experiences of deprivation, economic or cultural. This results in constant breaches of the rules of civilized public speech, which in turn can trigger indignation at the top and mobilization at the bottom.[13]

This is particularly evident in the European debate, where, despite the disastrous effects of the EU and monetary union, the mainstream left – often appealing to exactly the same arguments used by Callaghan and Mitterrand 30–40 years ago – continues to cling on to these institutions and to the belief that they can be reformed in a progressive direction, despite all evidence to the contrary, and to dismiss any talk of restoring a progressive agenda on the foundation of retrieved national sovereignty as a 'retreat into nationalist positions', inevitably bound to plunge the continent into 1930s-style fascism.[14] This position, as irrational as it may be, is not surprising, considering that European Economic and Monetary Union (EMU) is, after all, a brainchild of the European left (see Chapter 5). However, such a position presents numerous problems, which are ultimately rooted in a failure to understand the true nature of the EU and monetary union. First of all, it ignores the fact that the EU's economic and political constitution is structured to produce the results that we are seeing – the erosion of popular sovereignty, the massive transfer of wealth from the middle and lower classes to the upper classes, the weakening of labour and more generally the rollback of the democratic and social/economic gains that had previously been

achieved by subordinate classes – and is designed precisely to impede the kind of radical reforms to which progressive integrationists or federalists aspire to.

More importantly, however, it effectively reduces the left to the role of defender of the status quo, thus allowing the political right to hegemonise the legitimate anti-systemic – and specifically anti-EU – grievances of citizens. This is tantamount to relinquishing the discursive and political battleground for a post-neoliberal hegemony – which is inextricably linked to the question of national sovereignty – to the right and extreme right. It is not hard to see that if progressive change can only be implemented at the global or even European level – in other words, if the alternative to the status quo offered to electorates is one between *reactionary nationalism* and *progressive globalism* – then the left has already lost the battle.

It needn't be this way, however. As we argue in the second part of the book, a progressive, emancipatory vision of national sovereignty that offers a radical alternative to both the right and the neoliberals – one based on popular sovereignty, democratic control over the economy, full employment, social justice, redistribution from the rich to the poor, inclusivity and the socio-ecological transformation of production and society – is possible. Indeed, it is necessary. As J. W. Mason writes:

> Whatever [supranational] arrangements we can imagine in principle, the systems of social security, labor regulation, environmental protection, and redistribution of income and wealth that in fact exist are national in scope and are operated by national governments. By definition, any struggle to preserve social democracy as it exists today is a struggle to defend national institutions.[15]

As we contend in this book, the struggle to defend the democratic sovereign from the onslaught of neoliberal globalisation is the only basis on which the left can be refounded (and the nationalist right challenged). However, this is not enough. The left also needs to abandon its obsession with identity politics and retrieve the 'more expansive, anti-hierarchical, egalitarian, class-sensitive, anti-capitalist understandings of emancipation' that used to be its trademark (which, of course, is not in contradiction with the struggle against racism, patriarchy, xenophobia and other forms of oppression and discrimination).[16]

Fully embracing a progressive vision of sovereignty also means abandoning the many false macroeconomic myths that plague left-wing and progressive thinkers. One of the most pervasive and persistent myths is the assumption that governments are revenue-constrained, that is, that they need to 'fund' their expenses through taxes or debt. This leads to the corollary that governments have to 'live within their means', since ongoing deficits will inevitably result in an 'excessive' accumulation of debt, which in turn is assumed to be 'unsustainable' in the long run. In reality, as we show in Chapter 8, monetarily sovereign (or currency-issuing) governments – which nowadays include most governments – are *never* revenue-constrained because they issue their own currency by legislative fiat and *always* have the means to achieve and sustain full employment and social justice.

In this sense, a progressive vision of national sovereignty should aim to reconstruct and redefine the national state as a place where citizens can seek refuge 'in democratic protection, popular rule, local autonomy, collective goods and egalitarian traditions', as Streeck argues, rather than a culturally and ethnically homogenised society.[17] This is also the necessary prerequisite for the construction of a new international(ist) world order, based on interdependent but independent sovereign states. It is such a vision that we present in this book.