

The papers in this publication of THE NEW are based on the project “Beyond Neoliberalism and Neo-illiberalism: Economic Policies and Performance for Sustaining Democracy”. They point to the need for a more sustained effort to counter both the economic insecurity and volatility of neoliberalism and the labor suppression, ethno-nationalism, and clientelism of the neo-illiberal economies. Such an effort will require creative and interdisciplinary work on both theory and policy.

The word democracy is ill-defined in economics and certainly not well understood in the economics profession. At the same time, it is widely acknowledged that economic forces, resulting in part from neoliberal policy, were partly responsible for the backlash against democracy over the last 15 years. This backlash is the illiberal turn that has occurred across the countries discussed in this book. Karl Polanyi’s 1944 classic *The Great Transformation* provides a useful lens for understanding the illiberal turn in the 21st century. Polanyi showed that liberal free market capitalism inevitably creates a political backlash – what he referred to as a “pendulum swing” – but that the backlash could be to the right or the left, that is towards authoritarianism or towards social democracy. The liberal period from 1870–1913, followed by World War I and the Great Depression, led to fascism in the 1930s. Polanyi argued that it was the commodification of labor, money, and nature – what he called the three fictitious commodities – that underpinned this authoritarian turn. His account serves as a warning that failure to resist this commodification of important human needs and functions will lead to the authoritarian rather than the democratic response.

The future of this project will focus on the Polanyian question of how economic policy might be reformed to both sustain growth and provide more equality, while underpinning democratic politics and society. We have identified some of the common economic policies in the illiberal countries: protectionism and anti-immigrant policies, labor suppression,

support of oligarchic elites and targeted social programs to support population growth and to provide electoral support. The latter often combines clientelism with ethno-nationalism.

There is a clear need for a positive political economy that would apply to both neoliberal and neo-illiberal governments, not just an economic policy regime that only works with one set of institutions. The next phase of this New School project will seek to build out the core of this positive political agenda by answering some basic questions, including:

1. How do we stabilize the crisis-prone capitalist economy? Several participants stressed the need for a progressive vision of full employment with good, stable jobs that also would aid productivity growth;
2. How can progressive democratic governments around the world find stable and equitable economic policies when the global economy is dominated by the US and outdated and overly liberal international economic institutions? Governments with progressive, equity-oriented goals are constrained by tax, trade, finance, and central bank policies. How can the international economic institutions, which have diminished in effectiveness and lost a sense of their mission, be reconstituted for the new era?, and;
3. What are the macroeconomics consistent with these first two points? How do we develop macro policies that support growth with explicit attention to equitable distribution of income and stability? Can we move beyond the “Keynesian straitjacket” and New Deal consensus into some new policy areas? The task is to show how this policy program can deliver economic growth which could then support conditions for democracy.

In our next phase, we intend to undertake deeper research on labor market policies on full employment and the creation of networks of policy makers, scholars, and advocates working at the national level to share ideas on national and international policy.

We are left with two even more basic questions: What are the economic conditions for political or social democracy? What are the political conditions for economic justice and sustainability? Connecting economics and economic policy to the future of democracy is a key goal in the pursuit

of social justice. One thing we have learned so far in this project is that economists today are not well prepared to address the topic of democracy. In the future, it will be important for the study of economy and democracy to be brought even more closely together.

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