

This publication of *THE NEW – Beyond Neoliberalism and Neo-illiberalism: Economic Policies and Performance for Sustaining Democracy*, presents papers from a convening held on March 27th and 28th, 2023 at The New School for Social Research. It features an informative and wide-ranging discussion of a number of basic questions on the relation between democracy and economy. The political backlash against neoliberalism has mainly been a retreat from democracy. Its main features are the decline in independence of the judiciary and the monetary authorities, suppression, or control of the media, and, of course, direct manipulation of election rules for purposes of authoritarian control.

The causes of this authoritarian shift are many, of which the economic dynamics and the impact of deregulation and liberalized markets – neoliberalism – are just one. Although there are many studies of the causes of democratic “backsliding” and “neo-illiberalism”, there has been inadequate attention to the economic consequences of the neo-illiberal turn. With its grants to The New School for Social Research, the Open Society Foundations and the Hewlett Foundation have supported the advancement of thinking on the economics of neo-illiberalism that has been seen across a variety of countries. The project has been enormously generative in raising questions about the role of neoliberal economic policies in relation to other cultural and political factors in promoting the recent authoritarian turn, as well as about the commonalities in the economic policies and economic performance of the illiberal regimes.

The convening featured research on Turkey, India, Hungary, Poland, the Philippines, Bolsonaro’s Brazil, Trump’s America, and Brexit in the UK. Three themes stood out in our deliberations: (1) the role of neoliberal economic policies in relation to other cultural and political factors in promoting the recent authoritarian turn in many democracies; (2) the challenges, inequities, and disappointments of the economic policies and economic performance of the neo-illiberal regimes; and (3) the need to

develop positive alternatives to the unsatisfactory performance of both neoliberal economic policy and the neo-illiberal policy frameworks we observed. The first two questions were addressed on the first day of the conference and the third was the focus of an intensive discussion the second day. I return to (3) in the conclusion of this report.

To open the issue, Dani Rodrik argues that “hyperglobalization” was one of the causes of the anti-democratic backlash. He proposes that the world trading system return to something more like the General Agreement on Tariffs and Trade (GATT), focusing narrowly on tariffs and creating policy space for countries to control other features affected by globalization, including capital flows, competition policy, and taxes. Joseph Stiglitz goes further, arguing that free markets had created outcomes – unsustainable debt, financial crises, wage stagnation, precarious employment, and income inequality – that directly induced an anti-democratic turn. He makes the case for strengthening “collective action” to underpin a more democratic approach to growth and development. Darrick Hamilton makes the case for economics to be included as a human right, thus connecting the economic and the political dimensions explicitly. Hamilton calls for “inclusive economic rights...where economic rights become the cornerstone investment in our future and a necessary and inseparable component of human rights.” Power asymmetries, associated with race or ethnicity or nationality must be addressed, he argues, if these human rights are to be honored. Jessica Pisano connects economic clientelism to the anti-democratic tendencies observed especially in Eastern Europe. Illiberalism, she claims, often has less ideological content than many imagine, noting that “while illiberalism *produces* something that looks like ethnonationalism, it often *starts* from an economic compact, a transactional politics.” She argues that there is a distinct political economy of illiberalism that will have to be addressed if political change is to be accomplished, and this political economy results from the unique relation between central political power and local clientelist dynamics.

Subsequent papers go into specific national examples. Anthropologist Rosana Pinheiro-Machado explores the case of free-market beliefs on the part of low-income platform workers (e.g., Uber drivers) in Brazil, who oppose government anti-poverty measures. Such workers support

the free-market, pro-entrepreneur platform of President Bolsonaro because they resent that they often cannot access government support for the poor. They self-identify as entrepreneurs and social media tends to bolster both this sense of entrepreneurial identity, and the unfairness of the welfare system for these “entrepreneurs.” David Autor provides detailed evidence that Chinese import penetration into the US resulted in deep, regionally specific impacts to unemployment and manufacturing, associated with increased electoral support for President Trump. Thiemo Fetzer shows that fiscal austerity was associated with the vote on Brexit, but that the role of austerity is relevant to understanding other crises as well, including the Covid-19 pandemic and recent difficulties around energy supply associated with the Russian invasion of Ukraine. Fetzer describes austerity as “a signature zero-sum policy” and identifies the solution in part as one of engaging local communities in research on the natural and social challenges.

The last two papers look at the policies and performance of the new illiberal democracies. Moritz Schularick, Christoph Trebesch and Manuel Funke present a broad econometric study of “populism” since 1900, which shows consistent underperformance in economic growth by (left-wing and right-wing) populist governments compared to how they would have performed in the absence of a populist turn. This is a sobering introduction to papers on macro and monetary policy and on labor market and social protection policy. The challenges of a politically dependent central bank function are discussed in the cases of Turkey and Hungary. Ayca Zayim shows how Turkey’s efforts to keep interest rates low as they increased internationally led to debilitating currency depreciation and drastic declines in real income. Daniela Gabor details a similar experience in Hungary and thus the challenge of bucking international financial pressures for clientelist, local capitalist, gains. The lessons are also useful for other countries in the future. Part of the Trump platform for a second term is to limit the independence of the Federal Reserve, according to recent reports.

On the labor market side, Sheba Tejani argues that Modi’s support for anti-Muslim movements has been part of a broader “corporate majoritarianism” featuring the elimination of some basic labor rights and economic empowerment of a few political cronies. Janine Berg

and Ludovica Tursini find that while labor rights were under attack in Hungary, Poland, and the Philippines, real wage growth in these countries was surprisingly strong.

A goal of this project has been to push the discussion beyond the critique of neoliberalism to also assess the economics of anti-democratic tendencies. The first question was to consider just what the economic policy levers of the new anti-democratic regimes are. Are these economic policies similar across countries to the point where we can identify a coherent “neo-illiberal” economics (the way many have done for neoliberalism)? Are the policies significantly different from those of the neoliberal era? The papers in this special issue indicate that it certainly seems so, with nationalism and xenophobia driving illiberal restrictions on international trade and immigration. The papers have added important detail by focusing on monetary policy, labor market policy, and social protectionism.

The second goal was to assess the effectiveness of the economic policies in these anti-democratic countries. Have the policies been able to generate just and equitable economic outcomes, while sustaining the democratic principles that many of us hold? The evidence presented in the research that went into these papers gives a negative answer to this question. Growth rates are lower than they would otherwise be, clientelism leads to preferential treatment of a political base to the great detriment of minority ethnic groups and immigrants, and the challenges of anti-democratic control can wreak havoc on the macroeconomy.

The overall findings of this important research lead to a next set of questions: If neoliberalism has largely failed and the reaction against it has not been an enormous economic success, then what next? What is an economic model for the future, or even a set of economic policies, we can contemplate for the future of capitalism? These daunting questions will be the subject of the next phase of the project, currently ongoing.

The idea for this project came out of conversations with the Open Society Foundations (OSF) and Hewlett Foundation. It is well known that OSF has been supporting causes that advance democracy for decades, and the Hewlett Foundation has now become a leader in the search for a new economic paradigm, that is, new economic theories that might

underpin a democratic and just economic policy regime. I want to thank these foundations for their support for this project. Laura Carvalho (from OSF) and Brian Kettenring (from Hewlett Foundation) each said a word of welcome at the convening and they have kindly agreed to include their introductory comments here. Laura and Brian provided support in terms of funding, but they have been full intellectual partners in this project as well.

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