

Rebirth of the real left

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The third way is dead at last. Social liberalism has been co-opted by corporate financial power, and is now challenged by socialists backed by the young.

The persistent unpopularity of France's socialist leaders is not a national exception attributable to poor employment figures or the renunciation of the left's main ideas. The US and most other European countries have also witnessed the end of the ideological cycle of the "third way", personified 20 years ago by Bill Clinton, Tony Blair, Felipe González, Dominique Strauss-Kahn and Gerhard Schröder.

But it is not just forces located still further to the right that have benefited from this rout of a long-triumphant brand of social liberalism. Recently there has also been a renaissance of a dissenting tendency whose ideas were considered archaic, and swept away by globalisation, flexibility and new technology. On US campuses, in London suburbs and among local authorities in Madrid and Barcelona, this left, which has shed its complexes, is gaining political traction. It sometimes dares to name its enemies: capital's grip on the means of production, the power of the media and the excessive power of finance. The rebels may still be no more than a harbinger of spring, but at a time when the far right is often the sole repository of public anger, they offer a hope that could well challenge the right in seasons to come.

The social liberals are unlucky. In 2015, with the support of Angela Merkel, they bullied Greece's leaders from Syriza into joining their camp, and therefore believed they had eliminated all opposition from their left flank. Then Jeremy Corbyn popped up in the UK, and Bernie Sanders in the US, to mobilise a significant proportion of their countries' young, and regenerate both the political struggle and some anti-capitalist aspirations that the third way was intending to bury.

There has been another disappointment for the social liberals: never had they complied so completely and irrevocably as they did with the wishes of employers, in the illusory hope of getting some job creation and a fresh lease on power in return. But the employers raked it in and the situation deteriorated. Worse still, as the economy and global finance stalled again, the main neoliberal dogmas, which Europe's social liberals adopted 30 years ago, have been repudiated by their intellectual architects.

All this happened quietly, so the right, the liberal left and the mainstream media have been able to pretend they did not notice, and keep following their mantra while things fall apart: "for a market crisis, market remedies" (1). However, the uselessness of their shibboleths — cutting taxes and welfare, reducing job security, expanding the free market — is very clear. And the demystification of central elements of their credo has recruited enemies from within. Weakening the unions and dismantling labour codes were supposed to liberate the spirit of enterprise and allow flexibility, yet IMF economists recently admitted that the result of this policy — long defended by the IMF — has mainly been to increase inequalities (2). This is embarrassing now that social apartheid is so much on people's minds that western leaders occasionally pay lip service to being concerned about it.

Some liberals say that inequality is not an evil, believing that "income dispersion" encourages initiative, innovation, risk-taking and jobs. "France's youth should want to become billionaires," said Emmanuel Macron, France's economy minister, espousing the Reaganomics promise that "a rising tide lifts all boats".

Neoliberal dogma on the scrapheap

This is also known as the trickle-down theory, but last year the Organisation for Economic Cooperation and Development (OECD) calculated that the rich (who include at least as many parasitic middlemen as entrepreneurs) getting richer had compromised long-term economic growth, whereas higher wages for the poorest would have improved it (3).

As advocated by Ronald Reagan and François Mitterrand, it was held that taxes needed to come down to kick-start the economy (4). This supply-side policy, again propounded by François Hollande in 2012, is also supposed to help stabilise public finances. But *The Economist*, the UK bible of global neoliberalism, concedes, somewhat piteously, that “predictions that tax cuts in the early 2000s would cause enough growth to pay for themselves look foolish today” (5) — 30 years of neoliberal dogma on the scrapheap.

None of this has dissuaded rightwing election candidates from upping the ante. In France, why would they, now Hollande showers business owners with goodies? When the electoral fate of a president and his party seems sealed, it encourages plain speaking and quickens appetites. Nicholas Sarkozy is contemplating a “fiscal counter-shock”, to include a 10% reduction in income tax and the abolition of the annual solidarity tax on wealth (ISF). His rightwing competitors, François Fillon and Alain Juppé, have backed the ISF proposal, as well as a massive reduction in public spending — despite mass unemployment, an urgent need for improvements to the transport network (40% of railway track and 30% of signals in the Ile-de-France region are over 30 years old) and an interest rate close to zero. To meet their objectives, they propose civil service redundancies, cuts to unemployment benefit, and an end to the reimbursement of some medical costs for foreigners. That the backroom boys of neoliberalism have recanted becomes irrelevant insofar as this doesn’t accord with the interests of the privileged, and the preferred remedies of social liberalism.

Rejecting heretical ideas has become the more imperative since the experts’ curse has also struck the point of maximum convergence between liberals on right and left: the ideology of free trade. It was claimed that jobs lost in one sector because of international trade would be compensated for by the emergence (or growth) of other, more productive activities. Yet this founding principle of neoliberal economics (the theory of comparative advantage and international specialisation) is proving shaky, according to *The Economist* itself (6 February 2015): “Globalisation can make everyone better off. That does not mean it will.” Competition from Chinese products in the US market may have cost up to 2.5m US jobs. This lends all the more weight to Bernie Sanders’ condemnation of the North American Free Trade Agreement (NAFTA), ratified in 1993 and defended by Presidents Clinton and Bush, and the Trans-Pacific Partnership (TPP), signed this February by President Obama with the blessing of most Republicans in Congress. Secretary of State John Kerry, thinking perhaps that Americans have already forgotten the false promises of NAFTA, recently claimed that the TPP would create 650,000 US jobs (6).

Economic storm clouds are gathering in the world economy, rarely a good sign for incumbent leaders. The bank failures of 2007-8 were due to the collapse of the value of property assets; the current over-exposure of banks to the oil sector threatens them with similar consequences — and, along with the banks, many countries in hock to them.

With respect to those who believed Hollande’s fiery speeches in 2012, the world of finance has never found a “true adversary” in a French socialist administration, only politicians eager to do its bidding. There is no need for the right to be in charge for finance to control key ministers (Macron). For all the while, banks and hedge funds recruit former socialist leaders to their boards (Blair, Schröder and Strauss-Kahn), and Goldman Sachs finances Democratic candidates’ campaigns, such as Hillary Clinton’s.

‘Elections don’t move in a straight line’

What is the meaning of these political duplicities and devotion to error? Social liberalism has exhausted the strength it got from its alliance with the ruling classes, which are more powerful than ever and have less need of intermediaries to secure their interests. At the same time, the complicity between former socialists and nouveaux riches is more noticeable, which angers those who suffer, and pay for, its consequences. Hillary Clinton, for instance, has defended her husband’s removal of the

barrier between retail banking and speculation, a decision enacted in 1999 that contributed to the financial crisis (7). She was therefore less composed than usual when Sanders remarked: “Kids get caught with marijuana: that kid has a police record. A Wall Street executive destroys the economy: no criminal record. That is what power is about, that is what corruption is about, and that is what has to change. [...] We have three of the four largest banks in America today bigger than they were when we bailed them out because they were too big to fail. Break them up! They are too big economically, and they are too big politically” (8). The day after the New Hampshire primaries, won by Sanders and Trump, a financial analyst concluded: “Elections don’t move in a straight line, but after last night, investors can’t dismiss the odds of an extreme election outcome that poses major risks to the stock market” (9).

A Democrat candidate who intends to break up the banks and a Republican candidate like Donald Trump who threatens China and Mexico with a trade war must indeed seem extreme in the US. A significant proportion of the American people, having learned first-hand about industries relocating abroad, diminishing spending power and rising cost of higher education, seems to be shedding 30 years of what was drummed into them about globalisation. Along with millions of those too young for cold war brainwashing, they are enthusiastic for Sanders, who attacks the “billionaire class”, promises to fundamentally reform the way political campaigns are funded, and declares himself a socialist (10).

In Europe, likewise, there is impatience, a desire to take on a left that has capitulated on most things. Spain’s socialist party, weakened by local factionalism and corruption scandals, has just had its worst ever results, while dissenters from Podemos have arrived on the social and political scene. When the two-party system is destroyed, the field opens up. In Madrid, Barcelona and Saragossa, creative local authorities are opposing evictions, tackling banks, taking services back into public ownership and auditing debts.

In the UK, the electoral rout of the Labour Party last May was not accompanied by a lurch to the right, as usually happens. Instead, Blairism has been denounced by activists whose numbers have doubled — their membership now equals all the other parties put together. The election of Corbyn as party leader demonstrated a desire to preserve the party’s identity as a labour movement, which it had previously almost entirely shed (11). Corbyn, like Sanders, dismisses spin, talks at length in old-fashioned meetings, and does not fear to criticise mainstream media, who loathe him. No one doubts his sincerity when he sets out his philosophy; he is more concerned to radically change the terms of national political debate than win the next election at any price.

‘Virtual consensus’

According to Jean-Claude Trichet, former governor of the Banque de France and the European Central Bank, “today, we have a virtual consensus across the political spectrum in government on at least three points: our public spending must diminish, our economy still has too much inflexibility and we aren’t competitive enough” (12). If the “virtual consensus” among politicians is so apparent, so too are its consequences. Trichet may not understand them, but more and more people are balking at them. Yet, after subjugating Greece, the EU has set its sights on Portugal. “At the head of a fragile coalition,” wrote *Le Figaro*, “António Costa, leader of the socialist government, has promised his communist allies and the Portuguese people, who are exhausted after years of recession, to slacken the vice of austerity. But the guarantors of the stability pact in Brussels take a different view. Under European pressure, especially from the German policeman, and the markets, the Portuguese government has had to redo its homework” (13).

When David Cameron’s Conservative government demanded that its European partners protect the interests of the City from the effects of the single currency and that the UK should be allowed to reduce benefits to EU migrant workers, the UK’s “homework” required no such revision. Europe’s social democrats, Hollande at their head, ratified this “national preference”, though it infringed the common rules.

The divorce between such leaders and the left is complete, and that is clear at the ballot box and on the streets. The status quo and its defenders have been rejected, their political base is shrinking. Society is permeated with the certainty that this system cannot be reformed, that inequalities can only widen, and

that it will learn nothing from crises. The growing number of renunciations that mark the end of Hollande's mandate in almost every domain are at least educational. Everyone can already imagine the despair that will chill France the day after the re-election of Hollande or the return of Sarkozy.

In such a situation, it is tempting to take risks, rather than leave the initiative and advantage to your worst enemies. Terrorism and war may maintain a semblance of national cohesion, but declining social status and a diminishing future will not sit comfortably with political stability for long. This is what the new figures on the left express. Their stride is assured, their destination uncertain. But historical tipping points are the moment to act rather than submit, to move rather than wait.

(1) See Serge Halimi, "[Liberal dogma shipwrecked](#)" and "[Irregular deregulation](#)", *Le Monde diplomatique*, English edition, October 1998 and September 2002.

(2) See Florence Jaumotte and Carolina Osorio Buitron, "[Power from the people](#)", *Finances & Development*, Washington DC, March 2015.

(3) "[In It Together : Why Less Inequality Benefits All](#)" (PDF), OECD, Paris, 2015.

(4) François Mitterrand, 15 September 1983: "Too many taxes, no taxes. We're strangling the economy, we're limiting output, we're limiting our energy. I'm determined we should start to bring taxes down."

(5) "[Be serious](#)", *The Economist*, London, 2 January 2016.

(6) See Lori Wallach, "[Trade imbalance](#)", *Le Monde diplomatique*, English edition, June 2015.

(7) See Serge Halimi, "[Follow the money](#)", *Le Monde diplomatique*, English edition, June 2010.

(8) Televised debate, New Hampshire, 4 February 2016.

(9) *The Wall Street Journal*, New York, 16 February 2016.

(10) See Bhaskar Sunkara, "[Bernie Sanders, American socialist](#)", *Le Monde diplomatique*, English edition, January 2016.

(11) See Alex Nunns, "[The unspun Jeremy Corbin](#)", *Le Monde diplomatique*, October 2015.

(12) *Le Journal du dimanche*, Paris, 14 February 2016.

(13) *Le Figaro*, Paris, 15 February 2016.