Neo-liberalism and Democracy

PRABHAT PATNAIK

This article attempts to analyse the rise of fascism in Indian politics and explains the growing popularity of a “messiah” who promises to solve all problems in the “closure” of politics under neo-liberalism. It sheds light on the decline of class politics and the rise of “identity politics”, the growing clamour against “corruption” and politicians and proposes a path for left politics to break the hegemony of globalised capital.

The viability of democracy requires a belief among people that they can make a difference to their lives by participating in the democratic process. This belief may be a false one; it may be a mere illusion. But unless this illusion exists, people become not just cynical about the democratic process but despondent about their capacity to make any difference to their lives through their own efforts. Such despondency then leads to their quest for a “saviour” or a “messiah” supposedly endowed with extraordinary powers who can come to their rescue. They no longer remain “on this side of reason” but start moving into a realm of irrationalism.

Since in the period of the hegemony of monopoly capital, such “saviours” and “messiahs” are typically either manufactured, or propped up, or, even in those instances where they make the initial headway on their own, appropriated, by the corporate-financial elite, which uses for this purpose the media under its control, their rule becomes synonymous with corporate rule. And this constitutes the core of fascism. The loss of belief among the people about the possibility of themselves making a difference to their own lives through democratic political intervention thus creates the conditions for fascism.

The case of the Germany’s Weimar Republic (1919-33) illustrates this point. There was a loss of legitimacy of the Weimar Republic in the eyes of the people, which arose from the fact that the burden of reparations imposed upon Germany by the victorious allied powers at the Treaty of Versailles on the conclusion of World War I made it impossible for successive elected governments to make any difference to the miserable conditions to which the German people had been reduced. This loss of legitimacy was a major factor behind the German people succumbing to the lure of Nazism. But the failure of the Weimar Republic could at least be traced to the specific terms of the “peace treaty” (against which Keynes had protested at the time). In the era of “globalisation” not only is there a similar loss of belief among the people about the possibility of their achieving any change through political intervention via the available formal democratic channels, but this loss of belief is reflective of a reality embedded within the system itself. The tendency under neo-liberalism, in other words, is to produce a conjuncture characterised by this loss of belief in the efficacy of democratic institutions among the people, a conjuncture that is conducive therefore to the growth of irrationalism and fascism.

Putting the matter differently, neo-liberalism tends to produce a “closure” in the realm of politics, where the political choices available to the people are all characterised by identical economic policies, because of which little difference is made to the material condition of the people by the political choice they exercise.

This “closure” is not just a matter of perception. Hegel had seen the historical process as reaching an end with the formation of the Prussian state. Classical political economy, of which Hegelianism had been a parallel development in the realm of philosophy, had seen the end of history in the emergence of the capitalist mode of production. But these were only perceptions. Neo-liberalism on the other hand works spontaneously to produce an actual conjuncture where politics tends to reach a similar dead end: instead of opening up genuine alternative political possibilities before the people, it tends to close them, to make these alternatives indistinguishable from one another from the perspective of the peoples’ material condition. And the peoples’ frustration at this spills over into irrationalism, into forms of fascism. But why does neo-liberalism produce such a tendency towards a “closure”? Let us take up this question.

Globalisation and Class

The most important reason for it is also the most well known, because of which we shall not spend much time over it.
Globalisation entails the free movement across countries of goods and services, and above all of capital including in the form of finance. Since capital becomes globalised in this era while states continue to remain nation states, policy everywhere must be such as to retain the “confidence of the investors”, i.e., to cater to the caprices of globalised capital, for otherwise capital would leave en masse the shores of the country in question, precipitating for it an acute crisis. The desire to prevent such a crisis forces all political formations within the country, as long as they visualise their country remaining within the framework of globalisation (i.e., as long as they do not visualise a withdrawal from globalisation through the imposition of capital and trade controls), to adopt agendas that globalised capital would accept. This, therefore, effectively denies any political choice to the people. No matter whom they elect, no matter which particular government comes into being as a result of the choice they exercise, it willy-nilly adopts the same set of “neo-liberal” policies.

We have seen this in our own country, where the basic economic policies of the Congress-led United Progressive Alliance (UPA), the Bharatiya Janata Party-led National Democratic Alliance, and even of the “Third Front” when it was briefly in power, were the same. And even today, when much is being made of the forthcoming electoral choice between Rahul Gandhi and Narendra Modi, there is hardly any basic difference between them on matters of economic policy. In fact, Modi himself emphasises that his superiority over the UPA lies in his greater capacity for “governance” and not in any basic differences in policies regarding people’s livelihoods. And now, the Aam Aadmi Party too has reportedly assured people’s livelihood. And now, the Aam basic differences in policies regarding capacity for “governance” and not in any superior over the fact, Modi himself emphasises that his is hardly any basic difference between even today, when much is being made of even of the “Third Front” when it was led National Democratic Alliance, and ance Congress-led United Progressive Alli-

where the basic economic policies of the same set of “neo-liberal” policies. This exposes petty producers (such as peasants, craftsmen, fishermen and artisans), and also petty traders, to a process of expropriation. Such expropriation occurs both through a direct takeover by big capital of their assets, like land, at throwaway prices, and also through a reduction in their “flow” incomes, and hence their capacity to survive, i.e., to carry on with “simple reproduction”. The dispossessed petty producers throng urban areas in search of work, adding to the number of jobseekers.

**Jobless Growth**

At the same time, the number of proper jobs scarcely increases in a neo-liberal economy, even when such an economy is experiencing rapid growth. In India for instance even during the period of extraordinarily high growth, the number of those who reported their “usual status” as being employed to the National Sample Surveys conducted in 2004-05 and 2009-10, increased by 0.8% per annum. With population growth being around 1.5% per annum, which can also be taken as the “natural” rate of growth of the workforce, and with dispossessed petty producers adding further to the number of jobseekers taking the jobseekers’ growth rate well above 1.5%, a mere 0.8% growth rate in employment proper, must have entailed a substantial increase in the proportion of the “reserve army of labour”. This implies a lowering of the bargaining strength of the workers.

Added to this, however, is another factor – a blurring of the distinction between the active army and the reserve army (of labour). We normally think of the active army as being fully employed and the reserve army as being unemployed (or underemployed). But suppose in a workforce of 100, instead of 90 being employed and 10 unemployed, we have a situation where everybody is employed for only nine-tenths of the time, then we have a blurring of the distinction between the “active” and the “reserve” army, through a different “employment rationing rule”. The increase in the relative magnitude of casual labour, informal labour, intermittent labour, “self-employment” that is not of the traditional kind (such as peasants) but constitutes a new phenomenon reflecting the absence of proper jobs, is indicative of this change in employment rationing rule. If the increase in the relative size of unemployment weakens the position of the workers, then this change in the employment rationing rule further compounds the problem.

Not only is there a change in the “employment rationing rule” there is also a change in the “employment rule” itself, where increasingly there is recourse to contract work instead of permanent work, “outsourcing” of activities to employers who engage contract workers, from larger employers who were employing permanent staff earlier to do the same work (the Indian Railways being a classic example of this), and so on. This too has the effect of reducing the bargaining strength and indeed the striking power of the workers.

Two other factors work in the same direction. One is privatisation which gathers momentum in the era of globalisation. The percentage of unionised workers is generally greater in the public sector than in the private sector across the capitalist world. In the United States for instance while only 8% of private sector workers are unionised, the ratio in the case of government sector workers (this includes teachers as well) is about one-third. Privatisation of government sector activities therefore has the effect of reducing the extent of unionisation, and hence again the striking power of the workers. The fact that France, more than any other economically advanced country, has seen in recent years a number of major strike actions is due in no small measure to the weight of the public sector in France, which is higher than elsewhere. The other is the introduction of “labour market flexibility” whereby even the very limited protection (by way of a minimum period of notice to workers before dismissal, etc) offered to a very limited segment of workers (those
employed in factories above a certain size) is sought to be done away with through amendments to labour laws. This has still not been introduced in India, though the pressure for doing so is immense. This pressure for “labour market flexibility” may appear surprising given the limited numbers affected by this measure; but the idea is precisely to incapacitate workers who are in large units in key sectors and have the greatest striking capacity.

All these changes, in the composition, bargaining power and legal rights of the workers, have the effect of downgrading the power of working-class politics. A weakening of trade unions also ipso facto weakens the political weight of the working class and its ability to advance any alternative socio-economic programme, and mobilise people around such a programme. Thus the increase in the political power of the corporate-financial elite, integrated to the world of globalised finance, has as its counterpart a decline in the political power of the working class, as well as of the peasantry and petty producers, who are pushed increasingly into penury and distress. The era of globalisation thus brings about a decisive shift in the balance of class forces.

Identity Politics and Community
At least two important consequences of this shift need to be noted. One of these is usually stated in a manner that is misleading, namely, that the decline in class politics is accompanied by a strengthening of “identity politics”. This is misleading because the term “identity politics” itself is misleading: it lumps together very dissimilar and even diametrically opposite kinds of movements under one single portmanteau term. It is more useful to distinguish here between three distinct phenomena: “identity resistance politics” such as what characterises the dalit or the women’s movements (though these too have their own specificities); “identity bargaining politics” such as when the Jats demand “backward caste” status in order to improve their own position by taking advantage of “reservations”; and “identity fascist politics” (of which communal-fascism is the obvious example), which, though based on particular “identity groups” and campaigning virulently against certain other target “identity groups”, is supported and nurtured by the corporate-financial elite, and has the effect of actually promoting corporate interests rather than of the identity group in whose name it is organised.

While these three forms of “identity politics” differ vastly among themselves, the decline of class politics has an important impact on all of them. It gives a fillip to “identity bargaining politics” by groups whose members can no longer act effectively through class organisations. It also gives a fillip to “identity fascist politics” because the hegemony of the corporate-financial elite requires the buttressing of such politics. As for “identity resistance politics”, the overall decline of class politics in the country tends to de-radicalise such politics too, and pushes it in the direction of mere identity-bargaining politics. On the whole, the decline in class politics strengthens those forms of “identity politics” that do not threaten the system, but that, on the contrary, reduce any challenge to it by pitting one section of the people against another. This causes a setback to the project of destruction of the “old community” that existed under the caste-based feudal system in the country, and the formation of a “new community” among the people that democracy demands.

The second implication is an expression of this setback; and that consists in a lumpenisation of society. The capitalist system has the peculiarity that its social viability derives not because of the logic of the system itself but despite this logic. A world in which the workers, uprooted from diverse settings and thrown together, are atomised and furiously compete against one another (which is what the logic of capitalism demands) would be an impossible and socially unviable world (because there would hardly be any “society” within it). Social viability under capitalism arises because against its logic the workers, initially unknown to one another, form “combinations” that develop through trade unions into class institutions, giving rise to, what we called above, a “new community”.

This became possible under capitalism earlier because inter alia of large-scale emigration from the metropolis to the new regions of temperate white settlement, which allowed the domestic reserve army to remain limited in relative size and trade unions to become powerful. Such a possibility of emigration does not exist for Third World workers today; and neo-liberalism, as we have seen, enlarges the relative size of unemployment and weakens trade unions and the collective institutions of the working class. The consequent drift towards atomisation, the growing weight of the lumpen-proletariat, the progressive weakening or even absence of social bonds among workers thrown together from diverse settings, produces a pronounced tendency towards lumpenisation. To be sure, such lumpenisation exists in all capitalist societies, but the restraint upon it exercised by the collective institutions of the working class in metropolitan capitalism, itself weakening under neoliberalism, becomes ineffective in Third World societies that are under thralldom to neo-liberalism. The growing incidence of crimes against women in India today is not unrelated, in my view, to this phenomenon.

Necessity of Corruption
There is a further point to be noted here. Since working-class politics is typically associated with a critique of structures, and hence requires an analysis of structures, the decline in working-class politics is also accompanied by a decline in the weight of structural explanations and an unselfconscious elevation of empirical experience, not located in any analysis of structures, as if it constitutes a theoretical explanation in itself. Nowhere is it more apparent than in the agitation over “corruption”.

A neo-liberal economy, we have seen, is characterised by a marked tendency towards the expropriation of petty producers by big capital. But petty property is not the latter’s sole target. It gathers for itself, either gratis or at throwaway prices, not just petty property, but common property, tribal property and state property. The period of neo-liberalism in other words sees a
process of “primitive accumulation of capital” with a vengeance, for which the acquiescence or complicity of state personnel is essential. Such acquiescence is obtained, apart from the general element of compulsion that each nation state faces in policy matters in the era of globalisation that we mentioned earlier, by the payment of a price which we call “corruption”.

“Corruption” constitutes, in effect, a levy imposed by state personnel, including above all the “political class”, upon the gains of primitive accumulation obtained by big capital. It is instructive that all the big-ticket cases of “corruption” that have recently been in focus in India, such as 2G spectrum allocation or coal block allocation, have involved the handing over of state property to private capitalists “for a song”; and those taking decisions about such handing over, have got kickbacks. “Corruption” thus is essentially a levy on the primitive accumulation of capital, and its recent spurt is because neo-liberal regimes witness rampant primitive accumulation of capital.

Such a levy, in the form of “corruption”, has to be seen in the context of two particular factors. The first is the commoditisation of politics. The very fact that different political formations, if they remain within the confines of a neo-liberal regime, cannot have different economic agendas, entails that they have to vie for people’s approval through some other means. These typically involve “marketing” themselves: by hiring publicity firms, by plantings “paid news” in the media, by hiring helicopters to travel to as many places as possible, so as to improve one’s visibility, and so on. All these are highly expensive practices, because of which politics becomes demanding in terms of resources and political parties have to somehow find these resources.

In addition, even as the “political class” needs more resources to carry on, it becomes less important in terms of its role in decision-making. Personnel from the World Bank, the International Monetary Fund, the multinational banks and other financial institutions, i.e., from the “global financial community” in general, increasingly occupy the key decision-making positions in government, since international finance capital is loath to leave economic decision-making in the hands of the traditional political class. The traditional “political class” naturally resents this. It can get reconciled to this situation only if it is allowed to garner something for itself. And that “something” consists of the proceeds of the levy on primitive accumulation of capital, in the form of “corruption”, which it also needs because of the commoditisation of politics.

“Corruption” therefore plays a functional role in a neo-liberal regime. It is not simply the result of a sudden loss of “moral fibre” in the “political class”; it is endemic to neo-liberal capitalism. The effect of “corruption” which neo-liberal capitalism generates is useful for the corporate-financial elite for another reason. It discredits the “political class”, it brings Parliament and other institutions of representative democracy into disrepute, and, at the same time, through the skilful manipulation of the spotlight, through the media controlled by it, the corporate-financial elite ensures that not a hint of moral opprobrium comes its way for these acts of “corruption”. The “corruption” discourse facilitates the ushering in of corporate rule by dismantling potential obstacles to it.

The Superman

Matters, in fact, go further. We have seen that the period of neo-liberalism produces an increase in the relative size of unemployment afflicting the workforce, because of which it produces an increase in the relative size of the absolutely impoverished population. The petty producers, whether they linger on in their traditional occupations or migrate to urban areas in search of employment opportunities which are in short supply, experience a worsening in their absolute living standards. The new additions to the workforce experience worse personal material living conditions than their forefathers precisely because of this growing unemployment. And even those workers who happen to get proper employment, cannot maintain their real wages at the pre-liberalisation levels because of the pressure of competition from the growing relative size of the reserve army of labour. Absolute impoverishment, affecting not just large but growing segments of the working population, becomes the order of the day.

This is a point which Utsa Patnaik has been highlighting for long. Her calculations based on the National Sample Survey data show that the percentage of urban population living below 1000 calories per person per day (the official benchmark for “urban poverty”), which was 57 in 1993-94, increased to 64.5 in 2004-05, and further to 73 in 2009-10. The percentage figures for rural population with less than 2,200 calories per person per day (again the official benchmark for “rural poverty”) for the same years were: 58.5, 69.5, and 76, respectively. It is noteworthy that the period of high gross domestic product (gdp) growth, within which the years 2004-05 to 2009-10 fall, witnessed a substantial increase in poverty. The increase in poverty under neo-liberalism is a systemic phenomenon rooted in the very nature of such an economic regime; it is not necessarily negated by high growth.

But the discourse promoted by the corporate-financial elite, and the media it controls, holds “corruption” as the cause of the people’s economic travails, and hence by implication, of the growing poverty. The blame for a systemic tendency under neo-liberalism is, thereby, laid at the door not of the system or of the corporate-financial elite that is at its helm, but at the door of the “political class” and the democratic institutions, including Parliament where it is represented. Thus the immanent tendency of the system to immiserise the people is used ironically to buttress the system in the eyes of the people, to legitimise the rule by the very corporate capital that is at the helm of the system which causes this immersisation.

This becomes particularly important in a period of crisis such as what the Indian economy is currently experiencing. The period of high growth is over, which is hardly surprising. Growth under neo-liberalism depends essentially upon the formation of “bubbles” based on euphoric expectations and the high growth phase in India was based on a combination of
an international and a domestic “bubble”, which were bound to collapse sooner or later, and of which the former collapsed in 2008, and the latter collapsed a few years later.

This crisis means that the rate of growth of employment slows down even further, worsening the position not only of the working people at large who were squeezed during the boom itself, but also of the urban middle class that was a significant beneficiary of the boom. But the discourse generated under the aegis of the corporate-financial elite exclusively against the “political class”, not only deflects the people’s anger away from the economic system and towards democratic institutions including Parliament, but creates the perception that a more “muscular”, a more ruthless, neo-liberalism is the need of the hour. And this, so the argument goes, is what the “political class” riddled with “corruption” cannot provide, while the corporate-financial elite and its trusted political agents can (like Narendra Modi who are projected as “development men”). The path is thus cleared for corporate rule, i.e., fascism.

A Left Digression
A brief digression is in order here. The “corruption” discourse also has some Left adherents. They argue that the discrediting of the institution of Parliament by the corruption discourse need not be lamented. Parliament after all is a bourgeois democratic institution and if the “people” are disillusioned with it, and thus the Left should be with the “people” rather than defending this institution.

But idealising the “people” in this manner is wrong for two obvious reasons: first, the “people” who are vocal in their anger against Parliament constitute a subset, which is by no means representative of the people at large. In fact, at this moment there are demonstrations against elected governments in Thailand and Venezuela (not to mention Ukraine where the government itself has been changed) and to treat the street demonstrators as representing the people at large would be a grievous error. Second, even the people at large as they are, should not be apotheosised by the Left which is concerned with changing people’s consciousness rather than bowing before it.

Further, since Parliament, such as it is, is based on a formal principle of equality (“one person one vote”), which is alien to the consciousness inculcated by millennia of institutionalised inequality embedded in the caste system, its being discredited as an institution can be used for discrediting this principle itself, for reinforcing a culture of inequality which feeds into fascism.

To believe the contrary, namely, that a discrediting of this bourgeois democratic institution would strengthen the revolutionary rather than the fascist forces, is an illusion. Neo-liberalism, it was mentioned earlier, tends to produce a “closure” of politics, a snuffing out of any transformative agenda that goes beyond neo-liberalism itself. The stasis that such a closure generates is not overcome by, and indeed is quite compatible with, the prolonged existence of an armed insurgency, based on a particular segment of the oppressed corralled into a particular region, and itself in a state of stagnation or recession. Fascism attempts to use the popular anger against this stasis: it gives the impression of breaking out of it, while actually strongly reinforcing neo-liberalism through a merger of corporate and state power. A discrediting of Parliament as an institution, in this context, removes a potential bulwark against such a shift.

One does not, of course, condone a “corrupt” Parliament. But the point is that even its revival as an institution depends upon a breaking out of this stasis which the Left alone can effect (on this more later).

Mosaic Fascism
The transition to fascism, needless to say, must not be seen as a single episode, an event that occurs when a particular individual comes to power. In this respect we have to stop being imprisoned within the 1930s paradigm definition of fascism. Already in India today there are vast areas where a Muslim youth can be arrested and kept in jail for years on end without trial or even bail on the mere suspicion of being a “terrorist”. He cannot get legal assistance, because lawyers generally refuse to assist a “terrorist”; and those lawyers who are intrepid enough to provide legal assistance face violence at the hands of communal-fascist forces. If the accused is lucky enough to see the end of the trial after a decade or so, and luckier still to be acquitted despite the absence of proper legal defence, he still faces the opprobrium of being a “terrorist” in public perception and remains without a job, while no action is ever taken against those who had arrested and kept him in jail for several precious years of his life without adequate, or often any, proof.

Likewise, well over a 100 workers of the Maruti plant near Delhi have been in jail for months on end without any trial and without any bail or even parole, on the suspicion of murdering a single individual (whom they could not have any conceivable reason to murder) without even any proper investigation.

Such a situation of what I call “mosaic fascism” already exists in the country. If perchance the communal-fascist elements, who are backed by the corporate-financial elite, come to power after the next elections, they would have to depend upon the support of local power centres thriving on the muscle power of lumpenised elements, such as what we find in West Bengal. These local power centres are not directly linked to the corporate-financial elite and therefore cannot be directly called fascist; but they can help in sustaining a fascist system at the top. From “mosaic fascism”, in other words, the country could well make a transition to “federated fascism” without necessarily experiencing an integrated fascism in one single episode.

None of this however modifies the basic argument of this paper, namely that the “closure of politics” effected by neo-liberalism prepares the ground for a transition to fascism and that this transition gathers momentum in a period of crisis such as what we have today.

Rejecting Neo-liberal Hegemony
The question naturally arises: what can the progressive forces do in this situation? Against the perceptions of Hegelian philosophy and of English political economy about the end of history, Marx had seen
the proletariat as an agent of change, not just for carrying forward history but for effecting mankind’s escape from the “trap of history” itself.

That basic analysis remains valid, and must inform praxis, notwithstanding the weakening of class politics that neoliberalism has effected. This weakening however requires not only shifting into new terrains for organising workers, such as, for instance, organising hitherto unorganised workers, domestic workers, etc, but also new types of intervention for class politics.

Class politics must intervene more purposefully in “identity resistance politics”, and lift it beyond mere identity politics. It must intervene more purposefully in organising the resistance of dalits, of Muslims, of the tribal population, and of women against oppression, and also ensure that if relief provided to a particular identity group is at the expense of another, then the latter too is organised to resist such passing of the burden. The difference between class politics and “identity resistance politics” in other words lies not in their having different points of intervention but in the fact that the former carries its intervention, even on issues of “identity-group resistance” beyond the “identity-group” itself. Put differently, the failure to intervene on issues of caste or gender oppression is a failure of class politics itself, not a symptom of class politics.

 Likewise, class politics must address itself to the question of an alternative agenda. It must focus in particular, as a “transitional demand” in the struggle against the system, on the institutionalisation of safeguards against immiserisation as a matter of people’s “right”. For instance, it must campaign for the institutionalisation of, and implement if given a chance, a set of universal rights, such as the right to food, the right to employment, the right to free publicly-funded healthcare, the right to free quality education up to a certain level, and the right to old-age pension and disability assistance that ensures a dignified life.

All this may appear at first sight to be merely a non-governmental organisations’ (ngo) agenda, having nothing to do with class politics. But the fundamental difference between class politics and identity politics or ngo politics, lies not so much in the issues taken up, as in the epistemology underlying the engagement with these issues. Class politics, while taking up issues visualises the possibility of their resolution through a transcendence of the system; and this fact, far from being a constraint upon it, is what stimulates it to take up such issues. Ngo politics on the other hand takes up only such issues, or issues only up to such an extent, as are capable of resolution within the system. In fact the argument of this paper is precisely to alter the perspective on class politics in this manner.

The argument that the country does not have resources to implement the demand for these rights is an invalid one. They would require, at the most, about 10% of the GDP. In a country where the rich are as lightly taxed as in India, raising the extra resources of this order does not pose any insurmountable problem. The real constraint upon their realisation is the neo-liberal regime, and that is precisely why the Left must take up with purpose. And wherever it comes to power, it must work for their realisation by pushing at the boundaries of what is “permissible”.

What is required for this, above all, is not getting hegemonised by the logic of neo-liberalism. The condition for preventing the onslaught of neo-liberalism against democracy and for moving forward through a defence of democracy to a struggle for socialism, is to reject neo-liberal hegemony and to strive for a counter-hegemony against the ideas of neo-liberalism. Writers have a key role to play in this struggle of ideas.

NOTES
1 Mussolini, it may be recalled here, had written: “Fascism should more appropriately be called Corporatism because it is a merger of State and corporate power”.
2 The constraints on mobilising workers in the era of neo-liberalism can be gauged from the fact that in the Maruti factory located on the outskirts of Delhi itself, a worker seen talking to a trade unionist or found possessing a leaflet faces the prospect of dismissal.