

Openings and Retrospectives



AFTER 2008: Market Fundamentalism at the Crossroads

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I imagine that most anthropologists greeted the crash of September 2008 with a measure of *schadenfreude*, tempered in many cases by economic pain and anxiety. I retired from the British university system in that month and lost a third of the lump sum I was to receive. Still, it was hard to resist feeling vindicated. There are not many advocates for neoliberal globalization in our discipline and I, for one, expected the public profile of free-market economists to be substantially downgraded. A swing back toward Keynesian macroeconomics seemed the obvious remedy for the abrupt contraction in demand. It is easy enough, in retrospect, to identify what prevented these expectations from becoming reality. It is more difficult to explain why. In this short essay, I seek to place the developments of the last decade in a broad historical context, focusing on the current and former Western imperial powers: the United States, France, and Britain. In doing so, I draw mainly on sources from outside of anthropology.

The world economy has not recovered from the abrupt loss in purchasing power brought on by 2008. Before the crash, sixty countries were growing at a

rate of 7 percent or more per year; today, the number is nine. Critics underestimated the political power that big money consolidated after the overthrow of the developmental state, the sheer weight of finance capital when allied with bureaucracy and bought politicians. No attempt was made to reflate though public spending and redistribution or to punish profligate banks—with the exception of Iceland! Instead, balance sheets riddled with deficits were replenished with free money (“quantitative easing”) and asset markets from stocks to real estate boomed. The ruling creditor alliance supervised increased economic inequality and a substantial weakening of democracy. Their debts were paid off by cutting public spending and ordinary people’s purchasing power (see [Rakopoulos 2018](#)). Some even claimed that the crash was an opportunity to make the Reagan and Thatcher revolutions permanent: what better way of subduing the working and middle classes?

In what follows I will suggest that the present moment, a decade later, contains more potential for radical change of the sort that inaugurated the neoliberal counterrevolution some forty years ago. But we cannot assume that such a reversal would please left-leaning intellectuals. The main threat to neoliberalism now comes from the right, and a major war would upset all predictions: not in a good way. Nevertheless, I believe that the events set in motion by 2008 (and, before that, 1979 and 1980) are reaching their denouement now, rather than then.

THE ROOTS OF THE WEST’S POLITICAL CRISIS

The West is in the grip of a moral panic—or perhaps *political breakdown* would be nearer the mark. At the same time, there are signs of insurgency from the left and the right that are generally described as populist or autocratic, rarely statist. Meanwhile, corporations are steadily building a world society that suits their purposes, while dismissing the modern political formula of national government, law, and citizenship as decadent, irresponsible, and irrelevant.

The president of the United States is being investigated for collusion with Russians, obstruction of justice, and corruption. He openly espouses white racism and does his best to subvert government, the law, the press, and public language. For a would-be charismatic leader, the British prime minister ran the worst election campaign in memory, while invoking the will of the people for a divorce from Europe that was decided by a razor-thin margin. She cobbled together a majority supported by some bigots from Belfast and is now deploying the absolutist powers of Parliament to drive through a “hard or no deal” Brexit supported

by her party's extremists, the tabloid press, and a criminal conspiracy of London billionaires.

Western Europeans face a wave of xenophobia that has reached fascist proportions in Hungary, Poland, and Italy and is on the rise in Northern Europe. The euro's flaws—no fiscal mechanism, the dominance of the banks, the German export surplus, the built-in democratic deficit—are brushed under the carpet. The French first encouraged and then rejected the racists, while destroying the parties that shared power under the Fifth Republic and, with the lowest voter turnout ever, awarding a parliamentary landslide to a Europeanist “center” party that was just one year old.

For four decades, Britain and the United States have led a neoliberal consensus which, after the 2008 crash, consolidated the power of finance still further and imposed austerity on the rest of us, with no end in sight (Mirowski 2013). Then two old men led a socialist insurrection of the young, which threatens to overthrow the establishment—but not quite yet. Bernie Sanders did it largely from outside the Democratic Party, while Jeremy Corbyn did it as the leader of the Labour Party.

The Faustian compact with finance capital made by Bill Clinton, Tony Blair, and the Eurocrats of the 1990s has come home to roost, since these politicians neglected their own people to court power, money, and the free market. So the Democrats are now in open civil war, Blair's followers are implacably opposed to Corbyn's, and the French Socialists lost the presidency, six million votes, and 250 National Assembly seats between 2012 and 2017. *Volte-face* is now in vogue: if you lose an election, borrow the opposition's policies. The Tories talk about ditching parts of austerity for the sake of Brexit and Marine Le Pen considers rebranding herself as a Europeanist.

Why is all of this going on? The West was always outnumbered by “the rest,” but during its heyday around 1900, when Europeans controlled 80 percent of the world's inhabited land, they were still experiencing a population explosion that lasted for roughly a century until the 1930s: 25 percent of humanity then lived in Europe, and 36 percent when the lands of new settlement were included. This was a unipolar world with divergent income distribution, meaning that most of the money came to the West. This inequality was explained as being racial in origin and white racism was everywhere. The flagship publication of American international relations, *Foreign Affairs*, began its life in 1910 as the *Journal of Race Development* (Vitalis 2015). Things changed after 1945 when the American empire took over from its British predecessor. The anticolonial revolution and the bu-

reaucracy of the United Nations pushed overt racism onto the back burner, but it was always there.

The Cold War was ostensibly fought between the free market and state socialism, but states and markets were always indispensable to money (see [Hart 1986](#)) and these social realities were less starkly opposed than the rhetoric made it seem. The Pentagon, while fighting for free enterprise, was the largest anti-market collective in world history, locating military bases in the American South for political reasons and even awarding food contracts on a noncompetitive basis. Meanwhile, the World Bank made loans to the Soviet bloc so that Western corporations could benefit from its cheap and cowed labor force, even as politburos bought foreign luxuries with hard currency earned from exports.

Since 1990, we have seen four massive transformations: the collapse of the Soviet bloc; the escape of money from political controls; the rise of China, India, and Brazil as capitalist powers; and the Internet going public. A revolution in urbanization, transportation, and communication has brought people closer together, while inequality has escalated within countries and regions, if not between continents. Unlike the unipolar, divergent world of 1900, our world is multipolar and convergent, with the postcolonial masses—especially in Asia—staking their claim to a place in the sun. This, along with stagnant or eroded living standards at home, is the context for increasing xenophobia and white racism in the West.

The world economy since 1945 may be divided into two periods. The first was built around developmental states committed to expanding workers' spending power, public infrastructure and services, controlling capital flows, and reducing economic inequality. The biggest boom in world economic history lasted until the 1970s. It encompassed the industrial West, the Soviet bloc, and newly independent countries: truly a world revolution catalyzed by war. Its opponents, mainly private capital, mounted a counterrevolution in the name of the market and "sound money." The regime inaugurated by Margaret Thatcher and Ronald Reagan has lasted until now, despite the financial crisis of 2008. Unsurprisingly, economic inequality has returned to levels unseen since the Gilded Age.

The world's population is currently divided as follows: Asia, 60 percent; Africa, 15 percent (double its share in 1900); and the Americas, Europe, Russia and Oceania, 25 percent between them. The United Nations forecasts that, in 2100, Asia's share will be 42 percent, Africa's 40 percent, and the rest 18 percent. Europe will comprise just 6 percent, compared with 25 percent in 1900. The reason for this awesome demographic shift is that Africa is the only continent whose population is growing (by 2.5 per cent a year). All of the others, including

Asia and led by Europe, are aging. Asian manufacturers already recognize that Africa will be the most buoyant sector of market demand in this century. But in the West, while the notion of “Africa rising” has some currency, the implications for global hegemony are barely acknowledged. Given that economic growth has historically been correlated with population growth, the message is clear. Sooner or later, Africa and Europe will change rank order. Humanity’s future will be worked out between Asians and Africans, unless the West decides that no future is better than one that is worse for itself.

The West may no longer control the world, but does anyone seriously believe that the Americans will stand by while new capitalist powers take over and a resurgent Africa challenges a racist world order dating back five centuries? A colonel in the U.S. Air Force once told me, perhaps with some irony: “You Europeans have stolen our moral high ground, and the Chinese have stolen our manufacturers. All we have left are the weapons. I guess it’s double or quits.” In Europe especially, a subliminal feeling that the game is up is gaining ground. Unearned income from everyone else is dwindling. But will the whites go down without a fight?

FREE TRADE AND PROTECTION

Since 1945, the American empire has supervised a rigid international regime comparable to the British empire’s gold standard. In both cases, market fundamentalism or what [Karl Polanyi \(2001\)](#) called the self-regulating market outlawed protectionist measures and marginalized the state’s economic role. The freedom of capital to flow everywhere has subordinated politics to markets for decades. No one runs for office on a program of increased state intervention anymore. But things may be changing.

This monolithic ideology has suddenly spawned variants, with xenophobic nationalism linked to limited market freedom and protection now challenging the cosmopolitan universalism of the transnational corporations. As a result, the West finds itself hostage to an escalating division between those who want to leave the world and those who embrace it. Free trade and protection, following the logic of the nineteenth-century gold standard and, more recently, that of neoliberal globalization, have been represented as mutually exclusive. But, historically, they have been a complementary pairing in economies whose internal and external needs are contradictory, as the leading Western nations recognized when struggling to establish their own relationship to the world economy. We may now be entering a global paradigm shift comparable to that of 1980. A historical approach

to free trade and protection may help us to clarify what the opposing sides share and to understand why nationalist market fundamentalism might not be as anomalous as it currently seems.

Sir James Steuart was a Jacobite exile who brought the term *political economy* from continental Europe to Britain. A decade before *The Wealth of Nations*, Steuart published his *Inquiry into the Principles of Political Economy* in 1767. For advocating a free Scottish home market with initial protection from foreign predators including England (this was sixty years after the Union), he was soon labeled a mercantilist. But his strategy has some relevance today, especially for regions that are politically fragmented, economically backward, and subject to financial and other kinds of imperialism. In the present political climate, Steuart's approach makes more sense than neoliberalism. Free trade and protection constitute a dialectical pair, swinging variably between the extremes.

Steuart rejected the idea that Edinburgh and Glasgow should be cleansed of riffraff—a term for the informal economy then popular among elites—by sending them back to the countryside. What the world needed least, Steuart thought, was more farmers. By leaving home, migrants reduce the number of farmers. As long as people who seem to have no jobs survive in the city, they generate demand for food supplied by the remaining farmers. With the money from commercial agriculture, farmers buy more manufactures and services, thereby helping the city economy to grow, making migration from the countryside more attractive, and accelerating the rural/urban division of labor.

As demand rises, so does labor productivity, but it starts from a very low level. The main threat to this benevolent spiral called development is cheap foreign imports, which undercut infant industries and commercial agriculture. The home market must be protected at first by high tariffs. But as local enterprises become more competitive, with stronger firms driving out weaker ones (as they themselves would have been if exposed to the cold winds of the world market too early), the government can selectively reduce tariffs in strong home sectors while promoting exports. In this way, the national economy can gradually join the world economy as an equal.

The early modern revolutions that transformed the United States, France, Italy, and Germany all combined mass insurgency with warfare that lasted several decades. They focused on building up the home market and consolidating fragmented sovereignty by removing unfair taxes and restrictions that had been placed on the movement of people, goods, and money, usually against the rising global power of the United Kingdom or lesser empires like Austria. Impediments to

trade caused by divided sovereignty within and between states had to be overcome. Development, under these circumstances, depended on removing these barriers to trade. At the same time, incipient free-trade areas needed a measure of protection, so that their own farms and manufactures could benefit from supplying newly consolidated home populations. The French Revolution is a striking case in point.

In 1793, the Jacobins unleashed the Terror and the Bretons raised what they called a “Royal and Catholic Army,” supported from the sea by Britain, against which the revolutionary Republic needed to send out an army of its own. This became known as the War of La Vendée, incidentally the subject of Victor Hugo’s last novel, *Ninety-Three*. Nantes, France’s largest port (with Bordeaux, the regional base of the Girondin opposition to the Jacobins), was heavily involved in slavery and trade with the Caribbean. These traders financed the Republican army and were in turn besieged by the Royalists; four thousand Catholics and Royalists were drowned in the Loire—an episode known as “the national bathtub”—and, as Hugo’s novel shows, atrocities were commonplace, especially on the part of the Republicans.

Historians agree that this struggle to the death was the turning point in the Revolution, not the storming of the Bastille in 1789. Why did the Nantes bourgeoisie risk so much for the Revolution? France had been a centralized monarchy, but it was also a patchwork of local fiefholders, each of whom exacted what they could from people and goods moving through their territory. The Republic promised to end all of that by establishing a regulated and policed home market. The interest of Nantes was to reduce the cost of moving Caribbean goods inland, and so its residents allied themselves with the Revolution.

In the United States, Dutch traders and American smugglers led resistance to the East India Company’s tea monopoly and to British taxes imposed on the colonists to offset the Crown’s military costs. The Italian *Risorgimento*, too, was backed by the industrialists of Milan and Turin, who wanted a national home market devoid of fragmented jurisdictions and the abolition of Austrian restrictions on their access to world trade. In all three cases, the power of merchant and manufacturing capital played a decisive part in these revolutions.

Long before the small European Common Market became an expanded European Union, the Prussian Zollverein was launched in 1818, culminating half a century later in the German empire. In each case, political federation was preceded by a customs union lasting fifty years. The Zollverein was an attempt to harmonize tariffs, measures, and economic policy in a few scattered territories

controlled by the Prussian ruling family. The Germans attributed their vulnerability to extreme political fragmentation: some forty states in 1815. Prussia's main objective was to expand a protected zone of internal free trade from which the Austrians were to be excluded. By the 1860s, most of what became Germany had joined the customs union. The German-American economist [Friedrich List \(2005\)](#) proposed a "national system" of political economy, which he claimed was the only way that Germans could escape from being forever hewers of wood and drawers of water for the British. He emphasized the scope for innovation within an expanded free trade area protected from the world market. Similar proposals were made by Americans such as Alexander Hamilton and Henry Clay.

In a recent piece of writing ([Hart 2016a](#)), I argued for regional trade federations as a step toward a politically stronger Africa, following the international trend for such federations that mediate between nation-states and global markets. The volume's editors asked me to explain how you can have free trade and protection at the same time. The international Left has been brainwashed by neoliberal universalism. Sir James Steuart could have set them straight.

The political and economic scenarios change, of course, when old industries including agriculture are in decline, undercut by cheap labor or more efficient machine production elsewhere. Then the majority of national consumers benefit from cheaper commodities, and displaced labor (in theory) should find employment in newer and more efficient industries, as they have throughout the modern history of capitalist expansion. Transitions of this sort are, however, painful for capitalists, workers, and the places where they live. The temporary solution is to emigrate, but many regard that as rather drastic and prefer to stay at home, unless forced to leave by necessity.

THE IMPERIAL HANGOVER: The United States, France, and Britain Today

Finally, a brief sketch of recent political events in the United States, France, and Britain: Donald Trump's presidency, Emmanuel Macron's improbable rise, and Brexit Britain. Trump's assault on the institutional foundations of democracy (even if it is also a plutocracy) has no precedent since Hitler in 1933. Fortunately, the United States is not the Weimar Republic. Already, parts of the American establishment are regrouping to resist his illiterate attack on their institutions. My young American friends worry that this represents a reassertion of the conservative state, since they too have been brainwashed to believe in techno-utopias linked to markets unhindered by politics. But many Germans in 1939, and even

more of them in 1945, would have been glad of such robust conservatism when Adolf Hitler first came to power. Perhaps civil rights, the rule of law, honest language, and a free press become crucial only when they have been lost. Besides democratic resistance, not least by the Federal Bureau of Investigation, Trump's future hinges on the political cover he can expect from a Republican Congress. This is holding firm, but a change in the balance of party power in the Congressional midterm elections becomes ever more probable and could shake up Republican support for him before then. George W. Bush's rejection in the 2006 midterms sounded the death knell for what he stood for.

Intellectuals on both sides of the Atlantic grossly underestimate the power and resilience of the American empire. Europeans prefer not to inspect their own parasitism and play up every sign of hubris, incompetence, and malfeasance on the Americans' part. This empire owes nothing to the free-market idea, except as a rhetorical fig leaf, but its opponents reproduce it in their own strategy. The bulwarks of American global hegemony are rather world market share, all of those weapons and bases, the world currency, and intellectual property (recall that the United States's leading exports are movies, music, and software). The United States invented and still dominates the Internet economy, which is rapidly becoming the world economy, supplying the bulk of its hardware, software, content, and giant firms (the acronym is FAANG: Facebook, Apple, Amazon, Netflix, and Google's parent company Alphabet). In other words, the American empire rests on mercantilism, militarism, financial monopoly, the enforcement of private property in ideas, and the digital revolution in communications. World war would enhance all of these strengths. Meanwhile, Thomas Jefferson and Alexis de Tocqueville turn in their graves.

France is, by some accounts, the most statist economy in the world. To neoliberals this means the worst, but in 2008, Nicolas Sarkozy, elected as a French Thatcher, had every reason to be grateful for the French social model—as I am. The rise of Marine Le Pen, combined with France's lingering imperialism in Africa and the terrorist attacks, seemed to indicate an inexorable descent into xenophobic nationalism. Facing the likes of Trump, Putin, Xi Jinping, May, Erdogan, Modi, Netanyahu, the Saudi Crown Prince, and Egypt's Sisi, the writing was on the wall. The death throes of neoliberalism pointed inexorably to fascism and world war. It seemed that society everywhere—or at least in the West—was divided between two kinds of market fundamentalism: global and national, being in the world and or being against it. Another thirty years' war for Europe looked possible. Macron's ascent at this moment was based on luck, timing, and consid-

erable political acumen. The Europeanists and Paris's cosmopolitans breathed again when he was elected president. But most intellectuals, the Communist unions, and the far Left saw the neoliberal banker in him more than the genuine centrist. So far, this perception has been borne out. Macron is the youngest French leader since Napoleon and apparently shares his appetite for autocracy. Thus far, however, he lacks an international alliance such as the one that sustained François Mitterrand, Helmut Kohl, and Jacques Delors.

Last, but not least, is *pefide Albion*, the sick man of Europe. I have argued that what matters in this context is not Europe but the impending breakup of the United Kingdom, led by Scottish independence and the reunification of Ireland (Hart 2016b). The international mafia based in London and fronted by the Tories leaves no room for national politics, and it seemed to me that the Labour party would inevitably self-destruct. Austerity would continue indefinitely, and thus a politics of decentralization was the only hope. What a difference a day makes: June 8, 2017, when Corbyn almost beat Theresa May. The Labour Party's woes have not, however, gone away.

The killings in Manchester and London, the hung election with its depressing aftermath, and the Grenfell Tower fire add up to a perfect storm that threatens to sink Britain's political Right. We could be witnessing the end of almost four decades of Thatcherism (including New Labour). Scottish independence was postponed by the 2017 election, while Ireland's has become more precarious. Corbyn, with the most left-wing platform since 1983 (itself then known as "the longest suicide note in history"), has changed the direction of British politics.

Britain has long since lost its empire, but maybe this election belongs in a series with the Arab Spring and Occupy Wall Street, neither of which fulfilled the hopes they raised, but which nevertheless changed the political outlook of millions, including me. The cracks in the wall of neoliberalism and its dark authoritarian twin are there for everyone, especially women and the young, to see. Corbyn likes to quote the last verse of Percy Shelley's great poem, the most revolutionary in the English language:

Rise like Lions after slumber
 In unvanquishable number—
 Shake your chains to earth like dew
 Which in sleep had fallen on you—
 Ye are many—they are few.

I wonder if the Grenfell Tower fire will be a defining political moment, comparable to the Peterloo massacre of 1819, except that Grenfell is more obviously systemic and its heat thus more readily dissipated. Corbyn's opponents damn him as an associate of terrorists, but the main threat he poses to the status quo inside and outside the Labour Party is his own principled lack of contamination by neoliberalism. In this, there is real hope of reversing Thatcher's mantra "there is no alternative."

Reactions to Trump's white supremacist politics, along with the surprising French and British elections, suggest that neoliberal hegemony may be cracking. A swing back to state intervention is now more likely than at any time in the last four decades. But what is the state now and where can it be found? Not where the postwar consensus left it, that's for sure.

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