

## **Transitions to and from(?) Neoliberalism**

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### **Abstract**

The current international crisis has important similarities with the crisis of the 1970s that eventually gave rise to a new hegemonic project and associated growth model, later to be labelled neoliberalism. With a view to assessing the possibilities for a transition to a new model in the current situation the paper examines the first transition along three selected dimensions: the underlying structural changes that prevented a return to the old model; the relatively autonomous role of international organisations in diagnosing the problems and suggesting remedies, and the role of power relations and political leadership in effecting the transitions. All three factors are argued to be critical. The same questions are then asked of the current situation. Deep global economic integration along with environmental problems, lacking inclusion of people, rising inequalities and the empowerment of the emerging economies all present economic and political problems that cannot be addressed effectively by neoliberal policy prescriptions. This is diagnosed by international organisations and in the G20, but there still are tensions between the new agenda and the legacy of neoliberalism and a new convincing hegemonic project has not yet emerged. The crisis is both one of hegemony within the transnational power bloc and between the power bloc and popular forces, right and left. This makes the question of political leadership critical, but Brexit and the election of Donald Trump has only served to aggravate the crisis. There is a possibility for a progressive turn, but also for a rather malevolent development.

## Introduction

This is very much an unpolished draft paper. The purpose is to test an argument about the current international conjuncture. Some points are asserted rather than documented; and several points require further elaboration, theoretically and empirically, and the references are incomplete. What matters here is the overall argument.

As the title indicates, what interests me is how a new growth model is established. Thus the first question is why the crisis of the 1970s ended as it did, with the initiation and consolidation of what later became known as neoliberalism. Next, on the basis of the lessons from this transition, what can be said today about the prospects for the current crisis?

A quote from Gramsci's Prison Notebooks is a useful starting point. Recently, observers as diverse as Roger Cohen (New York Times 18.11.2013), Ian Bruff (Bruff, 2014) and Wolfgang Streeck (New Left Review 104, 2017) and probably others have found reasons to apply it to the current international situation. In Cohen's version Gramsci said: "The crisis consists precisely in the fact that the old is dying and the new cannot be born; in this interregnum a great variety of morbid symptoms appear." This is very much to the point although I may disagree with these writers on the nature of the present interregnum.

Another starting point is a recent comment on the Phillips curve by Felix Martin in *Financial Times* (Martin, 2017 July 27). The Phillips curve analyses the relationship between unemployment and inflation, one of the macro-economic balances that policymakers seek to address and that in a political economy perspective is a result and symptom of a range of underlying factors. The curve suggest a trade-off between the two: low inflation means high unemployment, low unemployment means high inflation. The trick for policymakers is to hit a point on the curve where both variables are at an acceptable level.

Felix Martin reminds us that the crisis in the 1970s appeared as an extended period of *stagflation*, i.e. a combination of high unemployment and high inflation, which is an abnormal and unexpected situation in terms of the Phillips curve. He then points out that we again are in an abnormal situation in terms of this balance, but this time *the exact opposite* of stagflation: now it is a combination of low unemployment *and* very low inflation. Cutting through much current economic discussions on explanations for this Martin argues that the reason is political and about power. The root cause of stagflation was that the welfare coalition (as I will call it) had become too strong in relation to what capitalism could accommodate, and the root cause of the current abnormal situation is the reverse: the welfare coalition is too weak.

Although deceptively simple I find this to be a compelling argument. In the following I will elaborate on and add to this argument by looking first at selected feature of the crisis of the 1970s, and then at similar features of the current crisis which, in this argument, is a crisis of neoliberalism.

The theory informing the paper can be labelled transnational or global historical materialism, understood as open program for empirical research rather than a finalized and closed body of theory.

Especially two sets of contributions are important, both of them up-scaled to the global level. One is the notion of successive ‘modes of regulation’ or growth models and associated hegemonic projects (see summary in Morten Ougaard, 2016), the other is the Poulantzasian concepts of power bloc, hegemony, political crisis, and the relative autonomy of state apparatuses. I do not use the notion of authoritarianism – capitalist political economies have an inherent trend in this direction, as analysed by Poulantzas SPS – and in that sense the outcome of the current crisis is likely to be authoritarian (Poulantzas, 2000) – the question is whether it also will be neoliberal. To pre-empt an expected and justified critique, please note that in the paper I switch in a somewhat unsystematic fashion between the theoretical concepts from historical materialist theory and the mainstream terminology used to designate the empirical indicators for those concepts – i.e. international organizations for transnational state apparatuses, economic growth for accumulation of total capital. But first a presentation of my use of the concept of neoliberalism is due.

## Neoliberalism

Recent debates have emphasized that it is a slippery concept, leading Bill Dunn to argue that it is politically unhelpful and should be abandoned by the left (Dunn, 2016). Bob Jessop agrees that it is not ‘a rigorously defined concept’ but still argues that it ‘may serve as a socially constructed term of struggle (*kampfbegriff*) that frames criticism and resistance’ (Jessop, 2013, p. 65). But the fact that there is no generally agreed definition of the concept does not rule out that it can be given a precise definition for specific purposes. I use the term to denote a specific stage in the development of global capitalism, the stage that was initiated around 1980 and lasted until the great financial crisis begun in 2007. Thus it does not refer to an elaborated and precise economic doctrine, but rather to an overall political orientation that Peck summarized as ‘deep antipathies to collectivist, planned, and socialized modes of government, especially those associated with Keynesianism and developmentalism’ (Peck, 2010, p. 20) and the concomitant general preference for market based solutions to any and all societal problems. As US President Reagan put it when he ushered in the neoliberal stage in global institutions, what unites the most successful societies in the world ‘is their willingness to believe in the magic of the marketplace’ (Reagan, 1981). The affinity between this overall policy stance

and the expansion of transnational capitalism hardly needs elaboration. Neoliberalism, in other words, in my usage refers to a specific global hegemonic project and associated accumulation model.

## The transition to Neoliberalism

Neoliberalism grew out of the crisis of the 1970s. This was a composite political and ideological crisis where many elements interacted. I will not attempt to analyse this complex process but just indicate the many-sidedness of the crisis by mentioning some of the salient components: inflationary pressures from growing welfare states and strong labour movement as well as US deficits due to the war in Vietnam, the break-down of the old monetary system based on fixed exchange rates, instability in international money and financial markets, the Cold War, rise of radical economic nationalism in the Third World, the oil crises, vocal student and youth radicalism, partly triggered by the Vietnam War, economic conflicts between the US and key allies, partly due to changed relations of strength between them – and more.

With hindsight we can see that the West eventually met these challenges. Some were contained or fought back, such as the developing countries' demand for a new international economic order; some were integrated so that the consequences could be managed, e.g. the rise of the OPEC cartel; some were managed through institutional developments and regime changes, e.g. the creation of the G7 and the shift to a market based exchange rate regime; and some were accepted as defeats, Vietnam being the prime example.

But this begs the question why the crisis did not result to a return to the *status quo ante*? Up to the crisis the West had been dominated by a growth model – variously labelled Keynesianism welfare statism, Fordism, and embedded liberalism - that combined national welfare states and state interventionism with stepwise international trade liberalization. Why couldn't the outcome, after an adjustment of the power relations between capital and labour, have been a return to this model instead of the fairly dramatic turn to welfare state roll-back, deregulation, privatization etc. combined with intensified economic internationalization, what eventually became known as globalization ?

## Structural change

The basic reason for this is to be found in major economic changes that had taken place in previous years, changes that were registered at the time as the internationalization of the capitalist relations

(Poulantzas, 1978, Part I). Facilitated by liberalization of trade and investment, transnational corporations, particularly from the US, had expanded international operations, beginning the rise of what we now know as integrated global production networks and global value chains. A parallel internationalization of the financial sector, with US banks in the front, had led to the creation of international financial markets that were outside the control of the nation states. And, as already mentioned, the international monetary system had changed from fixed exchange rates to a market based regime.

These changes had major implications for the conditions for conducting national economic policies. One was that the mutual economic interdependencies between countries had grown which by itself reduced the scope for impacting the economy with purely national policy instruments. Another consequence was that policy makers lost a policy instrument at the national level. Since Jan Tinbergen's *On the Theory of Economic Policy* (Tinbergen, 1952) it has been generally accepted that the number of policy instruments available must be equal to the number of targets or goals you want to achieve. If policymakers for instance want low unemployment, low inflation, and sustainable external balances, they need at least three policy instruments which could be financial policy, monetary policy and either exchange rate policy or trade policy. But the structural changes meant that the two last mentioned instruments no longer were available, leading to a similar reduction in the number of goals that could be pursued simultaneously.

Things are more complicated than this, but the basic argument holds: as a consequence of structural changes in the international economy it was not possible to return to the previous growth model based on national Keynesian welfare states. The foundations for what later was labelled the competition state (Cerny, 1997; Hirsch, 1998; Jessop, 2002) was laid. A turn to a reinvigorated Keynesian pattern would have had to be established internationally, and the political and ideological conditions for this were not present. Even less were the conditions for the other alternative propagated by parts of the Left: a break with capitalism and turn to socialism.

This does not mean that there was anything automatic or predetermined in the actual outcome of the crisis – the transition to neoliberalism. Analytical histories of this process have been written from different perspectives (Bruff, 2014; Gallas, 2016; Peck, 2010) and I will not attempt a similar effort here. What I will do is much more limited: briefly highlight two elements of the process that I find especially salient, namely the role of international organisations, core institutions in transnational state apparatuses, and the role of decisive international political leadership.

## Responses from international organisations

As mentioned above an early response to the crisis was the creation of the G7 as a (weakly institutionalised) forum for policy coordination among the capitalist centre states. This Forum operated in close cooperation with the OECD – a formal IO with the same states as members –, and it should also be remembered that the same states collectively controlled the IMF and the World Bank. Unsurprisingly these institutions engaged themselves with analysing the crisis and suggesting strategy directions for overcoming it. The OECD in particular merits interest.

The OECD began analysing inflation in 1970, suggesting that price stability should become the most important policy goal (This paragraph draws on Morten Ougaard, 2004, 89-91, parts of it reproduced verbatim, where the references are found). But the crisis intensified and the stagflation phenomenon marked the deepest crisis in the industrialized world since World War Two. In 1975 the organization commissioned an independent group of experts, led by the American economist Paul McCracken to examine ‘the policy issues involved in the pursuit of non-inflationary economic growth and high employment levels in the light of the structural changes which have taken place in the recent past’. While waiting for the report, and anticipating some of its conclusions, the OECD in 1976 adopted the so-called ‘medium term strategy’, designed to ‘attain moderate but sustained economic growth, and to wind down inflation’, emphasising also ‘a growing awareness of the progressive interdependence of the economies of member countries.’ The McCracken report was published in June 1977 (McCracken, Paul, Carli, Guido; Giersch, Herbert; Karaosmanoglu, Attila; Komiya, Tyutaro; Lindbeck, Assar; Marjolin, 1977), a 250 page study that went deeply into the economic, political and social causes of the crisis and suggested carefully considered remedies with a nuanced weighing of policy alternatives. This nuance notwithstanding, the main drift of the recommendations was to pursue non-inflationary growth through tight monetary policy, prudent fiscal policy, reforms to make markets function better, especially labour markets, and further trade liberalization.

It is worth noticing, though, that the policy shift eventually became much more abrupt and confrontational than envisioned in the McCracken report. In the report the question was how ‘to obtain a desirable level and structure of final demand and the accompanying distribution of income *without arousing disruptive conflicts* which exacerbate inflation’ (McCracken et al., 1977, p. 16, my emphasis), in other words a politically soft and gradual shift to the new policy package.

Informed by the McCracken report and in continuation of the mid-term strategy, the ministers in OECD’s governing body in 1978 approved a ‘concerted action program’ in which the shift from ‘defensive strategies’ to ‘positive adjustment policies’ was emphasized, an emphasis that was further

strengthened in the following year, where also the headline 'structural adjustment' was introduced to summarize the various domestic reforms that were crystalizing as part of the shared strategy.

Ensuing developments are described in this way in OECD's official history:

Inflation came to be seen as the primary villain in economic life... The second oil shock in 1979 shifted the OECD's Economics Department further to the supply-side approaches associated with the University of Chicago. So moved the world. President Ronald Reagan and Prime Minister Margaret Thatcher launched programmes of structural adjustment that precisely reflected the new school of OECD thinking.

(Sullivan, 1997 p.41).

Of course, this somewhat self-congratulatory official text may exaggerate the role of the OECD. But that is really beside the point. The point is firstly that the OECD helped develop the new agenda and was involved from an early stage, in dialogue with experts and bureaucrats from member countries. Secondly the point is that the ministers from member states had approved each stage in the organization's policy development, from the early identification of inflation as the key problem, through the commission and reception of the McCracken report, 'the mid-term strategy' and the 'concerted action program'. Thirdly and importantly, in spite of this it was only with the election victories of Reagan and Thatcher that the sharp turn in policy orientation was effected, not only in their respective home countries but also as an agenda that soon became globalized. Determined political leadership was critical.

### **Political leadership**

I have nothing to add to the accounts by Peck, Bruff, and Gallas of how the intellectual groundwork was made for the transition to neoliberalism in the US and UK. Their accounts show that the shift was prepared in their respective political parties in cooperation with experts and think tanks, that both politicians deftly exploited the crisis conditions and the weaknesses of their domestic opponents to secure election victories, and that they both had the willingness and determination to take harsh confrontations with whatever resistance they met from popular forces after being elected.

Finally it is worth noticing that other countries eventually fell in line but through different political pathways. In Denmark, for instance, the Social democratic Prime Minister Anker Jørgensen found it increasingly difficult to bridge the gap between his main constituency, organized labour, and the 'economic necessities' as presented by the Ministry of Finance in tune with OECD thinking, leading

him to pass on the reins to the Conservative Party in 1982. In France, the socialist President Mitterrand first tried to pursue a leftist policy of national reform but gave up and adopted the new agenda in 1983. Other countries followed other pathways, and in ensuing years social democratic and other progressive parties, led by Tony Blair's New Labour and Bill Clinton's Democratic Party, accepted the basic parameters of the new policy agenda.

In sum, I draw three core lessons from the transition to neoliberalism. First that a new hegemonic project and growth model can only be built on the basis of capitalism as it has developed and been transformed through the previous period. There is no going back. The second lesson is that international organisations, being integral parts of the transnationalizing state apparatuses, play an important part in diagnosing the problems and suggesting and designing strategies to find new ways forward for continued capitalist growth. Thirdly and importantly, suggestions from international organizations, even though accepted in principle by their state principals, are not in themselves sufficient. The shift to a new growth model requires a political leadership that is capable and powerful enough to enact the new agenda both nationally and internationally. The Reagan-Thatcher duo epitomized this kind of leadership. Informed by these lessons I will now turn to the current crisis of neoliberalism.

## **Transition from neoliberalism?**

The Great Financial Crisis (GFC) triggered a serious economic downturn, known now as 'the great recession'. As shown in [Table 1](#) it was most dramatic in the advanced economies that saw 0.2 pct. growth in 2008 and a negative growth rate of 3.4 pct. in 2009. Things improved in ensuing years but when considered together with [Table 2](#) it is clear that up to 2016 growth in the advanced economies in no year except one since the GFC matched the average of the decade up to the crisis. The numbers also show that the post-GFC period has seen weak and limping growth, especially in the advanced economies, but also although less markedly in emerging and developing countries, also when disregarding the two worst years of 2008 and 2009. No wonder that the IMF in 2016 used the headline 'Too slow for Too Long' in its semi-annual *World Economic Outlook* (IMF, 2016).

	2008	2009	2010	2011	2012	2013	2014	2015	2016
The world economy	3,0	-0,1	5,4	4,2	3,5	3,4	3,5	3,4	3,1
Advanced economies	0,2	-3,4	3,1	1,7	1,2	1,3	2,0	2,1	1,7
Emerging and developing countries	5,8	2,9	7,4	6,3	5,4	5,1	4,7	4,2	4,1

Source: IMF World Economic Outlook April 2016, Table A1, IMF World Economic Outlook April 2017, Table A1.

	1998 -2007	2010 -2016
The world economy	4,2	3,8
Advanced economies	2,8	1,9
Emerging and developing economies	5,8	5,3

Source: IMF World Economic Outlook April 2016, Table A1, IMF World Economic Outlook April 2017, Table A1.

This shows that there are deeper problems than the immediate fallout from the GFC, as also indicated by the fact that the Phillips curve is in abnormal territory, although the opposite of the stagflation of the 1970s. Following the lessons from that previous crisis outlined above, the question is how leading IOs have diagnosed this situation and which remedies they have suggested. But first the underlying structural changes must be touched upon – i.e. how the world economy has been transformed in the decades before the GFC. It is familiar story but it is important to highlight the profoundness of these changes.

### **Structural change**

The main driving force has been the internationalization of capital, significantly facilitated by several political developments, the two processes interacting with each other. Any list would include the opening up and integration of the former USSR and China into the capitalist world economy, the roll back of statist developmentalism and market oriented reforms in major developing countries, in turn *inter alia* driven by the completion of the Uruguay Round and the use of ‘conditionalities’ by the IMF and the World Bank, along with progressive liberalization of trade and investment through the WTO,

the OECD, and bilateral and regional trade agreements, along with liberalization of the financial sector with Bill Clinton's financial reform in 1999 as a high point.

This has led to a qualitative new stage in the economic integration of the world, especially driven by transnational capital's foreign direct investment and outsourcing activities, facilitated by and facilitating the transformation associated with the new information and communication technologies.

Where previously it was seen as adequate to describe the international economy in terms of a division of labour based on the comparative advantage of nations, now the world economy is described in terms of integrated production networks, global value chains, and trade in value added rather than trade in goods. Furthermore, financialization means that transnational money capital plays a larger role in the overall accumulation process than before. In classical historical materialist terminology this means that both the relations and forces of production have been globalized.

The list must also include the rise of the emerging economies to a much more significant position in the global economy and the political consequences of this for inter-state relations and global governance. And last, but certainly not least, the last several decades have seen the aggravation of global environmental problems, especially global warming. Both the material basis and the international power relations today are radically different from the situation where the neoliberal project was initiated.

### **IOs: diagnoses and strategies**

The GFC triggered a shift from the G7 to the G20 – reflecting the new power realities – just like the 1970s crisis had led to the creation of the G7. The G20 to meet for the first time at the level of heads of state and governments (Leaders for short) in November 2008 and in September 2009 the Leaders 'designated the G-20 to be the premier forum for our international economic cooperation' (Pittsburgh Summit, September 2009: 3). And like the G7 worked closely with IOs, so does the G20 and in this section I will use G20 documents as the main source for diagnostic and prescriptive discourses articulated by the global political leadership.

The first G20 summits in the new format were focussed on responding to the financial crisis, first emergency measures to prevent a total economic breakdown, and then initiatives to strengthen financial regulation in order to reduce the risk of similar crisis in the future. I have summarized the IPE debate about this in (Morten Ougaard, 2016), where I also explain why I find these reforms less than trivial. My point in the present context is that if the problem only had been the financial crisis, we should expect global policy-makers to go back to business as usual and revert

to the previous recipe of ongoing liberalization, structural reform, etc. And, for sure, these themes were frequently repeated and emphasized in the elite discourses. But soon other problems appeared on the agenda.

Among the first new major problems was deficient or lacking infrastructure. This has been registered as a major and growing impediment to global growth by the World Bank and the OECD since the turn of the century but it did not receive high level attention until the 2010 summit in Seoul (this paragraph is based on M. Ougaard, 2017). At this meeting it was recognized as one of the most important problems facing the global business community and the G20 initiated a range of initiatives, in close cooperation with the OECD, the World Bank, the IMF and other major IOs, as well as business associations, to remedy this. At an early stage, one advisory group from the private sector pointed out that the problem was not one of lacking funding but rather an 'insufficient pipeline of bankable projects'. In other words, infrastructure investments were considered necessary for achieving an acceptable level of economic growth, but such investments were under current conditions insufficiently profitable for private investors. Concerted international public interventions were required.

### **Shared and Inclusive growth**

The same summit also adopted a document called 'The Seoul Development Consensus for Shared Growth'. The central message was, as evident from the title, that future growth had to be shared among all countries, including the least developed ones. The reasons given for this were fourfold: 1) 'for prosperity to be sustainable it must be shared', 2) 'the recent crisis demonstrated a global interconnectedness that is disproportionately affecting the most vulnerable in the poorest countries', 3) 'consistently high levels of inclusive growth in developing countries [...] are critically necessary, if not sufficient, for the eradication of extreme poverty', and finally 4) 'because the rest of the world economy, in its quest for diversifying the sources of global demand and destinations for investment surpluses, needs developing countries and LICs [Low Income Countries] to become new poles of global growth' (G20 Seoul Summit, 2010, p. 1).

This document only had the status of an annex to the Leaders' Summit Declaration and it may reflect a Southern view more than the main statement does. But it was accepted by all countries and reason 4) above neatly summarizes why global growth now critically depends also on growth in the periphery and why the advanced economies have an economic interest in this.

It is also worth noticing that the document speaks about the need for growth to be *inclusive*. This theme was picked up in the next Summit, in 2011 in Cannes. Here it appeared with some emphasis in the very first paragraph of the Final Declaration: ‘we reaffirm our commitment to work together and we have taken decision to reinvigorate economic growth, create jobs, ensure financial stability, promote social inclusion and make globalization serve the needs of our people’ (G20 Cannes, 2011). Two years later, at the Saint Petersburg Summit, the commitment to inclusive growth was reaffirmed and the Leaders for the first time articulated a need to reduce inequality (G20 St. Petersburg, 2013, Para. 28). The 2015 Summit in Antalya explained why this is necessary: ‘Rising inequalities in many countries may pose risks to social cohesion and the wellbeing of our citizens and can also have negative economic impact and hinder our objective to lift economic growth’ (G20 Antalya, 2015, para. 6). Next year, meeting in Chengdu in preparation for the Hangzhou Summit, the G20 Finance Ministers and Central Bank Governors noted that ‘the benefits of growth *need* to be shared more broadly within and among countries to promote inclusiveness’ (G20 FMCBG, 2016, Para. 2, emphasis added). The most recent summit, Hamburg July 2017, repeated the message under the heading ‘Sharing the Benefits of Globalization’: ‘We will promote greater inclusiveness, fairness and equality in our pursuit of economic growth and job creation’ (G20 Germany, 2017, para. 1).

This new agenda is also visible elsewhere, for instance in the OECD’s work on ‘New Approaches to Economic Challenges’, a work begun in 2012 and concluded in 2015. It was described as

a **comprehensive organization-wide reflection process** which is triggering and accelerating a **revision of the OECD’s analytical frameworks** as well as a **renewal and strengthening of its policy instruments and tools**. (OECD, 2015, Executive Summary par. 1, emphasis in original).

The text further explains the reasons for this effort:

Policy analysis prior to the crisis often prioritized market efficiency. Less systematic focus was placed on aspects of well-being such as quality of life, environmental sustainability and equal access to opportunities. As a result, economic growth was often considered too narrowly as an end, rather than a means to improve societal well-being. (ibid, par.2),

The first point in the ‘change in objectives and perspectives is this: **‘NAEC calls for a greater focus on well-being and its distribution to ensure that growth delivers progress for all** (ibid par.3).

It is plausible to explain these developments a result of these main factors: the recognition that growth has to be shared internationally among countries; that more people for economic reasons must be included as producers and consumers; a response to the rising popular dissatisfaction with and protests against the current pattern of globalization, both from the left and the right, and a growing recognition that inequality in addition to being a political problem also can be a hindrance to stronger growth. For example: ‘There is increasing evidence that **large income inequality undermines growth and wellbeing**’ (OECD, 2015, par. 7, emphasis in original)

These challenges are not the only ones being addressed by the G20. Climate change and other sustainability problems are also emphasized; indeed strong support is voiced to the Sustainable Development Goals formulated by the UN. Generally the G20 has expanded the number of issues it deals with since the initial focus on the economic fall-out from the GFC, for instance including now also various global health issues as well as refugees and the pressures more generally from migration.

It should be recalled, however, that the G20 discourse also is replete with support for the traditional neoliberal policy prescriptions: resists protectionism, support the free movement of goods, services and capital, and pursue structural reforms to facilitate the operation of the market. There also are compromise formulations, statements that can be seen as papering over important policy disagreements. Just to take one example from the Leader’s Communiqué from the 2016 Hangzhou Summit, with my interpretations in brackets:

‘Underscoring the essential role of structural reforms [*Washington Consensus classic*], we emphasize that our fiscal strategies are equally important to support our common growth objectives [*public spending rather than austerity*]. We are using fiscal policy flexibly and making tax policy and public expenditures more growth-friendly, including by prioritizing high-quality investment [*public spending*], while enhancing resilience and ensuring debt as a share of GDP is on a sustainable path [*austerity*]’. (G20 Hangzhou, 2016, par. 7)

In the same way text can be found that show policy disagreements between the advanced economies and the emerging powers.

Thus there are tensions in the G20 discourse, tensions that can be summarized as being between an old set of policy prescriptions and a new agenda focused on inclusive and sustainable growth and efforts to reduce inequality. This new agenda could, of course be read as merely being lip-service to

the critics of the prevailing pattern of economic development, but I will argue that such a reading would be wrong. There are too many policy statements, given too much prominence, and with too much intellectual support from the leading IOs for this to be the case. It remains a fact that global leaders repeatedly and with growing emphasis has signed on to this new agenda.

Importantly, there are two common denominators for the various challenges that the new agenda seeks to address. One is that the problems cannot be solved through ‘the magic of the market’ alone; they do require political intervention and public expenditures. In other words: the old policy prescriptions cannot address them effectively. The second is that many of the problems are global in nature because of the deep integration of the world economy and the planetary scale of environmental problems. Therefore policy responses also have to be global and must therefore involve and to some extent reflect the interests of the emerging economies and developing countries. It is not possible to go back to the pre-crisis growth model.

### Political Leadership

But even though global leaders, to some extent ambivalently, have signed on to this new agenda it is difficult to see the effects of this in current global governance practices. A clear and articulated vision that points out an overall direction with a coherent set of policy priorities and instruments – akin to the vision and strategic direction articulated by the Reagan-Thatcher duo, although with a different policy content – has not, as far as I can see, appeared on the global scene. This point to the last lesson drawn from the crisis of 1970es, identified above, namely the issue of political leadership.

Whereas both the post-World War Two project and neoliberalism were initiated under joint US-UK leadership, it is rather difficult to envision a new hegemonic project being led by Donald Trump and Theresa May. There have been speculations about an Angela Merkel –Xi Jinping duo, and other combinations can also be imagined, but so far none seem to have materialized. Even if the deep economic crisis is over, there is still a leadership crisis, a political crisis in the sense theorized by Nicos Poulantzas, upscaled to the global level.

A few years ago, based on research up to 2014, I analysed the post financial crisis situation as a crisis of hegemony, a crisis of leadership *within* the transnational power bloc (Morten Ougaard, 2016). At that point I had the expectation that the political crisis would be of more or less the same duration as the previous crisis, i.e. about a decade. Since then two developments have made the picture graver. The rise of both left and right opposition and protests to the ‘elite establishment’ means that the crisis has evolved into being also a crisis of the relations between the power bloc and popular social

forces, and not only a crisis within the power bloc. This is clearly a more serious and difficult situation for the power bloc, but also one that should entail opportunities for alternative forces. Secondly, Brexit and the election of Donald Trump have injected a new level of unpredictability to global politics and created a level of discord and distrust between leaders of core states not seen in many years.

In conclusion, then, the current interregnum is unlikely to lead to a return to the neoliberal growth model and hegemonic project and the outcome of the crisis is still unsettled and uncertain. There is a possibility for a movement to a more sustainable, inclusive and equitable growth model, but recent events has also shown that a shift to something worse than neoliberalism – economic nationalism combined with austerity for the masses – is possible.

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