

The antidote to neoliberalism in Eastern Europe? A Nordic model based on justice

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Zoltán Pogátsa

Only a strong Left will be able to challenge the hegemonic Right in Central and Eastern Europe. Scandinavian Social Democracy offers the model for this challenge.



Alter-globalization slogans. Commons Wikimedia/free to use and share.

The 1990 transitions from the Soviet and Yugoslav forms of existing communism were predicated on the assumption that there are no more than two distinct competing social systems available for nations to choose from: the dictatorial planned economy on the one hand and democracy with a market economy on the other. In economic shorthand they were labeled “communism” and “capitalism”.

The populations of Eastern Europe had no first hand experience of capitalism. Their theoretical expectations had been shaped by the inverse of communist propaganda, an idealised media image (the “Dallas” effect), as well as outdated theorising from the classical period of capitalism (e.g. Adam Smith) - not too useful in the age of emerging global financialised capitalism dominated by transnational corporations. They were also heavily influenced by the all-out promotion of neoliberal ideas by the leading Western governments of the time, which were led by neoliberal heroes (Thatcher, Reagan, Mitterand, as well as Blair and Schröder somewhat later) at the peak of their era. The Western and global Left was in retreat.

Not surprisingly, the goal of transition was formulated not as a choice between different models of the capitalist system, but as the (re)establishment of a generic, unqualified “market economy”. The symbolic stepping-stones of this undertaking were privatisation, the introduction of a tax system, a stock exchange, and similar elements that are common to all capitalist economies regardless of their supplementary features. It is hardly surprising that no choices within the capitalist system were discussed.

The global economic profession had also been engaged in the preceding bipolar crusade against Communism, rather than the study of regional variants of the Western economic model. It had thus yet to formulate the so-called “varieties of capitalism” research programme, which later came to elaborate the distinctions between different types of capitalism. Quite simply, not enough knowledge had been accumulated about these important delineations between the Anglo-Saxon market centred model, the Scandinavian and Rhineland welfare states, the small enterprise based Mediterranean model, the conservative Asian development tigers, the offshore tax havens and various other types of the so called market economy. Thus the East of Europe set out to build... “Capitalism”.

By default, this generalised form, as exemplified by neoclassical perfect market textbook models, is closest to the neoliberal ideals of free market thinkers such as Mises, Hayek, Friedman or Nozick. Other varieties of capitalism usually involve an active role by elaborate state institutions, complex intervention and planning, or even industrial policy to create forward and backward linkages. Political transitions in the East of Europe were more about the elimination of barriers to free enterprise, the demolition of the omnipotent state and releasing the creative energies of the market. It was felt to be natural that there were no roles ascribed to collective bodies (such as trade unions, employers’ associations, NGOs, or various state institutions) in this era of decollectivisation.

Generic capitalism without a consensual strategic model therefore turned out to be close to the neoliberal model. This can best be captured in the domain of distributive justice, where decisive newly born democratic forces were characterisable as Nozickian rather than Rawlsian in nature. In short, the well known Rawlsian theory argues that a social contract created by citizens who would not be able to forecast their accidental social position after the lottery of birth would be one where the poorest members of society would have an equal opportunity for social mobility as those who are born into wealth.

In order to achieve this, Rawls endorses adequate redistribution, proactive state policies creating equal opportunities in policy areas such as education and social policy, a minimum wage, a guaranteed basic income, guaranteed access to capital, as well as the curtailment of the political power of large corporations and wealthy individuals through the strict restriction of political campaign donations. Nozick on the other hand argues that all taxation is in effect imposed slavery, and citizens have no moral obligations to contribute towards opportunities for the less fortunate.

In such a society all rival claims on distribution or redistribution are frowned upon as subjective expressions of the idea of justice, and this relativisation drives the entire concept itself into disuse. Citizens of post-communist Eastern Europe would clearly recognise the first, Nozickian version as the definitive ideology of the world they live in, and the Rawlsian one as unfamiliar. At the same time the dominant liberal elites would sincerely understand and portray this Nozickian world as ideologically neutral, or even healthily post-ideological, failing to recognise how socially loaded it is, with a strong bias towards the upper classes of society.

The concept of class is in itself important. Much like the term “justice”, “class” is also an existing and legitimate term in Western political discourse. Not so in the East of Europe. Both concepts had been so strongly delegitimised by hollow official parlance in Soviet times that they were expelled in the language of the political Left for decades. This is important, because it left a vacuum on the Left of the political spectrum as far as a sense of political community was concerned. Whereas the political Right could continue to offer “the nation” as a horizontal collectivity or brotherhood, the political Left offered no similar sense of belonging.

In most countries it was the former state party that had transformed itself into the leading force of the mainstream Left, and its members were keen to distance themselves in both ideology and rhetoric from anything that could remind voters of their past. The Giddensian “Third Way” neoliberal turn of Western Social Democracy offered them a convenient opportunity to cloak themselves in the ideology and

language of the Liberals, who had formerly been their arch enemies. Anti nationalism provided a convenient and justifiable common platform that turned out to be a melting pot. Any notion of “class” was dropped from the discourse, and emphasis was laid on individual competitiveness, entrepreneurship and responsibility on what was projected to be a competitive market. (In reality ordinary people experienced it as it really was: a latent network of clientelistic corruption.)

All in all, in the absence of class based narratives, or an effective welfare state, the fraternal notion of the “nation” offered the impoverished masses of Central and Eastern Europe a reassuring refuge against material hopelessness and loss of personal pride. Economic liberalism and the neoliberalisation of Social Democracy thus fuelled nationalism with exponential impetus.

The prevailing model of post-communist capitalism turned out to be a highly unjust one in the Rawlsian sense, however. It came to be known as the foreign direct investment based competition states in the terminology of the “varieties of capitalism” debate. Instead of proactive state policies and interest harmonisation between societal actors, as was the custom in Northern, Western and even pre-crisis Southern Europe, the Eastern model relied on attracting foreign direct investment for every single societal goal imaginable.

Whereas the rest of Europe deployed employment and education policy to create employability, Eastern governments raced each to the bottom with ever lower wages and taxes in order to bring in multinational investors. For regional development they attempted to rely on FDI attraction again, as they did in the hope of research and development spillovers, wage policy and a long line of other convergence goals, which are achieved in the Rhineland and Scandinavian welfare states through state policies and interest harmonisation. The liberal, anti-statist economic model of the East would have none of these. Not surprisingly, it failed, leaving the people impoverished.

Take the pioneer of the emergent “Illiberal Bloc”, Hungary. The ascent of Viktor Orbán’s Fidesz movement into power was ushered in by a complete collapse of Liberal dominated but Socialist majority governance, which had previously defined the country for a period of almost one and a half decades added together. They left behind a country massively in debt and corruption, in need of an IMF bailout and with almost four in ten people living below the poverty line. The educational system was one of the most unequal in the world, PISA scores declined, social policy redistributing from the poor to the rich failing, territorial cohesion collapsing and Roma minority living at quasi Third World levels.

All this in a country that had once been the star student of economic transition, the pioneer of the FDI based competition model. Romania and Bulgaria have seen their political systems break down amidst extreme austerity imposed on already non-functioning state institutions in societies that were too destitute to enable mobility without redistributive help. Slovakia, the Czech Republic and Croatia have all been rocked by systemic corruption. Even the much hailed “Polish economic miracle” of Donald Tusk was nothing more than a few years of anti-cyclical demand management, mostly spent on much needed infrastructural projects, managed by a born again Keynesian, who had previously run as a neoliberal candidate.

Sensible, but not a game changer, in the sense that it did not elevate Poland to the status of a high value added economy. Employment opportunities and wages lagged so far behind in the entire Eastern periphery that birth rates collapsed and labour migration to the West soared exponentially. Meanwhile, extractive elites channeled their tax avoidance offshore. Third Way, neoliberalised Social Democracy has done as much harm in the East as in the West, or perhaps even more.

As Gosta Esping-Andersen, a leading theoretician of the Nordic Social Democratic Model forewarns, democracy cannot be sustained without a strong middle class. He defines it as a critical mass of people who are on the one hand educated enough to understand complex public debates based on nuanced

concepts, and on the other hand materially independent enough to withstand the pressures of clientelism.

Eastern European societies failed to develop such middle classes during their post-communist decades of neoliberalism. Under financed and uncompetitive educational systems left people with a shallow understanding of the democratic process, alienation from participative responsibility and ignorant of the logic of interdependencies in globalisation. Their sense of identities continued to be based on pre-Communist, nineteenth century concepts. Liberalism - the dominant political stream of the region, thus ironically left behind a society that turned against liberal democracy. Political discourse based on shallow concepts leads to susceptibility to populism.

The lack of an independent material base (except in the case of the exploitative elites and the paper thin middle classes) has led to a dependence on patronage. It is an everyday experience in the region that in order to sustain a dignified standard of living one has no choice but to join clientelistic networks, organised by political parties but run by oligarchs.

Esping-Andersen's precondition for democracy, a sufficiently sizeable and strong middle class, did not emerge in Central and Eastern Europe. This is not surprising in a model based on the fiction of the market. We know from Piketty and others that the underlying tendency of non-redistributive capitalism is to escalate towards a concentration of wealth. This is exactly what happened in Eastern Europe.

The main reason for the dominance of illiberal nationalist forces in the region is not their absolute strength. Even Viktor Orbán does not command more than a fourth of the overall electorate. Their hegemony is based on the weakness of the opposition. The Social Democrats have still not recovered from their lack of credibility, caused by 40 years of Stalinism and Brezhnevism, followed by two decades of neoliberalism. Their efforts to regain a credible offer towards their former voters, who had deserted them en masse to abstain in discouragement, are arrested by the continued grip of liberal intellectuals and media.

The promise of a return to previous times is resented. Some liberals sincerely and correctly believe that real market forces never existed in post Communist Europe, and this is what caused the collapse. The conclusions they draw, however, are non viable. Their chiliastic visions of an even more puritan, even more orthodox version of market competition sound to voters as hollow attempts at self reestablishment by just another elite group.

Direct neoliberal populism, relying on the illusion of meritocracy and repentant belt tightening austerity, has lost its appeal. The illiberal conservative governments are forced to continue austerity by stealth, while relying on the generous EU cohesion policy transfers for economic growth. This Right Wing version of elite extraction will run its course in due time. The question is who will stand ready to take over once voters are disappointed. The extreme right is one possible option and not even the most unlikely.

The "Pasokified" Social Democrats in the region have a few years to return to their roots of Rawlsian redistributive justice. There is no need to search endlessly for brand new utopias while remaining stuck in depressing reality. The Scandinavian Model has managed to preserve for them the post war welfare state model, which has proved its viability and efficiency. Even though neoliberals of all parties have done their best to erode it, the Nordic Model started from such a high level that it basically stands intact as far as its underlying logic is concerned.

This is true even in spite of the challenge from the populist Right, which to some degree is aimed at the preservation of exactly this privileged position through isolation. There is almost no international list that the Scandinavians would not lead, from low corruption to high educational standards, employment, wages, quality of life, equality, sustainability, and so on.

Liberals have to accept that they almost never form governments in Europe as senior coalition partners,

let alone by themselves. Only a strong Left would be able to challenge the hegemonic Right in Central and Eastern Europe. In order to be credible again, they need to create an inclusive collectivity that can rival that of the “nation”. Scandinavian Social Democracy offers such a vision: that of the *Folkhemmet*, the “home of the people”, a society where all have a fair chance of making it. Such a vision is based on the Rawlsian principles of justice.