Chapter 2

Neo-Liberal Dynamics: A New Phase?

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Introduction

Twenty-five years ago, that is a quarter of a century! Looking back into the ‘recent’ past of capitalism, it is now clear that a new social order was imposed on the world, not in one blow, but at considerable speed. This new phase of capitalism is known as neo-liberalism, or neo-liberal globalization. It is often depicted as a restoration of the rule of markets and a dwindling role of the states. No much analytical capability is required, however, to understand that what is at issue, are not markets and states per se, but the stricter subjection of these institutions to capital. On the one hand, the freedom of capital to act in line with its own interests, and with little consideration for salaried workers and the large masses of the world population; on the other, a state dedicated to the enforcement of this new social order and the confrontation with other states. This is the case both for countries of the center and for those in the periphery. Indeed international relations are crucial. But the new phase of capitalism also defines new rules and mechanisms within each country. Certainly the free circulation of goods and capitals at a world level is crucial, and so is the role of international financial institutions, such as the International Monetary Fund. But the imposition of a stricter discipline on wage-earners within each country also had a momentum of its own. Therefore, the terms ‘neo-liberalism’ and ‘globalization’ cannot be considered equivalent.

Obviously, neo-liberalism in general remains an abstraction, since countries such as the US, Europe, Japan, or any country in the periphery still represent quite distinct social frameworks. Neither is it possible to characterize neo-liberalism independently of the system of imperialism. By imperialism, we do not mean a particular phase of capitalism, but the process by which the most advanced countries subject the rest of the world to a process of exploitation. In the contemporary unipolar world following the demise of Soviet Union, it is possible to refer to an imperialist coalition under the hegemony of the US.

The first issue is, therefore, one of definition (section 1). What is neo-liberalism? A new model of development? Beyond any doubt, we will answer this negatively. Rather it must be seen as a new social order, the purpose of which was the restoration of the income and wealth of the upper fraction of ruling classes, the owners of the means of production. The specific features of this reassertion are worth investigating. In particular, the new flows of interest and dividends toward the owners of capital; but it is also necessary to explain how this restoration was performed, through which struggles and events (section 2). Next, what are the consequences? (section 3) We contend that neo-liberalism had devastating effects everywhere, but the more so in countries whose level of development and social framework were different from the United States: ‘mixed economies’ at the centre and the periphery, with a strong positive discrimination toward non-financial corporations.1 But even in the ‘central’ country within the centre, that is, in the United States, the rise of neo-liberalism is fraught

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1 The analysis in these three sections borrows from Duménil G., Lévy D., 2000, 2003a and 2004.
with growing contradictions, and the emergence of a post-neo-liberal order is on the agenda (section 4).

A Second Financial Hegemony

The periodisation of capitalism is a complex issue and it is not easy to unambiguously draw the contours of a new phase. It is not possible to define a single criterion that does by itself sum up what neo-liberalism is—the features of technical change, profitability trends, class patterns, the configuration of state power, or various institutional frameworks. Whilst specific in these various respects, what really defines neo-liberalism is the reassertion of the power, income and wealth of a fraction of the ruling classes. Relations of production and class patterns are at issue here. The ownership of the means of production is the key defining element of a capitalist ruling class, but this ownership assumes its specific form in various institutional settings. The traditional individual or family ownership of the means of production at the turn of the 19th and 20th centuries gave way to a new framework in which ownership (in the strict sense) and management were separated. Ownership now was articulated by the holding of securities (stocks and shares, or loans) and by that token, can be described as financial. Management of the actual corporation on the other hand, was ensured by managers with the help of employees. Their tasks are geared not to collective production (as within the workshop), but towards the maximizing of the profit rate (the organisation and control of production and all tasks of ‘circulation’, such as sales). The distance thus created between the owners and actual production and management, of course poses a threat to their ability to retain effective control. But the power they exercise through financial institutions ensures the command over management and the allocation of capital. Thus it is possible to refer to capitalist owners and ‘their’ financial institutions (banks, funds, etc.). When we speak of finance, we refer to this heterogeneous entity made of the upper fractions of the owners of capital and financial institutions.

The state is the institution in which the overall power of the ruling classes is embodied. It allows these classes to rule collectively. In this sense, the state is never an autonomous body separate from these classes; even within democracies, the power of the states is never independent from class relations. In democracies, the power of ruling classes allows for the expression of the divergences between various fractions of the ruling classes and rests on social compromises (typically with the middle classes) that tend to be broader in order to obtain a mass basis. We call power configurations the patterns in which the power of ruling classes is exercised in relation to other classes.

These compromises change over time. For example, the Keynesian/managerial compromise was such a configuration. It was a particularly broad compromise with large fractions of salaried workers; finance was, to some extent, repressed, in the sense that its comparative power, income, and wealth had been diminished since the Great Depression and World War II. During the years of the Keynesian compromise, management had gained a considerable autonomy from the owners. This was the case within large corporations, but also within the state apparatus, where policies were defined with specific objectives such as growth and full employment, alien to ownership. Thus, the Keynesian compromise could be more appropriately labelled a managerial compromise. It was managerial capitalism plus the policy framework of the Keynesian years, including the broader involvement of the state in education, health, etc.

Neo-liberalism is the social order that emerged from the destruction of this earlier social compromise, and which entails the restoration of the power of finance. In spite of the

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2Therefore we distinguish between finance and the financial sector.
violence of this new social order, neo-liberalism is compatible with ‘democracy’ in the sense indicated above; neo-liberalism is equally based on compromises. However, two aspects must be stressed. First, the return to domination of finance presupposed a strict alliance with top management. This was achieved by paying out astounding remunerations, as ‘wages’ and stock options. Secondly, the upper fractions of the salaried or self-employed middle classes were also associated with the new course of the economy favourable to the owners of capital; these middle classes also tend to hold securities, either directly or through investment funds. With high real interest rates and until recently, a soaring stock market, these classes, investing in particular in their pension funds, were given the impression (and, to some extent, correctly so) that they too were enjoying the conditions of actual capitalist owners.

In the complex pattern of class relationships, finance dominates other components of the neo-liberal compromise as well. As in the description of international relationships, the term hegemony is adequate here to account for the position of finance in this power configuration: dominating a larger group which also dominates the rest of society. It is important to distinguish, though, between power relations per se and the manner in which economic activity is performed. Since the managerial revolution (around the turn of the 19th and 20th centuries), large staffs of managerial and clerical personnel perform the tasks required by economic activity, within firms and within the state apparatus. Here, financial hegemony refers to the authority and control that the wealthiest owners of capital and financial institutions exercise over the economy. The central issue is the imposition on management of objectives favourable to finance. Although the role of management has been steadily growing since the early 20th century (with considerable differences in terms of efficiency depending on the periods considered), the power of finance underwent significant variations, passing through a protracted period of reduction between the Great Depression and the 1970s.

Figure 2.1 Financial Hegemony and Managerialism in Historical Perspective

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Neo-liberalism corresponds to the second hegemony of finance. Modern finance appeared in the late 19th century and imposed its hegemony, when the separation between ownership and management occurred. This first power configuration was unsettled by the Great Depression and World War II. The Keynesian/managerial compromise defines a second phase of capitalism in the 20th century, in which the managerial autonomy was increased, before the assertion of neo-liberalism.
Regaining Power, Income And Wealth

A very simple indicator of the transformation of capitalism after the Great Depression and World War II is the percentage of total income received by the 1% richest of all households (Piketty and Saez, 2003). Before World War II, these households received about 16% of total income. This percentage fell rapidly during the war and, in the 1960s, it had been reduced to 8%, a plateau which was maintained during three decades. In the mid-1980s, it soared suddenly and, at the end of the century, it reached 15%. Looking at total wealth, the trend is broadly identical with slight differences. The loss of relative wealth of the richest households appears concentrated markedly during the 1970s (Wolff, 1996). While the top 1% used to hold about 33% of the total wealth of all households, this percentage was reduced to slightly over 20% within a few years. But, again, the 1980s witnessed a thorough restoration. Such a decline does not appear in the share of income above, since the stock of wealth reflects the devaluation of debt by inflation and the poor levels of the stock market, while income flows do not. Thus, the entire intermediate period of the Keynesian/managerial compromise was marked by diminished relative incomes of the richest households, and their comparative wealth was strongly affected during the 1970s. Neo-liberalism can be interpreted as a reaction to this deteriorating situation.

In a way it is rather easy to account for these transformations. After World War II, real interest rates were low or moderate; corporations were distributing a limited fraction of their profits as dividends; taxes encroached more on the income of rich people than before the war. This explains the comparative decline of the incomes of these social strata. During the 1970s, the profitability of corporations was low and few dividends were paid out; real interest rates were close to zero; and the stock market was depressed. Thus, the wealth of the wealthiest was reduced as well, at least in relative terms. All these trends, however, were reversed by the turn to neo-liberalism.

A closer look at this reveals the following figures. During the 1960s, in the United States as well as in most European countries, real interest rates (that is rates corrected for inflation) fluctuated between 2 or 3%. At the end of 1979, long-term interest rates were suddenly raised to nearly 20%, and real rates amounted to about 5% during the 1980s and 1990s. They were still nearly as high during the contraction phase when the growth rate declined (at the end of 2000), and during the ensuing the recession. During the 1970s, non-financial corporations used to distribute approximately 30% of their profits after paying taxes and interest (profits being considered net of the depreciation of fixed capital). This percentage rose gradually and, at the end of the century, reached about 100% —that is, retained earnings are equal to zero. Stock-market indexes, deflated for inflation in each country, in the mid-1970s were effectively halved. They remained in limbo until the early 1980s, when they began their hike up, eventually (in 2000) to values three times those of the 1960s—i.e., before the collapse.

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3 The new flows of income during the neo-liberal decades do not materialize in the stock of wealth as much as might have been expected. This is probably due to the tremendous fall in the saving rates of these classes (Maki and Palumbo, 2001).

4 The dramatic decline of interest rates during the 2000 recession concerns the Federal-Funds rate.
Let us now look at the flows of income coming from the rest of the world, which contribute to the remuneration of capital in the US. Many aspects of these mechanisms are difficult to assess. It would, for example, be interesting to provide an estimate of the benefits, for the US economy, of the declining prices of raw materials, including energy, but this is difficult. On the other hand, national accounting data make it possible to determine the flows of income from the rest of the world: interest and dividends received, and the profits of the affiliates of transnational corporations which remain in the country where the direct investment has been made. The question is: are these sums important to the income of capital in the US? The answer is: indeed they are.

We can compare these flows of interest, dividends, and retained profits from the rest of the world, to the profits made by US corporations in the US itself. We call these profits resulting from the activity on the territory of the US: ‘domestic profits’ (the profits of all corporations are taken as after interest and taxes). During the neo-liberal decades, the flows of capital income from the rest of the world represented 80% of domestic profits! As shown in Figure 2.2, this is truly a characteristic of neo-liberalism. The surge in the early 1980s mirrors the rise of interest rates (for example on the debt of countries of the periphery) and the large distribution of dividends and, more generally, the high profitability of foreign direct investment. The second curve in the figure plots the profits from the affiliates of transnational corporations, a component of the total described by the first curve. The steady rise reflects the gradual internationalisation of production. Thus, the sharp rise in the early 1980s is clearly an
effect of the remuneration of portfolio investment in the rest of the world. (The fluctuations follow those of interest rates). The rise in the 1980s also coincides with a return to high profit rates, as can be seen in Figure 2.3.

Figure 2.3 Profit rate (%): ‘Europe’ and US, private economy

By ‘Europe,’ we mean only three countries: Germany, France, and the United Kingdom. The profit rate is the ratio of a broad measure of profits (output minus the total cost of labour) to the total stock of fixed capital, minus depreciation. Thus, all taxes (indirect and business taxes), interest, and dividends are still included within profits. Sources: NIPA (BEA); Fixed Assets Tables (BEA); OECD; French National Accounts (INSEE).

How did this happen? How were the upper fractions of ruling classes able to restore their comparative income and wealth, draining resources on both a national and international basis? A first element was the dollar crisis in the early 1970 and the fall of the Bretton Woods system established at the end of World War II. The devaluation of the dollar by approximately 30% of its value (Duménil and Lévy, 2000 and 2004, fig. 12.1) was accomplished thanks to the flotation of exchange rates. It was followed by the gradual liberalisation of the international movements of capital. A new deregulated international financial system was allowed to develop, which is known as euromarkets (see Helleiner, 1994). A crucial pillar of the earlier compromise had thus become unstuck, as a particular countries to a large extent lost control of their currency. The so-called ‘law of the market’ was imposed internationally. A key element in this restoration was, however, the crisis of the 1970s. By ‘crisis,’ we do not mean here a usual recession, but a lasting deterioration of the economic situation: diminishing rates of capital accumulation (investment) and rates of growth, the productivity slowdown, the stagnation of wages, a wave of unemployment (in particular in Europe), plus gradually cumulative inflation.

This crisis followed a period of decline of the profit rate, as shown in Figure 2.3, for three European countries and the US. Profits in this measure of the profit rate still include taxes, interest, and dividends. Between 1960 and the beginning of the 1980s, the profit rate in
this measure declined approximately from 22% to 14%, accounting for the above unfavourable traits (further down we will comment on the restoration since the mid-1980s.) Keynesian stimulation policies proved unable to confront this new situation, although they were used practically to the end of the 1970s by the Carter administration. The criticism of Keynesian policies had been in the air for quite a few years, with the rise of monetarism, which signalled a return to earlier monetary and financial orthodoxy in a new form and context. Jimmy Carter appointed Paul Volcker as the new head of the Federal Reserve, and interest rates were raised to levels supposedly required by the fight against inflation. Simultaneously, the power of the Federal Reserve was augmented; the new corporate governance (that is, a new management framework favourable to owners) was established; a new, more benign regime in the area of mergers and acquisitions was put in place; many constraints on the action of corporations were lifted; a tough stand was adopted towards labour (as in the repression of strikes); the rise of the labour costs was addressed more aggressively, etc., etc. The interest rate hike of 1979 was emblematic of the assertion of the neo-liberal order: the new power of finance and a disdain for the hardship this new course could cause to the world. We call it the ‘1979 coup,’ since it was of the nature of a political coup.

Devastation In The Centre And The Periphery

If ruling classes and financial institutions benefited tremendously from the new neo-liberal order, the cost was huge for large segments of the population, both within countries of the centre and the periphery. We will not take up here the case of Japan, which is quite specific, but focus on the US and Europe, on the one hand, and countries of the periphery, on the other. Clearly, this division is overly simplifying. As shown in Figure 2.3, a strong restoration of the profit rate is underway in the US and, to an even larger extent, in Europe, since the mid-1980s. By this measure and using the same definition, the levels reached at the end of the 20th century are similar to those of 1960. We interpret this movement as the effect of a rising technological and organisational efficiency, a new ‘management,’ in a very broad sense of the term. It is related to the new technologies of information of communication, which accounted in 2000 for half of all investment in equipment. It seems unquestionable that neo-liberalism, by the pressure it exercised toward record profitability levels, contributed to this restoration through the discipline it imposed on labour and management, and through the stimulation it gave to the exploitation of the periphery.

From the viewpoint of the advanced capitalist countries, the most obvious cost of neo-liberalism is its poor performance concerning accumulation. There is a sharp contrast between the profit rates as in Figure 2.3 and a measure in which taxes (though they are not at issue), interest, and dividends are deducted from profits. Such a measure is displayed in Figure 2.4 for US non-financial corporations. The profile is significantly different from that in figure 2.3. The fall occurs later, at the end of the 1970s, due to low real interest rates and limited dividend payout. But the decline is still large. During the 1960s and 1970s, this measure

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5 The changing long-term trends of the profit rate allow for a periodization of capitalism (Duménil G., Lévy D., 2000). A downward trend was observed in the late 19th century; a recovery occurred approximately from World War I to the late 1960s; the downward trend, leading to the structural crisis of the 1970s, then followed. The new upward trend, since the mid-1980s, suggests a new phase, already underway for twenty years. This periodization is not equivalent to that based on the successive power configurations in Figure 2.1, although the two types of phenomena are linked. For example, the Keynesian compromise was established during the Great Depression, that is about 20 years after the upward trend of the profit rate was underway. The Keynesian compromise would have been, impossible in the absence of the rise of the profit rate.
fluctuated approximately between 3 and 4%; since the 1980s, it fluctuates around 1.5%, or even less at the end of the century.

Is this important? Yes, tremendously. It is due to the fact that the growth rate of the stock of fixed capital, the accumulation rate, which commands the capability of the economy to grow, closely follows the movement of the net profit rate (profit minus interest and dividends, and taxes). This is equivalent to saying that the potential benefits of the restoration of the profit rate were offset by the payment of interest and dividends. Things occur as if these income flows to households or the financial sector did not return to non-financial corporations! Where then did they go? Our argument is, to consumption, directly or indirectly. The size of the fall is already large in the US. In France, it was even more spectacular. Both the net profit rate as defined here and the rate of accumulation fell from 8% in 1960 to 1 or 2%, or less just after 2000. The structural wave of unemployment in France originated from this collapse of investment.

Figure 2.4. Rate of retained profits and rate of accumulation (%): US, Non-financial corporations

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As can be read from Figure 2.4, the second half of the 1990s stands out as an exception to this tight relationship. This divergence was a response to a truly exceptional pattern of financing from the rest of the world, which raised its direct investment in the US tremendously. We will return to this observation below.

The cost to the periphery has been described often enough. At issue are slow growth, crises, and social disruption. The exposure to the neo-liberal order had devastating consequences for these countries. Take the example of Mexico, a good pupil of neo-liberalism, and a clear example of the opening to the US economy. In spite of the horrors of the maquiladoras, growth rates of the Mexican economy suddenly were divided by two or three following the debt crisis of the early 1980s. The economy went into recurrent recessions with terrible social consequences. The turn to neo-liberalism of Argentina in 1990, often has
been described as proof of the efficiency of the new model. However, after a number of years on a clearly unsustainable trajectory, a devastating crisis occurred in the late 1990s, now well known. South Korea and South-East Asia are further examples, and so on. The most arrogant argument of neo-liberal propaganda as always been the claim that neo-liberalism represents a model of development. The example of the US is put forward as an alleged demonstration of the potential achievements of this type of social order, but one look at Figure 2.4 demonstrates the opposite. Only the second half of the 1990 were an exception to the poor performance of neo-liberalism concerning accumulation. This exception cannot be considered as a cogent argument, though, given the flimsy nature of this episode and the impossibility of its being reproduced in countries that do not likewise control the levers of the world economy. None of the countries of Europe or the periphery could have survived the disequilibria of the US economy, to which we now turn.

Contradictions

The 1990s demonstrated that neither the structural wave of unemployment in most European countries, nor the crises of the periphery would destabilize neo-liberalism. Not even the election of governments from the far left, as in Brazil, have that effect. This suggests that the situation of countries of the centre, in particular the US, will play the crucial role in future developments.

A first deep contradiction of the neo-liberal order, from the viewpoint of its own promoters, is the negative impact on accumulation of the income transfer to the owners of capital. Marx used to describe accumulation within capitalism as the ‘law and the prophets.’ Clearly, this is no longer so in neo-liberalism. Given the weak propensity to save and invest of the capitalists of the neo-liberal era, their income and wealth thoroughly depend on raising the rate of exploitation, increasing pressure on the rest of the world, and predatory practices such as the purchase, at a very low price, of entire sections of the production and financial economy in countries of the periphery. But parasitism has its own limits. The case of the American economy is telling in these respects. Figure 2.5 plots the rates of savings and investment in the US since World War II. Savings are defined after all types of purchases of goods and services, other than the components of fixed capital of enterprises (the variables are net of the depreciation of fixed capital). The curves show that the rates of savings and investment used to fluctuate, prior to neo-liberalism, at similar levels, around 4 or 5% of total output. The decline in the rate of savings within neo-liberalism appears then dramatic. It fell to approximately 1% during the following 20 years. In the early 1980s, the state shared with households a substantial part of the responsibility for these reduced savings, due to the budget deficits of the Reagan administration (in particular the costs of ‘Star Wars’). This decline reflects basically the steady rise of consumption by households. A study of the Federal Reserve shows that the 20% richest fraction of households, traditionally the source of savings, engaged in a consumption spree, with rates of savings of all households in comparison to their disposable income, declining steadily from 8 % in the early 1980s, to 2% (Maki and Palumbo, 2001). Investment also fell, as shown in the other curve, but considerably less so. As is well known, the difference between the rates of savings and investment corresponds to the contribution of the rest of the world to the financing of expenditure in the US, and hence, in a sense, to capital accumulation in this country.
Note incidentally that Figure 2.5 also gives us the contours of the ‘long boom’ of the second half of the 1990s, as already evident in figure 2.4. Total savings have now been taken into consideration as well, in particular the savings of households, instead of the sole savings of corporations. It can be seen, as in Figure 2.4, that investment was sustained during the second half of the long boom in spite of the fall of the rate of savings. As mentioned, this was due to an extraordinary wave of foreign direct investment. The growth of the US economy during the entire neo-liberal period therefore was only made possible by the deterioration of its financial position toward the rest of the world. This is usually described as a rising debt, although other financial investments, such as the purchase of shares, are also at issue. Around 2000, this negative position amounts to 33% of total US output.

Thus, a puzzling configuration has resulted. On the one hand, the remuneration of capital in the US depends tremendously on income flows drawn from the rest of the world (Figure 2.2); on the other hand, the US pays large amounts of income to the rest of the world. In the late 1990s, these two flows became equal, that is, the net flow reached zero. This is only possible because the rate of return of US investment in the rest of the world is about twice as large as what foreigners make when investing in the US. If the returns made by foreigners were to be equal to those of US investors outside of the country, the US would have to pay a net flow of income to the rest of the world equal to its total amount of domestic profits!

The long boom and the accompanying stock market bubble ended sharply in the recession at the end of 2000. Considering the growth rates of total output, and provided that the recovery of the beginning of the years 2000 will be confirmed, this recession appears in line with earlier downward fluctuations. Figure 2.5 shows, however, that the fall of

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6 Investment is also that of all firms, instead of only corporations.
investment was dramatic. Demand could only be maintained, given the profile of savings shown in Figure 2.5, by a massive expansion of credit. This must be related to the skyrocketing debt of households, which went on growing during the 2000 recession. The macro-economy was also bolstered by the decline of Fed-funds rates, an attempt to keep banks afloat, and by the adjustment of the parity of the dollar. Thus, this ‘standard’ recession is not particularly ‘standard’ after all.

A New Phase?

By way of conclusion, let us sum up how we the present situation of the US and world economy.

First, the 2000 recession in the US must be interpreted as an adjustment of the macro-economy after a particularly long boom, sustained by the exceptional flows of external capital (despite the low return on these financial investments in the US). This adjustment will be more or less costly, in particular in the context of a tumbling stock market which may destabilize the balance sheet of corporations, notably financial corporations. This will be a matter of economic policy and capability to adjust the existing power configuration to the necessities of the macro-economy (for example, to actually lower interest rates).

Secondly, the true face of neo-liberalism as a system of low accumulation will become fully apparent (even in the US). Whilst this aspect was effectively accepted in Europe, Japan, and the rest of the world, it will probably not be tolerated in the United States for nationalist reasons. There will be a trade-off between accumulation and the preservation of the income and wealth of the owners of capital. The preconditions for stable growth are that profits be retained by non-financial corporations for investment, real interest rates are lowered, and household expenditure for consumption is brought down—in other words, the opposite of what neo-liberalism was about to date, has to happen.

Thirdly, the factors summed up above obviously must be considered jointly. It will be very difficult to simultaneously curb the rising disequilibria within the US economy and to sustain the macro-economy. The main lever of monetary policy is the regulation of households’ mortgages; stimulating the economy while putting a stop to the growth of households’ debt levels, might prove uneasy to say the least.

Fourthly, there are two loopholes though. There are, to begin with, new trends of technological change which lie behind the restoration of the profit rate in Figure 2.3, and which determine the rising productivity of capital (to date, the rate of growth of labour productivity has not been rising significantly despite all the propaganda). The second loophole is an increased pressure on the rest of the world with the triple purpose of (1) augmenting the flows of income toward the US, (2) draining financial investment, and (3) preserving or increasing the gap between the returns on the flows of foreign investment from and to the US, respectively. This latter element might become more difficult due to the rising ‘debt’ of the US. Note that the subjection of the economies of the rest of the world to the neo-liberal order contributes to these three outcomes. So the dire situation of the periphery and the superior performances of the US in terms of growth during the 1990s are not coincidental.

Finally, the minimal transformation which is to be expected, will be a change of course of neo-liberal capitalism, since the present trends cannot be prolonged (for example, it is not possible in the long run to distribute more than 100% of profits as dividends). The American upper middle classes may play a crucial role in the transformation, as a result of the unravelling of the neo-liberal compromise due to the fall of the stock market and, in the

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7 Already in the establishment of neo-liberalism, nationalism played a crucial role. Margaret Thatcher’s bet to restore the United Kingdom as a major financial place was also supported by this national self-pride. Ronald Reagan’s slogan was ‘America is back.’
future, declining interest rates. However, the willingness of the rest of the world to keep the US economy in its present mode of operation afloat, may equally reach its limits, as is suggested by the failure, in September 2003, of the Cancun conference on world trade. Nationally as well as internationally, the outcome will be the result of struggles. Since the power and income of the owners of capital are at issue, the label ‘class struggle’ remains to most appropriate term to characterise the nature of these struggles.

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