

# Corona and the End of the Neoliberal Era?

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*For 40 years they hurled their neoliberal dogmas at us. The financial crisis seriously shook the belief in those beliefs, but eventually the system survived. This time things are different. The corona crisis and the socio-economic measures for saving the system have killed the neoliberal dogmas one by one. High time for something new.*

Fallen dogmas

*"We are living above our means. Sorry, but there is no money."*

They have taught us that for years. Health care was too expensive, unemployment benefits were too generous, wages were too high and there was simply no money for social or cultural matters. The government deficit and debts had to be kept as low as possible, which is why spending had to be reduced on everything.

Overnight there seems to be money indeed and they appear to have found gigantic money pots. Today they spend billions of euros as if they were handing out candy. A government deficit that is more than three times the 3 percent Maastricht standards or a debt ratio way above 100 percent of the GDP, all of a sudden it is all possible.

*"The free market solves everything; the state is inefficient."*

Privatize and deregulate everything as much as possible was the mantra. Government must be downsized as much as possible and allowed to interfere as little as possible.[i] In the words of the Belgian Flemish nationalist politician Bart De Wever: "The state is a monster that sucks up and spits out money".

The market completely failed during the corona crisis. That was most clearly and dramatically visible in issue of the mouth masks and personal protective equipment. Conversely, we saw both a dramatic return and rehabilitation of public government. It became visible to everyone that only the state can manage and overcome a crisis of this magnitude. Major sectors of the economy were fully or partially nationalized without any problems. According to the [Wallstreet Journal](#), economic stimulus in the US is "the biggest step towards a centrally planned economy America has ever taken."

*"Capital and entrepreneurship create prosperity."*

It is the entrepreneurs who create wealth. Thanks to their capital, daring and innovation, they create employment and increase the wealth of a country.

The lockdowns in the different countries have revealed the opposite everywhere, namely that it is the labor of the working population that produces wealth. When part of the active

population had to stop working, economic growth plummeted. It is labor that creates capital and not the other way around. The lockdown also showed that it is often the most essential jobs that get paid the lowest wages.

*“What’s good for the rich is good for everyone.”*

Precisely because wealth is created by capital and entrepreneurs, we must surely pamper them. Measures that favor entrepreneurs and high incomes (tax gifts, wage subsidies, state aid...) increase investment and create jobs. Their advantage eventually trickles down. This so-called trickle-down effect was the excuse for justifying the policy tailored to the richest 1 percent.

Corona exposes the fallacy of this reasoning. Indeed, thanks to the support measures, the super-rich have made significant progress. Since March 18, [billionaires in the US](#) have seen their wealth increase by a fifth, or \$ 565 billion. JPMorgan, the largest bank in the US, reported its highest quarterly turnover ever. Investment company Goldman Sachs recorded a growth of 41 percent compared to last year. Of the trickle-down effect however, there is little evidence. [Hundreds of millions of people worldwide](#) are pushed into extreme poverty. Domestically, the number of people who call on food banks has risen by 15 percent, and that’s just the beginning.

*“We are all egoists.”*

‘Man is capable of good, but by nature he is bad. He is primarily driven by self-interest.’ Neoliberal gurus have been teaching us that for decades. Ultimately, they believe, this is beneficial because self-interest leads to competition, which is what drives our economy forward.

The spontaneous and massive solidarity that spread across the globe during the corona crisis completely belied this cynical view of humanity. Young people made grocery runs for their elderly neighbors, thousands of volunteers made mouth masks or volunteered at food banks. When there was no protective material yet, nurses started taking care of their patients jeopardizing their own health – in other words: risking their lives. Certainly, there were groups that did not care about the security measures, but those were the exceptions that confirm the rule. The corona crisis shows more than ever that humans are essentially super cooperators, as previously described by the Belgian *people’s doctor* [Dirk Van Duppen](#) and Dutch journalist [Rutger Bregman](#). [Wendy Carlin](#), professor of economics puts it like this: “The model of the economic actor as amoral and self-centred will finally need to be updated”.

No to a repeat of 2008

All traditional parties, including greens and [Social Democrats](#), have been involved in, or at least supported, neoliberal policies over the past forty years.[ii] The consequences of this anti-social policy have become painfully clear in recent months. Pending cuts and privatizations have taken a toll on human lives in healthcare and residential care centers. In addition, the neoliberal recipes appear to be completely unsuitable to provide a solid answer to the economic crash.

In any case, a similar approach to that of the post 2008 period – pumping extra money into the economy combined with austerity – is out of the question. A new [financial doping](#) could

completely destroy the already weakened economy. New spending cuts would further erode purchasing power, causing a profound social and political crisis. The Financial Times' warnings are unambiguous: "But if we want [capitalism and liberal democracy to survive](#) Covid-19, we cannot afford to repeat the mistaken "socialise the losses, privatise the gains" approach a decade ago." "A return to austerity would be madness — an invitation to widespread [social unrest](#), if not revolution, and a godsend for the populists."

The widespread call for a paradigm shift

That much is clear. Neo-liberalism has come to an end, it is time for something new. Except for a few diehards, no one wants to return to the world before corona. The crisis and the responses to it has led to many frustrations and has [radicalized](#) an important part of the active population. In [the US](#), 57 percent of the population believe their political system works only for insiders with money and power. A majority of young people under the age of thirty support [socialism](#). In [the UK](#), barely 6 percent want to return to the same type of economy as before the pandemic. Only [17 percent](#) believe that stimulus measures should be financed through new savings.

70 percent of [the French](#) feel it is necessary to reduce the influence of the financial world and the shareholders. In [Flanders](#), three-quarters of the population believe that the money should come from large fortunes and two-thirds believe that after the crisis, politicians should work on an ambitious redistribution of wealth.

The academic and cultural world is also on that wavelength. [Three thousand scientists](#) from 600 universities believe that society should radically change its course and put employees back at the center of decision-making. [Two hundred artists](#), including Robert de Niro and Madonna, launched an appeal to "the world" not to return to "the old normal" of the time before Corona, but to profoundly change our lifestyles, consumption and economies.

This realization has also got through to the business world. [Klaus Schwab](#), founder and chairman of the World Economic Forum (Davos), speaks of a "great reset of capitalism". In his view, the pandemic exposed the shortcomings of an "old system" that had neglected infrastructure, health care and social security systems. "If we continue as we do now ... I could foresee that we will have a revolt in our hands." And even the super-rich beg in an [open letter](#) for "higher taxes on the wealthy to pay for Covid-19 recovery".

According to the [Financial Times](#) "radical reforms" will be needed to put on the table. "Governments will have to accept a more active role in the economy. They must see public services as investment rather than as liabilities and look for ways to make the labor market less insecure. Redistribution will again be on the agenda... Policies until recently considered eccentric such as basic income and wealth taxes will have to be in the mix." According to that newspaper, [liberal democracy](#) "will survive this second great economic shock only if the adjustments are made within the context of a new social contract that recognises the welfare of the majority over the interests of the privileged". [Foreign Affairs](#) too is talking about "a new social contract". The aim of this is "the establishment of a "well-being state" that would provide everyone with the basics necessary to maintain a decent quality of life". This presupposes "guaranteed universal access to high-quality health care and education". What was, until recently, considered as extreme leftist ideology has now become mainstream.

## An answer to four crises

The challenges we face are huge: The new paradigm must be suitable for respond to at least four crises.[iii]

### 1. Economic deadlock

The world economy has experienced a major crisis three times over the past decades: the dotcom crisis in 2000, the financial crisis in 2008 and in recent months a depression following a pandemic. This clearly shows that Covid is [not the cause](#) but the trigger of the economic storm. A healthy economy should in principle be able to cope with a corona shock, a country such as China proves it. But that does not seem to be the case at all for the capitalist economy. [Productivity growth](#) has almost stalled, [profit rates](#) (percentage of profit on invested capital) are steadily declining and [debt](#) worldwide has risen to an unsustainable 322 percent of GDP. Moreover, each crisis means nothing but misery for millions of people. This crisis will again push several [hundreds of millions](#) into poverty. It really can't go on like this.

### 2. Outrageous gap between the rich and the poor

In capitalism, production focuses solely on the pursuit of profit of a small group of private owners and not on the social needs or opportunities for development of the great majority. That creates an outrageous gap between the rich and the poor.

With the wealth that is produced worldwide today, every family with two adults and three children worldwide has a potential monthly disposable income of 4,100 euros (you read that right)[iv]. Yet one person in three of the world's population does not have any [basic sanitary facilities](#) and only one person in eight has [access to electricity](#). One in five lives in [a slum](#) and one in three does [not have safe drinkable water](#).

In my country, Belgium, [5 percent of the super-rich people](#) possess as much as the 75 percent of the poorest. In one of the richest countries in the world, 20 percent of families are at risk of poverty, a quarter of families have a hard time paying for all [medical expenses](#), 40 percent do not have any opportunity [to save](#), and 70 percent of the [unemployed](#) struggle to make ends meet.

These are not excesses of the system. They directly result from its logic.

### 3. Upcoming pandemics

Since the beginning of last century, we have known that almost all modern epidemics are the result of [human intervention](#) in humanity's immediate ecological environment. Mammals and birds are carriers of [hundreds of thousands of viruses](#) that are transmissible to humans.[v] The exploitation of previously inaccessible nature reserves means that there is an increasing chance of transmission of those viruses to humans.

In response to HIV, Sars, Ebola, Mers and other viruses, [top experts have been warning](#) for more than a decade. We may consider ourselves fortunate that no more deadly viruses have come our way. In 2018, scientists in the U.S. drew up [a detailed plan](#) to prevent such pandemics. Losses caused by Covid-19 may reach an estimated [\\$ 12,500 billion](#). The cost of the 2018 prevention plan is barely \$ 7 billion.

No financier has yet been found for the project. This should come as no surprise, because this kind of research is largely private, and is not about the public interest, but about profit. [Chomsky](#) puts it very sharply:

“Labs around the world could be working right then on developing protection for potential coronavirus pandemics. Why didn’t they do it? The market signals were wrong. The drug companies. We have handed over our fate to private tyrannies called corporations, which are unaccountable to the public, in this case, Big Pharma. And for them, making new body creams is more profitable than finding a vaccine that will protect people from total destruction.”

#### 4. Climate degeneration

The hunt for maximum profits undermines the ecological system of the earth and threatens the survival of the human species. According to famous writer and activist Naomi Klein, the world is faced with a decisive choice: either we save capitalism or the climate. This choice is razor-sharp in the fossil energy sector, the main culprit of CO2 emissions. The 200 largest oil, gas and coal companies have a combined market value of [\\$ 4,000](#) billion and gain tens of billions of profits annually. If we want to keep the temperature rise below 2 ° C, these energy giants must leave [60 to 80 percent](#) of their supplies untouched. But that is detrimental to earnings expectations and it would immediately make their market value plummet. Therefore, they still invest hundreds of billions of dollars annually in the quest for [new supplies](#). If current policies remain in place, demand for fossil fuels will rise by nearly [30 percent](#) within this and twenty years from a drastic decline, with no peak in sight.

As long as we remain trapped in profit logic, we are unable to stop climate warming. According to [The Economist](#), the mouthpiece of the global economic elite, the financial cost of combating global warming is simply too high.

In response to the corona crisis, governments have taken unprecedented measures. In order to tackle climate degeneration action will have to be taken which is at least as radical. “If there’s one thing the pandemic has shown,” the [Financial Times](#) wrote, “it’s the danger of experts’ warnings being ignored.”

#### Fight for a different social system

What can we learn from these four crises? That we will have to completely rethink our policies and our economy. In order to break the current economic deadlock, it will first of all be necessary to curb the financial markets and break the disproportionate power of the multinationals. In order to tackle social issues, the economy should no longer focus on the private profits of the few, but on the social needs of the many. There must also be a redistribution of wealth. In order to arm ourselves against future pandemics, the pharmaceutical industry will have to implement a radical change of course. Finally, climate policy is too important to be left to the energy giants and their profit logic. Their omnipotence must be broken so that there is room for a responsible climate policy.

To achieve all this, we will have to subordinate the economic sphere to the political sphere. Where is invested and what is invested in, the distribution of the economic surplus, trade, money, etc., we must all focus on the priorities and needs of today’s society and that of future generations. This “planning” by no means implies total state control, but it does mean that the economy is controlled by an (elected) political body and not by private

owners. It means that economic logic is subordinated to the state and not the other way round.[vi]

A different social system is a necessary and urgent goal, but it will not be realized by itself. Correct ideas are important but not enough to bring about changes. The present system is backed and driven by giant interests. Those who benefit from this system will [never voluntarily](#) give it up or be willing to make concessions, even if enlightened capitalists are convinced that such concessions are essential for the preservation of the system. [Associations of Entrepreneurs](#) will even try to use the crisis situation for imposing a shock strategy.

History teaches us that the type of society and our future [depend on the struggle](#) we will wage. As sociologist Jean Ziegler puts it, “we should not be optimistic, we should mobilize”.[vii] To build a powerful mobilization, we will have to build strong organizations, because our opponents are very strongly organized themselves. Or as [Varoufakis](#) puts it, “If we fail now to stand together ... my fear is that this system will only deepen its cruel logic”. In any case, these will be exciting and decisive times. Get ready.

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*This article was translated from Dutch by Dirk Nimmegeers.*

## Notes

[i] This withdrawal of the state does not apply to the major monopolies, on the contrary. Because of their large concentration of power, they have more and more impact on the state system. They use state power to strengthen their competitiveness and to guarantee maximum profits. This is done in various ways. Public contracts, subsidies and favorable tax rates are the best known. However, the government is also called in for [the exploration of new sectors or products](#). Here investments are uncertain and often require huge amounts of capital. Government agencies are taking on this expensive and risky initial phase, often in the context of the war industry. At a later stage, they are then transferred to the private sector, they are literally privatized. To give some recent examples, that was the case with the PC, the Internet, Google’s algorithm, wireless networks, touchscreen technology, GPS, microchips, biotechnology, nanotechnology and many other profitable products or sectors. [Apple’s](#) initial funding came from a US government investment company.

[ii] In all countries where Social Democrats were in governments, they helped shape neo-liberal policies. In the UK, Blair launched the “Third Way” between capitalism and socialism and made a pact with the ultra-right-wing Berlusconi. In Germany, Gerhard Schröder, the leader of the Social Democrats, introduced the low wage model that started a spiral of wage decline across Europe. In Belgium, the Social Democrats are partly responsible for the deterioration of purchasing power, poorer working conditions, the cuts in social security and health care, and the decline of pension systems.

Until now the greens have not co-ruled often and where they did, they have not changed the course of neoliberal policies. In Germany, on the other hand, they have eagerly defended the low wage model. During their only government participation in Belgium (1999 to 2004), they managed to bring about only minor changes. In the European Parliament, the Greens have almost fully endorsed neoliberal measures, such as the Six Pack, and they are thus partly responsible for the drastic austerity policies in



the EU.

[iii] For a more elaborated version of such an alternative model see '[Crisis of capitalism](#)' and '[Prioritizing use value over exchange value](#)'.

[iv] The calculation for the average family assumes the plausible assumption that disposable family income is 70% of GDP. In this case, we use the gross world product: \$ 136,000 billion PPP in 2019. That figure expressed in dollar PPP takes into account price differences between countries for the same goods or services and expresses real purchasing power. We converted that figure into euros using the World Bank's calculation method: 1 \$ PPP ~ 0.808 euros for Belgium.

Sources: [https://en.wikipedia.org/wiki/List\\_of\\_countries\\_by\\_GDP\\_\(PPP\)](https://en.wikipedia.org/wiki/List_of_countries_by_GDP_(PPP));  
<https://data.worldbank.org/indicator/NY.GDP.MKTP.PP.KD>;  
<http://www.worldometers.info/world-population/world-population-by-year/>;  
<https://data.oecd.org/conversion/purchasing-power-parities-ppp.htm>.

[v] An estimated 350,000 to 1.3 million viruses. Source [The Economist](#).

[vi] Economic planning can be defined as the ability to impose democratically agreed objectives aimed at sustainable economic development. There are different degrees of planning. Planning is best put into practice in a qualitative manner, more specifically focused on vital human needs. Bureaucratic planning should be avoided.

[vii] Quoted in an interview in *Solidair*, July – August 2020, p. 31.

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