

Philipp Ther

## After the „End of History“: The Rise of Right-Wing Nationalism and the Need for a New Internationalism

One week ago we could celebrate once more the unification of Germany, which in many ways was a re-unification of Europe. It marked the end of the revolutions in 1989, although in a much less utopian way, than the people out on the streets had demanded in Berlin, Prague, Sofia, and parts of the Soviet Union. Our keywords in Prague, where I happened to be 30 years ago, were freedom, democracy, humanity and solidarity. I think we should always remember these values, although we eventually got not much more than a reduced, economic version of freedom. Most European countries introduced variants of democracy as well. This combination of free capitalism and some sort of democracy was pretty much in line with the prediction of Francis Fukuyama and his famous essay and then book titled “The end of history”. It looked quite stable until the big crash of 2008, when the American real estate bubble burst and the world was on the brink of a financial meltdown.

Since then, other ends of history loom large on the horizon. Liberal democracy is on the retreat, even within the European Union. What I want to do with you today is to discuss the deeper causes of anti-liberalism and of the recent rise of right wing nationalism. I will conclude with a normative and political argument: What we need today is a revival of internationalism, however, not the neoliberal version, which was so pervasive and successful after 1989, but a social-liberal version. I think that the initiative of the Academy of Arts goes in that direction, and I hope I can contribute some ideas to it.

After Brexit and the election of Donald Trump in the *annus horribilis* of 2016, we must ask ourselves: what has gone wrong in last three decades? Why has history reached an end or rather multiple ends so different to the one predicted in 1989? It can be stated to the defense of Francis Fukuyama, that he was not alone with his poorly reasoned theory; politicians on all sides and many academics shared Fukuyama’s triumphalism about the perceived Western victory in the Cold War. Thirty years later it needs to be acknowledged, once more, that capitalism can work without democracy too, or behind a democratic façade.

This is evident in the rise of China, where the communists liberalised the economy but not the political system. The impetus for this was set also in 1989, with the massacre on Tiananmen Square. Ten years later, to retain the rhythm of big anniversaries, Russia set out on the path of authoritarian state capitalism. Another ten years later, Viktor Orbán achieved a two-thirds majority of parliamentary seats for the first time, in the climate of the great financial crisis. Ever since, the independence of the legislature and the judiciary has been massively restricted, the media have been brought into line and the Central

European University has been chased out of the country. But this doesn't seem to bother German industrial companies. Last year BMW was the third large automobile manufacturer to choose to build a factory in Hungary, since production costs are so low and, according to a law passed in 2018, the workers have no say in whether or not they put in 400 hours of overtime a year. The decision to invest in Hungary shows that semi-authoritarian regimes seem to be more attractive for German capital than welfarist democracies.

These and many other global investments, especially in China, indicate that western corporations prioritize maximum profit over democracy. This is nothing new, and I will return to this in greater detail in the second half of this speech on the global hegemony of neoliberalism. In the third part, I will discuss the connections between neoliberalism and antiliberalism. Following the historical sociologist Karl Polanyi, I understand the antiliberalism as a backlash to too free a market, as a "double movement" towards more social protection. It is no coincidence that Poland, Great Britain and the USA, for so long pioneers of neoliberal economic policy, have swung so far to the right.

The right-wing populists and nationalists achieved their majorities primarily in neglected and impoverished regions of their countries. From the perspective of comparative social history, there are similarities between deindustrialized regions of the neoliberal West and the post-communist East. The neoliberal order has produced too many losers here and there, which eventually rebelled and became a great target for right wing nationalists.

## **I. 1989 in a global historical perspective**

By pointing to the US, Great Britain, Poland and China, I already provided a global framework for analysing 1989 and the subsequent three decades. I would like to add a country on yet another continent, Chile. In late 1988, the Chilean dictator Augusto Pinochet lost a plebiscitary vote about his future presidency. This decision was unexpected, since Chile was in the midst of a powerful boom that was sustained until the late 1990s. The adherents to the Chicago School of Economics, Reagan and Thatcher, attributed this boom to the radical liberalisation and privatisation under Pinochet. The reports of the World Bank let me doubt about such a simplistic causal explanation. We can also attribute the strength and duration of the boom to the Christian Democrat economic policy that set in with the regime change in 1989 and strove for a "social equilibrium".

But for the West, for the international financial institutions and economics faculties the world over, the feedback was quite different. Chile's success story seemed to confirm the teachings of the Chicago School of Economics and Milton Friedman. The fact that 40% of the Chilean population had fallen below the poverty line was mostly ignored. Chile paid back its debts to American banks, who had been under stress because of a first neoliberal real estate bubble under Ronald Reagan.

The example of Chile inspired the Washington Consensus was drafted in 89 by the IMF, the World Bank, representatives of the US Ministry of Finance and high-ranking US congressmen. Initially the consensus was intended for debt- and inflation-ridden countries of Latin America. First on the ten-point list of measures was economic stability, which generally meant strict austerity policies. Further central elements were the triad of liberalisation, deregulation and privatisation. Other features were foreign direct investments and thus global financial capitalism. After the surprising collapse of the Eastern Bloc,

this consensus, which implicitly decried critics as dissidents, became a blueprint for the reforms in post-communist Europe.

This is well demonstrated by the Polish reform plan in the fall of 89, which was soon named for the man who devised it, minister of economic affairs Leszek Balcerowicz. It essentially contained all the points of the Washington Consensus; it too was formulated as a list of ten commandments. Since even prominent representatives of the left-wing of Solidarność such as Jacek Kuroń accepted the Balcerowicz Plan, we can speak of a “Warsaw Consensus”. Western experts played a substantial role in its creation – another reason I consider it important to stress the global dimensions of 1989.

In summary, the year 1989 stands, then, not only for the fall of the Wall and the liberation of East-Central Europe from Soviet domination, but for a global paradigm shift in economic policy evident since the late 70s due to ‘stagflation’ and the crisis of Western welfare states. Both Chile and Poland were perceived as proof that shock therapies and neoliberal policies worked.

Yet without the collapse of the Eastern Bloc and Yugoslavia, neoliberal hegemony would not have been so strong. After 1989, there was no competing system to serve as a corrective. Additionally, the Western European welfare states were themselves in need of reform and too expensive for post-communist countries. Hence Margaret Thatcher’s maxim “There is no alternative” gained traction. This would not change until the crisis of 2009; the hegemony of neoliberalism thus lasted around two decades.

## II. Neoliberalism

I’ve now used the term neoliberalism so often that a definition is long overdue. Neoliberalism is an ideology of economic policy based on the ideal of self-balancing markets and rational market actors. It fundamentally rejects state interference in the economy, strives for privatisation, economic liberalisation and deregulation on the national and international level. I would like to stress that I don’t think it’s productive to construct neoliberalism as a bogeyman; rather I use it as an analytical term.

I have little time to outline a very brief intellectual history of post-war neoliberalism. In the 50s, economists such as Milton Friedman embraced the concept and even advocated state regulation, for instance against monopolies and to support monetarism. But from the 70s onwards, there began a phase of self-radicalisation. The Chicago School economists essentially argued for a new version of what Karl Polanyi, in his major work *The Great Transformation*, termed laissez-faire capitalism.

After the collapse of communism, the emphasis was on implementing the Washington Consensus and the privatisation of state-owned enterprises. In the late 90s, there was yet another radicalization of neoliberalism, this time not so much in theory but in political practise. Around the turn of the millenium, core state competencies were privatised; the external liberalisation of trade was followed by internal liberalisation, especially of the labour markets, and deregulation of the national and international finance markets.

The post-communist countries were global pioneers in the privatisation of pension and health systems and the introduction of flat tax systems. The neoliberal hegemony

put additional pressure on the moderate left, the Democrats in the US and New Labour in Britain now supported neoliberal reforms as well.

Eventually even Germany implemented a similar policy. The social democratic-green coalition that came into power in 1998 implemented sweeping social and labour market reforms. As had happened in other post-communist countries, the old age pension system was partly privatised and the labour market liberalised. While the aim in 1990 had been to swiftly adjust East Germany to the West, the red-green reforms introduced adaptation to post-communist Europe. This is why I have invented the term “co-transformation”. The low-wage sector introduced as part of the Hartz-reforms (named after their author Peter Hartz, a former Volkswagen manager and Social Democrat) could compete with the cost of labour in Poland and the Czech Republic. The idea of “Ich-AG”, of mini-entrepreneurs, was supposed to motivate the Germans to become independent, like four million Poles, Czechs, Slovaks and Hungarians who had founded small enterprises in the early 90s.

The basic problem of the neoliberal order is that it rewards those individuals, social groups and regions within a country that are already relatively well-off. This can also be observed in post-communist Europe. The respective capital cities and a few regions experienced a boom with Chinese growth rates. Shortly before or after accession to the EU, they overtook the average per capita GDP of the old EU states. The standard of living enjoyed by the urban middle classes also reached Western levels. Measured against the initial situation in 1989, this was a great success.

But this transnational convergence went hand in hand with great divergence within the respective countries. Eastern Poland, eastern Slovakia and northeastern Hungary achieved not even a fifth of the GDP of their own capitals, and have also been left behind in terms of purchasing power and wage levels.

The chasm between poor and rich regions has narrowed a little since EU enlargement, but it remains very deep. It is the region known as “Polska B” that is the bastion of the PiS, the party governing since 2015. As in East Germany in the 90s, labour migration was a way to escape poverty. But this migration led to a situation in which many children grew up with one parent or at their grandparents’. Hence, the transformations were still perceived as suffering and not as an awakening. Of course, not only the so-called “losers of transformation” have voted for right wing populist parties. PiS, the AfD and comparable parties also attract voters from the middle classes, who fear to lose their status and might have struggled with unemployment and social downgrading in the past. According to Karl Polanyi, past social displacement is not simply forgotten when people find a job and a safe existence again, but has an impact on their later behaviour and attitudes.

### **III. The great crisis**

I assume everyone is largely aware of the course of the global financial crisis in 2008/09. Parallel to the real estate bubble in the USA there was a bubble in Eastern Europe that was also based on speculation in the financial and real estate sector and excessive consumer debt. The Eastern European bubble show the downside of foreign direct investments, which exploded as a result of the deregulation of the international financial markets. Foreign currency credits to private consumers proved especially toxic, bringing Hungary, Romania,

Latvia, Lithuania and Ukraine to the brink of economic collapse.

The crisis had a devastating economic and political impact. It stopped the previous convergence with the West and created a deep crisis of confidence. From the early 90s onwards, the post-communist countries had done everything to meet the demands of the EU. Now the West revealed massive systemic problems and corruption at the highest level.

Economic nationalism was a logical reaction to the currency and financial crisis. In Hungary, for instance, Western big banks and their local branches had lured over a million people into taking out highly speculative foreign currency credits. Depreciation of the forint due to the financial crisis saw these debts increase by 50%. Viktor Orbán exploited this to present himself as the saviour of the Hungarian middle class, forcing the Western banks to reevaluate the debts. Just by way of comparison: under Barack Obama 4.3 million Americans lost their houses and apartments to foreclosure. Orbán also ensured that his country left the IMF rescue programme.

Due to the great rise in unemployment and the austerity measures following the crisis, almost ten percent of the population emigrated from Romania, Bulgaria, Lithuania and Latvia. These are also the countries that reacted to the crisis of neoliberalism by continuing to pursue neoliberal policies. This was only possible because of the valve offered by internal European emigration.

Most Eastern Europeans left for the then liberal-minded Britain. But due to the crisis, the Eastern Europeans were increasingly seen as competition on the labour market. That was exploited by the proponents of Brexit. Migration has generally become such a sensitive political issue because migrants embody the risks of globalisation and their regional variant, Europeanisation within the framework of the EU. They also offer a more tangible target for demarcation than the international corporations and investors.

We can also identify two other groups of countries when it comes to coping with the crisis: Germany, Slovakia and the USA too countered with spending programmes, because they could afford to. In contrast, the southeastern European countries were dragged into the abyss by the euro and sovereign debt crises. Italy suffered a big slump in industrial production and other indicators similar to that in Czechoslovakia or Hungary after 1989. Nevertheless, there the costs of the crisis were largely passed onto the younger generation, not senior citizens as in Eastern Europe. The terrible youth unemployment cannot be blamed on neoliberalism; many other developments were not subject to political control either.

The technocratic governments which came to power in Southern Europe 2011 essentially followed the list of measures set out by the Washington Consensus. But the austerity programmes triggered a downward spiral, while the labour market and social reforms did not go very far. In contrast to Eastern Europe in the 1990s, there were very little foreign direct investments. The fundamental political problem is that such neoliberal reforms do not lead to quick economic recovery, at least not before the next elections.

The liberals and the reformist Social Democrats paid a hefty political prize at the ballot box. In Italy the left wing populist Movimento Cinque Stelle and the right wing Lega received more than 30 percent of the votes. In 2016 the reformist Partito Democratico lost the plebiscite about a constitutional reform – this was the third major disaster during the annus horribilis – and in 2018 they were voted out of government. Now they are back in, because the leader of the Lega, Matteo Salvini, overplayed his cards. Nevertheless, if the

economy does not recover from the Covid-crisis, the far right might be voted to power in a few years. The recent history of Italy provides another lesson: If right and left wing populist compete, the right is winning. The reason is probably quite simple: Nationalism is a more effective rallying cry than the left criticism of global capitalism.

#### **IV. From neoliberalism to antiliberalism**

When the existing order proves too unsettling and no longer seems sustainable, it provokes counter movements. 75 years ago, in his book *The Great Transformation*, Karl Polanyi developed theories and concepts that allow us to grasp the end of transformation as it was understood after 1989. For Polanyi, the globalised free market is in conflict with people's need for social protection. Hence there always arose "double movements", counter movements opposing globalised capitalism. Our problem today is not the counter movements themselves, but who is driving them and which ideologies they are associated with. And this brings me to antiliberalism, although I'd be careful with the suffix "ism", since we are not talking about a fixed ideology.

Eastern Europe has been a pioneer of neoliberal reforms, but also of the subsequent antiliberal rebellion against them. In the 1990s the reforms were pushed through with variants of the slogan "there is no alternative". This worked well for quite a while, but at a prize for democracy. The electorate was demobilized, more and more people abstained from the elections. In Poland, the pioneer of pro-market reforms, voter participation dropped below 50 percent after 1995, much like in the United States, by the way. When Poland experienced a massive rise in unemployment around the turn of the millennium mainly because of demographic reasons –this time finance minister Balcerowicz cannot be blamed – left-wing and right-wing populist parties gained almost 30 percent of the vote at the parliamentary elections of 2001. In 2005, after the recently elected post-communists had broken their social manifesto for a second time, PiS became the strongest party and formed the government.

Research on populism cannot find consensus concerning the extent to which the very different movements and parties are conglomerates acting opportunistically or ideologically, or the extent to which left-wing and right-wing populists should be examined together. If we foreground the construction of a "true" people or the ethnonational re-definition of the nation and with it the electorate, then we cannot include the left-wing populists. Populist parties often began as protest movements. Indeed, most of their voters are the losers of post-communist transformation and, analogously, the losers of globalisation in the West. But they also receive support from broad swathes of the middle classes who fear social relegation.

There is currently a lively debate among political scientists regarding the extent to which right-wing populism should rather be seen as a conglomerate exploiting various ideologies and using new forms of political mobilisation or whether the ideological orientation should receive greater emphasis. For an historian who has worked in comparative nationalism research, there is a quite coherent ideology that one might characterise as a bundle of promises of protection and security. The right-wing populists promise protection from international competition in the economy, hence the turn against free trade (especially in the UK and the US). They promise protection of the domestic

labour market from foreign competition, hence the agitation against “illegal immigrants”. They promise protection from criminality (even though it has been decreasing for years) and protection from terrorism, only rarely without the modifier “Islamic”. And they promise preservation of national values and the traditional family with clearly defined gender roles. This entire worldview is stringently illiberal.

This illiberalism holds such a strong sway because it presents itself as an alternative to the existing “system”. In Germany, it is expressed in the very name of the AfD party (Alternative for Germany), representing an antithesis to the neoliberal “there is no alternative”.

Today, right-wing populism has long become part of the system itself, at least in those countries in which right-wing populists are in government. In the USA, the moderate conservatives thought Donald Trump would show restraint once he held the high office of president. But the opposite has been the case, partly due to the right-wing nationalist ideologues around him who gain attention not just in the media, but above all in their own peer group for their radical positions. The constant repetition of nationalist propaganda has an impact not only on the target audience, but on all those who are saying it. We can assume that Orbán, for instance, has come to believe his pronouncement on Muslims or Soros.

Can this self-radicalising illiberalism be traced back to neoliberalism? That alone would be to overestimate the history of ideas and the influence of neoliberal reform politicians, and it would underestimate social and cultural momentum. As an historian, as for 1989, for 2016 too I emphasise the significance of contingencies. Besides, an apparently similar result, the rise of right-wing populists, can have different causes in different countries and regions.

With reference to Karl Polanyi, the interesting question is why the pendulum did not swing to the democratic left after the crisis of 2009, but towards right-wing nationalism. I think it's of little use here to point the finger at what we term right-wing populists. The moderate left was no longer able to function as a corrective, since it had become too chummy with corporations and the stock exchange after 1989.

To conclude, concerning the continuities between neoliberalism and illiberalism: neoliberals and illiberal right-wing nationalists fundamentally reject public debates and deliberation – a hallmark of liberalism. They repeat the claim “there is no alternative” in their own way, dismissing dissenting opinions as fake news, if allowing them at all. What neoliberalism and illiberalism also have in common is contempt for certain sections of the population, foreigners and minorities and the losers of transformation, so-called “white trash”, the homeless. The social reforms and cuts after 1989 were in essence a strategy of mobilization through fear. The unemployed and the poor who did not accept low paid jobs and other conditions of the neoliberal state, were threatened with even more poverty or social declassification. In short words, the neoliberals permitted and promoted punching down. The right-wing nationalists punch down and sideways.

## **An internationalist response**

How can the EU, how can liberal democracies get out of this political dead end? That might get even more difficult now, if social tensions will rise as a result of Covid-19. The pandemic has strengthened nationalism on various levels. Borders have been closed, which

has been surprisingly popular, the virus has been presented as a foreign danger more or less everywhere.

But the current Covid-19-pandemics crisis also offers a chance, as does every crisis. This can be seen on a political level. At the very moment when the European Union appeared to fall apart to its single components, the nation states, it suddenly moved together. In order to fight the economic crisis resulting from Covid-19, the EU member states have opted for more integration, at least for now. The EU will issue joint debts and is allowed to raise taxes for the first time. This would have been unimaginable during the global financial and then the Euro-crisis ten years ago.

But I also see dangers ahead. The 750 billion crisis package was designed as an immediate relief program for a brief pandemic. It might be insufficient, if Covid-19 drags on or gets worse. The member states of the EU are starting from a very different basis, it will be much more difficult to revive the Spanish and the Italian than the German or the Austrian economy. Every single crisis in the past 30 years has led to a rising divergence between rich and poor on an international and national level. As of now, this scenario is repeating itself. The main problem in Europe is not that the poor are becoming much poorer, but there are so many new poor, among them many artists, actors, musicians and photographers. Another problem are the too high expectations from the EU. The European Commission is only a thirty-something thousand people bureaucracy, a third of the size of public service in Berlin. Hence, the European Commission can not rebuild Europe. This task is left to the single member states. Moreover, public administrations have been hollowed out by neoliberal policies. The state probably does not have the capacity to enact a New Deal, let alone a Green New Deal.

Since the EU-commission cannot build green energy and information networks needed for the new climate friendly economy, who can do it? I think much more mutual assistance is needed, between European governments, but also between European societies. This assistance could be multilateral or bilateral.

This is why the initiative of the Academy of Arts is important and much needed. Of course, it can only be relevant in a small, rather symbolic sector. But I think that active solidarity, mutual assistance is needed on all institutional levels, from the national down to the local level. Independent artists, actors and musicians are greatly endangered by poverty all over Europe. International programs, assistance beyond borders would help to fight poverty, to raise public visibility, to simply have more art in public life everywhere. It would also be important to counterbalance the old and new nationalism by a deliberately liberal and anti-nationalist agenda. At the moment the overwhelming majority of social media communication on politics is dominated by right wing populists and nationalist. The more silent majority needs to counteract against this and spread its own message. Yesterday Basil Kerski said about his Center of European solidarity "We do not want to be alone". I think he also said this about himself, and in times of Covid-19 this is all the more important.

I wish the Alliance of Academics all the best, I hope very much that you can fill it with programs that help artists and reach people all over Europe.