Introduction

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In 1989 the Berlin Wall came down. Two years later, the Soviet Union disintegrated. This collapse of communism in Eastern Europe and the Soviet Union discredited the idea of socialism for generations to come. It was seen as representing the final and irreversible victory of capitalism over socialism. This triumphant dominance was barely challenged for nearly the next two decades. But then the 2008 crisis hit and threw the Western world into a state of turmoil. More than a decade on, things are far from being back to ‘normal’; on the contrary, everything has come even more apart at the seams. Wars are raging, populists are taking over the reins and our ecology is going downhill.

This volume begins with a number of separate studies of some of the consequences of the introduction of capitalism into the former Soviet Union and China. It continues by examining possible alternatives to the existing organisation of the world economy, particularly as posed by the Chinese Belt and Road Initiative. It further considers alternatives to the policies currently pursued domestically and discusses ways of achieving these changes.

Socialism and capitalism competing

As gloomy and disturbing as the twenty-first century has been so far, it would be pretentious to claim that our times are exceptional in their level of grimness. In retrospect, we know that the good times were the exception to the norm, not the other way around. This is particularly true for the boom years following the Second World War. Prematurely, many came to be convinced that lasting prosperity was from then on the order of the day. At the very latest, the 2008 crisis (if not already three-and-a-half
decades prior to it) brought home that capitalism means misery for millions of people.

The grievances of today have triggered doubts among the young generations all over the globe that the world has to be like this. Such sentiments have expressed themselves in a variety of social movements, from the Arab Spring to the Occupy movement. Alongside these movements, ideas have reappeared—many of which are almost as old as the problem created by capitalism—among them calls for considering socialism as an alternative as outlined most famously by Karl Marx and Friedrich Engels.

In 1848, in their Communist Manifesto, Marx and Engels called on the working class to unite in order to create a socialist society. This call was international. Socialism would only be possible in countries that had laid the material basis for abundance under capitalism, they reiterated. Seventy years later, Lenin still held the same conviction. Even after he had been on the forefront of the first socialist seizure of power in 1917, he was adamant that for the revolution in Russia to survive it needed a far more advanced Germany or Britain to follow suit.

That a country like Germany might have its own revolution was not a far-fetched idea at this moment in time. Millions of people in the belligerent countries had been radicalised by their wartime experience. Whether the men in the trenches or the women in the factories, they understood that the fate of their nations depended on them. The ruling classes understood this too. The danger of revolution and unrest made the latter concede to a number of demands they had so long managed to circumvent. In the wake of revolutionary movements, former empires became republics and countries all over Europe introduced social reforms, such as unemployment insurance, social housing and war disabled relief.

While prior to the war, governments brought themselves to implement social welfare reforms in order to constrain the influence of social-democratic parties (most famously, Bismarck with his social welfare policies), now many social democratic parties became the closest allies, if not pivotal, in undermining and containing the revolutionary craving of their often much more militant followers by soothing them with reform policies. After these revolting masses were let down by their party once too often, they lost their spirit. The 1929 Wall Street Crash and the depression of the 1930s further disintegrated society. These factors combined allowed fascist movements to rise. Decisively for the catastrophes to come was that in Germany the conservative right opted for Hitler to save their skin.

The Second World War led to yet another radicalisation of working people all over Western and Eastern Europe and beyond. The threat of a
social revolution was back on the agenda, alarmingly so to the rulers of the time. Stalin – who was about to swallow many countries in Eastern Europe – would have seen a genuine socialist revolution as a mortal threat to his totalitarian regime, while the Western rulers feared an end to their economic domination. These fears resulted in an expansion of the welfare state that was unseen in history and never seen again. Governments began caring for their citizens ‘from the cradle to the grave’. Strengthened by full employment and favourable labour legislation, in most West European countries trade unions grew in numbers of members and in their political and economic influence.

For some time, it looked as if the ‘mixed economy’ of welfare-state capitalism had banished unemployment and delivered universal and long-lasting prosperity. Against this backdrop, it seemed reasonable to many working people to demand a fairer share of the cake. By that time, in the late 1960s, students also passionately vocalised their impatience with rigid hierarchies and dusty social mores. But then in 1973, the price of oil quadrupled. This unexpected earthquake shook one Western economy after the other.

In response to the oil crisis and the subsequent instability of markets, neo-liberal policies gained dominance. Thatcherism and Reaganomics in the 1980s came to determine not only their countries of origin but also influenced developments globally. Parallel to this, trade unions lost much of their industrial power. Social welfare was cut back, traditional industries closed down, state-owned services privatised and the financial markets deregulated. The fall of the Berlin Wall in 1989 and the collapse of the Soviet Union in 1991 further escalated the ideological offensive against public ownership and state provision of welfare and services in many capitalist countries. Austerity programmes, which had initially been launched by conservative governments, were continued by social-democratic governments, most notoriously by New Labour in Britain and the SPD in Germany, which goes a long way to explain their gradual decrease in popularity in the coming decades.

From 1989 into the 1990s, the neo-liberal economic template was implemented in most of the post-communist states of Eastern Europe and the former Soviet Union. The International Monetary Fund (IMF) devised programmes for the transition to a market economy, following the same mantras of liberalisation and deregulation, macroeconomic stabilisation and privatisation. Sometimes even the same advisors travelled from country to country, bringing what was termed the Washington Consensus first to Poland and later to Russia. In Central and Eastern Europe, where a legal consciousness was relatively strong, economic and institutional
reforms produced economic growth fairly quickly, albeit alongside widening inequality.¹ In the post-Soviet states, the lack of rule of law, the prevalence of corruption and strong bureaucratic networks – all factors impeding the full implementation of ‘shock therapy’ – led to economic decline, here with even more sharply rising inequality.

In Russia and Ukraine, businessmen with close connections to the state created private banks and bought much of the state-owned oil, gas and metals assets cheaply, creating a class of ‘oligarchs’. In Russia, from 2000 onwards, Putin moved against some of these oligarchs to deprive them of their influence on the media and to increase the role of the state in the ownership and control of the economy, to the benefit of his former KGB colleagues, other personal cronies and himself. In most other respects, however, Putin has followed the calls of the neo-liberals for low flat taxes on incomes; low taxes on corporations; slashing of social spending to be replaced by private insurance; freer labour markets achieved by cutting back workers’ and trade union rights; allowing the sale of land to individuals and corporations; raising the pension age; and joining the World Trade Organization.²

The increasing role of private enterprise in China and the opening up of the country to the world economy led to China replacing Japan as the main challenger to US economic dominance in the 1990s. This was not affected by the 1997 Asian financial crisis, which had ramifications around the world, including in Russia, but hardly affected the neo-liberal hegemony. Combining a neo-liberal economic policy with a neoconservative belief in the omnipotence of America, the administration of George W. Bush led the country into wars in Afghanistan in 2001 and Iraq in 2003. Regime change proved easy, but it was much harder to keep the newly installed governments in control of their countries. America’s world hegemony was severely challenged following these conflicts. The subsequent sharp increases in oil and gas prices strengthened not only the feudal Arab monarchies but also the Putin regime, giving the Kremlin a popular basis of support.

**Populism as an alternative?**

Despite long decades of capitalism seeming invincible, neo-liberalism suffered its own crisis of credibility. In the aftermath of the 2008 Western financial crisis, millions of people lost their jobs or their homes, real wages fell and health and social spending was curtailed, as governments resorted to austerity policies to reduce their deficits. In the United Kingdom, major
banks and financial institutions became insolvent or survived only because they were propped up with government funding. Meanwhile, the rich got richer year by year – in some parts of the world, astronomically so.\textsuperscript{3}

The political impact of the 2008 crisis varied between different countries. In the United States, it was a major factor in the defeat of the Republicans and the election of the Democrat Barack Obama as the first black president in 2008. In Britain, on the other hand, Gordon Brown’s pursuit of austerity policies led to Labour’s defeat in 2010 and the election of a much more austere Conservative-Liberal Democrat coalition, led by David Cameron. In the eurozone, Angela Merkel’s Germany led the trend towards austerity and pressured other states into subscribing to it too, which resulted in years of economic stagnation.

Austerity policies from above eventually incited a range of radical social and political movements of resistance from below. The year 2011 began with the flowering of the Arab Spring. In May the ‘indignant citizens’ movements emerged on the squares of Spain and Greece. In the autumn, the Occupy movement appeared across the United States and the City of London. In December, hundreds of thousands of Russians protested against fraudulent parliamentary elections. Putin’s response on his return to the presidency in May 2012 was to clamp down brutally on the opposition and launch a campaign to uphold ‘traditional’ conservative, religious values, promoting a statist form of Russian nationalism and continuing neo-liberal economic policies.\textsuperscript{4} In most Western countries, the protest movements had important political results. The indignant citizens created Podemos in Spain and boosted Syriza in Greece. In 2015, Bernie Sanders announced his candidacy for the Democratic nomination for America’s president as a democratic socialist, and Jeremy Corbyn, the far-left candidate, was elected leader of the Labour Party.

One of the most dramatic consequences these developments have had is the rise of populism as expressed in Brexit, Trump and the far right throughout Europe. In France, where the left is split several ways, the right-wing populist Marine le Pen went through to the final round in the 2017 presidential election, being beaten there by Emmanuel Macron who advocated a neo-liberal economic policy. As Jan-Werner Müller argues, typically, the populists of our time rage against the elites and the establishment, even though many stem directly from them. They launch campaigns against elite corruption and ‘treasonous’ trade deals and claim the exclusive right to represent the people, among other things by promising to return their national sovereignty to them. Further, they declare immigrants to be the main source of their people’s ills; for example by equalising Islam with terrorism, thereby appealing to the chauvinist and racist
prejudices of the more backward part of the population. Such hatred often goes hand-in-hand with anti-Semitism. Once in power (which is often gained with the active support of the traditional conservative right), populist governments undermine checks and balances, clamp down on trade unions and civil society organisations, and use referenda that allow for popular participation in politics as supposed instruments of real democracy. This is often accompanied by some kind of showdown with the alleged enemies of the people, whom they accuse of conspiring against the nation with the backing of the mainstream media which spread ‘fake news’.\(^5\)

Such a scenario is hardly what Marx and Engels would have wanted to see as the consequence of having neo-liberal ideas discredited.

**Area studies and global theories**

This edited volume is not intended to provide summary overviews of the history and essence of global theories revolving around socialism and capitalism. Instead, it brings together research studies from the 2010s, which deal with capitalism in action against the backdrop of a new international situation. On the one hand, for more than a quarter of a century the Soviet Union and the Eastern Bloc are no more; and on the other hand, China is more powerful than ever.

The global repercussions of both regions’ trajectories demonstrate the still persisting significance of research that is located in the interdisciplinary field of area studies. In the English-speaking world, area studies has just celebrated its centenary. The University of London created the School of Slavonic and East European Studies (SSEES) in 1915 and the School of Oriental and African Studies (SOAS) in 1916. The area studied by SSEES – the former Soviet Union and Eastern Europe – has functioned as a laboratory for the experiment of making the transition from centrally planned economies to various forms of capitalism. This also implied that boundaries became much more malleable than in the decades prior to this. For area studies, this has wide-reaching implications. Such sudden geopolitical and ideological remapping (for example, former Eastern Bloc countries becoming members of the European Union) has thrown into question the traditional separation of the East European area from Europe as a whole.

Moreover, global trends often manifest themselves in concrete area or country situations. The area studies tradition is to analyse the interaction of the cultural, historical, social, economic, political and ideological
influences on a specific dynamic. One early example of someone taking an area studies approach, albeit not using the term, was Karl Marx. He developed his theory of the state on the basis of the study of the state in France in works such as *The Class Struggles in France* and *The Eighteenth Brumaire of Louis Bonaparte*. Many present-day area studies practitioners might not see themselves in the Marxist tradition, but not unlike him, they have again turned their attention to the global significance of their research beyond the confines of their traditional region or country of study.6

Our prime geographical focus is nevertheless on those two great powers, one in decline, the other rising. We also consider the implications of these developments for Western societies. The volume covers three major areas. Part One revolves around the impact of capitalism on countries that had centrally planned economies. Part Two focuses on the alternative posed by China’s outstanding economic growth – its domestic consequences, and how it is projecting its economic power to challenge the current international economic order. Part Three identifies features in contemporary society that point towards alternatives that have the potential to challenge the existing socio-economic relationships in Western states.

There is a substantial literature on the ‘varieties of capitalism’. Hall and Soskice deal exclusively in two models of capitalism. One is the ‘liberal market economy’; that is, the Anglo-American version. The second is the ‘coordinated market economy’, more normally known as the mixed economy or social-market economy; that is, the version found in Scandinavia and Germany.7 Others have added Eastern Europe to this mix.8 In another twist, János Kornai views varieties of capitalism by their political regimes.9

Similarly, we can talk of ‘varieties of socialism’. The Soviet model of central planning and one-party rule was only one of many possibilities. Within Eastern Europe, there were experiments with market socialism in Hungary and self-management in Yugoslavia. The model of ‘socialism with Chinese characteristics’ has taken the role of the market much further.10 Within the Marxist tradition, many tendencies reject Leninist concepts of the need for a single ruling party.11 Beyond the Marxists, the nineteenth-century concept of cooperative socialism shows resilience in the forms of the contemporary cooperative movement and worker-owned enterprises such as John Lewis. Many Western socialists favour a pluralist system, with a combination of nationalised, municipal, cooperative and private business providing support for well-funded public health, social, educational and environmental services.
Despite the geographical foci that this volume deals with, it nevertheless has global reach. The opening chapter by Ruslan Dzarasov shows how contemporary Russian society is a semi-dependent capitalism, depending on the core capitalist countries for its markets while simultaneously exercising hegemonic power regionally. This reinforces the relevance of world systems theory, classifying Russia as part of the semi-periphery. Here our application of area studies confirms a particular approach to global economic relationships.

The last years saw a continuous increase in social inequality. This trend was accelerated by the 2008 financial crisis, which hit almost everyone but the wealthiest. In 2014, a global debate on inequality was initiated following the publication of Thomas Piketty’s *Capital in the Twenty-First Century*. Piketty argues that capitalism automatically produces extreme inequality. He warns that the increasing imbalance in global wealth has the potential to cause major instability and to threaten democracy. He recommends that the state should intervene to counteract this.\(^{12}\)

Two chapters in this volume examine how the rich in Russia have accumulated their wealth and how they legitimise it. Catherine Suart dissects the origins of the wealth held by the Muslim business elite in Russia. She also explores how these oligarchs strive to legitimise their power and exercise political influence. Power legitimisation is also the topic of the next chapter. Elisabeth Schimpfössl and Timothy Monteath investigate the philanthropic practices exercised by Russia’s hyper-rich and compare them to those of the British elite.\(^{13}\)

There is growing interest in the impact on society around the world of informal practices. A major contribution towards the study of this is *The Global Encyclopaedia of Informality*, published in the UCL Press Fringe Series.\(^{14}\) A final chapter in the first part of the present volume analyses the impact of neo-liberal reforms on the traditional informal structures prevalent in Eastern Europe and the former Soviet Union. Costanza Curro discusses the survival of the *birzha*, the informal youth networks in Georgia.

The principal challenge to Western capitalist dominance of the world economy in general and American dominance in particular comes not, as yet, from systemic alternatives arising from within the West, but from China, the focus of Part Two. This part is opened by a chapter that deals with the rise of China’s billionaires and their close relationship with the Communist Party officials. Its author, Ion Marandici, finds that higher income levels correlate with party membership and education.

Heiko Khoo poses the key question whether China today is capitalist or socialist and whether it offers a viable alternative to both Soviet-
style socialism and to free-market capitalism. He applies the theories and definitions of capitalism and socialism developed by the Hungarian reform economist János Kornai. Khoo argues that the rise of China challenges the hegemony of liberal democracy and the free market which is held to underpin it. China’s leader Xi Jinping is the most influential Marxist in today’s world, but outside China few people read his writings or speeches, and many Western Marxists consider China to be capitalist. Nevertheless, the impact of his ideas and actions is decisive in shaping the fate of China. Khoo locates Xi’s line today in the tradition of the New Economic Policy (NEP), introduced by Lenin in Russia in 1921. According to Khoo, Xi’s emphasis on Marxism as China’s guiding ideology is connected to a radical campaign against corruption that is designed to strengthen the communist party’s popular support and appease social discontent. His defence of the central role of public ownership and his outright opposition to parliamentary democracy indicate that China will remain a communist state for the foreseeable future.

The next chapter on China deals with the country’s role on a global scale. Xi Jinping’s Belt and Road Initiative seems to pose a challenge to Western neo-liberal trading patterns. Peter Braga and Stephen Hall ask whether the Belt and Road Initiative poses an alternative system, as opposed to an alternative communications network. They conclude that it does not, but that China will use the project to stimulate changes in the global system to its own advantage.

The two chapters in Part Three bring us back to Western Europe and North America, where the discrediting of neo-liberalism has led to a renewed interest in ideas of a mixed economy. More effective state intervention should both revive growth and reduce inequality. Among other concepts, Keynesianism is beginning to make a comeback. Writing in 2018, Robert Skidelsky, the biographer of John Maynard Keynes, is among several who have warned that the world economy is heading for another crash. He has called for a partial return to Keynesianism with governments borrowing in order to invest. Keynes had argued that, in order to avoid recessions, which he saw as endemic in the capitalist system, the government should be ready to borrow money and raise the level of aggregate effective demand. In Western Europe between 1945 and 1973, Keynesian theory was generally seen as the answer to Marx’s theory of inevitable capitalist crisis.

Geoffrey Hosking’s chapter, which focuses on Britain as an example but is of global significance, concretely shows the impact of neo-liberal policy. He shows that the resulting inequalities have led to a loss of faith in the political system and rising right-wing populism. In arguing for a
return to Keynesian policies, he points out some of the mistakes made by governments in the past, which prevented these policies from working properly.

Others have questioned whether a return to Keynesianism is viable in the twenty-first century and suggested that it is capitalism itself which needs to be replaced, not simply the neo-liberal model. Some have argued that capitalism can only continue to exist by taking away democratic rights. As traditional social democracy adapted itself to neo-liberal ideas and policies, its support amongst the working class tended to decline. This was sometimes challenged by new, radical movements on the left which occasionally inspired large numbers of young people into political activity and in a short time achieved substantial support: for example, Podemos in Spain, Syriza in Greece, Jeremy Corbyn in Britain and Bernie Sanders in America. Pete Duncan’s chapter discusses the successes and limitations of these four movements.

Notes
2 For a neo-liberal programme articulated early in the Putin era, much of which has been implemented, see Vladimir Mau, From Crisis to Growth (London: Centre for Research into Post-Communist Economies, 2005), especially ch. 10. Mau is now Rector of the presidential Russian Academy for the National Economy and State Service in Moscow. For a celebration of neo-liberal achievements in the former Soviet bloc, and a call for their greater application in the former Soviet Union, see Ånders Aslund, How Capitalism was Built: The Transformation of Central and Eastern Europe, the Caucasus and Central Asia, 2nd ed. (Cambridge: Cambridge University Press, 2013), 358–65.
3 Few still subscribe to the declaration of the final global triumph of capitalism as expressed in Francis Fukuyama’s The End of History and the Last Man (New York: Free Press, 1992), an idea which its author has abandoned in the meantime (see Fukuyama, Political Order and Political Decay: From the Industrial Revolution to the Globalisation of Democracy (London: Profile Books, 2015)).
6 For example, Geoffrey Hosking, having studied the phenomenon of trust within Russia, then moved on to write a book on the global importance of trust. Geoffrey Hosking, Trust: A History (Oxford: Oxford University Press, 2014).
10 For an analysis of the workings of the different models of ‘real existing socialism’, see Alec Nove, The Economics of Feasible Socialism (London: Allen & Unwin, 1983) and Heiko Khoo’s chapter in this volume.
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**Bibliography**


