

Editorial

PARADIGM SHIFTS

EMERGING FROM YEAR ZERO of the pandemic, the US and EU have adopted recovery programmes widely acclaimed as historic turning points. The Next Generation EU programme (NGEU) offers €750 billion to help member states towards a greener, more digitized recovery. The sum is relatively modest but, critically, the project endows the European Commission with the power to leverage its budget by borrowing on the markets. For its admirers, this initial offering is the thin end of a transformational wedge. ‘If the EU borrows €500 billion this year for a European recovery fund, then it could easily borrow another €1 trillion next year for a digital-inclusion fund, and then maybe €2 trillion for vehicle electrification or €3 trillion for a comprehensive climate-change fund’, argued Anatole Kaletsky, former economics editor of *The Times*. The NGEU represented ‘a Hamiltonian moment’ for the fractious bloc. As in the 1790 compact between America’s founding fathers, debt could be the catalyst for a stronger federal centre and deeper continental union.¹

The NGEU package was formally adopted on 11 February 2021, pending ratification by the member states. A month later, on 11 March, Biden signed the \$1.9 trillion American Rescue Plan into law, giving \$1,400 to all Americans earning under \$75,000 a year, as well as a monthly child allowance, emergency health insurance and a weekly \$300 unemployment benefit. An additional \$750 billion went towards vaccinations and state/city support. In late March, Biden unveiled a \$2 trillion American Jobs Plan, a ‘paradigm shift’ in infrastructural investment—transport, power grid, rural broadband, clean energy, electric vehicles, R&D ‘to win the competition with China’—and promised

a Climate Plan and an American Families Plan to follow.² Comparisons with FDR and Eisenhower proliferated. Biden's rescue programme was 'almost as historic as the pandemic it seeks to mitigate', according to the *Financial Times*. Not simply 'the biggest anti-poverty effort in a generation' (*New York Times*) and a 'seismic shift in US politics' (*Washington Post*), but the dawn of a new economic era—a structural break with the neoliberal consensus.³

I

After so many false dawns, claims about the end of the neoliberal era will be taken with a pinch of salt. A first step in assessing them is to distinguish analytically between first, the implementation of neoliberal policies, second, the prevalence of broader neoliberal ideologies and third, the operations of the capitalist economies themselves. Harmless enough in everyday political speech, the substitution of an ill-defined 'neoliberalism' for capitalism as such risks not only sweeping away the insights gained from over a century of inquiry into the latter's dynamics as a mode of production and reproduction, but also blurs the fact that practices may be 'post-neoliberal' but still decidedly capitalist.

Restricting the term 'neoliberal' to the school of thought descending from Mont Pèlerin, we can ask which of its policies have been abandoned and which are still in use. As a rule of thumb: a central principle of neoliberal thinking posits that the regulation of the market should be insulated as far as possible from any popular-democratic pressures, which will only distort its operations. A corollary is the drive to liberate spheres of economic activity from such interference, through strategies of deregulation, privatization or marketization, to ensure the freest possible movement of capital and the largest pool of cheap and biddable labour.

¹ Anatole Kaletsky, 'Europe's Hamiltonian Moment', *Project Syndicate*, 21 May 2020. This text owes much to the stimulating criticisms of Benjamin Kunkel, Thomas Meaney and members of NLR's editorial committee.

² Jim Tankersley, 'Biden Details \$2 Trillion Plan', *NYT*, 31 March 2021.

³ Editorial, 'A Historic Moment in US Stimulus', *FT*, 8 March 2021; Michael Shear et al., 'With Relief Plan, Biden Takes on a New Role: Crusader for the Poor', *NYT*, 11 March 2021; Jeff Stein, '"We Need the Government": Biden's \$1.9 Trillion Relief Plan Reflects Seismic Shifts in US Politics', *Washington Post*, 7 March 2021; Tracy Alloway and Joe Weisenthal, 'Did We Just Experience a Break in the Neoliberal Consensus?', *Bloomberg* podcast, 15 March 2021.

State regimes have always had wider—and narrower—concerns than the market alone. To take the American example: the US imperial infrastructure, the defence of Israel, the ‘war on drugs’ and the ‘war on terror’, as well as market-distorting affirmative-action policies or immigration restrictions and do-gooding ESG goals, all exceed or flatly contradict Mont Pèlerin prescriptions. As a broader free-market ideology, neoliberalism has typically been supplemented by non-market aspirations: nationalism, under Reagan and Thatcher, or multicultural equity and diversity. Meanwhile capitalist dynamics have continued to unfold according to their own, intensely competitive, creative-destructive laws of motion. We can briefly track the trajectories of the three—policies, ideologies, economies.

2

The first acts of the drama are familiar enough. Neoliberal prescriptions gained influence in the 1970s as a solution to the problems caused by the astonishing success of Cold War Fordist capitalism. Dynamic production centres in Germany and Japan were undercutting American multinationals, which wanted a freer hand, at home and abroad. Responsibility for the Bretton Woods system was becoming a shackle, offering geopolitical leverage to competitor capitalist states. Henceforth, the fiat-dollar system would put the levers of the world-monetary order in the hands of the technocrat-financiers at the Federal Reserve. Operating across an uneven world landscape, the practical application of neoliberal policies was shaped by prevailing political-economic and cultural-ideological conditions—in Chile, under Pinochet; in the UK, under Callaghan and Thatcher; in the US, under Carter and Reagan; in the EU, under the convergence criteria of the Maastricht Treaty; in the indebted developing countries of the Third World, more destructively, under the auspices of the World Bank and IMF; in Japan, more discreetly, under the MITI and MOF; in China, more cautiously, under Deng and the CCP. After the collapse of Soviet communism, social democracy largely rewrote itself as a ‘progressive’, cosmopolitan neoliberal project.⁴ By this stage one could speak of a broader neoliberal ideology, or constellation of ideologies, as distinct from the Washington consensus on policy prescription.

⁴ Its manifesto: Anthony Giddens, *The Third Way: The Renewal of Social Democracy*, Cambridge 1998.

The 1990s saw an unprecedented form of US-centric multinational capitalism, with world interest rates controlled from the Eccles Building in Washington DC. Massive new concentrations of manufacturing crowded the Asian-Pacific Rim, drawing on relays of sub-contractors and putting-out systems, with the Chinese village the ultimate safety net. Within a globalized labour market, American wages and consumer prices were diluted by endless slack. Weak demand was permanently stimulated by loans from a gigantic financial superstructure, fed by the dollars China was earning. The EU's insertion into world markets, powered by the FRG, was also fuelled by low-cost ex-Comecon labour and a miraculously cheap-for-Germany single currency. This was a form of capitalism based on globalized manufacturing, financialized profits and debt-driven demand. In the East, sustained investment saw an unprecedented rise in living standards, while the West was characterized by inflated asset prices, falling real wages and rising debt, which in 2008 duly undermined the hyper-leveraged Atlantic banking sector.

3

Through the financial crash and Great Recession, though policy positions differed on either side of the Atlantic—the US Treasury Secretary had to hector EU finance ministers—none strayed beyond broad neoliberal principles. In the Eurozone, the growing autonomy of the ECB as it overrode Treaty provisions represented an advance for expert authority, insulated from democratic pressure, as did the imposition of the Troika, the Fiscal Compact, the Semester system and the Memoranda wrung from elected governments. The word from Harvard that public debt over 90 per cent of GDP would halve future growth became an article of faith.⁵ The Fed's massive QE programmes and near-zero interest rates were of a piece with Milton Friedman's advice to Japan in 1997, although they did not have the effect he predicted—of restarting growth within a year—either in Japan or, after 2010, in the West.⁶ Instead, monetary infusions became a structural feature of the advanced-capitalist economies, orchestrated more or less smoothly by the major central banks under the baton of the Fed. Any missteps were signalled by upheavals in the financial sector.

⁵ Carmen Reinhart and Kenneth Rogoff, 'Growth in a Time of Debt', *American Economic Review*, vol. 100, no. 2, 2010.

⁶ Milton Friedman, 'RX for Japan: Back to the Future', *WSJ*, 17 December 1997.

In the 2010s, a new regime of accumulation emerged from the solutions to the financial crisis: a form of globalized, financialized, debt-driven and now centrally monetized capitalism. Soaring stock markets, backed by trillions of dollars in QE, and an anaemic recovery, with weak domestic investment, drove wildly divergent class outcomes. The Eurozone, operating with relatively more conservative policies, fell into a double-dip recession. The exception to post-2008 austerity was China, which at US urging unleashed an unprecedented fiscal stimulus, over 16 per cent of GDP, which created serial speculative bubbles and soaring total debt. ‘Normal’ rates of return—compared to near-zero in the West—sucked in global funds: Chinese capital investment rose to \$6 trillion by 2018, compared to just over \$4 trillion in the US. If inequality levels rose still higher, Chinese wages continued to rise by 10 per cent a year, while inflation was under 3 per cent. Alternating between cooling the economy and heating it, juggling interest rates to cater for over-indebted companies and avoid capital flight, the CCP tried simultaneously to shore up economic sovereignty and open its trillion-dollar capital markets to foreign investors.⁷

4

Though neoliberal policies continued undeterred in the 2010s, the broader neoliberal ideology took a battering. The main populist forces on the right—whether national-imperial, Catholic-conservative or charismatic-authoritarian—and on the left—whether social-democratic or anarchist-cosmopolitan—were not anti-capitalist as such, but stridently anti-neoliberal. Trump’s campaign to make American capitalism great again appealed to a national-imperial tariff system and ethnicist immigration policy. Sanders and Corbyn hoped to strengthen the position of labour through a minimum wage and better social provision.

On both sides of the Atlantic, liberal intelligentsias reacted with shock and dismay to the populist revolt—more so than to the conditions that caused it. Alarmist titles poured from the presses. In Europe, the tone was often bitterly anti-populist, drawing a friend-enemy line between progressive cosmopolitans and the ‘left behinds’. This line of thought can be traced to the sociologists of the Blair-Clinton era—Anthony

⁷ ‘How to Deal with China’ and ‘China’s Markets Are Shaking off their Casino Reputation’, *Economist*, 20 March 2021.

Giddens's *The Third Way*, recasting Ulrich Beck's *Risk Society*, identified those flexible enough to thrive and those doomed to fail under modernity. In the Europe of the 2010s, it took a more polarized and politicized form. Guy Verhofstadt and Daniel Cohn-Bendit's *Manifesto for a Postnational Revolution in Europe* was an aggressive example of Euro-cosmopolitan liberalism, calling for a leap forward to 'more Europe' in answer to populist social revolt. See also, with the zeal of an anti-Brexit convert, Paul Mason's *Clear Bright Future*. In the run-up to the 2019 Euro-parliament elections, at which populist parties were (wrongly) predicted to triumph, Macron published an appeal for a deliberative-democracy 'Conference for Europe' that drew on the same tropes as Verhofstadt and Cohn-Bendit, with a harder EU-security edge.⁸

In the US, the equivalent literature was more despairing, but also more socially responsible. Before 2016, titles focused on economic problems: Thomas Friedman's *What Went Wrong with America*, Robert Gordon's *The Rise and Fall of American Growth*, Tyler Cowen's *The Great Stagnation* or *The Complacent Class*. Thomas Piketty's critique of inequality, *Capital in the 21st Century*, was the surprise American bestseller of mid-decade. After Trump's victory, decline was cast as civilizational: Bill Emmott's *The Fate of the West*, Edward Luce's *Retreat of Western Liberalism*, Steven Levitsky and Daniel Ziblatt's *How Democracies Die*, Fukuyama's *Identity: The Demand for Dignity and the Politics of Resentment* expressed common concerns about America's fraying social fabric, detailing deaths of despair, the opioid crisis and the plight of the working class, supposedly set to worsen further with robotization and AI. Their common agenda, modest in the light of their apocalyptic portraits of American decline, was nevertheless more concerned with social renewal than their radical-cosmopolitan European counterparts: support for families, vocational training, renewable energy, increased R&D, a better level of social provision, fairer taxation, a more inclusive nationalism.

Crucially, during the Trump years, American-liberal handwringing about national-capitalist outcomes was galvanized by a sense of geopolitical urgency. From around 2018, the US policy elite swung from deploring Trump's tariffs to a hardening consensus against China. The Trump trauma drove a change of line among top Democrat thinkers, with a critical re-evaluation of the Obama Administration's

⁸ Emmanuel Macron, 'Renewing Europe', *Project Syndicate*, 4 March 2019.

handling of the Great Recession. Historically, they argued, shifts in American grand strategy had necessitated a change in economic philosophy—from mercantilism to Keynesianism in the 1940s, to neoliberalism in the 1970s. Another significant correction was overdue. Underinvestment now posed a bigger threat to national security than debt. Investment in infrastructure, tech, innovation and education would determine the outcome of the US competition with the PRC. Neoliberal assumptions had led to domestic dislocation and blind spots in the US approach to China; America's national security depended upon a new economic model.⁹

5

When COVID struck in 2020, the first reflex of authorities on both sides of the Atlantic was the protection of capital. The ECB unleashed a €750 billion asset-purchase programme, expanded corporate-debt buying and slashed collateral requirements for banks.¹⁰ In the US, as the stock market plunged and the \$14 trillion Treasuries market froze, the Fed launched an open-ended QE operation that drove its securities portfolio up from \$3.9 trillion to \$6.6 trillion by December 2020. It backstopped daily overnight repo operations to the tune of \$1 trillion, restarted emergency lending to the big banks, relaxed regulatory requirements and leveraged its \$454 billion allotment from the CARES Act to a potential \$4.54 trillion to disburse to non-financial corporations.¹¹

But in contrast to 2009, monetary largesse was backed by unprecedented debt-based state spending—a clear break with austerity nostrums, if an avowedly temporary one, justified by the extraordinary circumstances of the pandemic. Confidence bred by a decade of cost-free central-bank money printing underwrote the move. But the global fiscal turn had no particular ideological colouring. The Republican

⁹ Jennifer Harris and Jake Sullivan, 'America Needs a New Economic Philosophy. Foreign Policy Experts Can Help', *Foreign Policy*, 7 February 2020.

¹⁰ ECB press release, 18 March 2020.

¹¹ Jeffrey Cheng et al., 'What's the Fed Doing in Response to the COVID-19 crisis?', Brookings, 30 January 2021; Robert Brenner, 'Escalating Plunder', *NLR* 123, May–June 2020; Heather Long et al., 'The Stock Market Is Ending 2020 at Record Highs, Even as the Virus Surges and Millions Go Hungry', *Washington Post*, 31 December 2020. The rise depended largely on tech and digital stocks.

Senate and Trump White House, Tory Britain and Shinzo Abe's Japan were the top three spenders by percentage of GDP (Table 1). The Trump Administration oversaw \$3.5 trillion of additional pandemic spending between March and December 2020, although the roll-out was often chaotic, dependent on rundown state and local-government administrations.¹² In Britain, the Johnson government spent £72 billion on job-support schemes during the long lockdowns of 2020, though it didn't save the country from one of the deepest recessions and highest death rates. In Japan, the Abe government gave cash handouts of ¥100,000 (around \$1,000) per person at the start of the pandemic, in addition to lump-sum transfers to firms and wage subsidies. The EU suspended its debt brake; the German deficit swelled to 11 per cent. The standout was China, where—in contrast, again, to 2009—the 2020 fiscal stimulus was modest, mostly spent on emergency health measures and support for provincial budgets.¹³

6

It was not these eye-popping Trump, Johnson and Abe programmes that won plaudits, however, but smaller plans pushed through by Merkel and Biden. In both cases there was an element of contingency; the leaders were initially sceptical about the measures that brought such acclaim. In March 2020, Merkel was a hardline opponent of mutualized Eurozone debt. As COVID rates surged in Lombardy, overwhelming intensive-care wards, Germany blocked the export of its medical equipment and ensured that the credit line for hard-hit states would run through the punitive European Stability Mechanism, forged at the height of the Eurozone crisis.¹⁴ At the March 2020 European Council meeting—EUCO: the monthly gathering of EU heads of state—Merkel dismissed the mutualized-debt 'corona bond' supported by France, Italy and Spain as 'imaginary'; European Commission President Ursula von der Leyen called it 'a slogan'. The rejection was met by an explosion of anger in Italy—'China offers more help than Brussels.'

¹² IMF, 'Covid Fiscal Measures Database', January 2021. For roll-out problems, see Aída Chávez, 'Why the Government's Plan to Help Out Renters Is Falling Flat', *Intercept*, 5 March 2021; Bryce Covert, 'Most Small Business Owners Still Haven't Had Their PPP Loans Forgiven', *Intercept*, 8 March 2021.

¹³ IMF, 'Covid Fiscal Measures Database'; 'How Much Money Is the G20 spending?', *Atlantic Council*, 5 January 2021.

¹⁴ Mehreen Khan, 'EU Leaders Enter a Virtual, Parallel Reality', *FT*, 27 March 2020.

TABLE 1: *Emergency Fiscal Spending, as percentage of GDP*

	2009	2020
US	6.5	16.7
UK	1.1	16.3
Germany	3.0	11.0
France	1.2	7.7
Italy	4.4	6.8
Japan	3.4	15.6
China	16.5	4.7

Source: IMF Covid Fiscal Measures Database, update 2 March 2021; 'G20 Fiscal Firepower Heat Map (2020/2021 vs 2009)' in 'How Much Money Is the G20 spending?', *Atlantic Council*, 5 January 2021. Figures exclude automatic stabilizers and off-budget measures.

What caused Merkel's flip-flop from corona-bond sceptic to proponent before the next EUCO meeting in April? Germany was assuming the rotating chairmanship of the bloc: it was Merkel's final term as the official, not just behind-the-scenes, head of Europe; the last chance to lacquer her chequered legacy as a Europeanist, after a fraught decade of imposing Bundesbank discipline on truculent populations in Greece, Spain, Italy, Ireland and Portugal, and cutting sordid deals with Erdoğan to police the refugees from war zones where the Luftwaffe was now 'pulling its weight'. Once Germany had reversed its position, all the EU dominoes fell into place. Macron, often cold-shouldered as a popinjay by Berlin, was granted the pomp of a Franco-German summit meeting to preen over his diplomatic victory and widen his narrow lead over Le Pen. The flustered von der Leyen Commission scrambled to make sure it would have full oversight of the payouts, burying the ferociously complex NGEU package inside the opaque EU 2021–27 budget. In the process, the matter of placing orders with the big pharmaceutical companies for COVID vaccines for some 450 million Europeans slipped down the Commission's agenda.

By EU standards, the NGEU's legislative passage was swift. The package was temporarily blocked by Austria, the Netherlands, Denmark and Sweden at a fractious EUCO meeting in June. As Austria's Sebastian Kurz explained, the Frugal Four were opposed to 'a debt union through

the back door'; it would be rewarding Mediterranean countries that had only themselves to blame. The Dutch also wanted tougher sanctions against Poland and Hungary for failing to live up to the EU's high moral standards.¹⁵ At a marathon July 2020 EUCO, the Four were bought off with Thatcher-style rebates, a 'Dutch brake' allowing member states three months to police each other's spending proposals, and a cautionary finger-wagging for Budapest and Warsaw. Europe's leaders could congratulate themselves that the NGEU package would not have passed had Britain not left the Union.

7

Biden's long years of deficit-hawkeyery need no rehearsal.¹⁶ As late as December 2020, he backed a compromise COVID rescue plan, half the size the Democrats had been calling for, with direct payments of only \$600.¹⁷ For many on the left, the American Rescue Plan that followed reflected 'progressive pressure', shifting the terms of the budget debate away from deficit scolds and from Biden's own previous positions.¹⁸ The energized US new left, with platforms in Congress and on Twitter, and growing muscle in primary contests, has undoubtedly helped to shift the discursive parameters. But in December 2020, the larger and more immediate pressure came from Trump's serendipitously rediscovered economic populism—a key to his 2016 success but abandoned in favour of traditional GOP tax cuts and tariff grandstanding, until

¹⁵ "‘Frugal Four’ Nations Counter Franco-German EU initiative", *Deutsche Welle*, 23 May 2020; Khan, 'EU Leaders Enter a Virtual, Parallel Reality'.

¹⁶ For Biden's votes to cut food stamps, eliminate Social Security and Medicare increases and write a balanced-budget amendment into the Constitution in the 1980s, his enthusiasm for Workfare, NAFTA and repealing Glass–Steagall in the 90s, his penny-pinching hunt for 'waste' when in charge of Obama's mini-stimulus and injunction to the Democrats' core constituency to 'stop whining' in the depths of the Great Recession, see Branko Marcetic, *Yesterday's Man: The Case Against Joe Biden*, London and New York 2020, pp. 50–4, 106–17, 172, 176, 179. See also Ryan Grim, 'Fact Check: Biden Has Advocated Cutting Social Security for Forty Years', *Intercept*, 13 January 2020.

¹⁷ Ken Thomas and Eliza Collins, 'Joe Biden United the Democrats—It's Not Likely to Last', *WSJ*, 19 August 2020; David Sirota, 'Biden's Austerity Zealotry Helped Cut the Stimulus Bill in Half', *Daily Poster*, 22 December 2020.

¹⁸ David Sirota, Julia Rock, Andrew Perez, 'The American Rescue Plan's Money Cannon Is Great, But Not Enough', *Daily Poster*, 11 March 2021.

2020 brought the conjunction of the pandemic and an election year. Democrat post-mortems after November's close result found crucial layers of the electorate thanking 'Papa Trump' for their stimulus cheques.¹⁹ Trump's last-minute tweets, as he teasingly withheld his signature in late December—'I simply want to get our great people \$2,000, rather than the measly \$600 that is now in the bill'—sent House Democrats scrambling to support a \$2,000 option. Democratic candidates in the Georgia run-offs that would determine Senate control made it a campaign pledge. At the last minute, Biden swung behind it, telling Atlanta: send Democrats to Washington and 'those cheques will go out the door immediately.'

The inflation of presidential and congressional election costs—almost \$14 billion in 2020—has till now mainly involved the circulation of sums between corporate, media and political elites. In 2021, voters got to benefit. The upgrade from \$600 to \$1,400 symbolized a larger contrast between the US and EU. Since the defeat of Greece in 2015, populist electoral revolt in Europe has generally gone hand-in-hand with social passivity; France is an exception. The halls of EUCO and the Commission's Berlaymont suites are purposefully insulated from popular tumult. The NGEU recovery fund is designed to be tightly controlled by the non-accountable Commissioners. The hard-fought electoral competition in the US, with an angry populace making itself heard—in labour struggles as much as in the waves of social protest—indicates the different temper that has arisen there, creating its own tribunes in AOC and the Squad.

8

What have these landmark COVID recovery programmes achieved? The asymmetry in scale—the US plan 250 per cent bigger than the European—needs to be set in context. In terms of social provision, the American Rescue Plan is playing catch-up. US unemployment benefits are desperately low by OECD standards—less than a tenth of the UK's. As a proportion of GDP, social spending in France and Italy is some 50 per cent higher than in the US. Public spending on American families

¹⁹ David Weigel, 'The Trailer: What the Stimulus Means for the Next Campaign', *Washington Post*, 11 March 2021, citing a November 2020 *Boston Globe* report.

is barely a quarter of German, French and British levels.²⁰ When the pandemic hit—with roughly equal ferocity on both sides of the Atlantic—American unemployment spiked much higher, rising from under 4 to over 14 per cent in April 2020, and currently estimated at 10 per cent.²¹ Due in part to large-scale furlough and short-work programmes, Eurozone unemployment rose by less than a percentage point, from 7.4 to 8.1 per cent.²²

The American Rescue Plan will boost the income of the poorest 20 per cent by a third in 2021, and that of the bottom 60 per cent by over a tenth.²³ Structurally, its most progressive aspect is to send direct payments not just to household heads, but to each of their tax-registered dependents.²⁴ But as many have pointed out, these are all one-off or temporary payments that leave the systemic reproduction of inequality unchanged. The Plan is a ‘pop-up safety net’, in the words of one critic, or ‘welfare without the welfare state’.²⁵ ARP cheques are dwarfed by the \$4 trillion that accrued to the top 1 per cent in 2020, from CARES bailouts and a stock exchange driven to record heights.²⁶ The

²⁰ US Federal unemployment benefit for a single worker amounts to 6 per cent of median disposable income, compared to 40 per cent in France, 44 per cent in Germany, 65 per cent in the UK. Social spending overall in 2019 was 19 per cent of GDP in the US, compared to 21 per cent in the UK, 26 per cent in Germany, 28 per cent in Italy and 31 per cent in France. Public spending on families lagged farther: 0.6 per cent in the US, compared to 1.9 per cent in Italy, 2.3 per cent in Germany, 2.8 per cent in France and 3.2 per cent in the UK. See OECD Data: Adequacy of Minimum Income Benefits; Social Spending (decimal points rounded up); Family Benefits Social Spending.

²¹ Heather Long, ‘How Many Americans Are Unemployed?’, *Washington Post*, 19 February 2021. Covid deaths per 100,000: Germany 99, France 152, Spain 165, US 173, UK 190, Italy 198. Johns Hopkins via Statista, April 2021.

²² Eurostat, Unemployment Statistics, January 2021.

²³ Institute for Taxation and Economic Policy, cited Sirota, ‘American Rescue Plan’s Money Cannon’.

²⁴ The break with the male-breadwinner family model that still underpins many European systems is thanks to an amendment to the December 2020 COVID relief package carried by Bernie Sanders and Josh Hawley—a late-mover advantage for US social welfare: Ryan Grim, ‘More than \$1 trillion of the Pandemic Relief Bill is Flying Under the Radar’, *The Intercept*, 5 March 2021.

²⁵ David Dayan, ‘First 100: Something Fundamentally Changed—for now’, *American Prospect*, 8 March 2021; Anton Jäger and Daniel Zamora, ‘Welfare without the Welfare State’, *New Statesman* online, 9 February 2021.

²⁶ Matthew Klein, ‘Americans are Sitting on Lots of Spare Cash. It May Not Boost Growth Much’, *Barron’s*, 26 February 2021.

American Jobs Plan proposes a build-out for ‘underserved communities’ but allocates only \$32 billion to them—6 per cent of the total. It pledges another \$400 billion towards care for the elderly, a highly profitable industry in the US, thanks to miserable wages.²⁷ The emphasis on Federal investment in poor black and brown neighbourhoods represents a welcome shift beyond ‘equal opportunity’ and the legalistic diversity-equity-and-inclusion paradigm. But the ratio of capital-labour spending is still heavily tilted towards big business. The upshot of the March 2020 CARES Act, with its \$4.5 trillion cushion for the corporations, was to underwrite what Nouriel Roubini has called a K-shaped recovery—soaring asset prices, lengthening queues at foodbanks.²⁸ The Biden recovery plans lift the bottom leg of the K by an inch or so. A few points more in corporation and wealth taxes could shave a millimetre from its upper one.

9

Despite more generous social stabilizers in Europe, COVID’s economic toll has been far worse there: a Eurozone contraction of -7.2 per cent of GDP in 2020, compared to -3.4 per cent in the US.²⁹ This is partly the result of tougher lockdowns in Europe, on the one hand, and the sugar rush of the CARES Act on the other. But it also speaks to the slower post-2009 recovery in the Eurozone. By 2019, US GDP growth was 2.2 per cent—over 3 per cent in the Pacific states and the Sunbelt, though near-zero in the Mid-West. Eurozone growth rates had been slowing since 2017, pulled down by Germany and Italy, and stood at 1.3 per cent on the eve of the pandemic. On the announcement of Biden’s Plan, the OECD predicted the US would be 1 per cent above its pre-COVID growth path by the end of 2022; the Eurozone was set to be 2 per cent below it.³⁰

²⁷ ‘Live: Biden Unveils His \$2.2 Trillion Infrastructure Package in Pittsburgh’, YouTube, 31 March 2021.

²⁸ Nouriel Roubini, ‘The COVID Bubble’, *Project Syndicate*, 2 March 2021. See also Long et al., ‘The Stock Market is Ending 2020 at Record Highs’.

²⁹ Recessions: Germany -5.4 per cent, France -9 per cent, Italy -9.2 per cent, Spain -11.1 per cent, UK -10 per cent. IMF World Economic Outlook, Jan 2021.

³⁰ OECD Economic Outlook, Interim Report, ‘Strengthening the Recovery: The Need for Speed’, March 2021. Stung by criticism—e.g. Martin Sandbu, ‘US Stimulus Package Leaves Europe Standing in the Dust’, FT, 14 March 2021—the ECB has attempted a defence: ‘Economic Developments in the Euro Area and the United States in 2020’, *ECB Economic Bulletin*, no. 2, 2021.

How will the NGEU affect this trajectory? The truth is, very little. The grant component of the NGEU is a mere €310 billion, to be spread over 2021–23.³¹ The grants will be administered by the Commission through the European Semester system, an ordoliberal-disciplinary mechanism set up in 2010 to monitor national budgets during the Eurozone crisis. Not a break with neoliberal policies, then, but an extension of their reach. The Commission has already planned the spending—37 per cent to go on green programmes, 21 per cent on digital upgrades—regardless of national needs. Member states are supposed to submit NGEU budgets for the approval of ECFIN, the Commission's Directorate-General for Economic and Financial Affairs. But these can be sent back for revision if they do not advance ECFIN's structural-reform plans for the country—downgrading pensions, cutting unemployment pay, sacking civil servants. Already there are complaints about delays.³²

Italy, devastated by the pandemic, is getting the largest portion of NGEU funds: €209 billion, of which €80 billion is grants, the rest more debt. But unemployment in Italy has been running in double digits for nearly a decade—for the young, at over 30 per cent—and the public sector has been starved of funds. The only growth areas are the gig economy and the ranks of the 'working poor'. The Italian economy contracted by 9 per cent in 2020. It is still in a state of suspended animation, with businesses loading up on state-guaranteed loans, and a firing ban and short-time work scheme in place. If or when state support tapers off and lending conditions tighten, a wave of bankruptcies and further lay-offs are likely to ensue. Italy's planned NGEU spending—to insulate public buildings, expand broadband, offer tax breaks for IT upgrades and 'reskilling' for the unemployed—will barely scratch the surface.

The grounds for hailing the NGEU as a historic breakthrough are political, not economic. 'No one runs away when money falls from heaven', noted a commentator on the new Draghi government.³³ In 2020, it was a point of principle for the Five Stars, PD and LeU, as well as the Lega,

³¹ Varoufakis has argued that, since Italy is liable for 13 per cent of the €750 debt, its net grant will be more like €30bn. Yanis Varoufakis, 'The EU Coronavirus Fund Will Take Europe Another Step Towards Disintegration', *Guardian*, 24 July 2020.

³² 'Down to the Wire', *Economist*, 3 April 2021.

³³ 'Why is Matteo Salvini Backing Mario Draghi?', European Press Round-Up, *Euro-Topics*, 9 February 2021; Editorial, 'Conversiones europeístas en Italia', *La Vanguardia*, 8 February 2021.

to oppose submitting Italy's health budget to the EU's ESM mechanism, with its notorious Memoranda of Understanding. This was the issue on which Renzi brought down Conte's government, at which point the Italian President offered the job of Prime Minister to Draghi, ex-ECB and Goldman Sachs. His government now enjoys Salvini's and Grillo's support, as well as 90 per cent of seats in the Chamber and Senate. The country's NGEU plan will be redrafted by the Finance Minister, former Bank of Italy director general Daniele Franco, who will have no qualms about the ESM. After three years of a directionless populist-majority government, the extreme centre is back in charge. It remains to be seen how long the latest Italian political cycle will take to turn. As for the EU itself: if Europe's unification has historically proceeded by a series of coups, the NGEU is another such act of stealth.³⁴ The decision to expand the control of the Semester system over a future EU-wide fiscal capacity was taken essentially by the German Chancellor's office. The European Parliament joined the game after the Commission had shaped the scheme. As far as popular-democratic influence on economic policy is concerned, the end of the neoliberal era is farther away than ever in Europe. The prospect of a leading role for the ultra-hawkish German Greens after Merkel's retirement in September 2021—and, perhaps, increased environmental spending—does little to alter that.

IO

In the US, political imperatives—competitive electoralism, popular-democratic pressures, national-imperial rivalries—have pressed against neoliberal norms, but to varied effect. On the first: cash for votes—including a Jobs Plan strategically targeted towards crucial House and Senate seats—illustrates everything Hayek loathed about electoral democracy. On the second: if the Biden plans are less epochal than enthusiasts claim—infrastructure repairs, electric-vehicle charging points, modest welfare top-ups, child allowance are already standard items for most OECD countries—they still represent a significant discursive realignment. 'I'm a union guy', Biden told his Pittsburgh audience, as he set out his Jobs Plan in March; not a sentence Obama was wont to utter. Nevertheless, compensatory social payments and necessary

³⁴ See the argument of Luuk van Middelaar's *The Passage to Europe* (2013), unpacked by Perry Anderson in 'The European Coup', LRB, 17 December 2020.

capital investment do not fall outside the neoliberal policy repertoire; the left's bid for a \$15 minimum wage was politely disregarded. The third factor, national-imperialist rivalry, may point to a more consequential break with neoliberal policy orthodoxy—or, perhaps, to a hybrid regime, with defensive-protectionist features like the 1900s British Empire: a latterday version of imperial tariffs, with sanctions wielded for nationalist ends, even as the impeccably neoliberal Fed plays an ever-more central role.

How to conceptualize the shift? In 'Faultlines' (NLR 126), Dylan Riley described the political logic of Jake Sullivan-style national investment—stronger at home, to be stronger abroad—as bolting on a neo-nationalist neo-Keynesianism to the Democrats' prevailing multicultural-neoliberal outlook. That may be right. Arguably, though, Bidenomics could be seen as a step towards recasting the centrally monetized, debt-driven capitalist regime in a more compensatory form—a neo-third way, driven both by the populist shock and, above all, by competitive friction with a rising China. The project would then be close to the scenario that Biden spelled out for Wall Street donors in 2019, when he cast himself as the antidote to Sanders' political revolution, making marginal changes that would improve the lives of working-class Americans, without imposing onerous taxes on the rich:

When you have income inequality as large as we have in the United States today, it brews and ferments political discord and basic revolution. It allows demagogues to step in and blame 'the other' . . . You all know in your gut what has to be done. We can disagree in the margins. But the truth of the matter is, it's all within our wheelhouse and nobody has to be punished. No one's standard of living would change. Nothing would fundamentally change.³⁵

'It's all within our wheelhouse'—a baseball term, suggesting a comfortable position from which to hit a home run. Just as the harsh class-struggle policies of Reaganism and Thatcherism gave way to softer, more palatable versions of the same under Clinton and Blair—tax credits, cheap loans, diversity and inclusion—so under Biden, central-bank monetization is underwriting a marginal fiscal recompense for decades

³⁵ Jennifer Epstein, 'Biden Tells Elite Donors He Doesn't Want to "Demonize" the Rich', *Bloomberg*, 19 June 2019.

of falling real wages and worsening job prospects, gearing up the country for rising competition with China. The 1990s ‘third way’ was entirely compatible with radical neoliberal policies—Clinton repealing Glass–Steagall, Blair turning university students into paying customers. A 2020s form of compensatory, centrally monetized capitalism will operate in a tighter, more competitive environment, balanced upon teetering piles of debt, with financial instability an ever-present risk.

II

Here the US–EU asymmetries re-assert themselves. The trillions pumped into the American economy over the past year are forecast to lift US growth rates to 6.5 per cent in 2021. But—capitalist dialectics—the good news has downsides. Given the scale of government and non-financial corporate debt—‘an ever-swelling elephant balancing on a shrinking ball’—even a fractional tightening of financial conditions threatens turmoil.³⁶ The Fed, the ECB and the Bank of Japan are committed to near-zero rates and expanding QE.³⁷ But the prospect of rising growth means such low returns may be outstripped by even modest inflation—a rationale for the giant investors to sell their long-dated Treasuries, forcing yields higher. Eurozone rates are also inching up, in competition with the Fed, even as the member states suffer through their third wave of COVID lockdowns. Whether driven by central-bank tapering or private investors, a rise in rates would leave states and firms with dollar-denominated debt critically vulnerable to reverse capital flows, risking a concatenation of current-account and exchange-rate crises comparable to 1998, with concomitant political turbulence. Despite its substantial foreign-exchange reserves and strict capital controls, if US rates start rising, China may not be immune from capital flight.³⁸

³⁶ Gillian Tett, ‘The Fed Must Avoid a Repeat of the March Treasuries Mystery’, *FT*, 4 March 2021.

³⁷ Against Yellen and Powell’s inflation expectations, Summers commented: ‘When it’s explained that the Fed has an entirely new paradigm, that this is an entirely new paradigm of fiscal and social policy, it’s a bit hard to understand why [inflation] expectations should remain anchored’: Lawrence Summers, ‘I’m concerned that what is being done is substantially excessive’, *FT*, 12 April 2021.

³⁸ Victor Shih, interviewed by Robert Brenner, ‘China’s Credit Conundrum’, *NLR* 115, Jan–Feb 2019.

Politically, the Democrats have defied predictions that Biden would face rebellions from an unruly left. From AOC to David Sirota, left critics have focused on the scale of the packages—not enough—rather than their ‘compete with China’ character. The logic may seem reminiscent of Bernsteinian social imperialism in the 1900s: as long as the domestic working class is doing well, who cares about the dynamics driving mounting tension with international adversaries? Since the scale and scope of Biden’s leftward discursive shift has been so sudden, and so unexpected, it would be unfair to tar them with that. But this is the challenge the Biden Administration poses to America’s fledgling left: the delicate and difficult task of how to counter national-imperialist thinking on China with new forms of international solidarity.