

THE OTHER MODEL

Market Means to Social Democratic Ends

by J. Bradford DeLong

As a card-carrying neoliberal the way that word is used in North America, or as we might say today, as a “progressive,” I think that market means can provide a route to social democratic ends. With this in mind, I offer a few comments on Professor Javier Couso’s article.

Properly regulated and properly structured, there are wide areas of economic life in which a market economy is the regime of the public sphere in its best form. It is, or rather it can be, a better implementation of the regime of the public sphere than any mass movement choosing a maximum leader or set of wise ministers.

That is the fear I have when I read Javier Couso. I fear that he underweights the possibility that the best road to the regime of the public sphere often involves using market means for social democratic ends. I fear he overweights the likelihood that market means will, instead, be used for oligarchical ends. And, indeed, because in Latin America market means have been so often used for oligarchic ends and market ideologies have been so often used to justify violence in defense of maximum inequality, it is understandably difficult for those in Latin America to the left of center to see when they would be better served by pulling this market strand out of the Gordian knot of Latin American-style neoliberalism and trying to make use of it.

Now, how does all this apply to the task of the New Majority in Chile today — if it does?

I think of contemporary Chile as a country roughly halfway between Mexico and Portugal in terms of economic development, a country with four major problems:

- Maldistribution of wealth;
- Maldistribution of education;
- Tremendous vulnerability to the world economy’s commodity cycles; and
- Its political past.

The political past of Chile remains something that can only be mastered across the generations. The country’s tremendous vulnerability to the world’s commodity cycles

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the United States might seem conducive to the kind of political movement that Couso describes. When the economic crisis hit in 2008, it thoroughly discredited nostrums that markets were automatically efficient and that the spectacular payouts going to those on Wall Street yielded benefits for all Americans. For a moment, a reform window opened, but the moment was brief. Even though the economic strains remain severe (although not for corporate profits or Wall Street bonuses), concern about job creation is largely absent from Washington. Instead, government now pushes for budgetary changes that will pinch even more severely on the incomes of Americans struggling to get by.

Americans are frustrated and angry with their politics and their economy. That frustration, however, lacks any effective target. Occupy Wall Street, which sought to bring attention to the disturbing decline of economic opportunity for average Americans, had little lasting effect. The highly fragmented American political system obscures accountability and facilitates obstruction. It advantages the already organized — which mostly means those who have been on the winning side of mounting inequality. This political system generates governmental ineffectiveness, and the resulting distrust and alienation creates a vicious circle where elections become a series of “I’m mad as hell” moments lacking the staying power to generate meaningful change. In an atmosphere of intense polarization and distrust coupled with gridlock, it is hard to sustain the political momentum that would be necessary to make government once again an effective tool for promoting economic opportunity and shared prosperity.

Couso reminds us, hopefully, that Chile’s movement seemed to come out of nowhere. But if such a movement were to emerge in the American context, it would need to recognize that economic and political reform is a long-term project and develop the appropriate combination of intensity and patience.

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is now being handled about as well as it can be handled — only Norway, I think, has anything to teach Chile. The key is to make sure this wealth is held in trust for the long-run well-being of society and that its existence is not allowed to warp the economy. It is the maldistribution of wealth and of education that are the proper tasks of the New Majority. And here there are two and only two historical-comparative lessons:

- Hitherto, no country has managed to overinvest in primary and secondary education, but higher education is a very complicated case.
- There is no reason to think that more progressive tax systems impose any sort of growth penalty on modern industrial economies. Those who have looked for such an effect in cross-country and cross-era comparisons have uniformly failed to find it.

And recall that, back in 1946, the economic future of Italy, France, Spain, and Portugal, of Germany — even of Belgium and Holland — looked very depressing indeed. The years from 1913 to 1946 had seen catastrophic wars, class conflict, deep depressions, near-hyperinflation, devaluation, implicit government repudiation of debts, the emergence of larger and larger gaps between national standards of living and the world’s best practices, and a political system incapable of producing equitable growth but only of waves of redistribution backed by violence and threats of violence. And yet 1946-1973 saw 30 glorious years that made continental Western Europe the relatively prosperous set of social democracies that it has been since. They are countries that still have problems, but different problems, and problems that are an order of magnitude less serious than the problems of poverty, growth, and inequality that still beset Chile.

There is no reason why Chile’s 30 glorious years, starting in 1990, cannot be 50 such and end as well as those of Europe did.

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