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## **Capitalism and destruction (from the welfare state to the neoliberal state)**

### **Abstract**

*As the liberal and the welfare state, and this modern, neoliberal capitalism in their relation to man and nature are destructive. Favoring the interests of private property and profit, capitalism denies authentic human needs, destroys and devastates nature. The degradation of nature, environmental problems and ecological crises, are developing risks that challenge not only the sustainability and sustainable development, but also life itself. Welfare state capitalism and the neoliberal state capitalism are destructive.*

**Keywords:** *capitalism, the welfare state, the neoliberal state, the global risk society, sustainable development.*

### **Introduction**

Very turbulent and intensive processes of globalization are occurring within the capitalist method of manufacturing and capitalism, both liberal and neoliberal capitalism.

It can falsely seem that liberal capitalism, at least when in question is economic, political, ecological, or some other dimension, is “better” or “more humane” as opposed to neoliberal capitalism. Even though there are certain differences, both are still enslave-like, exploit-like, imperial and militant, and in relation to nature, destructive.

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Neoliberal capitalism did not produce an ecological crisis and ecological problems, but it has radicalized them by intensifying a “capitalist assault on nature” and in that way intensified those problems even more. In that sense we need to look at liberal capitalism.

It was founded on the Enlightenment tradition that emphasized the primacy of the individual in relation to the institution of the state and also sought to legally and politically protect it, the liberal doctrine has actually tried to protect private property rights and economic interests of the people and through the concept of these-called “welfare state” care and protect its social interests. It was a mechanism that would lead to the need for expansion of capital on nature and, thus, to excessive consumption of natural resources and the devastation of nature to satisfy the needs and interests of liberal homo-economicus.

It has gradually led not only to the crisis of liberal “welfare state”, but also to the ecological crisis that neoliberal capitalism will radicalize even more.

In modern times, more and more are developing risks which acquire new dimensions. They, as rightly claimed by many theorists, and Beck (Ulrich Beck) and Giddens (Anthony Giddens) in particular, can no longer, as it once was, be attached to a local place or a smaller regional area where they are formed, a factory or industrial plant, a small locality or region. They have gained a global, planetary character, because they are globally and planetary life-threatening.

Risks related to the nuclear disaster and radiation, global warming, the use of genetically modified food, contaminated water and air, the risks of a clash of civilizations, population growth and global inequality and poverty, the risks of terrorism and threatened collective security, as well as many other risks - are just part of a broader list of global problems facing the modern, global risk society in which threatened are the sustainability and sustainable development of man kind.

## **Liberal capitalism and the Welfare State**

Starting from the basic postulate on the goodness of human nature and the primacy of human reason and the individual against the state, and the basic principle of citizenship, individualism and freedom both in private and in the public sphere, liberalism advocated a minimal role of the state in society and for a government that “governs the least “ to increase the economic,

social and political power of the individual. The role of the state to care about conservation and maintenance of the existing system, but so that it is involved as little as possible in the affairs of society.

Classical liberalism insisted on a so-called “Minimal state”, whose purpose was to defend the rights and interests of the individual; it includes political justice as it insists on respect for the rights of others.<sup>2</sup>

According to the opinion of John Rawls, liberal societies are characterized by the principles within which peoples are free and independent, and their freedom and independence respected by other peoples. They are obliged to respect the agreements and commitments, and they are equal and participate in discussions that bind them; they are the ones who need to comply with the obligation of non-intervention, which have the right to self-defense, but not the right to wage war for other reasons except self-defense. They should respect human rights, respect certain restrictions in the conduct of the war, and have a duty to assist other peoples living in unfavorable conditions that prevent them from having a just or decent political and social regime.<sup>3</sup>

The specific form of democratic and social state is called a so-called “Welfare State” or “Social State” (welfare state, social state, service state).

The emergence of a “welfare state” is the result of engaging the masses in Western democratic countries in the area of solving economic and social problems that occurred after the Second World War. By their engagement at the same time they were looking for certain compensation and, on the basis of increased economic and social pressures, the state was gradually turning into a “welfare state” in the United States, England and the Scandinavian countries. So it was created, both at a theoretical and a practical level, the “welfare state”, “society of abundance” and “people’s capitalism”. This “welfare state” developed a system of social policy, public works, protection and maintenance of standards of broad layers of society. Of course, for such social expenditures there was a lot of money needed and it was found on the world market as a suitable area of the drawing superprofits from less developed and underdeveloped countries, which was invested in meeting the social needs of the lower social strata “of the welfare state.” Thus, it was shown that the maintenance of a costly “welfare state” would be a consequence of “unequal exchange” and the effective exploitation of underdeveloped countries by developed countries in the world market. However, the requirements of the lower strata of society to the “welfare state” rose rapidly, so that it could

<sup>2</sup> Loren E. Lomasky, *Classical Liberalism and Civil Society*, u: *Alternative Conceptions of Civil Society*, (Ed. By S. Chambers and W. Kymlicka), „Princeton University Press“, 2002, p. 50-51.

<sup>3</sup> John Rawls, *Law of the People*, “Clio”, Belgrade, 1999, p. 37.

hardly meet their growing needs and the growing interests which lead to “a crisis of legitimacy foundations of the welfare state.”<sup>4</sup>

For the Social Democrats, the concept of the welfare state, with its values of freedom, solidarity and equality meant a method of a foggy attempt to “overcome” the capitalist mode of production. They felt that the class division of society can exist, but that the class struggle cannot, but that class collaboration and class compromise necessarily must exist, which the welfare state was achieving.

Karl Marx and Marxist theorists in capitalism saw the irreconcilable antagonism between the different classes, and felt that the capitalist state can only be in the function and the interest of the ruling bourgeoisie. Indeed, it was proved that the state can expand the scope of its activities even to the field of social security, by helping the unemployed and socially disadvantaged sections of society, the elderly, education, health, science and culture, church, ethnic and other groups which are active within the civil society and are within the relationship between the individual and the state.<sup>5</sup>

The thing that, as a special form of the capitalist state and the capitalist organization of society essentially characterized the “welfare state”, is that it can be understood as a special form of organization of the capitalist society that is characterized by three features: a mixed economy, a pluralist parliamentary democracy based on the concept of human rights and freedoms, and opposed to the challenges of violent revolution and, what is very important in social terms, a well developed complex social security system of members of society.

The “Welfare state” was developed with the economic and political crisis and its climax and glorious period was taking place from 1945-1970.

Retrospectively looked at, after the First World War and the general depression of society that appeared, people started to question the laissez-faire concept of a liberal economy. From 1929 when firstly in the U.S. an economic crisis occurs and then in the whole world, it was clear that the state will resort to interventionist economic, political and social measures.

However, as the welfare state has to assume a steady, sustained economic growth, it aims to meet the needs and interests directly outside and beyond the market economy. But, in the period of recession and stagnation of production, there is inflation, rising unemployment and falling of living standards. As social policy is an essential component of the “welfare state”, in times

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<sup>4</sup> Milan Matic, *Liberalism, populism and democracy*, “Institute for Political Studies”, Belgrade, 1992, p. 58-59.

<sup>5</sup> Norman Beri, *Introduction to modern political theory*, “Official Gazette”, Belgrade, 2007, p. 299.

of crisis, the ruling class does not exactly make concessions to the workers, the unemployed and the poor. Thus, there is tension between economies and markets, on the one hand, and the “welfare state”, on the other, which creates a number of internal problems, including social ones which the “welfare state” was implementing. From the fifties to the seventies of the last century lasted a successful period of the “social welfare state”, which was able to provide citizens with a general social welfare, and largely eliminate poverty, disease and illiteracy. However, the increase in unemployment, poverty and declining living standards have started to reflect negatively on the “welfare state.” Not only poverty in some countries, but poverty in the global area, began to contribute to the erosion of the “welfare state.”

Dialectically speaking, the “welfare state” also had its downside - parasitism and expensive hypertrophied state bureaucracy. As the ideal of the “welfare state” was equality, it has created a society of bad mediocrity, in which the rich were not only taxed, but discouraged in market activity, and the poor completely “parasited on back of an expensive and inefficient state.” So until then the highly effective “welfare state” gradually began to be burdened by expensiveness, bureaucratic irrationality and inefficiency and - to slowly crumble. To this added should be the neoliberal attack on the welfare state, which is aimed at eliminating the state’s liability from the consequences which were produced by a growing ideology of market fundamentalism.

Well, despite the problems and failures, some believe that, regardless of the bad experience, the “welfare state” is still an irreplaceable system of solving economic and social problems and possible political conflict in capitalism.<sup>6</sup>

But, in a fit of aggressive neo-liberalism, the concept of “welfare state” began to lose. Neoliberalism is not interested in equality and justice; it encourages globalization of wealth on the one hand, and the globalization of misery and poverty, on the other hand. Neoliberal measures increase rate of unemployment, misery and poverty, thus contributing to the degradation of the “welfare state.” With the technological advancement, employment is reduced, so today global unemployment reached a number of over a billion people. So it shows that neoliberal globalization is a contradictory phenomena: on the one hand it brings economic productivity, and on the other, unemployment, social exclusion, poverty and environmental destruction. Although it carries a positive dimension that refers to what Amartya Sen defines as “intellectual solidarity” and “intellectual exchange of ideas”, Apak globalization carries a negative dimension - “a continuation of a Western imperial ideology.”<sup>7</sup>

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<sup>6</sup> Slobodanka Nedovic, *Welfare state: ideas and policy*, “Draganic”, Belgrade, 1995.

<sup>7</sup> Amartya Sen, *Identity and violence*, “Globus”, Zagreb, 2001.

Neoliberalism is opposed to the “welfare state.” Globalization is imposed by the powerful owners of financial capital, and that is why it is, based on the principles of neo-liberalism, turned completely against the poor peoples, nations and states.

In this sense, the neoliberal program is an “attempt of institutional strengthening of current historical earnings of world political mobile capital,” with the demagogic claim that “what is good for capital is beneficial for all,” and the promise was: “Everyone will become richer and will, and ultimately the poor will also benefit. “That’s how the neoliberal program proved seductive promising global justice for all, and that’s why the previous “welfare state” became redundant. Neo-liberalism is very militantly opposed to the national state, which, however, still resists its aggressive rush. Beck notes that, “If the God of the nation-state is dead,” it does not mean “that the state is dying”. By changing its shape, the state remains there, and one of its forms is a neo-liberal state, that is “the state of competition, the state of the market, the shape of the state where the policy follows the logic of capital”, i.e. the form of the state, which “bears the mark ‘approved by the IMF’.” The IMF, which at the beginning of the third millennium, controls the economic policy of “every third ‘sovereign’ state”. The national state turns into a neoliberal state through the process of “disciplining of states” by a repressive “whip - policy” and by the ultimate method of assigning loans from the IMF. By accepting the Washington Consensus and its “holy trinity” - deregulation, liberalization and privatization – the state is reformed in a way that national states become neoliberal states on the global market.<sup>8</sup>

## Neoliberal capitalism

Keynes once formulated the theory of unemployment in which he indicated state measures to increase employment, develop the economy and accelerate economic growth. His views were met with in tense protest from conservatives who rejected his program as a program of increase of a static role of state in the economy. On the trail the neoliberal insisted on the privatization of state property and the diminishing role of the state in the economy. So the „welfare state“ began to disappear. Essential alternative to liberal democracy is the neo-liberal market fundamental is that reduced man to a homo-oeconomicus which is the opposite of zoon politicon, “and the man

<sup>8</sup> Ulrich Beck, *Power against power in the age of globalization: new world political economy*, ”School book”, Zagreb, 2004, p. 25, 331-332.

became a being of interest that borders on greed, which is the opposite of the manas a being of solidarity and understanding, which is implemented in the community.”<sup>9</sup>

Neoliberal globalization markets have undermined the existence of the “welfare state”. The aim of the “welfare state”, as it is said, was the establishment of social justice, reduction of social inequalities and the regulation of mutual interests. However, by very powerful mechanisms of neoliberal economy, deregulation, privatization and liberalization of the market in particular, completely is reduced the state and trade union protection of the interests of workers, the unemployed, the poor and marginalized sections of society. Markets, competition and money at the global level are those “values “ which will be the basis of all human activities, both those material and those spiritual and symbolic, that will be imposed to all countries, all peoples and cultures, regardless of their mutual differences.

Capitalism has always, including the liberal one and the often praised “welfare states”, been an aggressive, militant, imperial and exploitative. But this new, neo-liberal imperial is differs from the old one. What is the difference between them?

Before answering the above question, we will give an illustrative provision or definition of the concept of neoliberalism.

David Harvey defines the neoliberal doctrine as a theory “that explains the practice of political economy, which argues that human well-being can best be improved by allowing freedoms of entrepreneurial activity of individuals and skills within an institutional framework, which is characterized by strong private property rights, free markets and free trade. The role of government is to create and preserve an institutional framework that conforms to such practices. The state, for example, has to guarantee the quality and integrity of money. It is also must establish those military, defense, police and judicial structures and functions necessary to ensure private property right sand to guarantee, by force if necessary, the proper functioning of the market.”<sup>10</sup>

Yes. That’s right, “by force if necessary”. And, it is necessary, because otherwise it could not exist. Therefore, the neoliberal state is extremely militant in all areas of its influence and activities, from economics to politics, culture and militaristic behavior.

But, the liberal state was also militant. Indeed, it was the “liberal and tolerant ‘at home’”, but at the same time it was “despotic and relentless externally,

<sup>9</sup> Branko Balj, *Neoliberalism – reduced practical philosophy*, “IP Belgrade”, Zrenjanin, 2013, p. 11.

<sup>10</sup> David Harvi, *A Brief history of neoliberalism*, “Mediterran”, Novi Sad, 2012, p. 14-15.

especially in the colonies and the dependent territories on whose exploitation it built a liberal ‘peace in their own home’<sup>11</sup>

Neoliberalism totally opposed to the “welfare state” and the “social state” that developed an expensive and bureaucratic state bureaucracy that hinder the development of private initiative. That is why neoliberalism insists on building a state that will be fully in the function of business, profits and capital, and not for the benefit of social assistance, social welfare and social justice about which talking are the Social Democrats and the apologists of the “welfare state.”

While liberalism advocated a “lesser” economy, neoliberalism advocated for a strong state; liberalism has emphasized the primacy of the individual in relation to the state, while neoliberalism does not; neoliberalism does not accept most of the public institutions: they are for private rather than public hospitals, for private schools and free markets. In particular, neoliberalism advocates for farming, for repressive and a militaristic state by which it would “introduce democracy” and secure for it self the necessary global resources.<sup>12</sup>

Neoliberal theory and practice is opposed to any form of social solidarity. The “neo-liberal emphasis on the individual as the basic element in the political and economic life opens the door to the activism of individual rights. But focusing on those rights instead of creating or restoring essential and open democratic management structures, the opposition cultivates methods that can not avoid the neoliberal framework. The neo-liberal concern for the individual outwits every social-democratic concern for equality, democracy and social solidarity. In addition to this, often reference to the legal action involves neoliberal tendency to refer to the judicial and executive, instead of parliamentary power. But to go by the legal path is an expensive and time consuming process, and courts in every case are seriously used towards the interests of the ruling class, taking into account the typical class commitment of justice. Legal decisions tend to favor the rights of private property and the profit rate over the rights of equality and social justice.”<sup>13</sup>

<sup>11</sup> Milan Matic, *Liberalism, populism, democracy*, “Institute for political studies – Official gazette”, Belgrade, 2002, p. 43.

<sup>12</sup> Braco Kovacevic, Dusko Vejnovic, *Neoliberal project of destruction of states and economies*, in: *National state and economy*, “Slobomir P Univerzitet”, Bijeljina, 2011, p. 75-76.

<sup>13</sup> David Harvey, *A Brief History of Neoliberalism*, “Mediterran”, Novi Sad, 2012, p. 224.



## Conclusion

Deregulation, privatization and reduction of the public sector expenditures and social support and help, have expelled the state from areas where its power was exclusive and, at the same time, they brought into question the concept of the “social state” in other words the “welfare state”.

Neoliberal ideology of the monetary and market fundamentalism has led to a complete erosion and destruction of the concept of solidarity of a “welfare state”, the destruction of not only the socialist countries, but also the social democratic form of capitalism. The practical application of this ideology has led to mass unemployment, misery and poverty, falling standards and quality of life, falling standards in the field of social legislation, environmental and health issues, and so on. Quite clearly it has shown that countries that followed the neo-liberal ideological concept and at the same time take funds from the International Monetary Fund, the World Bank and other powerful financial institutions of neoliberal capitalism, follow none other than - their own suicide path.

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