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The Myth: Shrinking the State

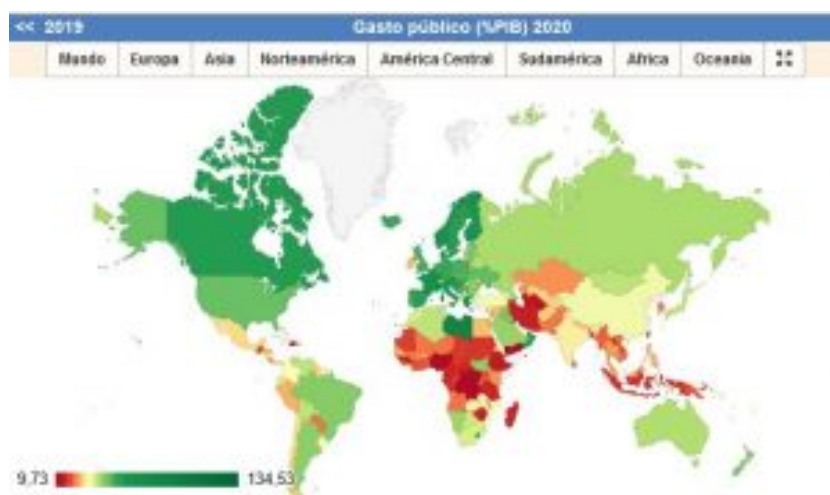


The US, as well as Canada, as well as the countries of the European Union, as well as Russia, Japan, even the "Asian tigers" and, no doubt, China, have strong states, with enormous capacities to control their economies and several to expand them and venture into the geostrategies of the world. These States have gigantic resources, several support powerful armies, make investments in public works and services, finance scientific and technical research, allocate money to education and multiple cultural activities (museums, cinema, theater, arts, etc.), have public media, manage their own companies, some have reached the sidereal space.



[Sweet Leviathan](#). Critics, victims and antagonists of the Welfare State

Unlike the US or Japan, with *free enterprise economies*, the most important European countries and Canada are distinguished by their *social economy* and among the Nordics of Europe there is talk of "socialism of the XXI century". In this type of economies, social security, public education and medical care are maintained, as universal and free services, conquered after World War II, when the model of *social market economy* with *welfare states* boomed. In Europe, in order to address the economic recovery as a result of the Coronavirus pandemic, there has been talk of "economy of the new welfare", with increased budgetary funds, new rules for the protection of labor rights and social achievements, increase in wages, aid to companies with various subsidies and also various bonuses for families, which involve huge state investments. Until 2020, public spending relative to GDP was 61.60% in France; and in European countries, in general, it exceeds 50%, while in the US it is 45.45%; but a country review is necessary in order to see how much importance they attach to investments in the above-mentioned social services(<https://bit.ly/3DJiNGE>).



The most serious academic studies on the role of the state in world economies agree on three key points: 1. Thanks to states and not exclusively to private companies, the countries of the "first world" managed to grow and develop; 2. Only by reaching a certain level of development did States open more fields to the free market and private enterprises; 3. State deregulation has inevitably led to the deterioration of public services of a social nature (education, medicine, social security) and to the deterioration of living and working conditions. In an "old" interview (2016), The Korean economist Ha-Joon Chang, a specialist in development economics, was forceful in arguing that simple GDP growth does not imply social improvement and that Korea, along with the other Asian "tigers", was not developed, as is often believed, by the free market and private enterprise, but thanks to the decisive action of States(<https://bit.ly/3DK01ix>). Mariana Mazzucato (Italian-American) also demonstrated, in *The Entrepreneurial State* (2013), the role of public investments for biotechnology, artificial intelligence or telecommunication, in addition to its general regulatory role; and in another recent work: *The Value of Things* (2021), he discusses the myth of the exclusive private generation of value. And the American Joseph Stiglitz (Nobel Prize in Economics 2001), has studied the role of the State in the development of the United States and questions, in *Progressive Capitalism* (2020), how since Ronald Reagan (1981-1989) that nation left the achievements of the New Deal of the time of F. D. Roosevelt (1933-1945), losing the way to a social welfare economy, that affected the Americans.



Ha-Joon Chang: ["If Chile wants to grow, it has to overcome the limitations of neoliberalism"](#)

There is a huge difference in conceptualizations in Latin America about the role of the state in the economy, with respect to what is formulated and followed in the countries of the "first world". However, Latin American history also shows that only when the State has intervened, regulated and promoted the economy, there have been advances, modernizations and improvements in the quality of life and work of the population. During the nineteenth century this interventionism is not widespread and development depended on the private sector, unable to produce it because it was constituted by an oligarchic landowning class, merchants and speculative bankers, in pre-capitalist conditions. In the twentieth century capitalism is slow in most countries and takes off since the middle of the century thanks to developmental policies, which involved the state promotion of industry and modern entrepreneurship, which otherwise did not grow. Once the contemporary bourgeoisie was formed, during the final two decades of the century and the beginning of the new millennium, under the era of globalization, the conditioning of the IMF and the expansion of neoliberal ideology, a "model" that destructured old social achievements, affected living and working conditions and disfavored industrialization, was launched into the retreat and privatization of states. Ha-Joon Chang has not hesitated to point out that Chile, turned into the successful example of Latin American neoliberalism, mistook the path, harmed its development and affected society. The first cycle of progressive governments during the initial three decades of the twenty-first century, which was a reaction against neoliberal hegemony, demonstrated, on the other hand, the undoubted social improvement with the construction of economies based on fundamental roles of the State, again hit with the restoration of neoliberal business models in the last five years, which today confront with a certain recovery of the social path between the

governments of the second progressive cycle. That confrontation is well illustrated in Chile between the two candidates who pass the final runoff on December 19 (2021): José Antonio Kast proposes the neoliberal economy and Gabriel Boric a social economy of welfare(<https://bit.ly/3DO0Bvs>).



[Free market vs. welfare state: two opposing models go to the second round in Chile:](#)The far-right José Antonio Kast and the leftist candidate Gabriel Boric will face each other again at the Chilean polls on December 19

Conceptual differentiation continues to mark the history of the present. In European countries that relaunch the new welfare, attention to society is a priority, while in neoliberal Latin America companies are prioritized. Among the former, it does not occur to anyone to privatize education, universal health care or social security that serves everyone, including entrepreneurs. The demand for "shrinking" of States would be unimaginable. Financing comes, above all, from high taxes; and although there are privatized and concessioned areas, in addition to gigantic private companies, States do not stop receiving strong royalties or other advantages. The tax burden (income taxes) does not fall below 35% and in Denmark it is 47.4%(<https://bit.ly/3oMuIz6>). Of course, evasion is severely monitored. Italy has a *Guardia di Finanza*, a scrupulous police-military force specialized in economic and financial matters. But in Latin America it is known that the rich do not want to pay taxes. According to ECLAC, the richest 10% own 71% of the wealth and tax only 5.4% of their income(<https://bbc.in/3IDtw9f>), an average that hides

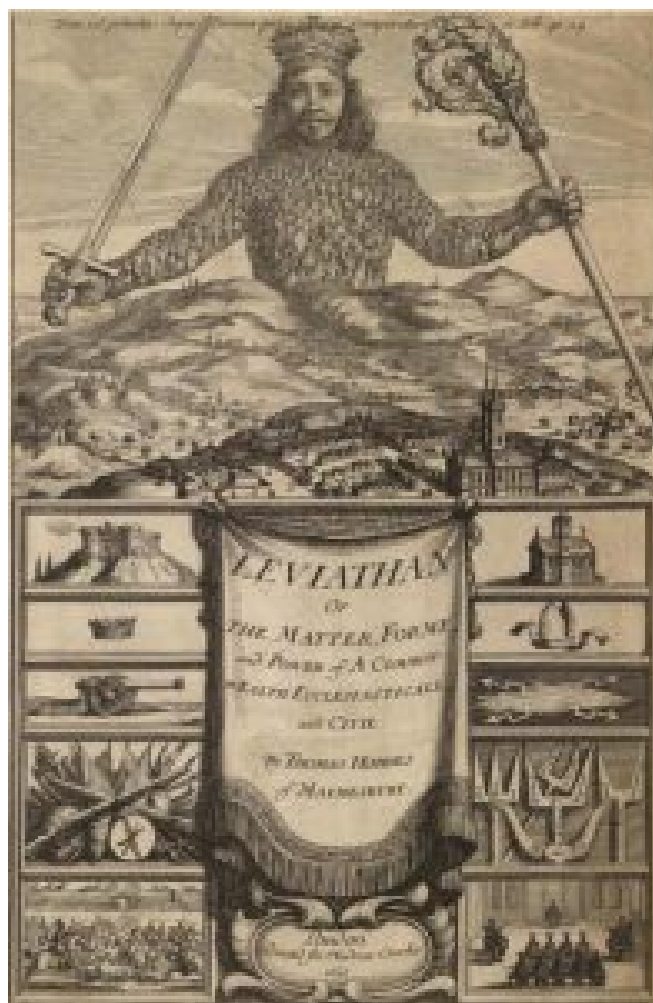
realities such as that of Ecuador, where tax evasion reaches 7.6 billion dollars, an amount equivalent to fuel subsidies between 2015 and 2020(<https://bit.ly/30h4LOZ>); 965 people who own Economic Groups (25 companies on average) have incomes of more than 60 thousand dollars per month (2019 data, <https://bit.ly/3dGX9s5>); and 214 of those groups barely caused taxes equivalent to 2.6% of their total income(<https://bit.ly/3DMzCRd>).



[Why do Latin America's rich pay so much less tax than the rest?](#)

In Latin America, the economic right has succeeded in convincing that budget deficits must be solved by reducing public spending. But a social economy requires increasing public revenues, which entails the need to raise taxes on the rich and charge evaders. The strangulation of the State explains the impossibility of governments to meet urgent and varied demands on income that allow financing medicines, universities, infrastructure works, cultural activities, research, security, etc. If the "Panama Papers"(<https://bit.ly/3dDuh45>) as well as the "Pandora

Papers"(<https://bit.ly/3IFQbBX>) have shown anything, it is that the region has rich economic elites, who control even political power and who are world champions in hiding their capital abroad, avoiding paying taxes and, at the same time, complaining and demanding that states reduce their size, reduce or exempt taxes on their business classes and make work more flexible to reduce "costs" that supposedly impede their investments.



Frontispiece of [The Leviathan](#) recorded by Abraham Bosse, under the instructions of Hobbe, September 29, 2004.

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