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Rethinking Economic Liberalization: A Progressive Approach to Reform

by **Jonah D. Levy**

Edward Elgar Publishing, 2025.

The Economist exclaimed in 1995: “the differences between New Labor and watered-down Thatcherism are far more of style than of substance” (Adam Przeworski 2010, p. 106).

This claim actually projects a convergence between such a significant representative of the left as New Labor and Thatcherism, which is considered an agile carrier of successful neoliberalism. After all, *The Economist* is not the only one in the manifestation of this assessment.

But Jonah D. Levy with the book that I present here develops a reflexivity that resists the statement of *The Economist*. He emphasizes the syntagm of economic liberalization, which for him is broader in relation to neoliberalism - which can actually be considered as only one part of the otherwise broader process of “liberalization”. In any case, the author cares about identifying possible left-wing moments regarding the process of liberalization, and promoting the phenomenon of “progressive liberalism”.

Consequently, the red thread of the book is the distinction between neoliberalism and “progressive liberalism” - Levy conducts scrupulous analyses to prove that this distinction has always been important but neglected. Both progressive liberalism and neoliberalism are branches of the same tree, but they must be differentiated. Based on this, we can conclude that the author of the book criticizes the vague notion of neoliberalism, which does not reflect the mentioned difference. That is, self-surrender to all-powerful neoliberalism suppresses the possibility of politics on the left that accepts the “agenda of economic liberalization”, but also presents a social sensitivity that can address supporters of the left and who should not be lost due to the presupposed triumph of neoliberalism.

This orientation does not accept the ideological self-reflection of neoliberalism, which propagates that there is no alternative. On the contrary, it is suggested here that

even in the middle of the liberalization process there is an alternative that progressive liberalism would have to support. If we want to encompass this intention then we could to say that progressive liberalism is an only adequate alternative to neoliberalism. This can explain why Levy emphasizes his opposition to the perception of “powerlessness” (p. 2): the coercion of economic liberalization that became evident in one historical period indeed represents a difficult problem for the left, but it does not have to surrender.

Levy sees a left that accepts the mentioned agenda in the sense that it is ready to follow the “vice-into-virtue” strategy, that is, to pragmatically balance between efficiency and equity. He admits that there is systematic inequality in capitalism, but states that it is possible to act in the perspective of progressivity in relation to liberalism. Therefore, progressive liberalism looks at the issue of distribution, or at social protection differently than neoliberalism. That is, progressive liberalism is not necessarily just mediator of neoliberalism, but can show engagement in terms of equity in every social segment.

Levy wants to save economic liberalism whose values have been forgotten due to the élan of neoliberalism. He sees historical cells that have changed the appearance of classical liberalism: that is how liberalism, which already took on social features before the First World War, greatly expanded the reach of the classical mode of liberalism without losing the substance of liberalism. The “social agenda” of renewed liberalism changed the constellation and situated liberalism in changed circumstances. It did not intend to transcend the capitalism, and affirmatively related to private property and individual freedom, but this happened with the meanings according to which the alternative was possible. Levy places the emergence of John Maynard Keynes within the framework of the self-change of liberalism - it is enough to indicate here that the writer of *General Theory of Employment, Interest, and Money* shows many such elements that are parallel to the ideas of “new liberals”.

Levy is convinced of the “plasticity of liberal principles” (p. 12), economic liberalism is not a rigid doctrine condemned to predetermined paths - Keynes is proof that one can talk about the gradual evolution of economic liberalism, which absorbs social sensitivity, and interprets the possibilities of applying socially responsible economic policy.

In summary: the way Levy interprets economic liberalism creates a joint structure between the social liberalism that existed before the First World War and the paradigm of macroeconomic reasoning that can be followed after the appearance of Keynes. We have a picture that wants to throw light on virtuous cycles between liberalism (which limits the state performance), and liberal interpretation of well-being, which is constantly being renewed to respond to the socio-economic dynamics of capitalism.

Thus, after 1945 there is synthesis between the economic liberalism and progressive principles, that is, appropriate history can be interpreted as a constant fine-tuning of economic liberalism. In doing so, Levy accepts the thesis that connects the robust state of well-being and the principles of free trade that are open to the international market - a strong welfare regime can compensate for the losses/risks that arise from openness to the world market. Although we are also warned that the welfare state with the seal of Keynesianism has different variants with respect to, say, different aspects of public spending.

“Welfare Capitalism” and his state produce different “vices”. In doing so, Levy first distinguishes “original sin”: this is about the founding logic of the given form of the welfare regime, which follows the privilege of certain social groups at the expense of others (Levy cites the overexpansion of the disability program in Netherland, which enabled the inadequate expansion of this category). Levy classifications perform various annoyance policies: “original sin”, refers to “Welfare State Reformation”, the “sclerotic sins” requires, however, modernization of the welfare state.

This is the conceptual architecture of the book.

First, we can read in the second chapter of the book on “reducing budget deficit and equity deficit”. Here we are right at the difficult problem of austerity, which dealt strong blows to those who tried to implement fiscal rationalization in the name of necessary rebalancing. In addition, the austerity-issue is an extraordinary terrain where the concepts of neoliberalism collide (to paraphrase of some theses of Albert Hirschman, public spending is *ex ante* an uncounted instrument, or it creates damage from which economy is difficult to recover) with progressive liberalism. Finally, let's just remember the different episodes in the last decade when important social groups found it necessary to protest against the logic of austerity that resulted from the ordoliberalized strategy of the EU.

The question is therefore the following: is it possible to project an economic liberalism that adheres to progressive principles and acts with fiscal rigor? Let me repeat: are progressive liberals doomed to surrender when it is necessary to implement austerity and strengthen fiscal constraints?

Levy offers two narratives about this, which should show the meaningfulness of the strategy he calls transformation of vice into virtue: politics of centre-left governments in Italy and Sweden - these countries are sufficiently different that branching trends of welfare practice and public finance can be seen. As we can see, the author invites us to consider the lessons from earlier episodes, that is, the book has systematic narrative sequences on the basis of which different situations are mapped.

Progressive liberals cannot avoid situations when a cut of the budget is necessary. In addition, deficit spending should be considered in the short and long term: in other words, it should be viewed as a possible medium, but of different policies in terms of target-rational time allocation. Levy shows the truly heterogeneous situations that dictated the appreciation of austerity, moreover, he calls on Keynes for help by linking deficit reduction and demand stimulus regime (p. 29).

Incidentally, Levy pays special attention to Christian democracy-type of welfare capitalism. This type of welfare regime is articulated in the light of “original sin” because it originally prefers the interests of certain social groups. This regime shortens solidarity both in the perspective of tax and in the perspective of benefit (p. 31). There were also “evolutionary sins” in this regard: when the crisis occurred in the 70s of the 20th century, the mentioned regime favoured differences concerning the industry. Furthermore, there were also “sclerotic sins” which implies an excess of inertness for the sake of order. Levy shows the heterogeneity of the map that shows the different effects of this type of welfare with regard to European countries. He does appreciate the different sins of this type of welfare, but his claim that welfare capitalism in the sign of Christian democracy is far more flexible than it is usually thought.

Levy aims to prove that these examples are instructive in that the indicated countries were forcibly oriented towards austerity measures. But they did not necessarily have to fall into the trap of regressive movements that are in other countries affected low-income citizens. The willingness to see the different sins that are embedded in the welfare system that exists in capitalism is a significant factor in terms of progressive liberalism that does not submit to neoliberalism.

The next chapter is entitled “Lower taxes, fairer taxes”. We are immediately faced with the famous question of tax cut: on this occasion we will remember that it is at the very centre of neoliberal strategies (Bush, Trump, Thatcher, Major are well-known examples). In addition, regarding the reduction of taxes there is a traditional fear of progressive liberals that this enables an unfair transfer to the wealthier layers of society. Levy here opts for two narratives which are confirmed by his position that liberals who are socially sensitive should be engaged in regarding this issue: centre-left governments in England (Tony Blair, on this occasion Levy focuses in particular on the policy towards childhood poverty and points to contradictory results) and in the Netherlands (Wim Kok: here the policy of wage moderation is situated in parallel with tax relief).

Levy presents arguments/examples with which he wants to prove that there is a progressive liberal variant of tax relief. He especially emphasizes the importance of “evolutionary vices” in the tax system. In addition, he puts the “malleability” of “tax codes” in the foreground, which enables the application of such measures that are oriented towards ecological justice, as well as the suppression of such activities, i.e., environmental taxes. It belongs to the conceptual repertoire of the book to point out here that following of progressive orientation can also realize a deep movement towards “post-material materialism” (p. 115) that respects ecological horizons and at the same time registers postmaterial patterns of life. Therefore, left governments can be initiators in the synthesis of post-materialism and materialism by calibrating environmental taxes - through this, “fiscal modernization” can be triggered (government in Netherland is presented as a paradigmatic example).

A policy that reduces taxes without losing sight of progressive principles is therefore possible: different sequences the British and Dutch left governments show that this effort in terms of taxes can reduce inequality, and not push low-income groups in disadvantaged positions.

Part-time employment - that is the subject of the next chapter. The term that has been used for this in recent decades is “labour market activation”: here a distinction is made between labour market expenditures that compensate the actors, but do not orient them towards the work process, and expenditures that are aimed at certain subjects being able to find a job. In the second case it is distanced from government transfers in order to ensure the functioning of the principle according to which income is work-biased.

At the same time, labour activation reacts to the overall changes in capitalism that require finding flexible forms of work. Again, it is about the fact that the left traditionally harbours scepticism towards these forms of work that are “atypical”, because they contain features that are non-standard in relation to the understanding of the form of work on the left.

Levy reminds us of the earlier difference between neoliberalism and progressive liberalism: neoliberalism ignores the quality of work, and reductively suggests only the

importance of the expansion of work, adding even a moral meaning to it. That is why the neoliberal strategy will be called “thin”: it propagates the negative dimension of politics, it wants to abolish restrictions regarding the scope of capital, in fact it dictates the narrowing of state mechanisms. Neoliberalism is indifferent to the possibility of manipulation with part-time workers who can be used against those who are stably employed; therefore, they can be disciplined with threats mediated on the basis of the mere existence of part-time workers. In other words, progressive politics is “thick”, because it counts on more far-reaching the involvement of the state, which does not submit to neoliberal processes. This is how the normative picture of progressive politics is drawn in this case: it recognizes the necessity deregulation in this domain as well, but does not give up on reregulation and promotion of atypical forms of works. At the same time, it should be said that part time job is not the only form of “atypical work”, there are also fixed term employment, independent contracting and gig work (p. 113).

The author intends an active relationship of progressive liberalism towards these unconventional forms of work. He finds a concrete example, or rather a concrete comparison that is relevant - after all, we see that in this book the comparison of different narratives is in fact the operationalization of normatively derived horizons for progressive politics that revitalizes liberalism. On the one hand, there is Germany with a “thin” neoliberal strategy (which creates a segment of the precariat with reduced potential in terms of protecting their own rights), on the other hand is the Netherlands with a “thick” progressive strategy that does not end with the subordination of part time workers.

At the same time, it is interesting to see that both countries are determined by the orientation of Christian democracy. Levy once again identifies what is important to him, namely politics which makes the conversion from “vices” to “virtues”: this is how the “sclerotic vice” is thematized on the occasion of the labour market, that is, the exclusion of women from the ranks of the labour force. Moreover, this allows us to treat the possibilities of active progressive politics on the occasion of the dynamics of female unemployment. Namely, this is how we arrive at the statement that further affirms the importance of involving the female workforce: “more woman workers, more progressive reforms” (p. 131).

But what are the measures that progressive liberalism can count on to increase the supply of work in contemporary processes? This is the content of the next chapter. And now we already know that the argumentation takes place in the way of comparing progressive (“thick”) and “thin” neoliberalism. It is not true that the progressive variant of liberalism is woven into a utopian, rosy world without coercion: on the contrary, progressive politics also mediates coercion in terms of entry into the labour process. But, with different goals than neoliberalism (which of course propagates the objective necessity of coercion, the protoexample is the welfare reform in the USA in 1996), and in addition, the starting point is not that job loss is actually an expression of personal deviance, and a manifestation of a lack of will to work. The difference crystallizes in the fact that neoliberalism renounces public responsibility in a given case, progressive liberalism, however, finds an argument for sharpening this very responsibility. Furthermore, progressive liberalism is not satisfied with interventions on the labour market, its reach is necessarily wider (p. 148). All this is shown on the example of UK and Sweden.

Based on the analysis of various examples, Levy warns that progressive measures related to workfare arrangements are mostly exposed to change in the event of a change of government. It can be argued that the Right that comes to power retains the measures that were implemented with regard to working women, but this cannot be confirmed in relation to the mentioned arrangements. The author analyses the reasons and refers to the following factors: class, social and political features (p. 169). In any case, it is possible that progressive liberalism stands not only for more jobs, but also for a higher quality of work; New Labour and Social Democrats in Sweden demonstrate that. That is, “work-first policies” are not necessarily of a neoliberal character. Clearly, the results and benefits of progressive liberalism on the labour market should be carefully qualified: the cyclicity of political elections can force left-wing parties into opposition. Moreover, Levy emphasizes that the elements of the irreversibility of progressive liberalism are the “ultimate” (p. 185) key to success for politics which he prefers. His examples that are presented: “expansion of heavily subsidized or free childcare in conjunction with the surge in female employment in the Netherlands, Germany, and the UK” (p. 186). And this belief will then produce a classification that orders which are the “sources of resilience” and which are the “sources of vulnerability” of progressive liberalism when its bearers are no longer in power.

The last chapter actually recapitalizes what was accomplished in the book. It is clear that the author wants to distance himself from neoliberalism, which is marked with attributes such as “regressive” or “punitive”. These are the characteristics of the coercion of neoliberalism. Admittedly, the author of the book is interested in its genesis (at the end of the book, the differentiation of different levels of neoliberalism appears), but by evaluating the effects in a comparative sense, he indirectly presents a systematic criticism of neoliberalism. It can be said that his assessment is that the only restored connection between economic liberalism and what qualifies as a progressive set of principles can compete with powerful neoliberalism.

Economic liberalization is necessary under capitalism: progressive liberalism should see this and respond with appropriate economic and social policies - instead of lamenting that liberalization is the anteroom of neoliberalism. Economic liberalization is necessary, although Levy does not want to suggest that it is always a comprehensive process. We should remember, says Levy, that economic liberalism was the bearer of distinct emancipatory contents, and it would not be expedient if we renounced this tradition of economic liberalism. Undoubtedly, the dynamics of capitalism in recent decades have caused the resilience of economic liberalism (austerity politics, etc.): neoliberalism is suppressing social liberalism.

It is worth noting that Levy adopts what Peter Hall called the “policy paradigm”: it is a set of “instruments and settings” (p. 182) that enable the shaping of a revitalized social liberalism. At the same time, he attributes neoliberalism to “parties of the Right” (*ibid.*), that is, he removes that reflexivity that (critically) believes that left-wing parties also contributed to the dominance of neoliberalism. He cares about attributing the legitimacy of the welfare state on the basis of selected examples, and on the basis of the lessons learned - it is not necessary to prove that the legitimacy of the welfare state has been called into question by the expansion of neoliberalism. Levy projects hope for a “cosmopolitan middle class” that will support his earlier stated orientation regarding

“postmaterialist materialism” - the social features of liberalism still require that politics be conducted in such a way that less advantaged groups do not perceive economic liberalization as an attack on their social existence (p. 195).

Levy intended to show that progressive liberalism has “manoeuvring space” - this must be converted into politics, namely, in order for economic liberalism with social engagement to become a practical force. The value of the book is that, based on various and numerous European empirical examples, the author proves that his intention has empirical foundations. Anyone interested in the dynamics of the welfare state under the sign of social liberalism should read this book. It represents orientation that advocates indispensability of creative-active left-wing approach in relation to the welfare state: some of its trajectories are irreversible, but left-wing politics could deepen these trajectories in competition with neoliberalism.

Marginally, I have to note that the book is dominated by a pacifist tone that moves the essential conflicts of capitalism into the background, thus neither capital nor its determinations appear in a decisive way on the horizon - the problem is that, among other things, this affects the path of the middle class, which is placed here as the main subject. But, regardless of that, the economist can learn a lot from this book.

References

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