

Back to the Future: Is Socialism Striking Again?

In several countries across the globe, including the US, socialism is increasingly forming a part of the political rhetoric. In this context, Columbia University's School of International and Public Affairs (SIPA) hosted the Fifth Annual Kotak Family Distinguished Lecture Series on September 24th 2019. The event, titled "Back to the Future: Is Socialism Striking Again?", focused on socialism's resurgence. [Professor Jagdish Bhagwati](#), University Professor (Economics, Law, and International Affairs) at Columbia University, chaired the event, and a panel of eminent scholars brought in examples from across the globe.

In his opening remarks, Professor Bhagwati cautioned the audience to be careful while interpreting history and drawing causality, citing examples from China and Sweden. He reinforced the importance of sound post-mortem analysis to accurately identify why socialism failed in several countries. Through unique anecdotes, he also emphasized that socialism was no longer a model for 'others' to adopt; many nations are recognizing the need for democracy and are coming forward to embrace socialism. The panel consisted of Former Chilean Ambassador to the US Juan Gabriel Valdes and Professors Jan Svejnar, Lee Branstetter and Arvind Panagariya. Each panelist drew upon a different country's experience with socialism.

These optimistic opening remarks kickstarted a panel discussion. [Professor Jan Svejnar](#), Director at the Center on Global Economic Governance at Columbia University, succinctly analyzed the genesis and evolution of socialism in Europe. He traced the roots of European socialism to the early twentieth century, when capitalism was in crisis and socialism was seen as a temporary phase of novel experiments by democratic parties in Northern Europe to increase state ownership over the means of production.

"Marx would have expected socialism to become popular in developed capitalist countries. He would be very surprised to see socialism rise by brute-force in Russia in the fifties following the Bolshevik revolution," remarked Professor Svejnar. Pointing to the eventual failure of socialism in former advanced economies like Slovakia and Argentina, Professor Svejnar acknowledged that perhaps socialism was ahead of its time. Yet, given the lack of a well-functioning alternative economic system, socialism replete with all its idealism was making a comeback in several countries.

The discussion intensified when [Lee Branstetter](#), Professor of Economics and Public Policy at Carnegie Mellon University, gave a contrasting perspective when he spoke of China's remarkable growth following a prolonged period of chaos and economic stagnation. Professor Branstetter explained that as China emerged from the Cultural Revolution, commune agriculture came to a rapid halt and millions of peasants successfully transitioned to better paying industrial jobs, without affecting food security. Thus, by relying on markets to set prices, opening up the economy and inviting foreign investments, China was able to transform into one of the most open large developing countries by the early 2000s. Simultaneously, the profitability and output share of China's state-owned enterprises continued to decline, so much so that they were unable to generate sufficient revenues to even cover the cost of capital. To conclude his

commentary, Professor Branstetter alluded to the recent trade wars and left the audience with a thought-provoking question as to whether Xi Jinping was turning back the market tides in China.

The penultimate panelist, [Juan Gabriel Valdés](#), George W. Ball Adjunct Professor of International and Public Affairs at Columbia University and former Minister of Foreign Affairs of the Republic of Chile, provided another interesting take by affirming that socialism was the normal way of life in most Latin American countries. Ambassador Valdés remarked that the inherent spirit and cultural imagination of Latin America were inspired greatly by the bourgeois values of the French Revolution. While the American revolution led to institution building, neo-liberalism also exacerbated inequality as evidenced in countries like Chile and Brazil. In these Latin American countries, despite commendable achievements in lifting large numbers of people from extreme poverty to middle-class, economic inequality persists and fosters resentment. Ambassador Valdés cited a recent World Bank report where eight out of the top 10 most unequal countries in the world were from Latin America. In addition to perpetuating inequality, Ambassador Valdés believes that the virtues of freedom espoused by the United States would only bring unhappiness to Latin American countries, where nationalism was the norm. He ended his talk by clarifying that Venezuela's downfall was primarily because of a fascist government and not socialism. He cited Evo Morale's efforts to consolidate the Bolivian economy as an example of the transformative potential of socialism.

The last speaker in the panel, [Professor Arvind Panagariya](#), Jagdish N. Bhagwati Professor of Indian Political Economy and former Vice-Chairman of the NITI Aayog – the Government of India's think-tank – spoke about India's tryst with socialism. By comparing the modest 4% growth rates from 1950-1990 to the average growth rate of 7.7% recorded over the past fifteen years, Professor Panagariya demonstrated that socialism was a failed experiment in India. He emphasized that unlike the post-independent era of socialism, the recent surge in growth rates have led to significant positive changes in every Indian's life, including the most disadvantaged sections of the population. Autarchic trade policies characterized by the absence of foreign trade, stringent licensing to control the allocation of private sector investment, price controls and output allocation by the government demonstrated how democracy was controlled by government's heavy hand, explained Professor Panagariya. Eventually, with the collapse of the Soviet Union and the opening up of the Chinese economy, even the staunchest defenders of Indian socialism could no longer ignore that the model had failed to live up to its promise. Post 1991, the Indian economy started opening up and over the years, heavily nationalized sectors like banking and civil aviation were privatized.

The discussion is highly pertinent in today's world where rising disenchantment with neo-liberal models of contemporary capitalism has led to a frantic search for more equitable alternatives like socialist models of the welfare state.

The event was co-sponsored by Columbia SIPA's Deepak and Neera Raj Center for Indian Economic Policies and Center on Global Economic Governance and Columbia Business School's Jerome A. Chazen Institute for Global Business and the India Business Initiative.

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