Neoliberalism

A summary of characteristics, origins, and effects:

<https://www.theguardian.com/books/2016/apr/15/neoliberalism-ideology-problem-george-monbiot>

Who were its two primary intellectual founders in Europe (1930s and 40s), and what/who were the sources of financial support that promoted it globally through the Mont Pelerin Society?

It’s primary promoter at the University of Chicago in the United States was Milton Friedman.

Hayek’s view that governments should regulate competition to prevent monopolies gave way to the belief that monopoly power is a reward for efficiency and should be allowed.

However, the era of Keynesian policies lasted post WWII until 1970s (higher taxation, the use of government fiscal stimulus to prevent or manage economic downturns). This was the era of unprecedented prosperity and growth of the middle class in the United States.

Here is a summary of Keynesian economics in four points, from Nobel Prize winning economist Krugman:

*1. Economies sometimes produce much less than they could, and employ many fewer workers than they should, because there just isn’t enough spending. Such episodes can happen for a variety of reasons; the question is how to respond.*

*2. There are normally forces that tend to push the economy back toward full employment. But they work slowly; a hands-off policy toward depressed economies means accepting a long, unnecessary period of pain.*

*3. It is often possible to drastically shorten this period of pain and greatly reduce the human and financial losses by “printing money”, using the central bank’s power of currency creation to push interest rates down.*

*4. Sometimes, however, monetary policy loses its effectiveness, especially when rates are close to zero. In that case temporary deficit spending can provide a useful boost. And conversely, fiscal austerity in a depressed economy imposes large economic losses.*

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But back to neo-liberalism (Keynesian economics is not part of neo-liberalism). While Keynesianism dominated the political economies of the developed countries from WWII until the 1980s, the contradictions of capitalism and other factors caused economic crises in the 1970s, with inflation running hand-in-hand with stagnating economic growth and declining corporate profits. Neoliberal policies were pushed hard by economic elites, imposed on much of the world by the IMF, the World Bank, the World Trade Organization, and the Maastricht Treaty.

**Neoliberalism began in developed countries with Thatcherism in Great Britain and by the late 1970s in the United States.**

Was the neoliberal agenda that was imposed on the world -- particularly massive tax cuts for the rich, the crushing of trade unions, deregulation, privatization, outsourcing and competition in public services – one exclusively of conservative political parties? (article)

Just a reminder as you read the article, liberalism here refers to economic liberalism – essentially neoliberalism. ***Chicago School Economics*** and the ***Washington Consensus*** are other descriptors that identify the partial origin and political apparatus that has promoted ***neoliberal*** policies. The three bold print terms all mean essentially the same policy agenda.

Here is a list of most of the agenda items in neoliberalism:

* taxes should be reduced
* regulation should be minimized
* public services should be privatized, reducing government spending (education, health care, child care supports, housing supports, public infrastructure, etc…)
* organized labor and collective bargaining by trade unions seen as distorting markets
* inequality seen as virtuous, rewarding merit and generating wealth that “trickles down”
* everything should be marketized
* capital should be allowed to flow without restrictions across borders, leading to
* outsourcing of production to low wage sites
* financialization becomes a larger part of national economies, a symptom of income and wealth accumulating at top (because less of it is going to workers), inflating financial bubbles in real estate, stocks, and commodities, destabilizing economies (ie. global financial/housing crisis that began in 2007)

Eventually, the effects of neoliberalism became obvious, with very little wealth “trickling down” and the stagnation of income and opportunities for working people.