SUST 101: What is Neoliberalism?

This is an introductory reading to neoliberalism. There is some libertarian influence in neoliberalism, but neoliberalism is largely a form of political economy in which the state plays a large role in allowing and even protecting monopolistic capitalism. In effect even, the state itself becomes increasingly embedded in the market. That probably sounds confusing to you, but the reader linked below will help us understand this.

A summary of the characteristics, origins, and effects on neoliberalism:

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

“…The philosophy that rose as a conscious attempt to reshape human life and shift the locus of \_\_\_\_\_\_\_\_\_\_\_\_?

Within neoliberal philosophy, what is the defining characteristic of human relations? Explain using the material from the rest of paragraph.

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
* 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 wealth accumulating at top, inflating financial bubbles in real estate, stocks, and commodities, destabilizing economies (ie global financial/housing crisis that began in 2007)

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Origins of concept, Hayek, the Mont Pelerin Society. Who funded collaborating think tanks?

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)

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 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, and the Maastricht Treaty.

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?

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.

Freedom from trade unions and collective bargaining means the freedom to…

Freedom from regulation means freedom to… (4 items)

Freedom from tax means…

Neoliberal policies are imposed on countries using shock. Explain.

When these policies cannot be imposed domestically, they are imposed internationally through what mechanisms? Explain how this can be undemocratic.

This next one is described as a paradox. Explain. We are seeing this in K12 and higher education right now.

How do economic growth rates compare before and after neoliberalism was imposed? (Around 1980)

But to what group was the above answer not applicable?

Give the five reasons listed that inequality has risen during the neoliberal era.

List the two components of what constitutes ***rent***, and for what services is economic rent extracted?

By the way, part of your cellphone fees are a form of rent. Most of the US cellphone industry is controlled by just a handful of competitors. This is what is meant by “monopolistic competition.” In the neoliberal era we ignore what the economist Adam Smith meant when he described what conditions were necessary for free markets. Monopolies, where there is a limited number of providers/sellers in an industry, allow for rents to be charged. The author writes that we are “…over a \_\_\_\_\_\_\_\_\_\_\_\_” in such cases. We have no choice.

Who is Carlos Slim, and how did he become one of the world’s richest men? Can you guess what country encouraged this “fire sale” of a public service? Hint: it’s just north of where he lives..

There is an example here that affects many of you directly as college students. What is it?

What exactly does the author mean when he writes that “earned income is supplanted by unearned income?” This is a dynamic within the financialization process, where money is accumulated even when nothing is produced. We are in this situation now in much of the world, with production capacity still under 80 percent, even after a long period of economic growth.

The above is an example of one of the contradictions of capitalism, where production capacity greatly exceeds the capacity of consumption. This almost always happens when the split between worker wages and capitalist retention of earnings is shorting the workers. If the workers were paid more, they would buy more of the capitalist’s production. So instead, the capitalist accumulates more money, but can’t sell any more products so seeks out opportunities for that capital elsewhere. This is one way that financialization commences. Financialization is such a big and destructive phenomenon now partly because worker earnings have grown little while profits overall have grown much more rapidly. (capitalists are keeping the difference)

Due to the seeking of low labor costs offshore, ***outsourcing*** has given US-based firms enormous profits in contracting the production and then reselling in the United States. This labor arbitrage has more than any other force reduced production jobs in the United States by the millions. The elites who pushed for neoliberalism never made plans for what would happen to displaced workers.

“Neoliberal policies are everywhere beset by\_\_\_\_\_\_\_\_\_ failures.” Related to what I just wrote above, what sector was bailed out by the government just over a decade ago in the United States?

Thus competition cannot take its course.

“\_\_\_\_\_\_\_\_\_\_\_\_\_\_ takes the profits, the \_\_\_\_\_\_\_\_\_\_\_ keeps the risk.” (this has also been stated as “privatize the profits and socialize the losses”) When the US government in 2008 bailed out the banks during the financial crisis – ostensibly because they were “too big to fail,” they didn’t bail out the homeowners. And amazingly, corporate executive bonuses during the crisis remained large (even though supposedly they were tied to performance), even though actions of these lords of finance were a major cause of the crisis. The crisis would not have happened without the financial deregulation from the Bush Administration and the signing of the Glass-Steagall Act repeal by Clinton in 1999.

Yes, as stated earlier, while neoliberalism is clearly a conservative project, there are many corporate Democrats who have pushed some neoliberal policies too. Obama, for example, presided not in breaking up the monopoly power of the big banks after the crisis, but rather a further consolidation making that sector even more concentrated in a few hands. And as spelled out in PBS Frontline documentaries, he did not have any interest in prosecuting any of the perpetrators – sending the dangerous message that there would be no consequences for future financial malfeasance. And no wonder - he surrounded himself with plenty of executives from the large banks that were implicated in the crisis. Obama for the most part was not neoliberal in philosophy, but rather than challenging much of the agenda, he went along with most of it. The Affordable Care Act (a.k.a. Obama Care), as it was passed, continued to use market mechanisms together with governmental resources to allocate more healthcare (the template for it was developed by the conservative Heritage Foundation and in a slightly different form was first implemented in Massachusetts by then-Governor Romney).

ONE REASON WHY I AM ASKING YOU TO READ THIS ARTICLE IS FOUND NEXT.

“Perhaps” is the first word in this important paragraph. Please read all of this carefully. In a way I do not blame those who voted for President Trump, due to the very real disenfranchisement that people feel. But much of the root problem is not being addressed.

What the article says is that at the root of the problem is really an ideology that is unseen, and largely unknown, that has resulted in job loss, income loss, status loss (of the dominant ethnic group), disintegration of some geographic communities, hopelessness, and rising deaths of despair. Perhaps Trump is on to something by declaring what is in essence a trade war with China. But the root of the problem is the neoliberal project itself – which Trump has done much to strengthen through taking to the next level at least seven of the nine policy bullet points listed on the first page of this reading guide.

But given that there is some truth to the assertion that immigrant laborers have taken jobs that US-laborers previously had, or that immigrant labor has served to depress wages in some industries, history tells us that immigrants have often served as scapegoats. It is very easy to *other* them, by citing their disproportionate criminality (in the US case not supported by the data), or characterizing them as rapists (of course there are some that are – that is true in any population), or that their values or faith are different and incompatible with ours.

But the neoliberal “doctrine staggers on, and one of the reasons is its \_\_\_\_\_\_\_\_\_\_\_\_\_, or cluster of \_\_\_\_\_\_\_\_\_\_\_\_\_.”

The Charles Koch quote is particularly illustrative of the above. Be familiar with it.

What is it about the terms “the market”, “investment”?

What are two types of “investment”, and which one is now out of fashion, and why? Why should one meaning be considered virtuous, and the other not so much?

How do the anonymities and confusions mesh with the namelessness and placelessness of modern capitalism? (four examples)

The author Monbiot writes that “…there is something admirable about the neoliberal project, at least in its early stages.” What does he mean by this?

“Neoliberalism’s triumph also reflects the failure of the \_\_\_\_\_\_\_.” Monbiot then mentions how Keynesianism was presented as an answer to the failure of laissez-faire, and neoliberalism as an alternative to Keynesian demand management when it went into crisis. What are the fundamental reasons that Manbiot gives for why Keynesianism is not a plausible solution to the failure of neoliberalism that happened in 2008? (hint, which of these is clearly a problem of our times)?

So at the end, the author probably disappoints you as he poses no solutions. Many thinkers believe that neoliberalism is the final crisis of late capitalism. What we are seeing now is the rise of the far right, which includes what [some on the left are calling](https://monthlyreview.org/2019/05/01/absolute-capitalism/) neofascism movements.