Neoliberalism and Why it’s Bad for All of Us

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Introduction: That Caravan Park

I’m going to start with a riddle: when is an economy not an economy? When it’s a caravan park! That might seem a bit rum – but bear with me.¹ Those who come to the caravan park want things to work. They drive in at the allotted time, plug into the resources and services – electricity, gas, shower block, internet. They want the services to work; they might complain to the Park management if the electricity supply is interrupted, or if the neighbours are too noisy after dark; and if enough complaints are received, it might change the way the park is run – maybe even close it. But the caravanners have no other kind of participation in the authority that runs the park – they don’t make the rules by which it is run; neither do they have any essential relationship to one another; of course, friendships might spring up, might become customary, even – but they are not part of the fabric of the park. The only requirement is that they have the means – financial, transport and skill-wise, to turn up and to plug in. Under neo-liberalism – which has become so widespread in the US, UK, Continental Europe and the emerging economies of Russia, India and China that it seems inevitable – and we are used to hearing about ‘TINA’ – there is no alternative – that is the model of the economy. But note – it isn’t even, in a strict sense – an economy – since ‘economy’ comes from ‘oeconomia,’ the household. In a proper economy – a household, it isn’t simply about turning up, plugging in; about the ability to pitch, to get there, or to pay; rather, people in a household belong to one another in various ways, some chosen, some simply given; all are represented, including those who do not have the ability to speak for themselves; and those ways of belonging generate commitments to one another built in from the beginning, not just springing up by accident or preference.

But the caravan park is the economy under neo-liberalism; and, at some level, it’s become so familiar, so taken for granted that we don’t even notice. We certainly notice some of its effects as real, urgent practical problems in parishes – the need for foodbanks, the increase in inequality and struggle – struggle both for those at the bottom and, increasingly, for those in the middle, the shortage of affordable and decent housing, falsely depressed wages, unstable employment, among others – but we need also to wake up to the bigger picture and to see how these things are direct results of an economic model that is not the only possible model, that is certainly not inevitable, and that, at a certain moment in recent history – towards the end of the 1970s and beginning of the 1980s – was consciously chosen.

It’s ironic it’s taken so much for granted now. Because its first theorists in the 1930s, 40s and 50s – and well into the 1960s and beyond were dismissed by much mainstream economic thinking as cranks and mavericks. It was only the French philosopher Michel Foucault, who in his 1973 College de France lectures, called *The Birth of Biopolitics*, realised that the neo-liberals were on the up, and, indeed, by the end of that decade, had persuaded ‘a grocer’s daughter, a former film star and Europe’s greatest chicken farmer to unravel 40 years of state expansion.12

Its two sources were the Chicago School of Neo-Classical Economists – and it was the most well-known of those – and Mrs T's guru, Milton Friedman, who coined the phrase ‘neoliberal’ in a 1951 essay called *Neoliberalism and its Prospects*. Freidman saw himself as a kind of 20th century heir to Adam Smith, arguing for a middle way between the collectivist economics he hated, and 19th century liberalism, which worked on the principle of laissez-faire – let be – which would lead to over mighty individuals. The regulating mechanism of the economy, for Freidman, was not the state, but market competition. The freedom of the market was for him the safeguard of all freedoms, and was itself only to be regulated by competition.

A rather different variant of neoliberalism – one in some ways rather different from the Chicago School version, but which has influenced modern neoliberalism, and is still, in relatively undiluted form, the version of it expressed in contemporary Germany, in Angela Merkel's government, arose for noble aims really – it grew up in response to the collapse of the social democracy of the Weimar government in 1930s Germany, and was intended as an alternative to the command economy of the rising Nazism. Ordoliberalism is more tolerant of governments regulating markets, but believes it should be done in such a way that the market approximates the outcome in a perfectly competitive market. It shares with Chicago School Neoliberals, however, opposition to government intervening more directly in monetary and fiscal policy – i.e., doing any intervention which is not connected with making markets more competitive. Interesting, in terms of the European project, ordoliberalism has limited faith in democracy as a means of regulating markets – relying instead on rules and independent organisations.

So What is it?
So, where do we find ourselves now? Well – in the midst of a neoliberal consensus both nationally and globally that:

- Emphasises the rule of the market3 that means the unrestricted movement of capital, goods and services.

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3 http://www.globalissues.org/article/39/a-primer-on-neoliberalism#Neoliberalism
- The market is ‘self-regulating’ – more wealth in the system is supposed to equal more wealth for all – wealth distribution falls out of the system, and in theory, there is a ‘trickle down’ of wealth distribution.
- The de-regulation of labour - e.g., de-unionization of labour forces, and end to wage controls.
- The removal of any impediment to the moving of capital – such as regulations.
- Reducing public expenditure – and in particular for utilities, common goods (water), and social services, such as transport, health and education, by the government
- Privatization of the above – of everything from water to the Internet
- Increasing deregulation of the market, and allowing market forces to regulate themselves.
- Changing perceptions of public and community good to individualism and individual responsibility.

Behind these features are a series of underlying assumed principles – and ideology of neoliberalism:

- Sustained economic growth is good in itself and the best way to human progress
- Free markets would be the most efficient and socially optimal allocation of resources
- Globalization is a good thing – beneficial to everyone
- Privatization removes the inefficiencies of the public sector
- Governments main function should be to provide the infra structure to advance the rule of law with respect to property rights and contracts.

So – why is it bad for us – bad for all of us? I think for 3 different sorts of reasons:

- Its own internal contradictions
- Its actual effects – which may or may not be intended, but are nevertheless its direct result
- Its view of what human beings are demeans and dismisses them – makes of them specks of human capital, that can plug into the system and benefit from it, but which also perpetuates it – and there are no guarantees of benefits, rather, human beings are eminently sacrificeable.

*Internal Contradictions*

The internal contradictions of neoliberalism are many and various – but, most importantly –

- There is no such thing as a free market. The ‘free market’ is always imagined or instituted. More clearly in ordoliberalism than the Chicago school, the market is good not because it is natural, but because it maximises competition – governments in fact continually intervene
to construct and to regulate, and there is no ‘natural’ or given view of what maximises competition: Here is the view of one economist:

Every market has some rules and boundaries that restrict freedom of choice. A market looks free only because we so unconditionally accept its underlying restrictions that we fail to see them. How ‘free’ a market is cannot be objectively defined ...government is always involved and those free-marketeers are as politically motivated as anyone else.4

So the market isn’t ‘free’ at all – it is always restricted by some – or somebody’s rules. Take for example, energy costs. Global oil prices have gone down in recent months – but heating bills haven’t – or not significantly (petrol and diesel have – though probably not by enough to reflect the drop in global oil prices)....so...it is not the case that the market finds its ‘natural’ level but remains within certain limits, in this case set by the interests of the energy companies. There are other examples that some of you will be very aware of – of who wins the contracts to run public services – or trains and buses, for that matter. It is not a matter of a free market finding its natural level, but of a market constructed to a particular view of what maximises competition.

- The result of this is that, ironically, neo-liberalism tends towards monopoly – competition produces a ‘race to the bottom’ in terms of price and wage, and big multi-nationals tend to monopolize – less competition and variety, more uniformity and blandness – think Sky, Amazon, Apple…. As David Harvey puts it, ‘the market, depicted... as the way to foster competition and innovation, became a vehicle for the consolidation of monopoly power.’5

Actual - (Un) intended effects?

The trickle down effect of neoliberalism has, quite simply, not happened; if anything, wealth has been redistributed upwards. 30 years of neoliberalism in Britain has resulted in wealth inequalities last seen in the 1950s. There are several reasons for this: First, the ‘privileges of ownership and management...traditionally separated...[tend] to fuse by paying CEOs in stock options.’ Second, ‘the strong burst in activity and power in the world of finance....in short, the financialization of everything..deepened the hold of finance over all other areas of the economy...a power shift away from production to the world of finance.’ And, third, ‘the opening up of entrepreneurial opportunities...fast fortunes were made in new sectors of the economy such as biotechnology and information technology (for example by Bill Gates). New market relations opened up all manner of possibilities to buy cheap and sell dear...to corner markets that can either extend horizontally (Rupert Murdoch) of be diversified backwards into resource extraction and forwards into financial services, real estate development and retailing.’6

5 David Harvey: A Brief History of Neo-Liberalism (Oxford, Oxford University Press 2005, p 26)
6 Harvey: Neo-Liberalism, pp 33-34
Furthermore, it has entailed much ‘creative destruction’ of institutional frameworks and powers, divisions of labour, social relations, attachments to land and habits of the heart.\(^7\) Traditional forms of solidarity – most notably trade unions, but also municipal powers, have been systematically undone.

The View of the Human

The hero of neoliberalism is the entrepreneur – we are all becoming more and more required to be ‘entrepreneurs of the self’ – to invest in ourselves/make something of ourselves, ‘cultivate and care for’ ourselves and, increasingly – measure our performance. Hence, the caravan park analogy – we are required to ‘plug ourselves in’ – to pay the price of doing so, and to accept the cost, and our ‘belonging’ becomes passive plugging in – rather than active participation. The ‘democratic deficit’ of neoliberalism is NOT accidental but a direct result of it – we might complain of the outcomes, but our means of real participation in the process are gradually being eroded.

Traditional forms of solidarity are wiped out, and people become specks of human capital who are eminently sacrificable, even if they have done all the ‘right things’ – there are no guarantees, and individuals are expected to bear the risk of their entrepreneurial activity themselves (investing many hours in ‘training’ and ‘upskilling,’ often with no financial or institutional support and with no guarantee of better employment practices – i.e. gain (more skilled workforce) is privatized and risk is distributed downwards, labour is bound and capital released.

Austerity politics is the natural outcome of this – people are told virtue is sacrifice for the sake of a productive economy, but with no protection. The buck is constantly and systematically passed to those least able to carry it – large-scale problems (e.g. national debts) are sent down the pipeline to smaller units; devolution without the resources to implement it, combined with competition for resources, choices without resources, responsibility without power, power without structure. Dependency is denigrated and independence moralized – the most vulnerable are burdened with morally failing to follow the correct processes of capital development – not morality but moralism, not responsibility but responsibilism. Despite opposition to ‘big government,’ isolated and vulnerable individuals are eminently governable, subject to new forms of power whilst having smaller and smaller spaces in which to resist it. People are easily integrated into a project that is quite prepared to sacrifice them, and lack of trust erodes community life and social relations.

But the evidence is that this is not just bad for those who are most vulnerable – who undoubtedly bear the brunt of it – but for all of us. Richard Wilkinson and Kate Pickett and others\(^8\) have shown

\(^7\) Harvey, Neo-Liberalism p 3
that rising levels of inequality are bad for all of us, at all levels of society – physical and mental well-being are affected not just for the poorest, but for us all. And perhaps those worst affected are neoliberalism’s greatest beneficiaries: ‘for what will it profit them if they gain the whole world but forfeit their soul?’ (Matthew 16.26)

But What is to be done?

This is perhaps less easy – the neoliberal model can seem so powerful and all pervasive that our responses might range from rage to helplessness to capitulation to fatalism to attempting to tinker at the edges. Well, perhaps. But perhaps a modest – but more positive response is in terms of the cycle of ‘see – judge – act.’ It came to have a role in Liberation Theology, but is much older than that, rooted in Thomas Aquinas’ teaching on prudence.

SEEING neoliberalism is an act in itself – because it is so far reaching and taken for granted as to seem natural and inevitable. To see that it is not – and that its growth was actively promoted – is an important step in itself.

We can – as we will today – SEE its effects – we see them daily, but it is an important step to see them as neither natural nor inevitable but as directly arising from neoliberal policies – seeing merges into JUDGING when we see how concrete examples from our own situations relate to larger structures and policies at the macro level – about which we can, and are called to, raise questions.

We can also JUDGE – weigh all this in the balance of the witness of scripture and tradition.

And these in themselves merge into ACTion. We can – and should – carry on with projects of practical compassion, and alongside them, ask the critical questions of the structures that give rise to the questions they seek to address.

We can think of what it means to be the Church – and one thing it means surely is ourselves belonging to one another in ways that are richer and more interconnected than the caravan park – the oeconomia, the household of God – is one of the earliest images of the Church. We belong to one another in ways that go beyond ‘plugging in’ – servants of one another and friends of God, not consumers (or consumed).

We can recognise that we aren’t always trapped by ‘either/or’ – and that some of the idols of neoliberalism can be challenged – Ha-Joon Chang does this brilliantly, and amusingly, in ‘23 Things They Don’t Tell You About Capitalism,’ e.g. ‘Thing 12 – Governments can pick winners,’ Thing 13 –

And we can recognise that we are called to a work of imagination – a small space to act is not no space, and it is space to imagine something different -

Justice will dwell in the wilderness, and righteousness abide in the fruitful field. The effect of righteousness will be peace, and the result of righteousness quietness and trust forever. My people will abide in a peaceful habitation, in secure dwellings, in quite resting places.

(Isaiah 32.16-18)

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