

# [Evaluation of the need for neoliberalism ideology](https://assignbuster.com/evaluation-of-the-need-for-neoliberalism-ideology/)

Why do the authors argue that neoliberalism ‘ is not reducible to a cogent ideology’?

Neoliberalism is the most prominent ideology in the late 20 th and early 21 st century. After the cold war, contemporary world took a new turn, upgrading ‘ liberalism’ to ‘ neoliberalism’. Major powers such as USA and UK have led the way. Associated with the principles of presidents such as Margaret Thatcher in the UK and Ronald Reagan in the USA, neoliberalism was adapted to the politics of the post-cold war era. Although neoliberalism is dominant in the contemporary political sphere, due to its complicity and irreducibility to a set of principles with clear ends, it takes wide criticisms as well, not fully agreed up on because of its lack of persuasion. Main reasons are insufficiency as set of ideas and policies from a direct source and owning up the success while failing to label the failures as ‘ neoliberal’ examples.

Firstly, we need to consider why there was a ‘ need’ for neo-liberalism. Why did we leave Keynesian liberalism, and progressed on to the ‘ neo’ version? There were two main reasons for it. First of all, stagflation was present. Stagflation is present when economic stagnation combines with high inflation. What caused this stagflation? According to Paul Krugman, there were two main reasons that triggered stagflation. It was mainly due to the loss of US in Vietnam War. This led to a balance deficit in US economy. This affected international investors leading them to pull out with their dollars. This led to the rise of interest rates. Another factor that contributed to it was the OPEC crisis in 1973. OPEC crisis led to stagnation because prices were driven, economic growth slowed down. This inevitably led to stagnation in the global economy (Hickel, 2012).

Why neo-liberalism was the answer? According to David Harvey, the elite of the world were looking to ameliorate their class power in the wake of entombed liberalism. The solution was founded by Paul Volcker. Volcker, who was appointed as the head of FED, recommended by Milton Friedman, he rapidly increased interest rates from single digits to over twenty percent. High interest rates were like a nail in the coffin for the working class, but it cured the hyper- inflation problem. Monetarist policy led the way in this solution. Which have opened the way for neo-liberalism (ibid).

As Ha-Joon Chang put it, ‘ Making rich people richer, does not make the rest of us richer’. As Chang (2007) points out, industrialized world has seen average per capita growth rates fall from %3. 21 to %2. 1 since the onset of neoliberalism. Instead of growing, the economy is declining which means the gap between the rich and poor expands drastically. If this is the case, how do political actors manage to apply this morally corrupt ideology? This is a question for another paper but will be relevant in the views of authors for justification of the problem.

According to Karl Polanyi, a market that self-regulates itself is a utopia and every country that adapt this system will eventually face devastation. Although this was a comment on liberalism, neoliberalism is what proved Polanyi right in 2008. This could be linked with Alan Greenspan’s policies. As Greenspan was the head of FED in the neo-liberal era, his confessions make a valid point for this essay. He admits he made a ‘ mistake’ in running the free market ideology. Hands off approach towards the banks were the key for the crisis according to Greenspan.  “ I made a mistake in presuming that the self-interests of organisations, specifically banks and others, were such that they were best capable of protecting their own shareholders and their equity in the firms,” said Greenspan (Clark & Treanor, 2008).

Turning to problems of neoliberalism among scholars, there is no agreement on what exactly ‘ neoliberalism’ is. Although the name suggests that is basically a revival of ‘ liberalism’, no clear boundaries are set to it.  Even liberalism has many interpretations by different scholars (such as Berlin, Mill, Smith, Rawls) it is even harder to pin point neoliberalism.

Neoliberalism is a carelessly defined set of political beliefs which most significantly and prototypically consist of the belief that the solely legitimate motive of the state is to protect individual, especially commercial liberty, as properly as strong private property rights (cf. particularly Mises 1962; Nozick 1974; Hayek 1979). This belief normally subjects, in turn, in a trust that the state ought to be minimal or at least extensively reduced in power and size, and that any transgression through the state beyond its sole legit cause is unacceptable (ibid.). These beliefs should apply to the global degree as well, where a system of free markets and free trade ought to be applied as well; the only suitable cause for regulating international trade is to protect the same type of commercial liberty and the same types of strong property rights which must be recognised on a national degree (Norberg 2001; Friedman 2006).

Neoliberalism typically additionally consists of the faith that freely adopted market mechanisms is the most reliable way of arranging all exchanges of goods and services (Friedman 1962; 1980; Norberg 2001). Free markets and free trade will, it is believed, set free the innovative potential and the entrepreneurial spirit which is constructed into the natural order of any human society, and thus lead to greater individual liberty and welfare, and a more efficient distribution of resources (Hayek 1973; Rothbard [1962/1970] 2004).

Known its historical magnitude and multiple impacts, the international financial crisis now casts a shadow over many debates inside IPE. Generated by means of rising wrongdoings in the US subprime-mortgage market, across September 2008 the disaster entered an acute stage with the fall down of the funding financial institution Lehman Brothers, before generating a major world depression and clarifying set of socio-economic displacements. In the instant aftermath of the crisis, a range of commentators and policymakers advised that the event signalled a watershed second for neoliberalism, or even its ‘ endpoint’ (Stiglitz 2008). As French President Nicolas Sarkozy confidently avowed, ‘ laissez-faire is finished’ (quoted in Erlanger 2008). Though, these preliminary findings now appear overcooked, with IPE pupils providing extra nuanced check-ups on what has modified and how to examine financialization. For example, Eric Helleiner (2014) has claimed that continuity and incremental policy alternate marks the post-crash institutional landscape, generally as a end result of the structural power role of the US. For others, the monetary crisis may additionally have shaken some of the material and ideological frame of neoliberalism, however this does no longer represent a new era; rather, the modern segment is one where social disputation have solely deepened with an absence of any counter-hegemonic choice (Overbeek and van Apeldoorn 2012; Major 2012; Van Der Pijl and Yurchenko 2015). At the same time, as policy reforms started out to be endorsed, the crisis sparked fresh wondering on the general feasibility of neoliberalism as an organising theory. Martjin Konings (2009) for example, has criticised how debates still have a tendency to conflate ‘ ideological discourse’ with actually existing ‘ neoliberal practices’, while the latter is often scruffier than the anterior.

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At the same time, however, recent years have seen increasing levels of scepticism and worry regarding the utility of the concept of neoliberalism, a conversation that has featured IPE theorists and others in the social sciences. Today, the term has in some ways become a victim of its success. Neoliberalism often appears as a ubiquitous and often omnipotent experience, a presumed ‘ force’, which potentially envelops everything (Clarke 2008; Venugopal 2015). This effect of conceptual stretching – including the many oblique, casual and ironic uses of the word – certainly gives the term a ‘ troubled’ status (Peck 2010: 15). Two problems in particular can be noted. First, as the concept has been deployed across multiple territories and spaces, scholars have tended to claim that neoliberal practices take hybridized, rather than ‘ pure’, patterns. While this is often a valuable route of enquiry, it can lead to difficulties in not only stabilising any kind of core analytical meaning of neoliberalism, but in comparing objects of analysis that may be very different in history and form. A second problem concerns how scholars interpret the concept in relation to social change and how, ‘ paradoxically, despite failures, doubts and cynicism, the neoliberal vocabulary often refreshes itself or, at the very least, becomes so normalised that users struggle to imagine what an alternative discourse could look like’ (Eagleton-Pierce 2016: xiv). Such usage patterns lead one to question if neoliberalism, as a single frame of reference, may be trying to accomplish too much, prompting some to suggest that scholars would be better addressing the complexity of modern capitalism via other conceptual categories operating at lower levels of abstraction.

So pervasive has neoliberalism become that we seldom even recognise it as an ideology. We appear to accept the proposition that this utopian, millenarian faith describes a neutral force; a kind of biological law, like Darwin’s theory of evolution. But the philosophy arose as a conscious attempt to reshape human life and shift the locus of power. Neoliberalism sees competition as the defining characteristic of human relations. It redefines citizens as consumers, whose democratic choices are best exercised by buying and selling, a process that rewards merit and punishes inefficiency. It maintains that “ the market” delivers benefits that could never be achieved by planning. Attempts to limit competition are treated as inimical to liberty. Tax and regulation should be minimised, public services should be privatised. The organisation of labour and collective bargaining by trade unions are portrayed as market distortions that impede the formation of a natural hierarchy of winners and losers. Inequality is recast as virtuous: a reward for utility and a generator of wealth, which trickles down to enrich everyone. Efforts to create a more equal society are both counterproductive and morally corrosive. The market ensures that everyone gets what they deserve. We internalise and reproduce its creeds. The rich persuade themselves that they acquired their wealth through merit, ignoring the advantages – such as education, inheritance and class – that may have helped to secure it. The poor begin to blame themselves for their failures, even when they can do little to change their circumstances. Never mind structural unemployment: if you don’t have a job it’s because you are unenterprising. Never mind the impossible costs of housing: if your credit card is maxed out, you’re feckless and improvident. Never mind that your children no longer have a school playing field: if they get fat, it’s your fault. In a world governed by competition, those who fall behind become defined and self-defined as losers.

Firstly, and most directly neoliberalism is described in this literature as a radical laissez-faire monetary policy test. As Ha-Joon Chang states, it is ‘ the dominant economic doctrine of the closing quarter century’ (Chang 2003: 2). It attracts on the assumptions of orthodox neoclassical economics and rational choice-based theories of human behaviour to suggest a tightly restricted position for the state in regulating economic activity. As a result, it is an agenda that advocates not simply the abandonment of the state from market regulation, but the establishment of market-friendly mechanisms and motivations to arrange a broad range of social, economic and political action. As extension, it is frequently used as shorthand to roughly define any logic of company in which the market has a considerable position, or in which individual economic incentives or an economic rationality reign. In the case of Chile, the main protagonists of this model are the ‘ Chicago Boys’, a team of neoliberal economists educated by the world’s leading neoliberal economics department assigned to key policy positions beneath the Pinochet regime (Valdes 1995, Silva 2010, O’Brien 1981, Fischer 2009). Chile is broadly defined as the neoliberal ‘ laboratory’, a test case for policies that had been later repeated around the third world. What is vital to be aware about this description is that neoliberalism is a technocratic workout in which textbook models develop into actual world policies protected from political constraints. As Silva (1991: 393) describes: The new neoliberal economic group introduced the technocratisation of decision-making as a warranty that the government would follow a coherent economic model. From that second on, government choices were to be stimulated by ‘ scientific and technical standards and not by using ideological and political hypothesises as in the past.

Like Naomi Klein files in The Shock Doctrine, neoliberal theorists endorsed the use of crises to impose detested policies whilst people had been distracted: for example, in the aftermath of Hurricane Katrina, the war of Iraq and Pinochet’s coup, which Friedman described as “ an chance to radically reform the educational system” in New Orleans. Where neoliberal policies can’t be enacted domestically, they are enforced internationally, via trade treaties incorporating “ investor-state dispute settlement”: offshore courts in which firms can suppress for the elimination of environmental and social protections. When parliaments have selected to avert sales of cigarettes, defend water supplies from mining companies, freeze energy payments or stop pharmaceutical companies from ripping the state off, firms have sued, successfully. Democracy is decreased to theatre. Neoliberalism was not regarded as a ‘ self-serving racket’, however it swiftly grew to be one. Additional irony of neoliberalism is that universal competition depends upon universal quantification and collation.

The end result is that job-seekers, workers and public services of each type are issue to a deceitful, oppressive regime of evaluation and monitoring, planned to identify the winners and penalize the losers. The doctrine that Von Mises suggested would free us from the bureaucratic nightmare of central planning has rather created one. Neoliberalism used to be not conceived as a self-serving racket, but it hastily became one. Economic growth has been noticeably slower in the neoliberal generation (since 1980 in Britain and the US) than it used to be in the previous decades; however not for the very rich. Inequality in the distribution of both earnings and wealth, after 60 years of decline, rose swiftly in this era, due to the smashing of tax reductions, trade unions, privatisation and deregulation. The privatisation or marketisation of public offerings such as water, energy, health, education, trains, roads and prisons has permitted firms to set up barriers in front of essential assets and charge rent, either to citizens or to government, for their use. Rent is another term for undeserved gain. When you pay an exaggerated fee for a train ticket, solely part of the fare compensates the operators for the money they spend on wages, fuel, rolling stock and other expenditures. The rest displays the reality that they have you in their hands. The people who own and run the UK’s privatised or semi-privatised services make astonishing fortunes via investing small and charging high. In India and Russia, oligarchs have obtained state assets via fire sales whereas in Mexico, Carlos Slim was granted control of nearly all landline and cellular phone services and quickly grew to be the world’s richest man.

Undeniably, plenty of the current theoretical critique of neoliberalism is aimed straight at this super-sized omni-present model, mainly due to the fact it fails to account for likelihood, or for the extensive contextual alteration and clashing sorts of consequences (Larner 2003, Mudge   
2008, Birch and Mykhenkho 2010, Springer 2012). Aihwa Ong’s work on neoliberalism is a good example, beginning with a critique of what she phrases ‘ Big-N’ neoliberalism that takes the shape of ‘ an economic tsunami that is gathering force across the planet’ (Ong 2007: 1). Similarly, Plehwe et al (2005: 2) claim that neoliberalism ‘ cannot be understood as a singular set of ideas and policy prescriptions, originating from a single source’.

Furthermore, both the extensive and deep forms of neoliberalism include some expressive gleam, however can also be so logically unmanageable due to the fact that they are totally impregnable to theoretical simplifications. Assumed the large range of demonstrations that it is tasked at theorising, it is not shocking that Saad-Filho and Johnston (2005: 1) define their vast vision of neoliberalism as ‘ impossible to define purely theoretically’. Similarly, Peck from the contrary end finds that the neoliberalism he defines is so paradoxical, contextual and reliant, that it defies explanation, and that to define it would intrinsically be to reduce this intricacy:  Sharply definite, essentialist descriptions of neoliberalism have proven to be quite vague. … It would be [wrong] to limit neoliberalism to some particular basis … [because] it is polymorophic and inconsistent. (Peck 2010: 13).

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