Introduction

When the global financial crisis hit in 2007, many believed it sounded the death knell for neoliberalism. Several years on and an end to the crisis is nowhere in sight. Neoliberalism, moreover, appears to be alive and well as states respond to the ongoing crisis with privatisation, austerity programmes and attacks upon the rights of labour.

This book examines why neoliberalism has proven to be so durable in the face of crisis, and why those who predicted its collapse got it so wrong. It argues that the commentators who thought the crisis heralded the death of neoliberalism fundamentally misunderstood the very nature of neoliberalism. They assumed that the major neoliberal policy changes that swept the capitalist world during the last three decades simply mirrored the agenda advocated by influential neoliberal polemicists and intellectuals such as Milton Friedman, Friedrich von Hayek and the various think tanks and foundations which disseminated their ideas. Many commentators mistakenly believed the capitalist world economy had come to resemble the free market, small government *laissez-faire* vision of such neoliberal thinkers and think tanks. And, if neoliberalism was understood as being about reducing the size of the state and its regulation of markets, then it was only natural that the nationalisations and bailout measures adopted by states to deal with the global financial crisis would be interpreted as a shift away from neoliberalism.

This book argues that such an understanding reflects an idealist, or ideas-centred, conception of reality, in that it interprets human society as a reflection of the dominant ideas used to explain it, and views ideas as the main drivers of political and economic change. More importantly, the book argues that such idealist assumptions about neoliberalism do not withstand scrutiny against empirical evidence. They offer an unhelpful portrayal of the dynamics of neoliberalism in practice and, consequently, an unrealistic vision of the way out of neoliberalism.

In contrast this book argues that, while neoliberal ideas are important, any account which puts them at the centre of its analysis is insufficient for understanding the major changes to capitalist states and economies during the last three decades. Instead, the book offers an alternative, materialist interpretation of neoliberalism. Human society is understood...
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not as a reflection of dominant ideas about it, but rather as constituted by historically specific institutions and social relations which structure people’s everyday lives. The book argues that neoliberalism in practice, as distinct from neoliberal ideas, is best understood as an evolving, socially embedded, policy regime, emerging at the end of the twentieth century. As a policy regime, neoliberalism is defined by microeconomic policies of privatisation, marketisation and deregulation as well as macroeconomic policies of inflation-targeting. The emergence of this regime entailed a radical transformation of the ways in which states regulated the economy, society and indeed, their own internal operations.

If something is embedded it is ‘fixed firmly in a surrounding mass’. So, to be ‘socially embedded’ is to be fixed firmly in the surrounding social mass. The book argues that neoliberalism is embedded in three distinct, but related social spheres: class relations, institutions and ideological norms. Together these spheres form a social structure that supported the revival of business profitability after the economic crisis that beset the global capitalist economy in the 1970s and that was manifest in ‘stagflation’ – low or negative growth accompanied by rising unemployment and inflation – and that have continued to facilitate capital accumulation on a global scale ever since. Moreover, it will be argued that, while embedded neoliberalism is beset with internal contradictions that ultimately provided the preconditions for the current global financial crisis, the socially embedded nature of the neoliberal policy regime has made it highly resistant to retrenchment.

The concept that capitalist economies are socially embedded is most often associated with Karl Polanyi, but it is also evident in the broad traditions of Institutionalist and Marxist political economy. This book draws heavily upon these traditions in order to put forward a more useful understanding of neoliberalism to that proffered by the dominant idealist explanation. It argues that ideas are but one social institution in which neoliberal doctrines and neoliberal practices need to be traced very carefully. Through a critique of dominant progressive narratives about neoliberalism and the crisis, this book establishes the platform for a more useful investigation of the foundations of neoliberalism, the reasons for its durability in the face of crisis, and a consideration of the prospects for moving beyond the neoliberal organisation of states and economies.

Chapter 1 outlines the idealist, or ideas-centred, conception of neoliberalism. It identifies two main assumptions that structure such discussions of neoliberalism: that the world has become a mirror of fundamentalist neoliberal doctrine; and that the rise of neoliberal policy regimes was the result of the direct influence of this doctrine and the
intellectuals and think tanks which promoted it. In Chapters 2 and 3, the book identifies the major problems with the idealist understanding of neoliberalism and its demise. Chapter 2 demonstrates that the idealist thesis fails to account for the expansion of both the economic size and the regulatory scope of capitalist states during the neoliberal era. It argues that it is useful to delineate ‘actually existing neoliberalism’ from the normative prescriptions of neoliberal polemics. Chapter 3 shows that there is very little evidence to support the idealist claim that it was the influence of fundamentalist neoliberal ideas and think tanks that drove the neoliberal policy revolution and, indeed, that there is considerable evidence that other factors, including the political mobilisation by corporations and the imperative for capitalist states to ensure the profitability of businesses, were more directly influential in pushing policymakers towards neoliberalism.

Chapter 4 outlines the concept of ‘always embedded neoliberalism’ as an alternative to the idealist understanding. It argues that capitalist economies have always depended upon a range of social relations and institutions, including the state, for their operation and constitution. Just as capitalism has always been embedded in social institutions and class relations, so too, it is argued, has ‘actually existing neoliberalism’ – a historically specific manifestation of the capitalist economy – from its very beginning been always socially embedded. It is argued that the socially embedded nature of neoliberalism helps explain its durability in the face of crisis, but also points towards the possibilities of a non-neoliberal politics.

Chapters 5, 6 and 7 detail the three major mechanisms through which neoliberalism is socially embedded. Chapter 5 outlines the class-embedded nature of neoliberalism. It describes the new patterns of class power which underpinned the neoliberal response to the stagflation of the 1970s and how these have subsequently continued to shape the prevailing political economic configurations of capitalism. The chapter identifies a shift in political and industrial power away from labour to the owners of productive resources and argues that the profit-making strategies of business are premised on the continuation of such arrangements. Thus businesses and their representative bodies are likely to preference neoliberal arrangements in their policy advocacy.

Chapter 6 examines the ways in which neoliberalism is institutionally embedded, particularly through state rules which privilege neoliberal forms of regulation. This chapter assists an understanding of the persistence and expansion of the state during the neoliberal era. As well as ‘rolling back’ many of the regulations characteristic of the post-World War Two Keynesian era, from the 1970s onwards states also ‘rolled out’
new forms of regulation and institutions which underpinned the operation of newly ‘deregulated’ or privatised industries.

Chapter 7 returns to the topic of fundamentalist neoliberal ideas, arguing that they provide the basis for a set of neoliberal ideological norms which form the dominant discursive framework through which political elites across most capitalist nation-states organise and justify their policy agendas. Thus, it is argued that neoliberalism is ideologically embedded at the elite level, albeit this ideology has been less successful at colonising the realm of ‘common sense’ among the vast bulk of the human population. Indeed, the chapter also outlines the recurrent resistance and opposition to neoliberal policies which show that although neoliberalism is ideologically embedded, this is a contested hegemony.

The final chapter examines the effects of the global financial crisis upon always embedded neoliberalism and examines the prospects for alternatives to neoliberalism. It argues that the institutions and class relations which drove and sustained neoliberalism for 30 years remain largely intact. While the legitimacy of neoliberal ideology has suffered as a result of the crisis, this has not yet been translated into a coherent and widely-supported anti-neoliberal agenda. Indeed, neoliberal policies are once again being relied upon by states and supra-national institutions to deal with the ongoing global economic instability. Nonetheless, it is argued that the weakening of neoliberal ideology and the implementation of neoliberal austerity policies of governments open up a window of opportunity for change. However because neoliberalism is underpinned by more than merely ideas, so is the roll-back of neoliberalism only likely if anti-neoliberal ideas are underpinned by an anti-neoliberal politics. Therefore the chapter pays attention to the need for political mobilisation in pursuit of a post-neoliberal politics, and the need to embed alternative logics within the apparatuses of the state to secure the durability of a post-neoliberal order.

The ambition of this book is to provide a more useful understanding of neoliberalism than the idealist conception which currently dominates progressive critiques. It is an unfortunate fact that the idealist interpretation of neoliberalism offers unfounded optimism to progressive forces about the imminent decline of neoliberalism. Regulation designed to rescue neoliberalism is mistaken for a wholesale retreat from neoliberalism. Moreover, the idealist interpretation holds out the false promise of a relatively easy road to overcome neoliberalism. It suggests that progressive forces just need to put together the right combination of ideas, and that policy makers just need to realise that they have been living under a neoliberal delusion for 30 years, for neoliberalism to give way to a more rational and humane social democratic order. If only that were true! It is
hoped that this book provides the basis for a more thoroughgoing critique of neoliberalism that allows progressive forces to navigate the combination of forces ranged against alternative proposals for ordering the economy along more socially just lines, and thereby develop strategies that have a realistic prospect for moving beyond neoliberalism.