

## WHAT IS NEOLIBERALISM?

Neoliberalism denotes a particular *economic* philosophy that currently dominates the world. It is important that *all* of us understand what neoliberalism is because this economic philosophy affects *every* aspect of our lives and is linked to nearly every social, economic, and environmental problem we face. Put simply, if you don't understand what neoliberalism is then you will be unable to understand what is happening in the world around you and consequently will be unable to make wise political decisions.

So what is neoliberalism? Wikipedia has an [excellent article](#) on neoliberalism that everyone should read, but for our purposes we can distill neoliberalism to a simple definition:

Neoliberalism is a *free market* economic philosophy that favors the *deregulation* of markets and industries, the diminution of taxes and tariffs, and the *privatization* of government functions, passing them over to private business.

Neoliberalism arose out of [Chicago School Economics](#), spearheaded by the economist [Milton Friedman](#). In governments around the world, the neoliberal revolution has been underway for thirty years or since Ronald Reagan and Margaret Thatcher, and has been premised on the idea, in Reagan's famous formulation that "government is not the solution to our problems; government is the problem." The idea was that:

- \* Economy is a self-regulating entity that always balances out.
- \* Government is inefficient and costly.
- \* Private business is efficient and therefore the best way to solve our problems.
- \* Wealth trickles down from the wealthiest to the middle class and the poor because businesses create jobs that then puts more money into the economy leading, in turn, to more jobs.

Based on this economic philosophy, we have seen an intense drive to reduce taxes, deregulate markets, and privatize government functions by *both* political parties. Examples of privatization can be seen in the case of the military, where increasingly military functions are taken over by private corporations like Halliburton, the prison system where prisons are increasingly run by private companies, and more recently in the push to have private businesses take over education, health care, and social security. Massive deregulation has,

during this time, taken place in the stock market, the banking system, the real estate industry, as well as in a variety of production industries with respect to environmental controls. We have also seen the lowering of taxes among the wealthiest to historic lows. 40% of the stimulus, for example, consisted of tax cuts for the wealthy.

So what's the problem with neoliberalism? Why should *you* be concerned about it? One reason is that the hypothesis of neoliberalism, the idea that increases in wealth for the wealthiest translate to increases in wealth for *everyone*-- "a rising tide lifts all boats" --has failed miserably. First, incomes for the working and middle class largely *stagnated* for the last thirty years. In short, upward mobility has stalled under neoliberal policies. Put differently, wealth is not *trickling down*. The reason for this is very simple. On the one hand, private businesses have either automated production or outsourced it to other countries where materials and labor are cheaper. This has had the effect of "disciplining labor" (people are willing to take lower paying jobs with fewer benefits out of fear that their job will be outsourced). Second, private businesses and corporations have increasingly turned to other methods of capital accumulation such as investment in *financial capital*(where profit is produced through, for example, *lending* and the interest paid on lending; cf. Enron that was, on paper, an energy company but turned out to be a company largely based on financial capital producing nothing). These techniques of capital accumulation create profit for the businesses but these profits do not trickle down because they do not create jobs.

Second, because wages have largely stagnated, the working and middle class increasingly come to rely on *credit* to support themselves and their families. Debt levels are at an all time high for working and middle classes. This renders those of us who belong to the working and middle class particularly vulnerable to fluctuations in the economy and joblessness.

Third, neoliberalism leads to policies of *austerity* with respect to vital government programs in education, health care, and various other services. Why does this occur? Because taxes have been reduced among the corporations and because wages have stagnated among the working and middle class, governments end up facing revenue problems that force them to cut programs. We are repeatedly told that what is good for big business is good for everyone, but it doesn't work out that way. Because big business turns to financial capital to increase profit, the jobs never materialize. The vast majority end up shouldering their tax cuts in the form of cuts to government programs.

Under neoliberalism we have seen a historic rise in inequality between the wealthiest 1 or 2% and everyone else. Moreover, due to the deregulation that takes place in various industries, markets become ever the more prone to crisis (such as the 2008 economic downturn) leading to

more joblessness, disciplining of labor, and the blackmailing of governments where public monies are transferred to corporations and banks to keep them afloat. Finally, through the deregulation of markets and industries, our environmental problems intensify and increase without governmental mechanisms to reverse these processes. These environmental problems, of course, threaten the very existence of our civilization as we know it.

In addition to these problems, neoliberal economic policies intensify racial inequalities and the formation of religious fundamentalisms. Minorities are particularly hard hit by these economic policies, experiencing greater debt, greater joblessness, and little possibility of upward mobility. Meanwhile, as joblessness, debt, and hopelessness increases among majority groups, various forms of racism directed at minorities and immigrants intensify as these majoritarian groups unjustly and falsely blame minorities and immigrants for their economic woes. Likewise, faced with unresponsive governments and highly volatile markets, religious fundamentalisms begin to intensify ("only a god can save us") that in turn lead to an intensification of the persecution of minorities, women, and GLBT folk and acts of domestic terrorism. It's no mistake that the Civil Rights movement occurred twenty years after the post-War economic boom when the children of war generation were coming of age (economically safe people are people open to sharing wealth and opportunity) and it's no mistake that we began seeing the rise of the Christian right following the assault on labor starting in the 70s.

The tendrils of neoliberal policy extend themselves into every aspect of our political life today. To ignore the ravages of neoliberal policy is to ignore the root cause of almost all of our policies. Do yourself a favor and read David Harvey's *Enigma of Capital, Brief History of Neoliberalism*, and *The Shock Doctrine* by Naomi Klein. These are dynamics you need to understand to be politically literate and effective.

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