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# Neoliberalism

or The Bureaucratization of the World

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2009

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## Contents

THE ROOTS OF NEOLIBERALISM . . . . .	8
THE BALANCE BOOK . . . . .	17
NEOLIBERALISM AS PHILOSOPHY . . . . .	22
ALTERNATIVES, OR “WORKS TO DO WHAT?” . . . . .	28



cause they may well prove critical to the future history of humanity.

Americans often find it difficult to talk about politics with people from other parts of the world. Consider three quotes culled, more or less at random, from world newswires around the end of December 2005. In Bolivia, newly elected president Evo Morales declared that in his victory “the people have defeated the neoliberals.” “We want to change the neoliberal model,” he added. In Germany, Lothar Bisky announced the creation of a new political party that, he hoped, would “contribute to creating a democratic alternative to oppose the damage caused by neoliberalism to social cohesion.” Around the same time, a pan-African Web journal announced a special issue whose articles “reflect a growing debate on economic alternatives to neoliberalism from countries as far afield as Mauritius, Swaziland and Mali.”<sup>1</sup>

These are just three: I could easily have chosen dozens of them. Across most of the planet, *neoliberalism* is a household word. Arguments about neoliberalism form the stuff of everyday political conversation. Politicians are accused of being neoliberals or pursuing neoliberal agendas; opposition candidates get elected by running against neoliberalism (then, often as not, are accused by their former supporters of caving in to it). Neoliberalism is seen as the dominant ideological force in the world, an attempt by the United States, as the world’s sole remaining superpower, to extend its own social and economic model to the rest of the world. Some say it is inevitable, even desirable; others organize against it. But almost everyone has an opinion on the matter.

In the United States, few have ever heard of it. Mention the word to almost anyone but an academic or international affairs corre-

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<sup>1</sup> The sources are, respectively, Alex Emery, “Bolivia’s Morales to Challenge U.S. after Election” (Update 3), Bloomberg Wire Services, December 19, 2005, [www.bloomberg.com/apps/news?pid=10000086&sid=aEbMZeNviHPE](http://www.bloomberg.com/apps/news?pid=10000086&sid=aEbMZeNviHPE); “Alternative Left Parties Sign Cooperation Agreement,” *Deutsche Welle*, December 11, 2005, [www.dw-world.de/dw/article/0,2144,1811746,00.html](http://www.dw-world.de/dw/article/0,2144,1811746,00.html); George Dor, ed., “Alternatives to Neo-Liberalism,” special issue, *Pambazuka News*, no. 234 (December 15, 2005), [www.pambazuka.org/en/issue/234](http://www.pambazuka.org/en/issue/234).

spondent, and you are likely to be met with empty stares. If you want to talk about the same issues, in fact, you are forced to rely on obvious propaganda terms like *free trade*, *free-market reforms*, or *globalization*. The bias in the first two is pretty obvious. You don't put the word *free* in front of a name if you're trying to be neutral about it. *Globalization* is only slightly more subtle. When you call something "neoliberalism" you are saying that this is a set of ideas, simply one theory among many about the best way to organize an economy. "Globalization," in contrast, is always treated as something inevitable. There's not much point in having an opinion about whether the sun will rise tomorrow, argues Thomas Friedman, probably the most prominent American advocate of neoliberalism (which of course he never refers to by name): one simply accepts it as reality and tries to make the best of it.<sup>2</sup> Globalization just somehow happened. No one is really responsible. Perhaps it had something to do with the Internet. At any rate, now we all have no choice but to adapt.

From the point of view of those who feel neoliberalism is simply a matter of the United States imposing its own model on the rest of the world, all of this is exactly what one would expect. To be fair, though, there are many more innocent reasons why most Americans would find the term *neoliberalism* confusing. In the United States, political language has developed very differently than it has in the rest of the world. For example, in the nineteenth century, the word *liberal* was applied to people who believed in individual liberty, which they saw as founded on private property rights. These "classical liberals," as they are sometimes called, tended to reject government interference in the economy as much as in personal affairs. This is still what *liberal* implies in most of the world.

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<sup>2</sup> That was a paraphrase. The exact quote reads: "I feel about globalization a lot like I feel about the sun. Generally speaking, I think it's a good thing that the sun comes up every morning. It does more good than harm. But even if I didn't much care for the dawn there isn't much I could do about it." Thomas Friedman, *The Lexus and the Olive Tree* (New York: Anchor Books, 2000), xxi-xxii.

crisis in Argentina to begin with), but as a result the entire edifice of power-through-debt has begun to crack. Argentina and Brazil paid off their entire IMF debt; soon, with the help of Venezuela's petrodollars, so had the rest of Latin America. (Between 2003 and 2007, Latin America's total debt to the IMF declined by 98.4 percent. They basically owe nothing.) Russia, India, China all followed suit and, along with countries like Korea, Thailand, Malaysia, Indonesia, and the Philippines, now refuse to even talk about new loans. As a result the IMF itself, reduced largely to lording it over Africa, is rapidly itself going bankrupt. The World Bank holds on, but its revenue is radically reduced.

All this seems to be happening under the radar of the U.S. public. Meanwhile, in most of the rest of the world, lively arguments continue on what a different, more humane world economy might actually look like. In the United States, the movement has seen enormous debates between reformist ("anticorporate") and revolutionary ("anticapitalist") approaches. In much of the world, these arguments have come to turn more on the potential role of the state: pitting those that wish to see the creation of new forms of commons (the restoration of rights in land, water, oil, as communal resources) through the aegis of national governments against those that reject the state entirely and dream of a world of what is sometimes called "true globalization," without national borders or government bureaucracies, built on confederations of free communities managing their resources through direct democracy—in effect, through some form of libertarian communism. It is far too early to tell what will emerge from these conversations, whether new democratic forms will actually emerge or whether we will just see a reshuffling of the architecture of global bureaucracy. Neoliberalism is by no means dead: similar reforms are being carried out on a massive scale within newly emerging powers like India and China, where it is much harder to mobilize international opposition. But we might do well to pay attention to the arguments, be-

it was the Zapatistas, in fact, who sponsored the first international meetings that eventually gave birth to what the media came to call “the antiglobalization” movement—really, a global movement, as the Zapatistas put it, “for humanity and against neoliberalism.” The spectacular mass actions during the WTO meetings in Seattle in November 1999, then afterwards in Washington and Prague (versus the IMF), Quebec (versus the Free Trade Agreement of the Americas [FTAA]), and Genoa (versus the Group of Eight), were all intended first and foremost to reveal to the world the undemocratic nature of the bodies that had come to control global economic policy. They served, in other words, to point out the very existence of this new global bureaucracy, on the assumption that most people in the world would draw the obvious conclusions. In this they were strikingly successful: within less than two years’ time most of the key tenets of neoliberalism, treated as self-evident truths in the 1990s, had everywhere begun to be called into question. Ambitious plans to expand the WTO and create new trade pacts like the FTAA treaty stopped dead in their tracks.

It is a bit ironic, in fact, that ever since the war on terror began distracting U.S. activists and the U.S. public, no one seems to have noticed that most of the original apparatus of neoliberalism has entered into a crisis. The “Doha round” of the WTO was declared a failure in 2006, and the very existence of the institution is being called into question. The IMF is if anything in even deeper crisis. After the meltdown of the Argentine economy in 2002, and a veritable popular uprising against the entire political class, the social democratic president elected in 2003, Nestor Kirchner, had to make a dramatic move to restore the legitimacy of the very idea of government. So he defaulted on Argentina’s foreign debt. This is precisely what the IMF is supposed to ensure never happens, and international bankers urged it to step in and punish the country, but for once it was unable to do so. This was for various reasons (partly the fact that the global movement had rendered it a pariah, partly that everyone knew its disastrous advice was largely responsible for the

But in the United States, over the course of the twentieth century, the term was adopted by the moderate Left until it came to mean something like “social democrat.” Starting in the 1980s the Right responded by turning the word *liberal* into a term of opprobrium: *liberal* became, in the minds of many working-class Americans, a designator for latte-sipping cultural elitists, “tax-and-spend” politicians, proponents of gay marriage, and similar *bête noires*. Meanwhile, free-market enthusiasts—the sort of people who elsewhere in the world are referred to as “liberals”—began casting about for a new name. The one they ended up fixing on was *libertarian*—a term they borrowed from the Left. The result is that it is even more difficult for Americans to talk to anyone else about politics, since, in the rest of the world, *libertarian* still largely retains its traditional meaning as a synonym for *anarchist*. In Europe or South America, it is perfectly unremarkable to talk about “libertarian communism”—referring by this to the idea that states should be dismantled and control over economic life placed in the hands of democratically organized communities. Use a term like that in front of the average U.S. citizen, and he will assume that you are one of those annoying people who like to confuse others with intentional oxymorons—or perhaps that you are insane.

It is never a good thing when people cannot talk to each other, and it seems particularly unfortunate right now, when so many Americans seem confused about the widespread anger about their role in the world. In the press, opposition to neoliberalism—particularly in Latin America—is often referred to as “anti-Americanism,” as if neoliberalism really were simply identical to the American way of life. In fact it is nothing of the kind. Indeed, a case could well be made that the majority of Americans reject its core ideas and institutions and that Americans have actually been the first historic victims of neoliberal “reforms”—policies that are the ultimate cause of many of the insecurities described in this volume. Certainly, Americans have

also played a prominent role in the growing global movement against neoliberalism.

As the above suggests, I am not making any claim to neutrality here. I think it is fair to say that anyone speaking of the roots of global poverty or the nature of capitalism who claims to be providing an “objective” or “scientific” account is either extraordinarily naive or trying to sell you something. It seems more honest to simply reveal one’s biases and let the reader take it from there. For over six years I have been deeply involved in a global movement against neoliberalism, whose overall effects, I feel, have been an unmitigated catastrophe. What follows, then, are a series of efforts to conceptualize the present historical situation, at a time when, across the world, thoughtful people are increasingly trying to imagine a way out.

## THE ROOTS OF NEOLIBERALISM

Neoliberalism as an economic and political theory is based on a few relatively simple assumptions. A minimal sketch might run like this:

1. Governments should minimize their engagement in economic. Further, they are not competent to run large industrial and commercial enterprises; in fact, private firms operating in pursuit of profit in a market environment can always be expected to do a better job providing public services than public institutions. Government should therefore restrict itself to providing a legal environment in which it is easy for private firms to do this and maintaining necessary infrastructure.
2. Reducing trade barriers is always good and always benefits all. Older protectionist policies need to be abandoned; rather than trying to develop autonomously, each nation should

Capitalism itself—industrial capitalism at least—has had a very brief historical run. During a mere two hundred years, however, it has nonetheless shown a remarkable ability to come up with threats to the very existence of the species: first nuclear destruction, now global climate change. There are good reasons to believe it is simply not a viable long-term system: most obviously, because it is premised on the need for continual growth, and economic growth cannot continue forever on a planet with finite resources. Capitalism that was not based on the need to continually expand production would simply not be capitalism; its fundamental dynamics would change; it would become something else. Whatever economic system predominates in fifty years, it is very likely to be something other than capitalism. Of course, that something might be even worse. This is why it seems to me this is precisely the wrong time to give up on imagining alternatives to capitalism: that is, to come up with ideas for what might actually be better.

This is why, for me, the movements of resistance against neoliberalism have been so crucially important. These began almost immediately in the 1980s in most parts of the world, largely taking form around grassroots campaigns in defense of one or another form of common property.<sup>23</sup> At first they were largely unconnected. The Zapatista revolt in Chiapas in 1994 was a key moment;

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<sup>23</sup> The most incisive analysis on the importance of different sorts of “commons” to capitalism has been made by the Midnight Notes Collective: they were the first to emphasize that while capitalists preferred to see a world in which all forms of common property administered by communities for their own collective benefit would be privatized or otherwise eliminated, they also promoted the creation of new forms of commons for their own benefit: for instance, collective responsibilities for research, transport, waste disposal, and new and elaborate security functions. Struggles over the definition and management of collective resources are thus the common theme of global resistance struggles that might otherwise seem to have next to nothing to do with one another, such as those of the Twenty-first Century Socialists in South America and of Islamic movements in the Middle East. See “Midnight Notes Collective,” last updated January 4, 2005, [www.midnightnotes.org/index2.html](http://www.midnightnotes.org/index2.html), for the best introduction to this line of thought.



age of ideological struggle is over, a “war of civilizations” (i.e., religious and cultural identities) is all that remains is a perfect expression of the logical results of trying to declare an end to any other kind of history.

## ALTERNATIVES, OR “WORKS TO DO WHAT?”

Without this Manichean framework, borrowed from the cruder varieties of Marxism, it would be impossible to argue that, since “communism failed,” there was no alternative but to strive toward some ideal of pure free-market capitalism—one that has never actually existed anywhere. Otherwise the argument would make about as much sense as the argument of someone who, witnessing the collapse of the Catholic Church after a long struggle with Episcopalianism, concluded that therefore we all had to become Baptists (or maybe Jews). It seems to me that a more sober assessment of history would rather have concluded that the most effective way to win a cold war is through limited social welfare programs combined with massive government military spending to stimulate the economy; that the most effective way for poor countries to play economic catch-up with rich capitalist ones is by combining market forces, protection of key industries, strategic exports, and massive government investment in education and infrastructure; and that if one’s aim is to create the richest possible material life and greatest freedom for about 10 percent of the world’s population while tossing the bottom third to the wolves, neoliberalism is surely one’s best bet. It also seems to me that none of this has any necessary bearing on other questions, such as “What is the most effective way to bring about a world in which ordinary people are secure in their basic needs, and thus free to pursue the things that are most important to them?” or “How do we ensure that the planet is not destroyed?”

pursue its particular “competitive advantage” (whatever this may be: cheap labor, an educated workforce, natural resources) in a single global marketplace.

3. Government spending policies meant to benefit the poor, whether price supports for basic foodstuffs, provision of free medical services, or guaranteed pension funds, are ultimately They should be pared back or eliminated, since they distort the workings of the market. Instead, if governments limit spending so as to maintain balanced budgets to guarantee the stability of their currency, they will create a market environment favorable to foreign investment, and the market itself will provide better solutions to these problems.

Since 1980, almost every country in the world has adopted some version of neoliberal reforms. Only exceptionally, however, did they do so because politicians got elected by promising to do so. Arguably the first neoliberal experiment was carried out in the mid-1970s by General Augusto Pinochet in Chile after he had overthrown an elected government in a military coup. Most reforms, however, were carried out not by force of arms but by what might be termed fiscal coercion.

The real paradigm here, as David Harvey notes, was New York City’s financial crisis that began in 1975.<sup>3</sup> It is worth considering in some detail. The crisis began with the city teetering on the edge of fiscal default. After the federal government refused to provide a bailout and investment bankers refused to roll over the debt, New York was driven to technical bankruptcy. Creditors then proceeded to form what they called the Municipal Assistance Corporation, an entity independent of the city government and hence unaccountable to voters, that as a condition of rescuing the city began to

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<sup>3</sup> David Harvey, *A Brief History of Neoliberalism* (New York: Oxford University Press, 2005).

remake its political landscape. One must bear in mind that at the time New York was a kind of enclave of social democracy in America. It had not only the most extensive rent control in the country but America's most unionized workforce and most extensive public services and even maintained its only free public university. In the name of balancing the budget, the MAC broke the power of the municipal unions, slashed services, rolled back pensions and job security, offered enormous tax cuts to business and developers, and began to restructure the very shape of city government.

Gone first of all was any pretense that city government existed equally for all its citizens. Rather, the city was a product to be marketed. Logos and jingles were invented (the Big Apple; I Love New York). As the city center was rebuilt as a glittering advertisement for itself, the poor were to be pushed out of sight of potential tourists and investors. The calculated withdrawal of fire crews allowed peripheral neighborhoods like the South Bronx and East New York to descend into burnt-out wastelands; infrastructure like subways, crucial to the working class in the outer boroughs, was allowed to crumble; CUNY was compelled to charge tuition; at the same time, city government poured money into supporting gentrification campaigns and the creation of a new telecommunications infrastructure in the city center aimed at creating a better "business climate" for investors.

New York in the late 1970s and early 1980s normally evokes images of hedonistic yuppies sniffing cocaine at Studio 54, or, alternately, images of urban decay: graffiti, crack houses, the epidemic of homelessness that at the time inspired comparisons with Calcutta or Bombay. The increasing divisions between rich and poor that made these images possible were not, as apologists often claimed, the inevitable results of deindustrialization and the growth of the communications or service industry. They were the product of policy decisions that New Yorkers as a whole had not and would never have collectively chosen, that were, effectively, imposed on them by financiers philosophically opposed to the very

been replaced by Milton Friedman-style free-market economics. It is hardly surprising, then, that since 1989 so many actual Stalinist apparatchiks, from Poland to Vietnam, have found it so easy to simply switch from one orthodoxy to the other. It didn't really require much of a fundamental leap.

Obviously, neoliberal global bureaucracies are not nearly so directly hands-on as old communist ones were in trying to impose their utopian vision. But the ultimate ideal, to subject every aspect of life to the logic of the market, is—as defectors like financier George Soros like to point out—if anything just as totalitarian in its ambitions. What's more, many of the effects have been curiously similar. Under Soviet regimes, political life—let alone ideological debate—was outlawed. All political questions were deemed settled; all that remained was the administration of economic affairs—supposedly aimed at eventually creating a consumer paradise. As a result, the only way one could stake a political claim on the center was by playing to some kind of ethnic or cultural identity: for example, if the Khazaks get a nuclear power plant, surely we Uzbeks deserve one too. Identity politics was the only kind the bureaucratic apparatus found acceptable. One result was that when these states dissolved, many instantly descended into ethnic warfare. It is clear that something rather similar is now happening on a global scale. The fall of communism in particular was taken to mean that ideological—in effect, political—debate was over. The result was that identity politics not only were seen as legitimate but were in a very real sense the only sort of politics seen as entirely legitimate. In some cases the link to global bureaucracies is quite clear. Neoliberalism, as I have noted, seeks to eliminate all collective forms of property—the only exception that seems to be allowable is for people classified as "indigenous." One result has been a worldwide outpouring of attempts by groups to claim indigenous status, including many (such as the pastoral Maasai in Kenya) that would never have dreamed of describing themselves as such before. On a broader scale, Samuel Huntington's argument that, now that the

1987 and 2006, was to become the veritable high priest of neoliberal orthodoxy. What began as the language of the hard Right was soon to be adopted almost everywhere. By the 1980s, the revalidation of the word *capitalism* seems to have been adopted as a special cause by the editors of the supposedly left-leaning *New York Times*, which probably ran at least a hundred different headlines and editorials during that period announcing that some left-wing regime or party had been forced to embrace “capitalism.” After the collapse of Marxist regimes, *Times* columnists had become so intoxicated with the idea of capitalism as a radical force that there was a lively debate in its pages on whether Che Guevara, were he alive today, would have become a free-market reformer out of sheer revolutionary enthusiasm.

Only in this context, I think, can we understand how a rhetoric of absolute individualism could ever have become the basis for an emerging bureaucracy. It arrived tumbled breathlessly together with the language of revolution. The problem was that this was not just a language, and the aspects of the revolutionary that it drew on were, mostly, the most disastrous. The essence of the neoliberal position in fact bears stunning similarity to Stalinism—that is, to the very arguments used by Marxist revolutionaries in the 1920s and 1930s to justify the creation of a bureaucratic state. One might summarize it like this: “Science has shown that there is only one possible way forward, and it is the same for any society on earth. There is a scientifically trained elite who understand this and must be given the power to reengineer society appropriately. The economic views of those not trained in this science are irrelevant. So shut up and do what you’re told, because, even if in the short run this may cause tremendous pain and dislocation, even starvation and death, somewhere down the line (we’re not quite sure when) it will all lead to a paradise of peace and prosperity.”

The same line touted by Soviet apparatchiks to Russian peasants in the 1930s is now being touted to just about everyone; the only significant difference is that now historical materialism has

idea of public goods. The gradual result, however, was the emergence of what might be called a neoliberal ethic: simultaneous emphases on personal self-realization for the affluent and “personal responsibility” for the poor. Both seemed to rely on the rejection of any notion that democracy implies some common dedication to a community (let alone that community members should therefore be guaranteed access to those minimal needs, food, shelter, and free time, that would allow them to participate in a community’s democratic life). Margaret Thatcher, who was one of the few politicians to state it explicitly, put it most succinctly: “There is no such thing,” she said, “as society.” There are individuals, and families, and the outcome of their independent self-interested decisions *is* democratic choice. If community was to be evoked, it was—as in the “I Love New York” campaign—just another sales gimmick, since, after all, in the neoliberal universe, reality itself is simply whatever you can sell. The same sense of fragmented individuals left with nothing but their own capacities for self-marketing echoed on every level of the emerging culture of the time, from the savvy post-modernism of New York’s art scene to the endless subdivision of consumer identities identified and targeted by its advertising agencies.

Not only does the history of New York show that politicians can rarely get elected running against community;<sup>4</sup> it also shows that, once the process of social triage is already accepted as a fait accompli, politicians can often quite readily win elections on law-and-order tickets, promising to protect middle and working-class citizens from the chaos and violence that such policies invariably unleash. In New York, the election of Rudy Giuliani in the 1990s was only the culmination of a long degeneration of politics into an obsession with violence and crime—essentially, with cleaning

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<sup>4</sup> Thatcher was something of an exception in this regard, though it is to be noted that even she never got more than about a third of the popular vote.

up the mess made in the 1970s. The pattern was to be reproduced worldwide, again and again, in city after city.

In the 1980s, the Third World debt crisis allowed the Reagan regime to begin applying the same model on a global scale. The origins of that debt crisis go back to the Organization of the Petroleum Exporting Countries (OPEC) oil embargo of the late 1970s. Essentially, what happened was that with the spike in oil prices OPEC countries were suddenly awash in so much money that Western banks (in which they invested it) soon ran out of anyone willing to borrow it. The result was a period of “go-go banking,” with bank representatives jet-setting about the world aggressively trying to convince Third World leaders to accept high-interest loans based on wild projections of the economic bonanzas that would follow. A large amount of this money was simply stolen; much of the rest was invested in ill-conceived grandiose projects (such as the enormous dams the World Bank became so famous for) that were later used to showcase the foolishness of the very idea of government-sponsored development. Needless to say, within a few years many of the poorer nations themselves teetered on the brink of default. It was at this point that the U.S. Treasury, working closely with the International Monetary Fund (IMF), fixed on a policy that under no circumstances were such debts to be written off.<sup>5</sup> This was, I should note, a major departure from previous economic orthodoxy, which took it for granted that those who lend money are assuming a certain risk. It showcases, in fact, a crucial element of neoliberalism: that, while the poor are to be held accountable for poor economic decisions (real or imagined), the rich must never be. In practical effect, it meant that even if a banker were to lend a hundred million dollars to a corrupt dictator, knowing full well that he was likely to place the sum directly in his personal Swiss bank account, and

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<sup>5</sup> Or to be more accurate, interest would not be counted as principal. By the mid-1980s most poor countries had in fact paid out much more than they had ever borrowed. The interest rates, however, were set so high as to make full repayment effectively impossible.

was a revolt in the name of individual liberation, pleasure, and self-expression against every sort of stifling social convention and bureaucratic constraint. And the same was true of the spirit of 1968 in America as well. It hardly seems coincidental that neoliberalism became the dominant ideology at precisely the moment when the generation that attended college in the late 1960s began to come to institutional power. As an ideology, it appears designed to do exactly what the liberalism of the nineteenth century had done: to recuperate revolutionary energies, ideas, even revolutionary language, for capitalism.

Probably the best example here is the history of the word *capitalism* itself. A key element in neoliberal rhetoric has been the idea that capitalism is, itself, a revolutionary force. This kind of language is actually quite new—at least, coming from capitalists. Capitalists have historically never used the word *capitalism* at all, preferring terms like *free enterprise*, *entrepreneurialism*, *private enterprise*, or *economic freedom*. *Capitalism* was a term employed almost exclusively by its critics to describe what they saw as a sordid economic reality, one where productive wealth was controlled by the few for their own benefit. “Socialism,” in turn, was the unrealized ideal of a world where productive wealth would be administered democratically for the common good. One of the most characteristic intellectual moves of the neoliberal era was to flip this around. Capitalism became the unrealized ideal: a utopian dream of a perfectly free, self-regulating market. Socialism was the sordid reality of government regulation. All progress in human happiness and freedom could therefore be attributed to capitalism and everything bad to the lingering effects of socialism.

This was not traditional capitalist rhetoric. It was, rather, a kind of Marxism in reverse. Tellingly, the language was first employed largely by defectors from the other side: most notoriously Russian exile Ayn Rand; her *Capitalism: The Unknown Ideal*, originally published in 1946, was a powerful influence on the young Alan Greenspan, who, as head of the American Federal Reserve between

tions, after the ski resort in New Hampshire where the conference was held at which they were created: the IMF, the World Bank, and the GATT, ancestor of the WTO. Technically under the legal umbrella of the newly created United Nations, they soon came to overshadow it as an effective system of global administration.<sup>21</sup> Arrighi also notes that unlike Great Britain, the United States at its most powerful was never particularly committed to free trade. It never opened its home markets in the way that England had. Even today, roughly a third of all transactions counted as “international trade” under the American aegis are not trade at all but simply transfers between different branches of corporations that, in their internal organization, are often barely distinguishable from enterprises in the old Soviet Union.<sup>22</sup>

So how does the second wave of liberalism fit in? It seems to me it can be understood only in the light of what Wallerstein calls “the world revolution of 1968.” The riots, uprisings, and campus revolts that shook the industrialized world in the late 1960s were rebellions against capitalism but equally against the welfare states with which capitalists were then allied. They also tended to declare a complete break with both the “respectable” Marxist opposition and Leninist regimes of the day. The rebels of May 1968 in Paris wanted nothing to do with the French Communist Party; theirs

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<sup>21</sup> The fact that the IMF operates under the UN umbrella is particularly ironic when one considers that the UN’s Universal Charter of Human Rights specifies that all human beings have a right to food and shelter. It has never shown much ability to enforce such rights. The IMF, however, has intervened quite systematically and effectively against any country that has attempted to enact policies inspired by such principles.

<sup>22</sup> The 1980s and 1990s certainly saw more market elements introduced into some of these bureaucracies, particularly with outsourcing of primary production, and new, Asian-inspired “just in time” production strategies. On the other hand it also saw unprecedented concentration of ownership. Few Americans are aware that almost all department stores in the United States, for instance, are now owned by one company, Macy’s Retail Holdings. So in effect corporate bureaucracies became more flexible but far larger.

even if that dictator were to be subsequently ousted by a popular uprising, he could rest assured that the full apparatus of world government and financial institutions would lock into step to insist the money could still be recovered—at generous rates of interest—from the dictator’s former victims. If thousands therefore had to starve, so be it.

The innovation was not just insisting on the inviolability of debt but, as in New York, using it as a political instrument.<sup>6</sup> Loans soon became unpayable; the terms had to be refinanced. Before the IMF was willing to do so, however, governments had to agree to undergo what were called “structural adjustment programs” designed by neoliberal economists. Their first priority was always to balance the budget, ostensibly so as to create a stable currency and a favorable climate for investment. This was to be done primarily by slashing social services, most dramatically by the removal of price supports on fuel or basic foodstuffs, or the imposition of “users’ fees” for previously free services like health clinics and primary education. This was to be accompanied by selling off public resources and fully opening the local market to foreign trade and investment. As one might imagine, these policies inspired constant rebellions on the part of the urban poor, but governments were able to say they had no choice. They were right. On the few occasions when leaders of poor countries outright refused to sign an IMF agreement—for instance, Madagascar’s President Albert Zafy in the early 1990s—they soon discovered that in the absence of one all other countries would shut off foreign aid; without aid, private capital pulled out; without insurance credits, it was not even possible to export products. The effects were—at least in terms of purely economic devastation—roughly comparable to what might have been achieved by a minor nuclear attack.<sup>7</sup>

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<sup>6</sup> The idea of tying debt relief to political reforms was the brainchild of Reagan’s secretary of state James Baker and become known as the Baker Plan.

<sup>7</sup> The case of Madagascar is all the more telling because Zafy, a surgeon who was placed in power by a nonviolent revolution that replaced former dicta-

The 1980s and 1990s were, of course, the very period when, in much of Europe, Africa, and the Americas, dictatorships were being replaced by elected governments. Voters quickly discovered, however, that their choices had next to no effect on economic policy, since the levers of economic decision were simultaneously being removed from the hands of governments and passed to unelected, and unaccountable, neoliberal technocrats. This did not happen just through debt. Another leitmotif of the era has been the passing of jurisdiction over economic matters to bodies meant to enforce trade agreements: the signing of the North American Free Trade Agreement (NAFTA), in 1994, for instance, committed Mexico to make major constitutional changes—notably, abolishing all forms of communal land tenure, including the collective *ejidos* that were one of the main legacies of the revolution—without the matter ever coming up before the electorate.<sup>8</sup> In Europe, European Union agreements played a similar role, forcing governments to eliminate social protections and institute “flexible” labor regimes in the name of balancing the budget, so as to maintain the stability of Europe’s new common currency. This was soon followed by the expansion of similar trade agreements—the General Agreement on Tariffs and Trade (GATT), then the World Trade Organization (WTO)—worldwide. In each case appointed bodies of bureaucrats were empowered to strike down laws that were deemed overly protectionist, including laws designed to protect working conditions or the environment.

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tor Didier Ratsiraka, had the impertinence to demand that the IMF provide one example of a poor country that had taken their advice and was now rich. After he refused to sign, the economic devastation was such that in the next election he was defeated by Ratsiraka, who vowed to reverse the policy. Five years later Ratsiraka was ousted by another popular uprising, but this time by a neoliberal yogurt magnate.

<sup>8</sup> All the more so considering that the government that signed NAFTA had not been honestly elected but had won by fraud.

of their day, it was because that empire did, to a certain degree, put these ideals into practice. For example, though it used force of arms to open markets, it refused all forms of protectionism at home. Since chartered monopolies like the East India Company had been dismantled at the beginning of the century, British capitalism of that time actually was largely a matter of relatively small family firms. Finally, for all the depredations of the industrial revolution, liberals were able to see even wage labor as progress in the direction of freedom when compared with the slavery, debt peonage, and forced and bonded labor on which capitalists had largely depended up to that point, and on which, globally, to some degree they always have depended and still do depend.

American capitalism began even closer to the liberal ideal than British, but by the 1870s and 1880s it had begun to take a very different direction. Its key innovation was the creation of the modern joint-stock corporation. Corporate charters—which potentially allowed joint-stock companies with thousands of employees to be treated, for legal purposes, as individual persons—had for most of the nineteenth century been considered privileges granted by local governments to local businessmen in a position to afford them some specific public service, such as building a canal or railroad. By the 1880s and 1890s, corporations not only had attained permanent status but had come to dominate the national economy. In the twentieth century, America led the way in creating transnational corporations that effectively spanned the world. As Giovanni Arrighi notes, when the United States replaced Great Britain as the dominant world power, it brought its own, bureaucratic, form of capitalism.<sup>20</sup> The torch was formally passed after World War II, and one of President Roosevelt’s first acts at the time was to create the original framework for what I have called the emerging global bureaucracy. These came to be known as the Bretton Woods institu-

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<sup>20</sup> Giovanni Arrighi, *The Long Twentieth Century: Money, Power, and the Origins of Our Times* (London: Verso, 1994).

## NEOLIBERALISM AS PHILOSOPHY

We are left with a paradox. How did a philosophy of radical individualism become the justification for creating the world's first global administrative bureaucracy? Here I think we have to return to the nineteenth century. If old and new liberalism have anything in common, it is first, that both saw human freedom largely as the ability to enjoy one's personal property, and second, that both nonetheless saw themselves as progressive, even revolutionary forces in human history.

Let us consider briefly the political context of such claims. When, during the Putney debates in 1647, radical factions in Cromwell's army argued that "every man by nature [is] a king, priest and prophet in his own natural circuit and compass," the sole proprietor of his own person and possessions "on which none could trespass," even the government, this was a very radical claim.<sup>19</sup> Two hundred years later, it was distinctly less so. By that time, workers' movements were beginning to level a fundamental challenge against the political power of private wealth. Liberals, on the other hand, were that fraction of the Left most likely to defend private wealth and particularly market economies.

This is not to say that nineteenth-century liberals were not, as they generally claimed, radicals and even leftists. Most were honest opponents of slavery and militarism, proponents of individual rights and universal suffrage. Free-market enthusiasts, they also tended to follow Adam Smith in seeing large chartered companies as government-imposed monopolies and restraints on genuine economic competition. The liberal ideal was of a world of autonomous individuals or small family firms buying and selling their wares on a global market. If most looked with favor on the British Empire

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<sup>19</sup> The line is from Richard Overton's *An Arrow against All Tyrants* (Exeter: Rota, 1976). The best discussion of the political theory of possessive individualism is in C. B. MacPherson, *The Political Theory of Possessive Individualism* (Oxford: Oxford University Press, 1962).

Perhaps the most dramatic case, though, was that of Eastern and Central Europe. Surveys taken immediately after the fall of communism in 1989 and 1991 revealed that in pretty much every case most citizens preferred to see the creation of some kind of Scandinavian-style social welfare state, with substantial minorities in favor of the maintenance of socialism and almost no one in favor of instituting a pure free-market model. Yet as soon as elected governments were in place, they uniformly began administering "shock therapy" programs designed abroad to institute exactly that, as quickly as possible. It was all the more striking since these states were not, for the most part, burdened with substantial debt. By that time, it had apparently become impossible to fully integrate with the world economy on any other terms.<sup>9</sup>

In fact, by the 1990s one can genuinely speak of a system of global governance operating on neoliberal lines. Imagine it as consisting in a series of tiers. On the top are the money traders. One of the great innovations of recent decades is the enormous efflorescence of finance capital: at this point, over 90 percent of economic transactions in what is called the global marketplace no longer have any immediate connection with manufacturing or trading commodities of any kind but consist simply of currency trading and other forms of financial speculation. This acts as an enormous disciplining mechanism, since the "electronic herd," as Thomas Friedman likes to call them, can instantly pull money out of "emerging markets" seen as betraying neoliberal orthodoxy. The effects of such a currency run can be, again, near-nuclear in their implications. Next are transnational corporations, whose incomes are often far larger than the GDPs of most actual countries. During the 1980s and 1990s, thousands of formerly independent enterprises—from newspapers to department stores

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<sup>9</sup> See Janine Wedel's *Collision and Collusion: The Strange Case of Western Aid to Eastern Europe, 1989–1998* (New York: St. Martin's Press, 1998). Wedel was the first anthropologist to tell this remarkable story.

to construction companies—have been absorbed into gigantic conglomerates organized on bureaucratic lines. Next are the various trade bureaucracies—the IMF, the WTO, the EU, the Association of Southeast Asian Nations (ASEAN), NAFTA, the various Reserve Banks, and so on, whose economists regularly evoke the threat of the financiers to insist on policies amenable to the transnationals. Finally, one has the endless elaboration of nongovernmental organizations (NGOs), which have come to provide services—from childhood inoculations to the provision of agricultural credits—previously considered the work of national governments.

All of these tiers—including the huge brokerage houses and hedge funds that conduct most of the world’s financial trading—together constitute a single huge, de facto, administrative system. It is the first administrative system in human history that actually has the power to enforce decisions on a planetary scale, since, after all, no empire has ever spanned the entire world, and the UN, the first genuinely global institution, never had more than moral authority. There is of course a word for large, hierarchically organized administrative systems. They are called bureaucracies. Certainly, most of those operating within this new administrative system do not like to think of themselves as bureaucrats. And certainly, these organizations tend to operate in a far more decentralized and flexible style than the government bureaucracies they aimed to (largely) supersede.<sup>10</sup> But it is only to be expected that a planet-wide trade

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<sup>10</sup> The relation of this larger system and national governments has changed in significant ways over the course of the neoliberal period. At first government itself was widely represented as the problem: its simple removal was supposed to lead to the spontaneous emergence of market mechanisms. Investors, however, soon discovered that the open encouragement of greed and disparagement of the very idea of government tended to foster extreme corruption, which got in the way of business, all the more so after “shock therapy” in much of Eastern Europe led not to free markets but to lawless “gangster capitalism.” Under Clinton, the emphasis shifted to the idea of “good governance,” emphasizing especially the need to maintain an honest legal climate conducive to foreign investment.

indeed emerging as significant industrial powers, and the general economic position of the South was advancing so quickly that its political representatives in the nonaligned movement were beginning to demand changes in the very structure of the global economy. The OPEC oil embargo was only the most dramatic manifestation of this general flexing of new economic muscles. If so, structural adjustment has proven extremely effective in blunting the offensive and turning many countries of the South into impoverished suppliants. This perspective, however, raises the intriguing question of the degree to which the United States was, through neoliberal policies, simply postponing the inevitable. This is the view, in turn, of Immanuel Wallerstein, who points out that if one peeks behind the virtual universe of finance capital one discovers that American economic power relative to the rest of the world has been declining continually since at least the 1960s. The main reason, he argues, is low overall productivity. While the United States appears on paper to have the most productive workforce in the world, this is because statistics measure the productivity only of wage laborers—who in the United States are squeezed more than almost anywhere—and never of managers. To put it crudely: in the United States, it takes two or three executives to do the work done by one in Europe or East Asia, and U.S. executives demand to be paid five or six times more. One of the main effects of U.S.-promoted neoliberal reforms around the world, according to Wallerstein, has been to encourage the creation of a similarly parasitical executive class in other countries, with the effect of at least slowing down the rate at which the rest of the world is overtaking it. The rapid rise of India and China suggest this game might soon be up.<sup>18</sup>

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<sup>18</sup> Bello, *Dark Victory*; Harvey, *Brief History of Neoliberalism*; Immanuel Wallerstein, *The Decline of American Power: The U.S. in a Chaotic World* (New York: New Press, 2003).



endless credit for the building of industrial infrastructure, let alone systematically ignoring foreign patents and copyrights—policies that have been, arguably, the keystones of China’s spectacular economic success.

IMF economists are of course aware of the disastrous effects that so often seem to follow when countries adopt their policy recommendations. Their reaction is always the same: such countries had not gone far enough. Even harsher medicine is required.

As the Filipino economist Walden Bello remarks, this is at the very least somewhat puzzling. Most of these economists have worked extensively with the private sector. They are aware that if a private firm hires a consultant to recommend an economic strategy, and the strategy recommended fails completely to reach its stated objectives, that consultant can normally expect to be fired. At the very least he will be expected to come up with a different strategy. When those same economists insist that countries like Uruguay or Mali pursue the same policies year after year for decades without seeing any significant positive effects, one has to wonder if the best interests of Uruguay or Mali are really foremost in their minds.<sup>17</sup> Certainly many in Uruguay and Mali concluded from quite early on that this was not the case.

There has been a great deal of speculation on this account. David Harvey has noted that neoliberalism, however ineffective as a strategy for global prosperity, has proved remarkably effective in solidifying class power—a power that had been widely threatened by revolutionary and democratic movements in the 1970s. (To this I would add, the greatest beneficiaries of neoliberal policies have been the staff of the emerging administrative apparatus itself.) Bello himself makes a similar argument, but in geopolitical terms. By the end of the 1970s, countries like Brazil were

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<sup>17</sup> Walden Bello, *Future in the Balance: Essays on Globalization and Resistance* (Oakland, CA: Food First Books, 2001). See also Walden Bello, *Dark Victory: The United States, Structural Adjustment, and Global Poverty* (Oakland, CA: Institute for Food and Development Policy, 1994).

bureaucracy would be organized differently than those with which we are most familiar. The remarkable thing is that it has been so effective in imposing its dictates that most of those inhabiting the richer countries are effectively unaware of its existence.

## THE BALANCE BOOK

Supporters of neoliberal reforms were usually perfectly willing to admit that their prescriptions were, as they often put it, “harsh medicine” or that the effects would, at least initially, be “painful.” The justification was—it was Margaret Thatcher again who put it most succinctly—that “there is no alternative.” Socialist solutions having failed, and global competition being what it was, there was simply no other way. “Capitalism” (by implication, neoliberal capitalism) had been proven “the only thing that works.” The phrase itself is significant, since it shows how thoroughly we have come to see states and societies as business enterprises; it rarely seemed to occur to anyone to ask, “Works to do what?” Nevertheless, even if neoliberalism is judged in its own terms—in which success is measured almost exclusively by economic growth—it has proved, on a global scale, remarkably unsuccessful.

Remember here that “free-market reforms” were supposed to be a reaction to the shortcomings of the state-sponsored development strategies of the 1960s and 1970s. Here numbers are available. In the 1960s and 1970s, global growth rates averaged 3.5 percent and 2.4 percent per year, respectively. During the period of neoliberal reforms in the 1980s that number fell to 1.4 percent, and during the neoliberal “Washington consensus” of the 1990s it fell to 1.1 percent.<sup>11</sup> The effects were even more dramatic in the countries

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<sup>11</sup> World Commission on the Social Dimension of Globalization, *A Fair Globalization: Creating Opportunities for All* (Geneva: International Labour Office, 2004); UN Development Program, “Human Development Report,” 1999, and “Human Development Report,” 2003.

of the developing world, which were supposed to be the greatest beneficiaries of “free trade.” If one excludes China,<sup>12</sup> the first two decades saw an overall 3.2 percent per year per capita growth in real domestic product in the global South—higher, in fact, than the global average at that time. During the neoliberal era (1981–99) this fell to 0.7 percent.<sup>13</sup> Many economies actually shrank. What’s more, low rates of growth were almost invariably accompanied by increasingly unequal distribution. As national elites established themselves in the glittering metropolises of global cities or locked themselves away in Ethernet-wired gated communities, governments abandoned any commitment to policies once meant to ensure a minimal degree of social protection to all their citizens. The effect was, as in New York, a kind of social triage, with government’s role largely to sweep the poor or newly impoverished away and keep them out of sight, while international NGOs attempted to limit the damage. Taken on a world scale, overall social indicators like literacy rates and life expectancy declined dramatically.<sup>14</sup>

If this is not general knowledge, it is partly because proponents of neoliberalism never talk about the big picture. It is in the nature of the global market that there are winners and losers, they say; then they try to demonstrate that the winners are those that followed their advice most closely. Hence Lithuania is doing better than Russia, Uganda than Angola, Chile than Brazil. Even this

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<sup>12</sup> China is excluded for several reasons: in the first period, its autarkic policies kept it to a certain degree outside the larger system; in the second, its government dramatically flaunted major principles of neoliberal policy, strategically deploying just the sort of planning, protections, and easy credit arrangements that the rest of the developing world was being forced to abandon.

<sup>13</sup> Robert Pollin, *Contours of Descent: U.S. Economic Fractures and the Landscape of Global Austerity* (London: Verso, 2003).

<sup>14</sup> If statistics sometimes seem ambiguous, it is largely because many of these figures improved in much of East Asia—usually, in precisely those countries that resisted IMF pressure to pare back or privatize health and education. The declines in Africa and Latin America, where few countries were in a position to resist, were quite dramatic.

usually requires a fair amount of cooking the books. In the 1980s, for example, reformers liked to point to the success of the “Asian Tigers” like South Korea and Taiwan. This required soft-pedaling the fact that both had actually relied on heavy tariffs, massive government investment in public education, and even government-directed industrial five-year plans—basically, exactly the opposite of what neoliberals were recommending. In Europe, Great Britain, easily the most assiduous in carrying out free-market reforms, now has living standards lower than Ireland’s, while Finland, which of all European countries has the largest share of its economy dedicated to social welfare programs, has, according to the World Economic Forum, now replaced the United States as the most economically competitive nation on earth.<sup>15</sup> At the same time, the two great winners in the world economy during the last decade, the United States and the People’s Republic of China, are those in a position to most systematically ignore the advice of the IMF. It is little known in the United States, for example, that every year the IMF chastises the U.S. government for its massive budget deficits and demands the slashing of tariffs and farm subsidies. The government simply ignores it, since in the United States the IMF lacks any means of enforcement.<sup>16</sup> China, as the United States’ largest creditor, has also managed to avoid almost all of the “discipline” applied to other developing countries: if it were in the same position as, say, Brazil, it would never have been allowed to maintain policies like extending

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<sup>15</sup> It has held pride of place since 2004. In the World Economic Forum’s 2004–5 rankings, Finland is followed by the United States, then Sweden, Taiwan, Denmark, and Norway. Note that the top six do not include a single country following neoliberal orthodoxy, since the United States itself regularly defies most of the precepts it urges on other governments. For the full report, see World Economic Forum, “Global Competitiveness Report 2004–2005,” October 2004, [www.weforum.org/en/initiatives/gcp/Global%20Competitiveness%20Report/PastReports/index.htm](http://www.weforum.org/en/initiatives/gcp/Global%20Competitiveness%20Report/PastReports/index.htm).

<sup>16</sup> One might consider this a perfect example of that hoary piece of economic wisdom: “if you owe the bank a million dollars, the bank owns you. If you owe the bank a hundred million, you own the bank.”