Social Housing Alliance, *Conditions of Struggle* reading & discussion group

Understanding neoliberalism and austerity the better to fight it

**Class 2: Origins of Austerity**

Wednesday September 30\textsuperscript{th}

7pm

Greenpeace office, 1726 Commercial Drive

(Above Federici’s supper club)

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Anti-austerity is a pillar of Social Housing Alliance’s work. The economic forces of displacement, we say, are a real estate and resource extraction based economy that storms on Indigenous and working-class communities while austerity policies erode the ground on which we stand, making us more vulnerable to these winds. But what is austerity and how do we fight it?

For nearly three years Social Housing Alliance has battled austerity policies in British Columbia with a focus on cuts to social housing funding. We have seen policies shift away from tax-funded and government-run housing to market-based “innovative” non-solutions to homelessness. And we have seen many groups that used to see tax-funded social housing as basic to society in Canada begin to tolerate and even advocate for models that include and rely on market logics. Is austerity top-down primarily, a problem of government policy alone, or does it have social and cultural roots and resonance?

This, our second *Conditions of Struggle* class series, will focus on austerity and its contemporary political and ideological vehicle, neoliberalism. The classes will be organized in three parts:

1) Lessons from Greece (September 9\textsuperscript{th})

   *Write to socialhousingbc@gmail.com for the reading package from this class*

2) Origins of austerity (September 30\textsuperscript{th})

   *Reading package below*

3) There is no society / There is no alternative (October 14\textsuperscript{th})

   *Readings etc. forthcoming*
Readings, description, and discussion questions for class 2: Origins of Austerity

For the purpose of this discussion we are going to consider *austerity* a state-policy feature of a broader political and economic trend of global capitalism: *neoliberalism*. In brief, neoliberalism is a capitalist revolt against welfare states established after WW2 in most powerful countries in Europe and the U.S. and Canada. As we discussed in the first class, “Keynesianism” was the main economic thought of the postwar welfare state, a mild form of redistributing wealth through tax policies and creating social programs that some working-class people in powerful countries could access. From a working-class point of view these programs were far from perfect but the capitalist revolt against them was not about making them better, it was about redistributing wealth *upwards*, from the mouths of the poor to the investment portfolios of the rich and corporations. That’s austerity.

The governing economic idea of neoliberalism is that the state should intervene to make “free” markets faster, stronger, to swallow up public resources, and extend further and deeper into every corner of society globally. This ideology has far reaching implications for the economic, gender, race, colonial, cultural, sexual organization of Canada and local places like Vancouver. These readings on the origins of neoliberalism are meant to give a glimpse of where neoliberalism (as a global political trend) got its initial impulse and what it does to our societies.

David Harvey argues that neoliberal activists (nestled in government and other elitist nests) took careful lessons from the first experiments with austerity roll backs: the military example given by General Pinochet in his U.S. and U.K. backed coup against Chile’s elected socialist president Allende, and the policy and brutal governance example given by Margaret Thatcher in England. His article deals with the political, economic, and policy angles of neoliberalism as a feature of capitalism.

Lisa Duggan argues that neoliberalism as it rolled out in the U.S. was fought out on a cultural battleground that included people’s most intimate identities. The ideas and identities that galvanized communities in struggle in the 1960s and ’70s, including Black Power and Gay and Lesbian liberation were absorbed into liberal-individual notions by the consumer-power offered by neoliberalism.

Finally, the short article on BC after ten years of neoliberal rule by the BC Liberal government gives us a concrete local example of the political trends that Harvey and Duggan have discussed.

**Two views on origins of neoliberalism & austerity**


**The arrival of neoliberalism & austerity in British Columbia**

The Construction of Consent

How was neoliberalization accomplished, and by whom? The answer in countries such as Chile and Argentina in the 1970s was as simple as it was swift, brutal, and sure: a military coup backed by the traditional upper classes (as well as by the US government), followed by the fierce repression of all solidarities created within the labour and urban social movements which had so threatened their power. But the neoliberal revolution usually attributed to Thatcher and Reagan after 1979 had to be accomplished by democratic means. For a shift of this magnitude to occur required the prior construction of political consent across a sufficiently large spectrum of the population to win elections. What Gramsci calls ‘common sense’ (defined as ‘the sense held in common’) typically grounds consent. Common sense is constructed out of long-standing practices of cultural socialization often rooted deep in regional or national traditions. It is not the same as the ‘good sense’ that can be constructed out of critical engagement with the issues of the day. Common sense can, therefore, be profoundly misleading, obfuscating or disguising real problems under cultural prejudices. Cultural and traditional values (such as belief in God and country or views on the position of women in society) and fears (of communists, immigrants, strangers, or ‘others’) can be mobilized to mask other realities. Political slogans can be invoked that mask specific strategies beneath vague rhetorical devices. The word ‘freedom’ resonates so widely within the common-sense understanding of Americans that it becomes ‘a button that elites can press to open the door to the masses’ to justify almost anything. Thus could Bush retrospectively justify the Iraq war. Gramsci therefore concluded that political questions become ‘insoluble’ when ‘disguised as cultural ones’. In seeking to understand the
construction of political consent, we must learn to extract political meanings from their cultural integuments.

So how, then, was sufficient popular consent generated to legitimize the neoliberal turn? The channels through which this was done were diverse. Powerful ideological influences circulated through the corporations, the media, and the numerous institutions that constitute civil society—such as the universities, schools, churches, and professional associations. The ‘long march’ of neoliberal ideas through these institutions that Hayek had envisaged back in 1947, the organization of think-tanks (with corporate backing and funding), the capture of certain segments of the media, and the conversion of many intellectuals to neoliberal ways of thinking, created a climate of opinion in support of neoliberalism as the exclusive guarantor of freedom. These movements were later consolidated through the capture of political parties and, ultimately, state power.

Appeals to traditions and cultural values bulked large in all of this. An open project around the restoration of economic power to a small elite would probably not gain much popular support. But a programmatic attempt to advance the cause of individual freedoms could appeal to a mass base and so disguise the drive to restore class power. Furthermore, once the state apparatus made the neoliberal turn it could use its powers of persuasion, co-optation, bribery, and threat to maintain the climate of consent necessary to perpetuate its power. This was Thatcher’s and Reagan’s particular forte, as we shall see.

How, then, did neoliberalism negotiate the turn to so comprehensively displace embedded liberalism? In some instances, the answer largely lies in the use of force (either military, as in Chile, or financial, as through the operations of the IMF in Mozambique or the Philippines). Coercion can produce a fatalistic, even abject, acceptance of the idea that there was and is, as Margaret Thatcher kept insisting, ‘no alternative’. The active construction of consent has also varied from place to place. Furthermore, as numerous oppositional movements attest, consent has often wilted or failed in different places. But we must look beyond these infinitely varied ideological and cultural mechanisms—no matter how important they are—to the qualities of everyday experience in order to better
The Construction of Consent

identify the material grounding for the construction of consent. And it is at that level—through the experience of daily life under capitalism in the 1970s—that we begin to see how neoliberalism penetrated ‘common-sense’ understandings. The effect in many parts of the world has increasingly been to see it as a necessary, even wholly ‘natural’, way for the social order to be regulated.

Any political movement that holds individual freedoms to be sacrosanct is vulnerable to incorporation into the neoliberal fold. The worldwide political upheavals of 1968, for example, were strongly inflected with the desire for greater personal freedoms. This was certainly true for students, such as those animated by the Berkeley ‘free speech’ movement of the 1960s or who took to the streets in Paris, Berlin, and Bangkok and were so mercilessly shot down in Mexico City shortly before the 1968 Olympic Games. They demanded freedom from parental, educational, corporate, bureaucratic, and state constraints. But the ’68 movement also had social justice as a primary political objective.

Values of individual freedom and social justice are not, however, necessarily compatible. Pursuit of social justice presupposes social solidarities and a willingness to submerge individual wants, needs, and desires in the cause of some more general struggle for, say, social equality or environmental justice. The objectives of social justice and individual freedom were uneasily fused in the movement of ’68. The tension was most evident in the fraught relationship between the traditional left (organized labour and political parties espousing social solidarities) and the student movement desirous of individual liberties. The suspicion and hostility that separated these two fractions in France (e.g. the Communist Party and the student movement) during the events of 1968 is a case in point. While it is not impossible to bridge such differences, it is not hard to see how a wedge might be driven between them. Neoliberal rhetoric, with its foundational emphasis upon individual freedoms, has the power to split off libertarianism, identity politics, multiculturalism, and eventually narcissistic consumerism from the social forces ranged in pursuit of social justice through the conquest of state power. It has long proved extremely difficult within the US left, for example, to forge the collective discipline required for political action to achieve social justice without offending the
desire of political actors for individual freedom and for full recognition and expression of particular identities. Neoliberalism did not create these distinctions, but it could easily exploit, if not foment, them.

In the early 1970s those seeking individual freedoms and social justice could make common cause in the face of what many saw as a common enemy. Powerful corporations in alliance with an interventionist state were seen to be running the world in individually oppressive and socially unjust ways. The Vietnam War was the most obvious catalyst for discontent, but the destructive activities of corporations and the state in relation to the environment, the push towards mindless consumerism, the failure to address social issues and respond adequately to diversity, as well as intense restrictions on individual possibilities and personal behaviours by state-mandated and ‘traditional’ controls were also widely resented. Civil rights were an issue, and questions of sexuality and of reproductive rights were very much in play. For almost everyone involved in the movement of ’68, the intrusive state was the enemy and it had to be reformed. And on that, the neoliberals could easily agree. But capitalist corporations, business, and the market system were also seen as primary enemies requiring redress if not revolutionary transformation: hence the threat to capitalist class power. By capturing ideals of individual freedom and turning them against the interventionist and regulatory practices of the state, capitalist class interests could hope to protect and even restore their position. Neoliberalism was well suited to this ideological task. But it had to be backed up by a practical strategy that emphasized the liberty of consumer choice, not only with respect to particular products but also with respect to lifestyles, modes of expression, and a wide range of cultural practices. Neoliberalization required both politically and economically the construction of a neoliberal market-based populist culture of differentiated consumerism and individual libertarianism. As such it proved more than a little compatible with that cultural impulse called ‘postmodernism’ which had long been lurking in the wings but could now emerge full-blown as both a cultural and an intellectual dominant. This was the challenge that corporations and class elites set out to finesse in the 1980s.

42
The Construction of Consent

None of this was very clear at the time. Left movements failed to recognize or confront, let alone transcend, the inherent tension between the quest for individual freedoms and social justice. But the intuitive sense of the problem was, I suspect, clear enough to many in the upper class, even to those who had never read Hayek or even heard of neoliberal theory. Let me illustrate this idea by comparing the neoliberal turns in the US and Britain in the troubled years of the 1970s.

In the US case I begin with a confidential memo sent by Lewis Powell to the US Chamber of Commerce in August 1971. Powell, about to be elevated to the Supreme Court by Richard Nixon, argued that criticism of and opposition to the US free enterprise system had gone too far and that ‘the time had come—indeed it is long overdue—for the wisdom, ingenuity and resources of American business to be marshalled against those who would destroy it’. Powell argued that individual action was insufficient. ‘Strength’, he wrote, ‘lies in organization, in careful long-range planning and implementation, in consistency of action over an indefinite period of years, in the scale of financing available only through joint effort, and in the political power available only through united action and national organizations’. The National Chamber of Commerce, he argued, should lead an assault upon the major institutions—universities, schools, the media, publishing, the courts—in order to change how individuals think ‘about the corporation, the law, culture, and the individual’. US businesses did not lack resources for such an effort, particularly when pooled.4

How directly influential this appeal to engage in class war was, is hard to tell. But we do know that the American Chamber of Commerce subsequently expanded its base from around 60,000 firms in 1972 to over a quarter of a million ten years later. Jointly with the National Association of Manufacturers (which moved to Washington in 1972) it amassed an immense campaign chest to lobby Congress and engage in research. The Business Roundtable, an organization of CEOs ‘committed to the aggressive pursuit of political power for the corporation’, was founded in 1972 and thereafter became the centrepiece of collective pro-business action. The corporations involved accounted for ‘about one half of the GNP of the United States’ during the 1970s, and they spent close
The Construction of Consent

to $900 million annually (a huge amount at that time) on political matters. Think-tanks, such as the Heritage Foundation, the Hoover Institute, the Center for the Study of American Business, and the American Enterprise Institute, were formed with corporate backing both to polemicize and, when necessary, as in the case of the National Bureau of Economic Research, to construct serious technical and empirical studies and political-philosophical arguments broadly in support of neoliberal policies. Nearly half the financing for the highly respected NBER came from the leading companies in the Fortune 500 list. Closely integrated with the academic community, the NBER was to have a very significant impact on thinking in the economics departments and business schools of the major research universities. With abundant finance furnished by wealthy individuals (such as the brewer Joseph Coors, who later became a member of Reagan’s ‘kitchen cabinet’) and their foundations (for example Olin, Scaife, Smith Richardson, Pew Charitable Trust), a flood of tracts and books, with Nozick’s *Anarchy State and Utopia* perhaps the most widely read and appreciated, emerged espousing neoliberal values. A TV version of Milton Friedman’s *Free to Choose* was funded with a grant from Scaife in 1977. ‘Business was’, Blyth concludes, ‘learning to spend as a class.’

In singling out the universities for particular attention, Powell pointed up an opportunity as well as an issue, for these were indeed centres of anti-corporate and anti-state sentiment (the students at Santa Barbara had burned down the Bank of America building there and ceremonially buried a car in the sands). But many students were (and still are) affluent and privileged, or at least middle class, and in the US the values of individual freedom have long been celebrated (in music and popular culture) as primary. Neoliberal themes could here find fertile ground for propagation. Powell did not argue for extending state power. But business should ‘assiduously cultivate’ the state and when necessary use it ‘aggressively and with determination’.

One line of response to the double crisis of capital accumulation and class power arose in the trenches of the urban struggles of the 1970s. The New York City fiscal crisis was an iconic case.
Capitalist restructuring and deindustrialization had for several years been eroding the economic base of the city, and rapid suburbanization had left much of the central city impoverished. The result was explosive social unrest on the part of marginalized populations during the 1960s, defining what came to be known as ‘the urban crisis’ (similar problems emerged in many US cities). The expansion of public employment and public provision—facilitated in part by generous federal funding—was seen as the solution. But, faced with fiscal difficulties, President Nixon simply declared the urban crisis over in the early 1970s. While this was news to many city dwellers, it signalled diminished federal aid. As the recession gathered pace, the gap between revenues and outlays in the New York City budget (already large because of profligate borrowing over many years) increased. At first financial institutions were prepared to bridge the gap, but in 1975 a powerful cabal of investment bankers (led by Walter Wriston of Citibank) refused to roll over the debt and pushed the city into technical bankruptcy. The bail-out that followed entailed the construction of new institutions that took over the management of the city budget. They had first claim on city tax revenues in order to first pay off bondholders: whatever was left went for essential services. The effect was to curb the aspirations of the city’s powerful municipal unions, to implement wage freezes and cutbacks in public employment and social provision (education, public health, transport services), and to impose user fees (tuition was introduced into the CUNY university system for the first time). The final indignity was the requirement that municipal unions should invest their pension funds in city bonds. Unions then either moderated their demands or faced the prospect of losing their pension funds through city bankruptcy.7

This amounted to a coup by the financial institutions against the democratically elected government of New York City, and it was every bit as effective as the military coup that had earlier occurred in Chile. Wealth was redistributed to the upper classes in the midst of a fiscal crisis. The New York crisis was, Zevin argues, symptomatic of ‘an emerging strategy of disinflation coupled with a regressive redistribution of income, wealth and power’. It was ‘an early, perhaps decisive battle in a new war’, the purpose of which was ‘to

The Construction of Consent
show others that what is happening to New York could and in some cases will happen to them.\textsuperscript{8}

Whether everyone involved in negotiating this fiscal compromise understood it as a strategy to restore class power is an open question. The need to maintain fiscal discipline is a matter of concern in its own right and does not, like monetarism more generally, necessarily entail regressive redistributions. It is unlikely, for example, that Felix Rohatyn, the merchant banker who brokered the deal between the city, the state, and the financial institutions, had the restoration of class power in mind. The only way he could ‘save’ the city was by satisfying the investment bankers while diminishing the standard of living of most New Yorkers. But the restoration of class power was almost certainly what investment bankers like Walter Wriston had in mind. He had, after all, equated all forms of government intervention in the US and Britain with communism. And it was almost certainly the aim of Ford’s Secretary of the Treasury William Simon (later to become head of the ultra-conservative Olin Foundation). Watching the progress of events in Chile with approval, he strongly advised President Ford to refuse aid to the city (‘Ford to City: Drop Dead’ ran the headline in the \textit{New York Daily News}). The terms of any bail-out, he said, should be ‘so punitive, the overall experience so painful, that no city, no political subdivision would ever be tempted to go down the same road’.\textsuperscript{9}

While resistance to the austerity measures was widespread, it could only, according to Freeman, slow ‘the counterrevolution from above, it could not stop it. Within a few years, many of the historic achievements of working class New York were undone’. Much of the social infrastructure of the city was diminished and the physical infrastructure (for example the subway system) deteriorated markedly for lack of investment or even maintenance. Daily life in New York ‘became gruelling and the civic atmosphere turned mean’. The city government, the municipal labour movement, and working-class New Yorkers were effectively stripped ‘of much of the power they had accumulated over the previous three decades’.\textsuperscript{10} Demoralized, working-class New Yorkers reluctantly assented to the new realities.

But the New York investment bankers did not walk away from
The Construction of Consent

the city. They seized the opportunity to restructure it in ways that suited their agenda. The creation of a ‘good business climate’ was a priority. This meant using public resources to build appropriate infrastructures for business (particularly in telecommunications) coupled with subsidies and tax incentives for capitalist enterprises. Corporate welfare substituted for people welfare. The city’s elite institutions were mobilized to sell the image of the city as a cultural centre and tourist destination (inventing the famous logo ‘I Love New York’). The ruling elites moved, often fractiously, to support the opening up of the cultural field to all manner of diverse cosmopolitan currents. The narcissistic exploration of self, sexuality, and identity became the leitmotif of bourgeois urban culture. Artistic freedom and artistic licence, promoted by the city’s powerful cultural institutions, led, in effect, to the neoliberalization of culture. ‘Delirious New York’ (to use Rem Koolhaas’s memorable phrase) erased the collective memory of democratic New York. The city’s elites acceded, though not without a struggle, to the demand for lifestyle diversification (including those attached to sexual preference and gender) and increasing consumer niche choices (in areas such as cultural production). New York became the epicentre of postmodern cultural and intellectual experimentation. Meanwhile the investment bankers reconstructed the city economy around financial activities, ancillary services such as legal services and the media (much revived by the financialization then occurring), and diversified consumerism (gentrification and neighbourhood ‘restoration’ playing a prominent and profitable role). City government was more and more construed as an entrepreneurial rather than a social democratic or even managerial entity. Inter-urban competition for investment capital transformed government into urban governance through public–private partnerships. City business was increasingly conducted behind closed doors, and the democratic and representational content of local governance diminished.

Working-class and ethnic-immigrant New York was thrust back into the shadows, to be ravaged by racism and a crack cocaine epidemic of epic proportions in the 1980s that left many young people either dead, incarcerated, or homeless, only to be bludgeoned again by the AIDS epidemic that carried over into the
The Construction of Consent

1990s. Redistribution through criminal violence became one of the few serious options for the poor, and the authorities responded by criminalizing whole communities of impoverished and marginalized populations. The victims were blamed, and Giuliani was to claim fame by taking revenge on behalf of an increasingly affluent Manhattan bourgeoisie tired of having to confront the effects of such devastation on their own doorsteps.

The management of the New York fiscal crisis pioneered the way for neoliberal practices both domestically under Reagan and internationally through the IMF in the 1980s. It established the principle that in the event of a conflict between the integrity of financial institutions and bondholders’ returns, on the one hand, and the well-being of the citizens on the other, the former was to be privileged. It emphasized that the role of government was to create a good business climate rather than look to the needs and well-being of the population at large. The politics of the Reagan administration of the 1980s, Tabb concludes, became ‘merely the New York scenario’ of the 1970s ‘writ large’.13

The translation of these local conclusions of the mid-1970s to the national level was fast-moving. Thomas Edsall (a journalist who covered Washington affairs for many years) published a prescient account in 1985:

During the 1970s, business refined its ability to act as a class, submerging competitive instincts in favour of joint, cooperative action in the legislative arena. Rather than individual companies seeking only special favours . . . the dominant theme in the political strategy of business became a shared interest in the defeat of bills such as consumer protection and labour law reform, and in the enactment of favourable tax, regulatory and antitrust legislation’.14

In order to realize this goal, businesses needed a political class instrument and a popular base. They therefore actively sought to capture the Republican Party as their own instrument. The formation of powerful political action committees to procure, as the old adage had it, ‘the best government that money could buy’ was an important step. The supposedly ‘progressive’ campaign finance laws of 1971 in effect legalized the financial corruption of politics. A crucial set of Supreme Court decisions began in 1976 when it
was first established that the right of a corporation to make unlimited money contributions to political parties and political action committees was protected under the First Amendment guaranteeing the rights of individuals (in this instance corporations) to freedom of speech.\textsuperscript{15} Political action committees (PACs) could thereafter ensure the financial domination of both political parties by corporate, moneyed, and professional association interests. Corporate PACs, which numbered eighty-nine in 1974, had burgeoned to 1,467 by 1982. While these were willing to fund powerful incumbents of both parties provided their interests were served, they also systematically leaned towards supporting right-wing challengers. In the late 1970s Reagan (then Governor of California) and William Simon (whom we have already encountered) went out of their way to urge the PACs to direct their efforts towards funding Republican candidates with right-wing sympathies.\textsuperscript{16} The $5,000 limit on each PAC’s contribution to any one individual forced PACs from different corporations and industries to work together, and that meant building alliances based on class rather than particular interests.

The willingness of the Republican Party to become the representative of ‘its dominant class constituency’ during this period contrasted, Edsall notes, with the ‘ideologically ambivalent’ attitude of the Democrats which grew out of ‘the fact that its ties to various groups in society are diffuse, and none of these groups—women, blacks, labour, the elderly, hispanics, urban political organizations—stands clearly larger than the others’. The dependency of Democrats, furthermore, on ‘big money’ contributions rendered many of them highly vulnerable to direct influence from business interests.\textsuperscript{17} While the Democratic Party had a popular base, it could not easily pursue an anti-capitalist or anti-corporate political line without totally severing its connections with powerful financial interests.

The Republican Party needed, however, a solid electoral base if it was to colonize power effectively. It was around this time that Republicans sought an alliance with the Christian right. The latter had not been politically active in the past, but the foundation of Jerry Falwell’s ‘moral majority’ as a political movement in 1978 changed all of that. The Republican Party now had its Christian
base. It also appealed to the cultural nationalism of the white working classes and their besieged sense of moral righteousness (besieged because this class lived under conditions of chronic economic insecurity and felt excluded from many of the benefits that were being distributed through affirmative action and other state programmes). This political base could be mobilized through the positives of religion and cultural nationalism and negatively through coded, if not blatant, racism, homophobia, and anti-feminism. The problem was not capitalism and the neoliberalization of culture, but the ‘liberals’ who had used excessive state power to provide for special groups (blacks, women, environmentalists, etc.). A well-funded movement of neoconservative intellectuals (gathered around Irving Kristol and Norman Podhoretz and the journal *Commentary*), espousing morality and traditional values, gave credence to these theses. Supporting the neoliberal turn economically but not culturally, they excoriated the interventionist excesses of a so-called ‘liberal elite’—thus greatly muddying what the term ‘liberal’ might mean. The effect was to divert attention from capitalism and corporate power as in any way having anything to do with either the economic or the cultural problems that unbridled commercialism and individualism were creating.

From then on the unholy alliance between big business and conservative Christians backed by the neoconservatives steadily consolidated, eventually eradicating all liberal elements (significant and influential in the 1960s) from the Republican Party, particularly after 1990, and turning it into the relatively homogeneous right-wing electoral force of present times.18 Not for the first, nor, it is to be feared, for the last time in history has a social group been persuaded to vote against its material, economic, and class interests for cultural, nationalist, and religious reasons. In some cases, however, it is probably more appropriate to replace the word ‘persuaded’ with ‘elected’, since there is abundant evidence that the evangelical Christians (no more than 20 per cent of the population) who make up the core of the ‘moral majority’ eagerly embraced the alliance with big business and the Republican Party as a means to further promote their evangelical and moral agenda. This was certainly the case with the shadowy and secretive organization of

The Construction of Consent
Christian conservatives that constituted the Council for National Policy, founded in 1981, ‘to strategize how to turn the country to the right’.\(^{19}\)

The Democratic Party, on the other hand, was fundamentally riven by the need to placate, if not succour, corporate and financial interests while at the same time making some gestures towards improving the material conditions of life for its popular base. During the Clinton presidency it ended up choosing the former over the latter and therefore fell directly into the neoliberal fold of policy prescription and implementation (as, for example, in the reform of welfare).\(^{20}\) But, as in the case of Felix Rohatyn, it is doubtful if this was Clinton’s agenda from the very beginning. Faced with the need to overcome a huge deficit and spark economic growth, his only feasible economic path was deficit reduction to achieve low interest rates. That meant either substantially higher taxation (which amounted to electoral suicide) or cutbacks in the budget. Going for the latter meant, as Yergin and Stanislaw put it, ‘betraying their traditional constituencies in order to pamper the rich’ or, as Joseph Stiglitz, once chair of Clinton’s Council of Economic Advisors, later confessed, ‘we did manage to tighten the belts of the poor as we loosened those on the rich’.\(^{21}\) Social policy was in effect put in the care of the Wall Street bondholders (much as had happened in New York City earlier), with predictable consequences.

The political structure that emerged was quite simple. The Republican Party could mobilize massive financial resources and mobilize its popular base to vote against its material interests on cultural/religious grounds while the Democratic Party could not afford to attend to the material needs (for example for a national health-care system) of its traditional popular base for fear of offending capitalist class interests. Given the asymmetry, the political hegemony of the Republican Party became more sure.

Reagan’s election in 1980 was only the first step in the long process of consolidating the political shift necessary to support Volcker’s turn to monetarism and the prioritization of the fight against inflation. Reagan’s policies, Edsall noted at the time, centred on ‘an across the board drive to reduce the scope and
content of federal regulation of industry, the environment, the workplace, health care, and the relationship between buyer and seller’. Budget cuts and deregulation and ‘the appointment of anti-regulatory, industry-oriented agency personnel’ to key positions were the main means.\(^{22}\)

The National Labour Relations Board, established to regulate capital–labour relations in the workplace in the 1930s, was converted by Reagan’s appointments into a vehicle for attacking and regulating the rights of labour at the very moment when business was being deregulated.\(^{23}\) It took less than six months in 1983 to reverse nearly 40 per cent of the decisions made during the 1970s that had been, in the view of business, too favourable to labour. Reagan construed all regulation (except of labour) as bad. The Office of Management and Budget was mandated to do thorough cost–benefit analyses of all regulatory proposals (past and present). If it could not be shown that the benefits of regulation clearly exceeded the costs then the regulations should be scrapped. To top it all, elaborate revisions of the tax code—mainly concerning depreciation on investments—allowed many corporations to get away without paying any taxes at all, while the reduction of the top tax rate for individuals from 78 to 28 per cent obviously reflected the intent to restore class power (see Figure 1.7). Worst of all, public assets were freely passed over into the private domain. Many of the key breakthroughs in pharmaceutical research, for example, had been funded by the National Institute of Health in collaboration with the drug companies. But in 1978 the companies were allowed to take all the benefits of patent rights without returning anything to the state, assuring the industry of high and highly subsidized profits ever after.\(^{24}\)

But all of this required that labour and labour organization be brought to heel to conform to the new social order. If New York pioneered this by disciplining powerful municipal unions in 1975–7, Reagan followed at the national level by bringing down the air traffic controllers in 1981 and making it clear to the trade unions that they were unwelcome as participants in the inner councils of government. The uneasy social compact that had ruled between corporate and union power during the 1960s was over. With unemployment surging to 10 per cent in the mid-1980s, the
moment was propitious to attack all forms of organized labour and to cut back on its privileges as well as its power. Transfer of industrial activity from the unionized north-east and midwest to the non-unionized and ‘right-to-work’ states of the south, if not beyond to Mexico and South-East Asia, became standard practice (subsidized by favourable taxation for new investment and aided by the shift in emphasis from production to finance as the centrepiece of capitalist class power). Deindustrialization of formerly unionized core industrial regions (the so-called ‘rust belt’) disempowered labour. Corporations could threaten plant closures, and risk—and usually win—strikes when necessary (for example in the coal industry).

But here too it was not merely the use of the big stick that mattered, for there were a number of carrots that could be offered to labourers as individuals to break with collective action. The unions’ rigid rules and bureaucratic structures made them vulnerable to attack. The lack of flexibility was often as much a disadvantage for individual labourers as it was for capital. The virtuous claims for flexible specialization in labour processes and for flexible-time arrangements could become part of the neoliberal rhetoric that could be persuasive to individual labourers, particularly those who had been excluded from the monopoly benefits that strong unionization sometimes conferred. Greater freedom and liberty of action in the labour market could be touted as a virtue for capital and labour alike, and here, too, it was not hard to integrate neoliberal values into the ‘common sense’ of much of the workforce. How this active potentiality was converted into a highly exploitative system of flexible accumulation (all the benefits accruing from increasing flexibility in labour allocations in both space and time go to capital) is key to explaining why real wages, except for a brief period during the 1990s, stagnated or fell (see Figure 1.6) and benefits diminished. Neoliberal theory conveniently holds that unemployment is always voluntary. Labour, the argument goes, has a ‘reserve price’ below which it prefers not to work. Unemployment arises because the reserve price of labour is too high. Since that reserve price is partly set by welfare payments (and stories of ‘welfare queens’ driving Cadillacs abounded) then it stands to reason that the neoliberal reform carried out by Clinton of ‘welfare as
we know it’ must be a crucial step towards the reduction of unemployment.

All of this demanded some rationale, and to this end the war of ideas did play an important role. The economic ideas marshalled in support of the neoliberal turn amounted, Blyth suggests, to a complex fusion of monetarism (Friedman), rational expectations (Robert Lucas), public choice (James Buchanan, and Gordon Tullock), and the less respectable but by no means uninfluential ‘supply–side’ ideas of Arthur Laffer, who went so far as to suggest that the incentive effects of tax cuts would so increase economic activity as to automatically increase tax revenues (Reagan was enamoured of this idea). The more acceptable commonality to these arguments was that government intervention was the problem rather than the solution, and that ‘a stable monetary policy, plus radical tax cuts in the top brackets, would produce a healthier economy’ by getting the incentives for entrepreneurial activity aligned correctly. The business press, with the Wall Street Journal very much in the lead, took up these ideas, becoming an open advocate for neoliberalization as the necessary solution to all economic ills. Popular currency was given to these ideas by prolific writers such as George Gilder (supported by think-tank funds), and the business schools that arose in prestigious universities such as Stanford and Harvard, generously funded by corporations and foundations, became centres of neoliberal orthodoxy from the very moment they opened. Charting the spread of ideas is always difficult, but by 1990 or so most economics departments in the major research universities as well as the business schools were dominated by neoliberal modes of thought. The importance of this should not be underestimated. The US research universities were and are training grounds for many foreigners who take what they learn back to their countries of origin—the key figures in Chile’s and Mexico’s adaptation to neoliberalism were US–trained economists for example—as well as into international institutions such as the IMF, the World Bank, and the UN.

The conclusion is, I think, clear. ‘During the 1970s, the political wing of the nation’s corporate sector’, writes Edsall, ‘staged one of the most remarkable campaigns in the pursuit of power in recent history.’ By the early 1980s it ‘had gained a level of influence and
leverage approaching that of the boom days of the 1920s’. And by the year 2000 it had used that leverage to restore its share of the national wealth and income to levels also not seen since the 1920s.

The construction of consent in Britain occurred in a very different way. What happened in Kansas was quite different from what happened in Yorkshire. The cultural and political traditions were very different. In Britain, there is no Christian right to speak of to be mobilized into a moral majority. Corporate power there was little inclined to support overt political activism (its contributions to political parties were minimal), preferring instead to exercise influence through the networks of class and privilege that had long connected government, academia, the judiciary, and the permanent Civil Service (which at that time still maintained its tradition of independence) with the leaders of industry and finance. The political situation was also radically different, given that the Labour Party had largely been constructed as an instrument of working-class power, beholden to strong and sometimes quite militant trade unions. Britain had consequently developed a far more elaborate and all-encompassing welfare state structure than would have ever been dreamed of in the US. The commanding heights of the economy (coal, steel, automobiles) were nationalized, and a large proportion of the housing stock was in the public sector. And the Labour Party had, ever since the 1930s, built significant redoubts of power in the arena of municipal governance, with Herbert Morrison’s London County Council being in the vanguard from the 1930s onwards. Social solidarities constructed through the union movement and municipal governance were strongly in evidence. Even when the Conservative Party took power for prolonged periods after the Second World War it largely refrained from any attempt at dismantling the welfare state it had inherited.

The Labour government of the 1960s had refused to send troops to Vietnam, thus saving the country from direct domestic traumas over participation in an unpopular war. After the Second World War, Britain had (albeit reluctantly and in some instances not without violent struggle and considerable prodding from the US) agreed to decolonization, and after the abortive Suez venture of 1956 gradually (and again often reluctantly) shed much of the
mantle of direct imperial power. The withdrawal of its forces east of Suez in the 1960s was an important signifier of this process. Thereafter, Britain largely participated as a junior partner within NATO under the military shield of US power. But Britain did continue to project a neocolonial presence throughout much of what had been its empire, and in so doing frequently tangled with other great powers (as, for example, in the bloody Nigerian civil war when Biafra attempted to secede). The issue of Britain’s relations with and responsibilities towards its ex-colonies was often fraught, both at home and abroad. Neocolonial structures of commercial exploitation were often deepened rather than eradicated. But migratory currents from the ex-colonies towards Britain were beginning to bring the consequences of empire back home in new ways.

The most important residual of Britain’s imperial presence was the continuing role of the City of London as a centre of international finance. During the 1960s this became increasingly important as the UK moved to protect and enhance the position of the City with respect to the rising powers of globally oriented finance capital. This created a series of important contradictions. The protection of finance capital (through interest rate manipulations) more often than not conflicted with the needs of domestic manufacturing capital (hence provoking a structural division within the capitalist class) and sometimes inhibited the expansion of the domestic market (by restricting credit). The commitment to a strong pound undermined the export position of UK industry and helped create balance of payments crises in the 1970s. Contradictions arose between the embedded liberalism constructed within and the free market liberalism of London-based finance capital operating on the world stage. The City of London, the financial centre, had long favoured monetarist rather than Keynesian policies, and therefore formed a bastion of resistance to embedded liberalism.

The welfare state constructed in Britain after the Second World War was never to everyone’s liking. Strong currents of criticism circulated through the media (with the highly respected Financial Times in the lead), which were increasingly subservient to financial interests. Individualism, freedom, and liberty were depicted as
The Construction of Consent

opposed to the stifling bureaucratic ineptitude of the state apparatus and oppressive trade union power. Such criticisms become widespread in Britain during the 1960s and became even more emphatic during the bleak years of economic stagnation during the 1970s. People then feared that Britain was becoming ‘a corporatist state, ground down to a gray mediocrity’. The undercurrent of thought represented by Hayek constituted a viable opposition and had its advocates in the universities and even more importantly dominated the work of the Institute of Economic Affairs (founded in 1955), where Keith Joseph, later to be a key adviser to Margaret Thatcher, rose to public prominence in the 1970s. The foundation of the Centre for Policy Studies (1974) and the Adam Smith Institute (1976), and the increasing commitment of the press to neoliberalization during the 1970s, significantly affected the climate of public opinion. The earlier rise of a significant youth movement (given to political satire) and the arrival of a freewheeling pop culture in the ‘swinging London’ of the 1960s both mocked and challenged the traditional structure of networked class relations. Individualism and freedom of expression became an issue and a left-leaning student movement, influenced in many ways by the complexities of coming to terms with Britain’s entrenched class system as well as with its colonial heritage, became an active element within British politics, much as it did elsewhere in the movement of ’68. Its disrespectful attitude towards class privileges (whether of aristocrats, politicians, or union bureaucrats) was to ground the later radicalism of the postmodern turn. Scepticism about politics was to prepare the way for suspicion of all metanarratives.

While there were many elements out of which consent for a neoliberal turn could be constructed, the Thatcher phenomenon would surely not have arisen, let alone succeeded, if it had not been for the serious crisis of capital accumulation during the 1970s. Stagflation was hurting everyone. In 1975 inflation surged to 26 per cent and unemployment topped one million (see Figure 1.1). The nationalized industries were draining resources from the Treasury. This set up a confrontation between the state and the unions. In 1972, and then again in 1974, the British miners (a nationalized industry) went on strike for the first time since 1926.
The miners had always been in the forefront of British labour struggles. Their wages were not keeping pace with accelerating inflation, and the public sympathized. The Conservative government, in the midst of power blackouts, declared a state of emergency, mandated a three-day working week, and sought public backing against the miners. In 1974 it called an election seeking public support for its stand. It lost, and the Labour government that returned to power settled the strike on terms favourable to the miners.

The victory was, however, pyrrhic. The Labour government could not afford the terms of the settlement and its fiscal difficulties mounted. A balance of payments crisis paralleled huge budget deficits. Turning for credits to the IMF in 1975–6, it faced the choice of either submitting to IMF-mandated budgetary restraint and austerity or declaring bankruptcy and sacrificing the integrity of sterling, thus mortally wounding financial interests in the City of London. It chose the former path, and draconian budgetary cutbacks in welfare state expenditures were implemented. The Labour government went against the material interests of its traditional supporters. But it still had no solution to the crises of accumulation and stagflation. It sought, unsuccessfully, to mask the difficulties by appealing to corporatist ideals, in which everyone was supposed to sacrifice something for the benefit of the polity. Its supporters were in open revolt, and public sector workers initiated a series of crippling strikes in the ‘winter of discontent’ of 1978. ‘Hospital workers went out, and medical care had to be severely rationed. Striking gravediggers refused to bury the dead. The truck drivers were on strike too. Only shop stewards had the right to let trucks bearing “essential supplies” cross picket lines. British Rail put out a terse notice “There are no trains today” . . . striking unions seemed about to bring the whole nation to a halt.’

The mainstream press was in full cry against greedy and disruptive unions, and public support fell away. The Labour government fell, and in the election that followed Margaret Thatcher won a significant majority with a clear mandate from her middle-class supporters to tame public sector trade union power.

The commonality between the US and the UK cases most obviously lies in the fields of labour relations and the fight against
inflation. With respect to the latter, Thatcher made monetarism and strict budgetary control the order of the day. High interest rates meant high unemployment (averaging more than 10 per cent in 1979–84, and the Trades Union Congress lost 17 per cent of its membership in five years). The bargaining power of labour was weakened. Alan Budd, an economic adviser to Thatcher, later suggested that ‘the 1980s policies of attacking inflation by squeezing the economy and public spending were a cover to bash the workers’. Britain created what Marx called ‘an industrial reserve army’, he went on to observe, the effect of which was to undermine the power of labour and permit capitalists to make easy profits thereafter. And in an action that paralleled Reagan’s provocation of PATCO in 1981, Thatcher provoked a miners’ strike in 1984 by announcing a wave of redundancies and pit closures (imported coal was cheaper). The strike lasted for almost a year, and, in spite of a great deal of public sympathy and support, the miners lost. The back of a core element of the British labour movement had been broken. Thatcher further reduced union power by opening up the UK to foreign competition and foreign investment. Foreign competition demolished much of traditional British industry in the 1980s—the steel industry (Sheffield) and shipbuilding (Glasgow) more or less totally disappeared within a few years, and with them a good deal of trade union power. Thatcher effectively destroyed the indigenous nationalized UK automobile industry, with its strong unions and militant labour traditions, instead offering the UK as an offshore platform for Japanese automobile companies seeking access to Europe. These built on greenfield sites and recruited non-union workers who would submit to Japanese-style labour relations. The overall effect was to transform the UK into a country of relatively low wages and a largely compliant labour force (relative to the rest of Europe) within ten years. By the time Thatcher left office, strike activity had fallen to one-tenth of its former levels. She had eradicated inflation, curbed union power, tamed the labour force, and built middle-class consent for her policies in the process.

But Thatcher had to fight the battle on other fronts. A noble rearguard action against neoliberal policies was mounted in many a municipality—Sheffield, the Greater London Council (which
The Construction of Consent

Thatcher had to abolish in order to achieve her broader goals in the 1980s), and Liverpool (where half the local councillors had to be gaoled) formed active centres of resistance in which the ideals of a new municipal socialism (incorporating many of the new social movements in the London case) were both pursued and acted upon until they were finally crushed in the mid-1980s. She began by savagely cutting back central government funding to the municipalities, but several of them responded simply by raising property taxes, forcing her to legislate against their right to do so. Denigrating the progressive labour councils as ‘loony lefties’ (a phrase the Conservative-dominated press picked up with relish), she then sought to impose neoliberal principles through a reform of municipal finance. She proposed a ‘poll tax’—a regressive head tax rather than a property tax—which would rein in municipal expenditures by making every resident pay. This provoked a huge political fight that played a role in Thatcher’s political demise.

Thatcher also set out to privatize all those sectors of the economy that were in public ownership. The sales would boost the public treasury and rid the government of burdensome future obligations towards losing enterprises. These state-run enterprises had to be adequately prepared for privatization, and this meant paring down their debt and improving their efficiency and cost structures, often through shedding labour. Their valuation was also structured to offer considerable incentives to private capital—a process that was likened by opponents to ‘giving away the family silver’. In several cases subsidies were hidden in the mode of valuation—water companies, railways, and even state-run enterprises in the automobile and steel industries held high-value land in prime locations that was excluded from the valuation of the enterprise as an ongoing concern. Privatization and speculative gains on the property released went hand in hand. But the aim here was also to change the political culture by extending the field of personal and corporate responsibility and encouraging greater efficiency, individual/corporate initiative, and innovation. British Aerospace, British Telecom, British Airways, steel, electricity and gas, oil, coal, water, bus services, railways, and a host of smaller state enterprises were sold off in a massive wave of privatizations. Britain pioneered the way in showing how to do this in a reasonably
orderly and, for capital, profitable way. Thatcher was convinced that once these changes had been made they would become irreversible: hence the haste. The legitimacy of this whole movement was successfully underpinned, however, by the extensive selling off of public housing to tenants. This vastly increased the number of homeowners within a decade. It satisfied traditional ideals of individual property ownership as a working-class dream and introduced a new, and often speculative, dynamism into the housing market that was much appreciated by the middle classes, who saw their asset values rise—at least until the property crash of the early 1990s.

Dismantling the welfare state was, however, quite another thing. Taking on areas such as education, health care, social services, the universities, the state bureaucracy, and the judiciary proved difficult. Here she had to do battle with the entrenched and sometimes traditional upper-middle-class attitudes of her core supporters. Thatcher desperately sought to extend the ideal of personal responsibility (for example through the privatization of health care) across the board and cut back on state obligations. She failed to make rapid headway. There were, in the view of the British public, limits to the neoliberalization of everything. Not until 2003, for example, did a Labour government, against widespread opposition, succeed in introducing a fee-paying structure into British higher education. In all these areas it proved difficult to forge an alliance of consent for radical change. On this her Cabinet (and her supporters) were notoriously divided (between ‘wets’ and ‘drys’) and it took several years of bruising confrontations within her own party and in the media to win modest neoliberal reforms. The best she could do was to try to force a culture of entrepreneurialism and impose strict rules of surveillance, financial accountability, and productivity on to institutions, such as universities, that were ill suited to them.

Thatcher forged consent through the cultivation of a middle class that relished the joys of home ownership, private property, individualism, and the liberation of entrepreneurial opportunities. With working-class solidarities waning under pressure and job structures radically changing through deindustrialization, middle-class values spread more widely to encompass many of those who

61
The Construction of Consent

had once had a firm working-class identity. The opening of Britain to freer trade allowed a consumer culture to flourish, and the proliferation of financial institutions brought more and more of a debt culture into the centre of a formerly staid British life. Neoliberalism entailed the transformation of the older British class structure, at both ends of the spectrum. Moreover, by keeping the City of London as a central player in global finance it increasingly turned the heartland of Britain’s economy, London and the south-east, into a dynamic centre of ever-increasing wealth and power. Class power had not so much been restored to any traditional sector but rather had gathered expansively around one of the key global centres of financial operations. Recruits from Oxbridge flooded into London as bond and currency traders, rapidly amassing wealth and power and turning London into one of the most expensive cities in the world.

While the Thatcher revolution was prepared by the organization of consent within the traditional middle classes who bore her to three electoral victories, the whole programme, particularly in her first administration, was far more ideologically driven (thanks largely to Keith Joseph) by neoliberal theory than was ever the case in the US. While from a solid middle-class background herself, she plainly relished the traditionally close contacts between the prime minister’s office and the ‘captains’ of industry and finance. She frequently turned to them for advice and in some instances clearly delivered them favours by undervaluing state assets set for privatization. The project to restore class power—as opposed to dismantling working-class power—probably played a more subconscious role in her political evolution.

The success of Reagan and Thatcher can be measured in various ways. But I think it most useful to stress the way in which they took what had hitherto been minority political, ideological, and intellectual positions and made them mainstream. The alliance of forces they helped consolidate and the majorities they led became a legacy that a subsequent generation of political leaders found hard to dislodge. Perhaps the greatest testimony to their success lies in the fact that both Clinton and Blair found themselves in a situation where their room for manoeuvre was so limited that they could not help but sustain the process of restoration of
class power even against their own better instincts. And once neoliberalism became that deeply entrenched in the English-speaking world it was hard to gainsay its considerable relevance to how capitalism in general was working internationally. This is not to say, as we shall see, that neoliberalism was merely imposed elsewhere by Anglo-American influence and power. For as these two case studies amply demonstrate, the internal circumstances and subsequent nature of the neoliberal turn were quite different in Britain and the US, and by extension we should expect that internal forces as well as external influences and impositions have played a distinctive role elsewhere.

Reagan and Thatcher seized on the clues they had (from Chile and New York City) and placed themselves at the head of a class movement that was determined to restore its power. Their genius was to create a legacy and a tradition that tangled subsequent politicians in a web of constraints from which they could not easily escape. Those who followed, like Clinton and Blair, could do little more than continue the good work of neoliberalization, whether they liked it or not.

Downsizing Democracy

That corporations have taken the spotlight as latter-day English-speaking conquistadors—Magellans of technology, Cortéses of consumer goods, and Pizarros of entertainment—reflected the cosmopolitanizing of their profits, a cousinship to earlier Dutch and then British cosmopolitanizing of investment....

The last two decades of the twentieth century ... echoed the zeniths of corruption and excess—the Gilded Age and the 1920s—when the rich in the United States slipped their usual political constraints, and this trend continued into the new century. By the 1990s data showed the United States replacing Europe at the pinnacle of Western privilege and inequality. This, of course, is part of what made the United States the prime target of terrorism in much the same way as the Europe of czars, kings, and grand dukes was during the period of 1880–1920.1

We are living in a dangerous and uncertain time. A breakdown in multilateral cooperation in global politics, accompanying the revival of an overtly violent assertion of U.S. imperial power in the Middle East, has put the fate of millions in the hands of a few as this century begins. At the same time, inequality among nations and within the U.S. continues to grow at a dizzying pace. In response, neoliberal politicians in the U.S. advocate yet more cuts in the budget for social services and public welfare and propose more increases in military and security spending. The twenty-first century is off to a frightening start.

And yet, this dangerous and tragic start also presents opportunities
for a renewed politics of equality and democracy within the U.S. and around the world. Neoliberal dominance, seemingly invincible from the fall of the Berlin Wall in 1989 through the 1990s, is under attack as never before. Economic and financial crises—in Mexico in 1994, in Asia in 1997—ignited long-simmering conflicts between wealthy Western creditor nations and the debtor nations of the poorer, developing world. The staggering crash of technology/dot.com stocks listed on the U.S. Nasdaq index punctured the confidence of investors, and gutted the bank accounts of a significant proportion of the American middle class. Resulting public fury helped propel the exposure of corrupt financial practices and widespread corporate greed. And the use of military force in the Middle East exposed the coercive underbelly of purportedly benign U.S. foreign relations and trade policies.

But such disillusionments and exposures will produce opportunities for progressive-left politics only if we are prepared to seize them. This moment of violent rupture in the smooth operations of neoliberal policies might be repaired through the construction of a reformed neoliberal hegemony, rebuilt through brutality and poised to extract yet more of the earth’s surplus for the benefit of the wealthiest one percent of the world’s population. Or, opposition and resistance to violence and inequality around the world might coalesce into a new social movement strong enough to change our historical course.

There is much encouragement for the hopeful. Highly visible demonstrations against neoliberal globalization beginning in the late 1990s, followed by the rapid assembly of a global peace movement in the early twenty-first century show that visions of a more peaceful, equitable, and democratic world are widely shared. Even some neoliberal “insiders” have begun to see the danger that, to quote the New York Times, “capitalists could actually bring down capitalism.” Joseph Stiglitz, former chief economist of the World Bank, recently excoriated the “Washington Consensus” for undemocratically and sometimes disastrously imposing “global governance without global government” during the 1980s and 1990s. Republican populist Kevin Phillips listed
the costs of the neoliberal "reigning theology" of "free" domestic and global markets to ordinary Americans: reduced income and stagnant wages, long work hours, diminished community and commonweal, fewer private and government services, poor physical and mental health care, competitive consumption, and the spread of money culture values. He also penned the diagnosis of U.S. imperialism as a cause for terrorism that begins this chapter.2

Neoliberal insiders wish to save neoliberalism by reforming it, but their alarmist jeremiads provide ample reason for replacing, rather than merely reforming, the institutions and policies that have created the conditions they describe. And so the opportunities for proposing alternate visions, for organizing, and for building something different open up before the progressive-left. But it will not be possible to seize these opportunities without a broad understanding of the neoliberal project—and this understanding will be blocked as long as leftists and campaigners for economic justice dismiss cultural and identity politics as marginal, trivial, or divisive. *Neoliberalism was constructed in and through cultural and identity politics and cannot be undone by a movement without constituencies and analyses that respond directly to that fact. Nor will it be possible to build a new social movement that might be strong, creative, and diverse enough to engage the work of reinventing global politics for the new millennium as long as cultural and identity issues are separated, analytically and organizationally, from the political economy in which they are embedded.*

What the progressive-left must understand is this: Neoliberalism, a late twentieth-century incarnation of Liberalism, organizes material and political life *in terms of race, gender, and sexuality as well as economic class and nationality, or ethnicity and religion.* But the categories through which Liberalism (and thus also neoliberalism) classifies human activity and relationships *actively obscure* the connections among these organizing terms. This abstract claim requires some explanation and illustration and an historical detour. So, in order to pinpoint the specificity of post-1970s neoliberalism, we will first briefly trace the his-
tory of Liberalism, then look more closely at the period during which the key terms and categories of Liberalism in the United States were established—the early nineteenth century.

The practices and institutions of exchange known collectively as capitalism emerged slowly and unevenly in Anglo-Europe over several centuries as feudal institutions disintegrated. Evolving institutions of production and exchange organized scattered and improvised practices, as centers of innovation shifted across the landscapes of emerging nation-states. The process of change was often dislocating and sometimes violent, and the benefits and costs of the new modes of production and exchange were unequally distributed. By the seventeenth century, the ideas, values, and categories known as Liberalism began to cohere into a political theory for capitalist economies administered through nation-states.

Liberal theorists, such as John Locke and Adam Smith, provided a set of metaphors, an organizing narrative, and a moral apologia for capitalism. They also provided a cartography of the "proper" regulation of the relations among the state, the economy, and the population. Liberal theorists disagreed with each other, and their ideas changed over time in relation to changing forms of capitalism and evolving nation-states. But the master terms of Liberalism—public vs. private—have remained relatively consistent, as have the master categories—the state, the economy, civil society, and the family. Different forms of Liberalism define the categories somewhat differently and assign publicness and private-ness to them in varying ways. But the most public site of collective life under Liberalism is always the state, the "proper" location of publicness, while the most private site is the family. The economy and civil society appear as mixed sites of voluntary, cooperative rational action (as opposed to the coerciveness of the state, and the passion and authority relations of the family), with both public and private functions—though both sites are generally regarded as more private than public. Much of the analytical force of Liberalism then is especially directed to-
ward distinguishing the state from the economy and outlining the proper limits to the state's power to regulate economic, civic, and family life.

The master terms and categories of Liberalism are rhetorical; they do not simply describe the "real" world, but rather provide only one way of understanding and organizing collective life. On the one hand, they obscure and mystify many aspects of life under capitalism—hiding stark inequalities of wealth and power and of class, race, gender, and sexuality across nation-states as well as within them. Inequalities are routinely assigned to "private" life, understood as "natural," and bracketed away from consideration in the "public" life of the state. On the other hand, as the ideas of Liberalism become common sense, they also work to create or remake institutions and practices according to their precepts.3

During the early nineteenth century in the United States, Anglo-European Liberalism was adapted to the conditions of the new nation-state. Among the central innovations were the explicit accommodation of the institution of racial slavery and the accompanying assertion of the formal political equality of white men. These innovations proceeded slowly; they were secured in part by universal white male suffrage. During the first decades of the nineteenth century, as property qualifications for voting were eliminated in state after state in the U.S., requirements for full citizenship shifted from a complex array of economic, racial, gender, religious, or genealogical characteristics to the simpler identity markers: whiteness and maleness. This change is often interpreted as an expansion of democracy, because many propertyless white men were newly enfranchised. But the enactment of white male suffrage also constricted democracy. Some propertied women and free black people were newly disenfranchised by the new legislation, but much more significantly, the removal of property considerations from voting requirements allowed for a more complete (rhetorical) separation of the economy, understood as primarily private, from the public, democratically accountable (to white men, in theory) state.4
With universal white male suffrage, the formal equality of state participation could more easily be defined as distinct from the "natural," "private" inequalities of developing industrial capitalism in the United States. The identity marker white also neatly cordoned off indigenous populations and non-Anglo-European immigrants from citizenship, while also working to define the entire institution of racial slavery as part of the private economy, with slaves counted as property rather than participants in public life. The identity marker male implicitly cordoned off the family as a private sphere for women and children under the authority of a white male head of household. Thus enslaved black people, white women, and their children were defined as belonging (in different ways—slaves as property, white women and children as subordinates and dependents) to the private worlds governed by individual white men, while indigenous people, nonwhite immigrants, and free black people occupied ambiguous statuses outside of formal citizenship.

This particular instantiation of Liberalism in the United States was never fixed or stable. Its terms and categories never did wholly reflect or control reality. Liberalism's rhetorical separations of state from economy, civil society, and the family never did describe the real, complex interrelations of forms of collective life. The workings of the economy depended on the state for support and regulation; civil society was stratified by economic and political inequalities; the family was founded on the state-defined and regulated institution of marriage; the economy provided the material base for state institutions and family life.?

From the early nineteenth century on, the terms "liberal" and "conservative" outlined constantly shifting positions within the overall umbrella of Liberal capitalism in the United States. As slavery gave way to new forms of racial apartheid and economic inequality, and as the laws of marriage and the organization of political and economic rights according to gender were challenged and shifted during the late nineteenth and twentieth centuries, notions of the "proper" relations of the
domains of liberalism were debated. "Liberal" and "conservative" positions along the political and cultural spectrums denoted particular, historically specific arguments about those proper relations. For instance, during the Progressive era of the early twentieth century, "liberal" progressives argued to expand the power of the state to regulate economic relations considered at least partly "public," such as the hours and conditions of labor, while "conservatives" considered such regulation an improper interference into "private" property and contract rights.

Radicals of many stripes occasionally attacked the categories themselves, but these challenges were successfully marginalized at each critical phase of the history of American Liberal capitalism. The overarching Liberal distinction between the economy, the state, civil society, and the family consistently shaped, and ultimately disabled progressive-left politics by separating class politics—the critique of economic inequality—from identity politics—protest against exclusions from national citizenship or civic participation, and against the hierarchies of family life. Though this split is often assigned to post-1968 developments in radical/progressive/left politics, it actually inheres in the categories of Liberalism, in their U.S. version particularly, and has limited the scope of radical politics since the early nineteenth century. Abolitionism and the women's suffrage movement, for instance, only partially overlapped with agrarian radicalism, worker militancy, socialism, or anarchism in the United States.®

Competing notions and evaluations of "public" and "private" institutions and "values" organized the political positions we think of as "liberal" and "conservative" as positions within Liberalism throughout the nineteenth and twentieth centuries. During the post–World War II period, the contemporary versions of these positions emerged from the battles over the contours of the New Deal and the liberal welfare state and from the Civil Rights movement's challenge to American apartheid.

During the 1950s and 1960s, self-described "conservatives" labeled the New Deal's earlier expansions of public/state action into previously
“private” bastions of economic power and civil society or culture as
“liberal.” The Civil Rights movement’s struggle to extend formal pub-
lic racial equality from the state to “private” employment practices,
civil institutions, and public accommodations—for instance, the de-
mand to integrate the customer base as well as employment practices
of restaurants, hotels, trains, and buses—was described by opponents
as “radical” or “liberal.” Though both the New Deal era welfare state
and the Civil Rights movement were heterogeneous, with many beliefs
and factions contending for effective action, these were commonly
lumped together and fiercely attacked by “conservatives” as efforts to
expand the state and reduce the freedoms and prerogatives of “private”
economic, associational, and family life.

During the 1950s and 1960s, such “conservatives” argued for repri-
vatizing as much of the common life of the nation as possible. Excep-
in a characteristic contradictory move, conservatives also worked to
deny the protections of privacy against state interference in domestic
and sexual life to all but the procreative, intraracially married. So, they
advocated more privacy in the economy and civil society, over and
against the interference of the state, but they turned around and adva-
cated less privacy in the family and in intimate and sexual life—areas
where they supported state interference in the form of laws forbidding
or criminalizing miscegenation, abortion and birth control, sodomy,
or sexually themed cultural expressions, for instance. Here they were
countered by “liberal” efforts to eliminate such laws. Thus, in the arena
of economic and collective activities, conservatives represented the
state as a bad, coercive, intrusive force against freedom, while New Deal
and Keynesian liberals and many leftists invoked a democratically
accountable “public” state interest in guaranteeing equality of access,
if not always of distribution of material and cultural resources (here
liberals and leftists often parted company). In the arena of personal,
sexual, and domestic life, conservatives accorded “privacy” only to the
favored form of family life and supported state regulation of intimate
relations in the name of social order for all others. Liberals ambiv-
ally and unevenly, but increasingly, defended a right to sexual and
domestic privacy for all, defined as autonomy or liberty from state
interference.

In a larger political, historical, and philosophical frame, the "liberal-
isms" and "conservatisms" of the 1950s and 1960s were variants of Liberal-
alismin—the kind that has defined the American political project
since its inception. But during the 1970s and 1980s, the "liberalism" of
the 1950s and 1960s became "old liberalism," "tax and spend liberalism,"
"welfare state liberalism" or "civil rights and entitlements liberalism."
From the dominant political form described by Arthur Schlesinger as
"the vital center" in 1949, this liberalism shifted to a left of center posi-
tion as the new "neoconservatives," former self-identified liberals and
leftists themselves, attacked the Civil Rights movement, black radical-
ism, the growth of the welfare state, the countercultures of the 1960s,
the post-1968 new feminism and gay liberation, the New Left, and the
Democratic Party, from which many had bolted by 1980. Traditional
conservatives, self-identified as such during the 1940s and 1950s, did not
easily accept the neocons, who had too recently been tarnished with liber-
ral leanings. But the merging of the neocons into the conservative poli-
tical and intellectual movement in the United States during the 1980s,
along with the election of Ronald Reagan to the presidency, helped to
push the perceived "center" in American politics rightward.

During the 1990s a new liberalism appeared, defined against the
"old" liberalism, heralded by the New Democrats of the Democratic
Leadership Council and led by Bill Clinton. This new liberalism was not
a parochial U.S. political formation, but echoed the appearance of
"third way" politics in many Western nations—a politics defining itself
as somewhere between the "old" liberalism and conservative political
parties and policies. Various "third way" parties and leaders labored to
combine pro-market, pro-business, "free trade" national and global
policies with shrunken remnants of the social democratic and social
justice programs of Western welfare states. Third way proponents argued for smaller, more efficient governments operating on business management principles, and appealed to “civil society” (or “the voluntary sector”) and “the family” to take up significant roles in the provision of social safety nets.

The new liberal centrist of the 1990s converged with 1980s conservatism in advocating a leaner, meaner government (fewer social services, more “law and order”), a state-supported but “privatized” economy, an invigorated and socially responsible civil society, and a moralized family with gendered marriage at its center. This convergence defined the location “neoliberal”—an expansive center that might include 1990s left-center New Democrats as well as George W. Bush’s “compassionate conservatives.” Leftists, “old liberals,” multiculturalist “special interest” groups, and a right wing composed of religious moralists and overtly racist nationalists (referred to in some quarters as “paleoconservatives”) were increasingly marginalized and excluded from political power and mainstream visibility.

Neoliberalism, a political label retrospectively applied to the “conservative” policies of the Reagan and Thatcher regimes in the U.S. and Great Britain, rocketed to prominence as the brand name for the form of pro-corporate, “free market,” anti–“big government” rhetoric shaping Western national policy and dominating international financial institutions since the early 1980s. This “neo”liberalism is usually presented not as a particular set of interests and political interventions, but as a kind of nonpolitics—a way of being reasonable, and of promoting universally desirable forms of economic expansion and democratic government around the globe. Who could be against greater wealth and more democracy? Especially since the fall of the Soviet empire by the end of the 1980s, neoervatives have argued that all alternatives to the U.S. model have failed—fascism, communism, socialism, and even the relatively mild forms of the welfare state advocated by social democrats, labor movements, and Keynesians. Not trumpeted are the sharply declining participation rates in the Western “democracies,” and the
rapidly expanding, vast economic inequalities that neoliberal policies have generated in the U.S., in Great Britain, and globally.

In world politics, Western political leaders and economic elites have supported neoliberal policies as the apogee of private freedoms and maximum wealth expansion within a neutral regulatory framework. But in practice, the institutions promulgating neoliberal solutions to global problems have advanced the specific interests of Western financial, commercial, and trade centers with coercive tools—especially through offering conditioned loans to needy nations, and by negotiating and imposing biased trade agreements. The practices of the International Monetary Fund, the World Bank, and the World Trade Organization have resulted not in a "neutral" global framework for economic and cultural flows, as the term "globalization" implies, but rather in the transfer of wealth and power from poor parts of the world to the West, especially to the United States during the 1990s. As even neoliberal “insider” critics have pointed out, global financial institutions have acted primarily in the direct interests of Western creditors and corporations, transferring wealth from the globe’s poorest to its richest locations. These practices constitute a reinvention of Western imperialism, not the worldwide democratization and broad-based enrichment promised by neoliberal globalization’s promoters.

This neoliberalism is generally associated with economic and trade policy; the cultural politics of neoliberalism are considered and debated relatively rarely, primarily in discussions of the economic and political mechanisms of U.S. and Western cultural imperialism. In the domestic arena, the “culture wars” of the past twenty years have been conducted separately from questions of monetary and fiscal policy, trade negotiations and economic indicators—the recognized realm of neoliberal policy. But in a wide range of cultural policy territories—from public spending for culture and education, to the “moral” foundations for welfare reform, from affirmative action to marriage and domestic part-
nership debates—neoliberalism's profoundly antidemocratic and anti-egalitarian agenda has shaped public discussion. Neoliberalism in fact has a cultural politics—a contradictory and contested cultural politics, not unlike the equally contradictory and internally contested economic and trade politics that have defined the location 'neoliberal' since the Reagan/Thatcher 1980s.

The broadest cultural project of neoliberalism—the transforming of global cultures into "market cultures"—has a mixed track record. Both in the U.S. and worldwide, neoliberal efforts to establish or re-make the relations among the core domains of Western liberalism—the state, the economy, the family and civil society—rarely succeed in a straightforward way. While posing as the harbingers of peace and prosperity for the global masses, neoliberal policymakers in fact create peace in some places and war in others, prosperity for some and ecological destruction and poverty for many more. Target populations and institutions do not cooperate; people welcome, adapt to, or resist the impositions of neoliberal change in unpredictable ways. But overall, efforts to create a world safe for neoliberalism have been most successful where the domains of Western liberalism have been successfully imposed or re-described through neoliberalism's key terms: privatization and personal responsibility. These terms define the central intersections between the culture of neoliberalism and its economic vision, in the U.S. and abroad (see the case studies in chapters 2 and 3).

The primary strategy of turn-of-the-millennium neoliberalism is privatization, the term that describes the transfer of wealth and decision-making from public, more-or-less accountable decision-making bodies to individual or corporate, unaccountable hands. Neoliberals advocate privatization of economic enterprises, which they consider fundamentally "private" and inappropriately placed in any "public" arena. They go further than this, though, in advocating that many ostensibly public services and functions also be placed in private profit-making hands—education, garbage collection, prison building and operation, and cultural production. All this privacy is rendered desirable by the recycling and updating of nineteenth-century liberalism's
equation of economic activity with voluntary, uncoerced, private freedom, and with productivity, efficiency, and wealth expansion.

This private world appears as an imaginary construction, not a historical reality. Inefficient, unprofitable “private” industries routinely request and receive government support, even direct subsidies. And the greater “productivity” of some privatized services depends on the substitution of lower-paid workers and lower-quality materials rather than on any managerial acumen. Thus the allegedly free and efficient private-enterprise system operates, not as an empirical reality, but rather as a phantom ideal that is then contrasted with coercive, plodding, incompetent, intrusive post–World War II governments—from fallen totalitarian regimes to stagnant or bankrupt welfare states.

Of course, this rhetorical universe in no way matches the “really existing” policies of neoliberal politicians, who often advocate government support for “private” industries, regulated economic competition to soften the effects of “free” market discipline, and a range of welfare state programs (especially those that benefit more affluent, voting populations). In actual policy debates, the project of applying the operative rhetorics of public and private can thus become quite complex. When the state acts to support “private” business interests—providing subsidies and bailouts for instance—that can be good. But when the state acts in the “public” interest—providing housing for the poor or protection for the environment—that can be intrusive, coercive, and bad. The proper range for debate over government action is understood as relatively narrow, covering monetary, fiscal and trade policies, infrastructure maintenance, and “night watchman” property protection, law and order measures. Thus, in comparison with the mid–twentieth-century Western welfare states, that expanded state action to provide a “social safety net” and new support for public institutions, neoliberalism shrinks the scope of equality and democratic public life dramatically, in all areas of material production and distribution.

In the policy arenas of cultural and personal life, neoliberalism is currently more pointedly conflicted. Ranging from New Democrats to “compassionate conservatives,” neoliberal politicians and organiza-
tions debate the relative merits of a more-or-less liberal, libertarian, or socially conservative agenda. Most flexibly combine apparently contradictory positions, in a kind of productive incoherence designed to appeal and appease: President Bill Clinton, for example, supported affirmative action and the death penalty, abortion rights, and the Defense of Marriage Act. But the debate and continuing flexibility in these arenas, particularly in the U.S., is working toward a “third way” rhetoric positioned between the moral conservatism of the religious and nationalist right, and the perceived “multiculturalism” and “civil rights agenda” of the progressive-left. This rhetoric promotes the privatization of the costs of social reproduction, along with the care of human dependency needs, through personal responsibility exercised in the family and in civil society—thus shifting costs from state agencies to individuals and households. This process accompanies the call for tax cuts that deplete public coffers, but leave more money in the “private” hands of the wealthy.

The valorized concepts of privatization and personal responsibility travel widely across the rhetorics of contemporary policy debates, joining economic goals with cultural values while obscuring the identity politics and upwardly redistributive impetus of neoliberalism. Two general policy arenas have proved especially productive for these concepts and help to illustrate the relationship between the economic policies and the cultural projects of neoliberalism—welfare “reform” and “law and order” initiatives. In both arenas, neoliberals have promoted “private” competition, self-esteem, and independence as the roots of personal responsibility, and excoriated “public” entitlement, dependency, and irresponsibility as the sources of social ills. And in both arenas, state policies reflect and enact identity and cultural politics invested in hierarchies of race, gender, and sexuality as well as class and nationality.

Welfare reform and the law and order politics of the past two decades clearly illustrate the dense interrelations among neoliberalism’s economic vision and its cultural projects. The goal of raising corporate profits has never been pursued separately from the rearticulation of hierarchies of race, gender, and sexuality in the United States and around the
globe. Neoliberals, unlike many leftists and progressives, simply don’t assume that there is any important difference between material goals and identity politics. They make use of identity politics to obscure redistributive aims, and they use “neutral” economic policy terms to hide their investments in identity-based hierarchies, but they don’t make the mistake of fundamentally accepting the ruse of liberalism—the assertion of a clear boundary between the politics of identity and class.  

During the 1990s, welfare “reform” made it onto the legislative agenda as the long-term culmination of one of many efforts to cut social costs, in the form of state-funded entitlements, and cut labor costs—thereby boosting the corporate profits that had begun sliding in the 1960s and 1970s, slowly rose again in the 1980s, then skyrocketed in the 1990s. Few put this underlying agenda of the “workfare” component of welfare “reform” as bluntly as political science professor Lawrence Meade when he wrote,

Low-wage work apparently must be mandated, just as a draft has sometimes been necessary to staff the military. Authority achieves compliance more efficiently than benefits, at least from society’s viewpoint. Government need not make the desired behavior worthwhile to people.  

Part of a broader cultural project of legitimating the redistribution of resources upward, welfare “reform” has also depended, for its cultural effectiveness, on coded hierarchies of race, gender, and sexuality—especially as they affect women and children.

The overall impetus of welfare “reform,” or the elimination of the so-called welfare “entitlement,” was to transfer the function of providing a social safety net from public agencies to private households maintained through low-wage employment. The gap between the needs of workers and their dependents, and the inadequate pay and benefits provided by their insecure, often no-benefits jobs, is left to be filled by overstretched families and overburdened volunteer charities. Thus social service functions are privatized through personal responsibility as the
proper functions of the state are narrowed, tax and wage costs in the economy are cut, and more social costs are absorbed by civil society and the family. In addition, this redistribution of costs and benefits has been starkly differentiated by hierarchies of race, gender, and sexuality.

In some respects neoliberal welfare reform, crystallized in the 1996 Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA), was nothing new. From early-twentieth-century widows' pensions to the 1935 Social Security Act and Aid to Dependent Children (ADC), which morphed into Aid to Families with Dependent Children (AFDC), welfare policy in the United States has always been shaped to reflect racial exclusions and racist assumptions, to police the “morality” of poor women, and to regulate and contain the low-wage labor market. The 1996 revamping of AFDC into Temporary Assistance for Needy Families (TANF), one of the centerpiece achievements of the New Democrats under President Bill Clinton, did not break this pattern. The Democratic effort to “end welfare as we know it” did mask the race- and gender-specific operations of the policy change with neutral goals like promoting “self-esteem” and “empowerment” through work “opportunity.” But as political analyst Anna Marie Smith has clearly demonstrated, the actual policies of the legislation (including “family caps” to limit support for newborns, mandatory child support cooperation even in cases of domestic violence, family planning and adoption relinquishment incentives, and sexual abstinence education) expose its underlying assumption: The sexual practices and household structures of poor women, especially black women, are the central causes of poverty and of associated social disorder and criminality.11

These legislative features emerged from decades of efforts to erode New Deal welfare state programs, especially AFDC, through the deployment of images of sexually promiscuous, lazy welfare queens breeding for the profit of an ever-enlarging welfare check. The specific neoliberal spin on this cultural project was the removal of explicitly racist, misogynist language and images, and the substitution of the language and values of privatization and personal responsibility. From the Clinton administration into the Bush II regime, welfare reform has
been presented as a boon to recipients lifted out of welfare *dependency* and into the low-wage labor market. The new policies have also been touted as helping to promote marriage and reduce youthful "out of wedlock" pregnancy.

Welfare reform advocates do not trumpet the transfer of costs for care of children (and for the ill and the elderly, who are also often cared for by unpaid or low-paid women at home) from the public purse to the lowest paid women workers as the goal of new legislation. "Compassionate conservatives" do not connect the goal of tax cutting for businesses and the estates of the wealthiest Americans to such cost reductions. And though the value of sexual abstinence followed by marriage is accepted across the entire expanse of the neoliberal political spectrum, from traditional moralists to earnest communitarian progressives, the cornerstone role of marriage as a coercive tool of the privatization of social costs is not exactly clearly outlined.

In neoliberal discourse, married women are assumed to be responsible for children and dependent on wage-earning husbands, and are often advised to stay at home during their children's early years to build self-esteem and independence in the young. They are also encouraged to volunteer, as the bulwarks of civil society and "faith-based" social service provisions, with their unpaid labor underpinning the *privatized* social safety net. Single, divorced, and widowed women may "choose" to work in a gender and race-segmented labor market without affordable childcare or public assistance in order to build their self-esteem and independence—or, some welfare reformers suggest, they may "choose" to put their children up for adoption by married couples, or house them in orphanages. Lesbian and gay, bisexual or transgendered parents may choose only to take their chances amid the patchwork legal minefield of inadequate to hostile partnership provisions, custody rulings, adoptions laws, social services, employment and health insurance practices, and educational (in)visibility.

For men, neoliberal policy wonks and politicians have advocated "law and order" programs, including the "war on crime" and the "war on drugs," "zero tolerance" policing, "quality of life" crackdowns on
crimes against public order, and the mass incarceration of young poor men, especially black men.

As Christian Parenti, Angela Davis, and other critics of the U.S. "prison industrial complex" have pointed out, the rise in mass imprisonment in the U.S., leading to the highest incarceration rates in the world, proceeded in two waves: The first, under President Richard Nixon, began as a response to widespread political rebellion and the perceived precariousness of social, racial, and economic order; the second, under President Ronald Reagan, was designed as a response to the poverty and dislocation created through neoliberal economic restructuring. Setting aside the use of social democratic government programs as a primary mode of incorporating and defusing the anger and alienation of poor populations, neoliberal policymakers turned instead to policing and imprisonment as central regulatory and disciplinary institutions. Social democracy’s social safety net, negotiated through protracted struggles among social classes and racial groups from the 1930s to the 1960s, had redistributed a proportion of accumulating wealth and power down and outward. Once corporate profits began to slip during the 1960s, political rhetoric and favored modes of social control got harder and meaner.12

Law and order policies have been promoted with race and gender “neutral” rhetoric emphasizing the threat of crime to “average” citizens, even as actual crime rates have declined. But the impact of such policies has been far from neutral, as a close look at the coded language of politics clearly reveals. As H. R. Haldeman once commented,

[President Nixon] emphasized that you have to face the fact that the whole problem is really the blacks. The key is to devise a system that recognizes this while not appearing to.13

By the year 2000, fully half of U.S. prisoners were black (while African-Americans constituted 13 percent of the U.S. population), and nearly one-quarter of young black men were incarcerated or subject to the criminal justice system through parole and probation. Those con-
vicied of felonies were permanently barred from voting in twelve states. Immigrant populations, or citizens perceived as immigrant or "for-
eign," were subjected to increased surveillance and harassment by the
Immigration and Naturalization Service, as well as by border patrols
and federal, state, and local law enforcement agencies, following the
anti-immigrant sentiment codified in the passage of Proposition 187 in
California. This harassment then escalated after September 11, 2001.
The vast majority of those affected by such aggressive policing and in-
carceration practices have been men of color—perceived as less docile
because less encumbered by responsibility for children, more violent,
and therefore less productive for the "private" low-wage workforce than
women.

The current crisis of neoliberalism in the United States, marked by
spreading corruption scandals, slipping corporate profits and declining
foreign direct investment, is throwing the conflicts among mainstream
economic and political elites into sharp relief. On one side are the "free
market" true believers, the descendants of F.A. Hayek and Milton
Friedman who once formed a small unpopular minority, but grew into
a kind of secular priesthood by the 1990s. This variety of utopianism is
represented in its purist form by the Cato Institute's vision of a liber-
tarian market society, in which the state, the family, and civil society are
best shaped by market values. By the mid-1990s, both rationalistic New
Democratic policy wonks and demagogic Republicans lying deep in the
swamp of hysterical populist moralism seemed drawn toward the light
of such market utopianism. Just following the Newt Gingrich–led Re-
publician sweep of the House of Representatives in 1994, noted swamp
monster and new majority leader in the House, Representative Dick
Armey, spoke at the dedication of the new Hayek auditorium at the
CATO Institute, saying,

Fifty years after The Road to Serfdom, the closing thought of F.A.
Hayek's great treatise (as expressed in the highly influential Reader's
Digest condensation) still rings true: “The guiding principle of any attempt to create a world of free men is this: A policy of freedom for the individual is the only truly progressive policy . . .”

I mean, who would have imagined, a year ago, that the leaders of Congress would be looking to those crazy libertarians over at Cato for advice? Who could have imagined we would be discussing abolishing whole programs, turning others back to the states, repealing ill-conceived laws, and dismantling cabinet agencies, just as you've always recommended?14

Who indeed would have thought that Hayek and the Reader’s Digest would have been brought into communion? Or that a moral regulator of Armey’s ferocity would be so well received among libertarian opponents of U.S. drug laws? Or that “ending welfare as we know it” would soon become the signal achievement of a “progressive” Democratic administration? Such were the strange convergences of the 1990s.

But the current crisis of neoliberalism is now bringing other conflicts, buried under market frenzy during the 1990s, into the political light. Hard-line Republican neoliberals in the U.S. government have begun to advocate violence and war abroad, as well as increasing disciplinary surveillance at home, as modes of ensuring the stability of Western corporate and political hegemony. On the other side, softer neoliberals have come out swinging in the name of “democracy” and global cooperative multilateralism. Neo-Keynesians, progressives, populists, and social democrats support reformed international institutions and diplomacy in U.S. foreign and trade relations. They also support renewed forms of welfare state power to rein in market abuses and the sometimes violent as well as unjust anarchy that insufficiently regulated markets spawn. Even neoliberal true believers, from the editors of The Economist to Wall Street denizens, have shifted gears to support more state action to rescue capitalism from a feared global free fall. The political question within the neoliberal fold is: Will state action take the form of global warfare, corporate welfare, or a renewed, limited social democracy?15
The newly more visible conflict among elites is accompanied by an overlapping conflict over cultural politics. On one side is the residual strategy of cultural traditionalism deployed during the late twentieth century “culture wars”—energetic attacks against “multiculturalism” and “permissiveness” intended to shrink the funding bases as well as popular support for sites of nonmarket politics—the arts, education, and social services. On the other side is a newly emergent “equality” politics that supports “diversity” and “tolerance,” but defines these in the narrowest terms, and entirely within the framework of globalist neoliberalism.
New Dems Poised to Inherit a BC Shaped by Neoliberalism

Jamie Rowe  
The Tyee, April 3, 2013.

British Columbia’s New Democrats will form government this spring if recent polling sticks. The May election is arriving amidst a crisis of the philosophy and policy-paradigm that has guided governance worldwide for the past 40 years: neoliberalism. Understanding neoliberalism's legacy, appeal, and current transformation -- both globally and in British Columbia -- can facilitate successful social democratic governance starting in May. Renewed social democracy in B.C. can yield ecological and social benefit in this region, but also serve as a model for other jurisdictions seeking alternatives to neoliberal orthodoxy. Political openings for progressives are afoot.

Neoliberalism in BC

Neoliberalism names ongoing efforts to reduce the state's social and environmental welfare role while expanding its function as a facilitator of profit accumulation. Classic neoliberal policies include deregulation, privatization, generalized tax cuts, the reduction of social spending, and trade liberalization. These policies unevenly benefit the economic elite, and have facilitated growing concentrations of wealth since becoming widespread in the 1980s.

One of Gordon Campbell's first acts of government in 2001 was a 25 per cent income tax cut for all British Columbians. Someone earning $20,000 per year saved a mere $236, while someone earning $80,000 pocketed a generous $1,947. Generalized tax cuts unevenly benefit upper-bracket earners. Moreover the $1.5 billion in lost yearly revenue has been primarily borne by middle and low-income earners who relied more on the government services that Campbell's Liberals cut to make up the shortfall (See Will McMartin's contributions to the book the Tyee published in 2005, Liberalized, and his various Tyee columns like this one.)

According to TD Economics, B.C. is now marked by the highest levels of income inequality in Canada and ranks first in terms of individuals living on low income. The BC Liberals are tops at base superlatives: Eleven years of (Neo)Liberal rule has made British Columbia "The Best Place on Earth" for the already prosperous.

Why did it take so long?

Gordon Campbell's Liberals won three majorities between 2001 and 2009. An analytical and political problem vexing progressives since neoliberalism's advent in the 1980s has been its relative popularity (the namesakes for Thatcherism and Reaganomics, for example, both won multiple elections). The standard explanation is that consent has been manufactured through a well-financed network of think tanks, industry organizations, and lobby groups that have successfully neoliberalized public discourse (See David Harvey's A Brief History of Neoliberalism).

Popular publics have been systematically hoodwinked into voting against their economic interests with false promises of increased freedom and prosperity. That freedom was to be achieved by limiting government taxation, redistribution, and regulation. As Gordon Campbell poetically protested on the campaign trail in 2001: "I'm not willing to let any government tax away my dreams." At the time he was protesting a property surtax on homes valued over $500,000 (in the early 2000s half a million bought far dreamier homes than today). Neoliberalism promises freedom for all, while delivering for the few.

To statistically illustrate neoliberalism's ideological success: In 1965 58 per cent of Canadians reported that they trusted government and only 36 per cent said that government wasted taxpayer money. By 1993 those figures had reversed: 33 per cent had trust in government and 79 per
cent thought that governments were wasting tax monies (See Stephen McBride and Heather Whiteside’s *Private Affluence Public Austerity*).

But these numbers reveal another reason for neoliberalism’s popular resonance: Publics have always been ambivalent towards centralized state power. Even before the neoliberal revolution began, 42 per cent of Canadians did not trust government and 36 per cent thought they wasted taxpayer money. It is helpful to draw a distinction between ideologically crafted distrust in government and more primordially populist resistance to hierarchical authority. Efforts to rebuild trust in government and forge social democratic or socialist alternatives need to address both the ideological and organizational power of the neoliberal movement, but also the pre-existing — and quite warranted — popular ambivalence towards centralized state power.

Neoliberalism has only had popular resonance in this part of the world because it taps into a pre-existing frustration with the centralized state. The modern state is a huge concentration of power; it often exists removed from the people and environments it is meant to manage. The state’s concentrated power coupled with its distance from constituents can naturally breed alienation. Victoria is one hell of a distance from Ottawa, and Prince George is a long march from Victoria. It makes sense that people are uneasy about distant elites making decisions about their lives and commonwealth.

**The New Democrats**

It would be comforting for progressives if the BC NDP’s recent resurgence could be primarily pinned on widening support for social democratic politics. But this would be a dangerous reading of recent polling. The two key policy moves that accelerated Campbell’s end and the Liberal party’s decline were the carbon tax in 2008 and HST in 2009. Both initiatives spawned populist tax revolts, which the NDP were happy to ride. Neither tax is progressive, but nor are they entirely regressive. Indeed the carbon tax, while not a perfect instrument, was widely supported by the environmental movement and is likely to be adopted by other jurisdictions in the coming years.

The carbon tax and HST backlashes were of Campbell’s making; he and his party fell on their own swords. Anti-tax sentiment has been systematically stoked by the BC Liberals and their supporters as part of a broader neoliberal project. More primordially populist anger at arrogant political elites, with Campbell as the poster boy, also drove anti-tax sentiment.

The NDP strategically aligned themselves with the tax revolts and have seen electoral benefits. But this puts them in a bind. Increased taxes will be required to fund an effective social democratic agenda. But what about a storm of tax revolts? In their most recent budget the Liberals borrowed from the social democratic playbook and raised corporate taxes by one per cent and introduced a new tax bracket for those making over $150,000. No revolts are brewing and *opinion polls* show broad support for the changes.

There is increasing ideological room for social democratic governance in the wake of the 2008 financial crisis and social movement responses like Occupy Wall Street that shifted public discourse away from neoliberal austerity and towards income inequality. But Left governments in B.C. and beyond would be wise to proactively counter ideologically crafted distrust in government and more primordially populist concerns with centralized authority. Both can be addressed through reforms that shrink the distance between decision-makers and those affected by the decisions, that ultimately make the government more accountable, responsive, and democratic.

**The future of government**

*Participatory budgeting* is a democratic process enabling direct community control...
over portions of a public budget; it is a particularly effective way of increasing feedbacks between representatives and the electorate. Coupled with social media technology, participatory budgeting has potential to increase popular say over budget decisions and provide heightened social license for progressive government interventions (while prone to techno gee-whizism, Gavin Newsome’s recent \textit{Citizenville} is a repository of enabling ideas in this regard).

Recent polling by the Canadian Centre for Policy Alternatives reveals increased electorate willingness to pay higher taxes if it is clear where the monies will go: For example, 58 per cent of British Columbians said they’d pay more to protect forests and endangered species, and 69 per cent agreed with paying more to improve senior care. Setting the right process and mechanisms for increasing public input on budget priorities is a central governance challenge. Vancouver is home to two highly innovative online advocacy organizations -- \texttt{Leadnow.ca} and \texttt{Openmedia.ca} -- that have know-how and active communities that could help with visioning and logistics.

Progressive government interventions to address crises like climate change and income inequality are required the world over. In British Columbia we are poised to elect a party more ideologically open to making these needed interventions. But 40 years of neoliberal hegemony, and many more of hierarchical governance from Right and Left, have bred popular distrust in government. This distrust has been effectively mobilized by the Right to create popular support for the neoliberal revolution despite its elitist results.

There is growing ideological room for a renewed Left politics. But for this renewal to accelerate, and overcome neoliberal blowback, it must actively intensify feedbacks between representatives and the electorate. Tech savvy participatory budgeting is a particularly enabling way to increase social license for Left governance. We have a precious opportunity to promote social and ecological flourishing in B.C. and beyond by enacting model alternatives to neoliberal rule.

An open and participatory New Democratic government is no panacea for the contradictions of neoliberal capitalism. But it is a healthy and hopeful start.