

"This is an Accepted Manuscript of a book chapter published by Routledge in The Companion to Development Studies on 28 May 2024, available online: <https://doi.org/10.4324/9780429282348> ”.

Neoliberalism: Different paths within a global project

Elizabeth Humphrys, University of Technology Sydney

Abstract

Neoliberalism is an economic and philosophical doctrine that emphasises the role of competitive markets in shaping the economy, politics and society, and priorities reducing inflation over unemployment. Some of the core policies include: deregulation of the financial and banking sector; privatisation of state assets; austerity; and, user-pays education and health. Introduced from the mid to late-1970s, it became increasingly hegemonic in the following decades, when it supplanted the economic ideas of Keynesianism and developmentalism. Neoliberalism is closely linked to financialisation, with profits increasingly generated in the financial sector and households absorbed into financial markets in new ways. Neoliberalism has been criticised for its negative impact on inequality, its curtailing of collective labour rights, and its de-democratising effects. The implementation of neoliberal reform has been resisted by social movements in both the Global South and Global North

Keywords

- Neoliberalism: An economic and philosophical doctrine that emphasises the role of competitive markets in shaping the economy, politics and society, and prioritises reducing inflation over unemployment.
- Globalisation: In the economic sense, globalisation is the greater integration of national economies through trade and financial inter-dependence, and the freer movement of goods, services and capital across national borders.
- Developmentalism: A pluralist economic strategy that promotes economic growth and prosperity through a diverse internal commodity market, high levels of protection against imports, and welfare provision.

Neoliberalism: Different paths within a global project

In the 1970s, accepted economic orthodoxy around ideas of developmentalism and Keynesianism became unstuck in a protracted economic crisis. The belief that governments were inefficient, and that the best way to allocate resources was through competitive markets, became increasingly popular among economists and governments. In the decades that followed, a radical economic transformation took place and it had profound social and political consequences. This period is often referred to as the neoliberal era. Policy making was centred on markets and the price (of commodities and labour) as the primary way to shape social life. The idea of *homo economicus* — where economic modelling presumes self-interested and utility maximising individuals — became hegemonic.

Neoliberalism has been criticised because it has increased inequality and shifted significant wealth into private, and fewer, hands. 'We are the 99%' was the slogan of the Occupy movement, underlining that a disproportionate amount of wealth is in the hand of the

richest 1% globally. The world was vastly unequal before the neoliberal period, as a result of who has historically controlled wealth and property in society as well as the subjugation of the Global South through colonialism. Changes in the neoliberal era have re-enforced and extended these inequalities, continuing the racialised and gendered nature of global capitalism.

Neoliberalism's advance

The late 18th and early 19th centuries were dominated by the ideas of the classical political economists, such as Adam Smith, David Ricardo and John Stuart Mill. These ideas legitimated private property and the central role of the 'free' market, although these scholars believed there was a need for the state to provide for the common good. The stock market crash of 1929, and the Great depression that followed, delivered widespread unemployment and hardship and shifted focus to the policies espoused by John Maynard Keynes. Keynes advocated for macroeconomic management and a strong role for government, where state policy would ensure steady economic growth, robust investment, and efforts to achieve full employment. Keynes argued this approach would stabilise capitalism's crisis tendencies and allow citizens to flourish.

World War II (1939-1945) and the post-war reconstruction involved enormous financial expenditure on the part of nations, which had a similar effect to Keynesian ideas of using fiscal policy (government expenditure) to drive growth. In this period ideas of developmentalism began to take hold in many countries in the Global South, including those that were newly independent of colonial rulers. Developmentalism focuses on government led economic development of public infrastructure, import substitution, and the construction of welfare systems. This period, between 1945 and the early 1970s, is often referred to as the golden age of capitalism, where there was rapid growth and low unemployment across the Global North and sections of the Global South — in particular the Southern Cone of South America.

Things changed rapidly in the early and mid-1970s, with protracted economic crisis and rolling recessions. Key events and factors undermined stability in the global economy, including: the 1971 devaluation of the US dollar and the collapse of the Bretton Woods system; the oil crisis in 1973; and, a global imbalance of trade relations. Unemployment and inflation were rising concurrently in a phenomenon called stagflation. Stagflation acted contrary to usual economic situations where unemployment and inflation acted in an inverse relation — if one goes up the other was supposed to come down. Many argued that stagflation discredited Keynesianism and developmentalism, and policy makers began to search for ways to address it.

Ideas of trade liberalisation, fiscal discipline (austerity), and privatisation and deregulation of state-run sectors become popular and eventually hegemonic. In some quarters this was referred to as the 'Washington Consensus'. It was argued this was because Washington power brokers had developed a consensus on a new economic and development model of ten 'items', and agreed it should be implemented primarily in almost all Latin American countries, but also more broadly. A similar agenda was promoted and mandated by bodies like the World Bank and International Monetary Fund (IMF) in the Global South as part of

loan conditions. These approaches were also endorsed by Global North Governments and instigated in their home countries.

What is neoliberalism?

Most scholars agree 'that neoliberalism can be broadly defined as the extension and installation of competitive markets into all areas of the economy, politics and society' (Birch, 2015: 571). Neoliberalism was not a process of 'deregulation' or setting markets 'free' so they would be in some sort of 'natural' state, but a conscious decision to reshape society in the interests of certain sections. New laws and institutions were introduced in a process of 're-regulation' of global capitalism.

In the hands of various authors, neoliberalism can refer to: a set of ideas or ideology; a distinct phase of capitalism; a governing rationality; or, a form of regulation or a type of state. At times authors refer to a 'neoliberal era', signposting the term as the period from the 1970s until now. How we define and understand neoliberalism is contested and ideological, and neoliberal theory is a hybrid of the ideas of multiple strands of thought. It is informed by theoretical traditions including liberalism and the ideas of classical political economy, neoclassical theory, monetarism, and ordoliberalism. It is particularly associated with the ideas of Friedrich August von Hayek, Milton Friedman, James Buchanan, and others involved in the Mont Pelerin Society.

The sorts of policies that neoliberalism favours include:

- A deregulated financial and banking sector, including floating exchange rates.
- Reduced trade protections like tariffs on imported goods.
- Privatisation of state-owned industries and utilities.
- Flexible labour markets and a reduced role for trade unions.
- Individual over collective rights.
- Austerity and changes to welfare spending, including privatised pension systems.
- User pays health care and education, and policies such as vouchers.
- Indirect and regressive taxation
- Monetary policy to keep inflation low, even if this means unemployment increases.

From the neoliberal era onwards, policy making in relation to development was increasingly based in neoclassical economic theory and less pluralist (Hirschman, 2013). No list is complete, but these are the policies that have been widely deployed and proved enduring. Importantly, neoliberalism is more than an ideology or suite of policies, as people have to bring them into effect. In this way, it can be useful to think of neoliberalism as a state-centred hegemonic political project remaking capitalist production and social reproduction after the end of the long boom. David Harvey argued, in the best-selling *A Brief History of*

Neoliberalism (2005), that the way in which nations responded to these problems was to pursue a project to restore class power.

Neoliberalism has also included a process of financialisation, where profits were increasingly generated in the financial sector (compared to commodity production), which reshaped social and political life (Adkins, 2018). Financialisation has resulted in households being absorbed into financial markets in new ways, such as through the speculation of retirement income and increasing household debt.

Neoliberalism has philosophical underpinnings, which inform how proponents understand society — particularly around the sovereignty of the market and individualised notions of freedom. However, ideas centred on property rights, the rights of individuals, and the concept that we are all equal before the law and engage in fair exchange in the marketplace, can ignore fundamental inequalities (Whyte, 2019). Focussing on the individual in this way can neglect the historical and racialised context of colonialism, which was fundamental to the accumulation of wealth by advanced industrialised countries. Scholars point out that despite positing neoliberalism as a project that would expand freedom, the effect has been de-democratising (Brown, 2015). In this way, ‘actually existing neoliberalism’ can be a departure from the economic and philosophical ideas who are its supposed inspiration (Cahill, 2014).

More recently, especially since the 2008 global economic crisis and its aftermath, whether neoliberalism continues or has faded has been debated as recessions in many countries resulted in significant government spending. Alternatively, some argue we have entered a new period of populist or authoritarian neoliberalism. Others emphasise that new processes of ‘neo-developmentalism’ are not a return to old forms of economic management and that new approaches have failed to shed the core elements of neoliberal ideology. At the same time, some argue that the concept of neoliberalism is now used by analysts so broadly its usefulness has diminished.

Global project, many paths

Neoliberalism is a process of geographic variegation and involves ‘*systemic production of geoinstitutional differentiation*’ (Brenner et al., 2010: 184). This diversity results from national or regional historical contexts, what policies were adopted, and how neoliberalism was implemented and resisted (i.e., the balance of social forces and class power in society). Sometimes neoliberalism was imposed by dictators in a context of extreme force, like in Chile under Augusto Pinochet in the 1970-1980s. On other occasions it was implemented democratically, but by directly confronting trade union power, like in the United Kingdom under Margaret Thatcher and in the US under Ronald Reagan in the 1980s. Occasionally it has been implemented more consensually — with the cooperation of labour unions in social pacts — like in Australia in 1980s and in Finland recently. Neoliberalism was implemented exceptionally rapidly in the post-Communist European countries after 1989, resulting in great hardship for residents.

National contexts to neoliberalism are critical, but they exist alongside global changes. Since the 1970s globalisation has altered how capitalism operates, as national economic systems

have become more interdependent through international financial and trade systems. While local decisions about neoliberal policy are central, the global context shapes those decisions. Similarly, there is no one neoliberal path and no fixed end point. At the same time, we can recognise similarities such as the necessary subduing of the social power of labour and trade unions.

The commonly accepted idea that neoliberalism originated in the Global North and was exported to the Global South has been challenged by Raewyn Connell and Nour Dodos (2014). They argue that by positing neoliberalism as emanating from US and European examples, analysts place the Global North at the centre of the concept's development and eschew the specific and varied experience of the Global South. While they argue a single 'Southern narrative' is not possible, they contend there can be an 'enriched understanding of neoliberalism...when the social experience and intellectual production of the global South are prioritised' (2014: 132). In examining neoliberalism as a global phenomenon, we need to be attentive to connection and difference across nations and regions, and in whose story of neoliberalism we prioritise.

Although neoliberal ideas and policy become hegemonic amongst global institutions and governments, these changes were resisted in various ways — in particular by what was called the 'movement of movements' or the Global Justice Movement in the 1990s and 2000s (McNally, 2006). Large scale mobilisations and movements included: the indigenous Zapatista uprising in Mexico; the global *Via Campesina* peasants and farmers movement; the Bolivian Water Wars (1999-2000) against World Bank mandated privatisation; the Battle of Seattle against the World Trade Organisation in 1999; and, the 200,000 strong Genoa protests against the G8 Summit. More recently the Occupy movement, anti-austerity squares protests, and mobilisations such as the Spanish 15M movement — which were all prominent in 2011 and 2012 — have called for an alternative to neoliberalism.

References

- Adkins L (2018) *The Time of Money*. Stanford, California: Stanford University Press.
- Birch K (2015) Neoliberalism: The Whys and Wherefores...and Future Directions. *Sociology Compass* 9(7): 571–584.
- Brenner N, Peck J and Theodore N (2010) Variegated Neoliberalisation: Geographies, Modalities, Pathways. *Global Networks* 10(2): 182–222.
- Brown W (2015) *Undoing the Demos: Neoliberalism's Stealth Revolution*. New York: Zone Books.
- Cahill D (2014) *The End of Laissez Faire?: On the Durability of Embedded Neoliberalism*. Cheltenham: Edward Elgar.
- Connell R and Dodos N (2014) Where in the World Does Neoliberalism Come From? *Theory and Society* 43: 117–138.
- Harvey D (2005) *A Brief History of Neoliberalism*. Oxford: Oxford University Press.

Hirschman AO (2013) *The Essential Hirschman*. Adelman J (ed.). Princeton: Princeton University Press.

McNally D (2006) *Another World Is Possible: Globalisation & Anti-Capitalism*. Winnipeg: Arbeiter Ring Publishing.

Whyte J (2019) *The Morals of the Market: Human Rights and the Rise of Neoliberalism*. London: Verso.

Suggested Further Reading

Fine B (2009) Neoliberalism as Financialisation. In: Yalman GL and Saad-Filho A (eds) *Economic Transitions to Neoliberalism in Middle-Income Countries : Policy Dilemmas, Economic Crises, Forms of Resistance*. London: Routledge, pp. xv, 251 p.

Foucault M (2004) *The Birth of Biopolitics: Lectures at the Collège de France, 1978-79*. Hampshire: Palgrave Macmillan.

Gezmiş H (2018) From Neoliberalism to Neo-developmentalism? The Political Economy of Post-crisis Argentina (2002–2015). *New Political Economy* 23(1): 66–87.

Jessop B (2019) Authoritarian Neoliberalism: Periodization and Critique. *South Atlantic Quarterly* 118(2): 343–361.

Mirowski P and Plehwe D (2009) *The Road from Mont Pèlerin: The Making of the Neoliberal Thought Collective*. Cambridge, MA: Harvard University Press.

Audio-visual material

PBS website with materials about the documentary *The Commanding Heights: The Battle for the World Economy*

<http://www.pbs.org/wgbh/commandingheights/lo/index.html>

Barnard Centre for Research on Women: 'What is Neoliberalism?'

<https://www.youtube.com/watch?v=7kL4p3llmHk>

Biographical Details

Elizabeth Humphrys
Social and Political Sciences
University of Technology Sydney
15 Broadway, Ultimo NSW 2007

Elizabeth.Humphrys@uts.edu.au

ORCID: 0000-0003-0192-0426