Reading *A Brief History of Neoliberalism* (2005), by David Harvey. The inflation of the 1970s, as you may know, resulted largely from government attempts to keep the Keynesian, labor-accommodating state going in a poorer economic climate, an environment of slower economic growth than the two postwar decades. The high inflation manifested the crisis of the Keynesian state. Double-digit inflation couldn't go on forever; it had to end, surely, in more or less the way it did, with the turn to restrictive monetary policies that facilitated the destruction of unions and other conservative attacks on the population.

Harvey's observations on finance are interesting. The OPEC oil price hike of the 1970s placed vast amounts of money at the disposal of oil-producing states; the Saudis, under U.S. pressure, agreed to funnel all their petrodollars through New York investment banks. "The latter suddenly found themselves in command of massive funds for which they needed to find profitable outlets. The options within the U.S., given the depressed economic conditions and low rates of return in the mid-1970s, were not good." So the banks looked abroad, toward governments, which were the safest bet. In order to lend to them, though, international credit and financial markets had to be liberalized, a strategy that the U.S. actively pursued throughout the 1970s. Developing countries were hungry for credit, so they borrowed even at disadvantageous rates. What followed a few years later was the debt crisis of the 1980s. Here Harvey inserts a telling comment: "[Mexico's debt crisis demonstrated] a key difference between liberal and neoliberal practice: under the former, lenders take the losses that arise from bad investment decisions, while under the latter the borrowers are forced by state and international powers to take on board the cost of debt repayment no matter what the consequences for the livelihood and well-being of the local population." Good old-fashioned neoliberal hypocrisy. Market discipline for you, but not for us.

Useful:

> [One general trend in neoliberalism] is for the privileges of ownership and management of capitalist enterprises—traditionally separated—to fuse by paying CEOs (managers) in stock options (ownership titles). Stock values rather than production then become the guiding light of economic activity and, as later became apparent with the collapse of companies such as Enron, the speculative temptations that resulted from this could become overwhelming. The second trend has been to dramatically reduce the historical gap between money capital earning dividends and interest, on the one hand, and production, manufacturing, or merchant capital looking to gain profits on the other. This separation had at various times in the past produced conflicts between financiers, producers, and merchants.... During the 1970s much of this conflict either disappeared or took new forms. The large corporations became more and more financial in their orientation, even when, as in the automobile sector, they were engaging in

> production. Since 1980 or so it has not been uncommon for corporations to report losses in production offset by gains from financial operations (everything from credit and insurance operations to speculating in volatile currency and futures markets).

So how did elites manufacture popular consent in their efforts to restore their own class power after the 1960s and respond to the crisis of capital accumulation in the 1970s? Through propaganda, of course. The Chamber of Commerce, the National Association of Manufacturers, the newly organized Business Roundtable, and other groups set about conquering the political and the popular mind. Think-tanks like the Heritage Foundation, the American Enterprise Institute, and the Hoover Institute were formed. And neoliberal economics captured the research universities and business schools that churned out the technocrats who worked at the IMF, the World Bank, and other such institutions.

Harvey has a good discussion of New York City's fiscal crisis in 1975. "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'.... 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." That was ridiculous, but it served as an excuse to diminish federal aid. As the recession of the mid-1970s got worse, New York's budget situation grew dire. Finally in 1975 a cabal of investment bankers refused to roll over the debt and pushed the city into bankruptcy. "The bailout that followed entailed the construction of new institutions that took over the management of the city budget." Draconian policies later associated with the IMF were imposed on the city, partly so that bondholders would get their money back and partly so that financial institutions could restructure the city in their interest. "Wealth was redistributed to the upper classes in the midst of a fiscal crisis," as would be the case in country after country for the next forty years. "The New York city crisis was 'symptomatic of an emerging strategy of disinflation coupled with a regressive redistribution of income, wealth, and power.'" After a few years of the austerity measures, "'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." Etc. In the meantime, investment bankers were remaking the city for the benefit of business (especially in finance, legal services, the media, and consumer-oriented areas), using public resources to build the appropriate infrastructure. "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."

To sum up: "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 the government was to create a good business climate rather than look to the need and well-being of the population at large. The politics of the Reagan administration....became 'merely the New York scenario' of the 1970s 'writ large.'"

Meanwhile, businesses sought to capture the Republican Party as their own instrument, which was facilitated by recent campaign finance laws and pro-business decisions of the Supreme Court. To establish a solid electoral base, Republicans formed alliances with the Christian right.

Harvey is right that neoliberalism is riddled with contradictions, many of which fall under the category of hypocrisies. Both in theory and in practice there are contradictions. The result is that the neoliberal state is inherently unstable. Neoconservatism can be construed as a response to this instability, a way of keeping it manageable. In some ways, neoconservative nationalists and neoliberals work well together: they both favor corporate power, elite governance, private enterprise, the restoration of capitalist class power, and they're suspicious of democracy. But neoconservatives place a greater emphasis on "order" as an answer to the "chaos of individual interests" (neoliberal atomization), and they're attracted to the ideas of nationalism, cultural traditions, and so-called conservative morality as "the necessary social glue to keep the body politic secure in the face of external and internal dangers." In theory, neoliberalism isn't concerned with the nation but rather with the state (and the market); neoconservatism is interested in both. Taken to their logical conclusions, its prescriptions imply a world of competing nationalisms, competing cultures and moralities, competing authoritarianisms. It is, in other words, a modern incarnation of fascism. Quite different from neoliberalism, though in practice there are clear "elective affinities."

So how did neoliberalism spread from the U.S. and U.K. to the rest of the world? You know about the IMF's structural adjustment programs, Latin American dictatorships, and so on. (Neoliberalism couldn't spread through democracy; it had to be imposed by authoritarian means. See Naomi Klein's *The Shock Doctrine*.) Underlying all that was the increasing mobility of capital and the turn toward more open financialization, facilitated by the spread of the new economic orthodoxy to agenda-setting institutions. In addition, "the U.S. used the carrot of preferential access to its huge consumer market to persuade many countries to reform their economies along neoliberal lines." On the reasons for U.S. dynamism in the 1990s, Harvey remarks that "flexibility in labour markets and reductions in welfare provision....began to pay off for the U.S. and put competitive pressures on the more rigid labour markets that prevailed in most of Europe and Japan. The real secret of U.S. success, however, was that it was now able to pump high rates of return into the country from its financial and corporate operations (both direct and portfolio investments) in the rest of the world. It was this flow of tribute from the rest of the world that founded much of the affluence achieved in the U.S. in the 1990s."

Neoliberalism has had a dismal record at fostering global growth;[1] its main substantive achievement "has been to redistribute [upwards], rather than to generate, wealth and income." The primary means by which it has done this, according to Harvey, is "accumulation by dispossession," or something similar to what Marx called primitive accumulation. That didn't end centuries ago with the spread of industrial capitalism; it has continued up to the present and even accelerated. Under neoliberalism there are innumerable techniques for robbing people of resources. Even—or especially—public goods previously won through generations of class struggle, such as social welfare provision, public education, and regulatory frameworks, have been pillaged and destroyed.

—That reminds me of the destruction of the commons and of medieval regulations in Europe during the transition from feudalism to capitalism. It's always dangerous to construct abstract typologies, but there appear to have been two, or rather one-and-a-half, "cycles" in capitalist history. Abstractly you can think of it in this way: first, a lot of ancient communal practices and public goods were dismantled before, during, and after the Industrial Revolution. You could call this the first wave of privatization. (It has continued unceasingly all over the world, but let's just call it the first wave.) As it was going on, the victims of capitalism sought to maintain their old rights and/or acquire new, governmentally protected ones. At length they succeeded to some extent, and new public goods were consolidated under the 20th-century Keynesian welfare state. This was probably a nearly inevitable development, because, as Karl Polanyi said in *The Great Transformation*, marketization and privatization will, if unchecked, eventually cause the total destruction of society. So popular resistance, aided by sane elements of the upper classes, succeeded in regulating further depredations and temporarily saving society after the Great Depression. But technology kept progressing, capital mobility increased, global integration continued, populations kept growing, and the "public" and politicized nature of the Keynesian state started encroaching too much on capitalist class power. Finally the masses got out of hand, got too politicized, too powerful—all those crazy ideas of democracy in the 1960s!—and there was a capitalist backlash, made

[1] Insofar as the last twenty years have been economically dynamic, that has been due in large part to the rise of China. And China's "state capitalism" departs from the free-market neoliberal model in many ways.

possible by (and making possible) ever-more-globally-integrated markets, elite institutional networks, and extreme capital mobility worldwide. The inflationary consequences of popular empowerment in a context of economic stagnation (the 1970s) were tamed, namely by destroying popular empowerment. That is, the second wave of privatization occurred, after the 1970s: public goods were again dismantled and "accumulation by dispossession" began anew (though, in truth, it had never really stopped). This time, the old nationalist Keynesian solution to the horrors of privatization wasn't available, since the world had become too integrated and nations themselves were deteriorating, due to the post-1970s capitalist onslaught. So transnational social movements were necessary. But would they prove strong enough to save society?? Stay tuned!

Anyway, you see there's a logic to it all, a "dialectical" logic.