

# ДИСКУССИОННАЯ ТРИБУНА

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## What is next for neoliberalism?<sup>2</sup>

### Расширенная аннотация статьи на русском языке<sup>1</sup>

После Великой рецессии 2008-2009 гг. в подавляющем большинстве неолиберальных экономик во всем мире, как в первом эшелоне, так и в третьем эшелоне, наблюдался вялый экономический рост по сравнению как с первыми тремя десятилетиями неолиберализма, так и после Второй мировой войны. Кроме того, в этих странах значительно выросло неравенство. В совокупности это привело к резкому усилению недовольства этими экономиками и, помимо этого, многими аспектами связанных с ними политических и социальных систем. Хотя в последнее время недовольные люди в целом, за некоторыми исключениями, «поворачиваются» направо, а не налево, растущее противостояние делает продолжение сегодняшнего неолиберализма все более и более проблематичным для капитала. Это поставило перед обществом вопрос, который будет обсуждаться в этой статье:

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что будет дальше с неолиберализмом?

Отправной точкой для рассмотрения будущего неолиберализма должно быть тщательное изучение того, что такое неолиберализм. Критики капитализма и даже большинство его сторонников признают, что многочисленные разновидности его нынешней неолиберальной формы, которая доминировала в мировой экономике в течение последних четырех десятилетий, значительно отличаются от многочисленных специфических разновидностей капитализма после Второй мировой войны. Обширная литература глубоко проанализировала различные аспекты того, что изменилось при неолиберализме. Природа неолиберализма определяется этими (несколько) различными и (несколько) новыми аспектами капитализма в сочетании с другими старыми аспектами, которые изменились гораздо меньше или почти не изменились при неолиберализме.

Возможно, наиболее часто упоминаемым новшеством капитализма при неолиберализме является его гипертрофированная финансиализация. Другие значимые нововведения, которые часто

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обсуждаются, включают изменения в экономической роли правительств и государств, в парадигме корпоративного управления и расширенную тягу к «маркетизации всего».

Как правило, основные работы, посвящённые критике неолиберализма сводится к пониманию его сущности как сознательно провозглашенной атаки капитала на труд. В связи с тем, что они сосредоточены на упомянутых выше четырех аспектах неолиберализма, главное, помимо ценной информации и анализа, которые они представляют, — это анализ той роли, которую каждый из рассматриваемых аспектов играет в обеспечении этой усиленной агрессии.

Большая часть таких работ рассматривает природу неолиберализма как необходимую основу для рассмотрения поставленного вопроса настоящей работы: «что ждёт неолиберализм»? Первая часть представляет природу неолиберализма как сознательно предпринятой эскалации нападков на труд. Это подтверждается кратким рассмотрением истории его рождения. Рассмотрение процесса его формирования и развития в историческом контексте раскрывает его природу. Затем во второй части указываются способы, с помощью которых четыре аспекта неолиберализма, упомянутые выше способствуют усилению атаки капитала на рабочую силу. Описав природу неолиберализма, третья часть может рассмотреть вопрос о том, что будет с неолиберализмом дальше.

Given the limited time, this presentation will address the question posed in the title through brief considerations of the following three issues:

1. What caused the birth of neoliberalism, and why?

2. What is neoliberalism? and finally, resting on these preliminaries, I will directly consider the question itself,

3. What is next for neoliberalism?

### I. What caused the birth of neoliberalism, and why?

To ask the question “what caused the birth of neoliberalism?” is to ask the question, “what caused the change from capitalism as it existed in the three decades after World War II, to a different form of capitalism?” Scores of excellent books have been written starting in the 1980s indicating how this new form of capitalism differs from the earlier form, what was changed. The issue being considered in this section, however, is not the issue of what changed, but what caused the change – why did it change?

When considering why capital chose to precipitate the change to neoliberalism, it is important to observe that the basic ideas of neoliberalism were around for decades before capital broadly embraced and promoted them. In response to both the social chaos in Europe following WWI and the loss at that time of the traction of liberalism as capitalism’s previous supporting ideology, neoliberalism was born in the 1920s. *Nation, State and Economy* (1919), *Socialism* (1922) and *Liberalism* (1927) by Ludwig von Mises put forward its central ideas. After WWII the ideas of neoliberalism achieved increased visibility, first through the founding of the Mont Pèlerin Society in 1947, and then through their devout embrace and promotion by the Economics Department of the University of Chicago.<sup>2</sup> So the concepts of neoliberalism

<sup>2</sup> Four of the attendees at the founding meeting of the Mont Pèlerin Society were important professors at the University of Chicago: Frank Knight, George Stigler, Milton Friedman, and (for the decade of the 1950s) the initial organizer of the society, Friedrich Hayek. Henry Simons had been key in shaping the conference with Hayek, but died before the meeting.

eralism were well known among academics and many policy makers in the three decades after WWII, and they were largely rejected, often to the extent of ridiculing them (as not what a modern capitalist society that was improving everyone's lives could think of doing).<sup>3</sup> Its advocates were marginal, usually at a minimum looked on as ideologues, often as fanatics. That was to change, starting in the late 1960s and early 1970s.

In 2016 my co-author Erdoğan Bakır and myself wrote a book chapter "The incubator of the great meltdown of 2008: the structure and practices of US neoliberalism as attacks on labor."<sup>4</sup> After presenting data showing that from 1947 to 1973 the aggregate rate of profit in the US private sector was always between 14 and 18 percent, we noted that after 1966, when it reached the top of that range, it began a decade-and-a-half overall decline of 42 percent, to a rate of profit of 10.5 percent. Given that capital's goal is to obtain maximum profits, such a sharp fall would predict that it would react strongly to try to reverse, or at least stanch, this decline. But in this case there is no need to try to infer from the essential nature of capital how it would react to changed circumstances that harm its rate of profit. In the case of the United States, whose transformation to neoliberalism was central to this change in the form of capitalism that subsequently occurred worldwide, the forces that generated the change were very public about what they wanted to do. US capital openly declared repeatedly, in numerous

venues and using numerous formulations, the need to launch a sweeping social campaign to improve its rate of profit, and then it openly proceeded to do so.

After an 11 percent drop in the rate of profit in the three years after 1966, in 1969 capital organized The Construction Users Anti-Inflation Roundtable and The Labor Law Study Committee. These two organizations openly indicated their goals of both developing and publishing materials calling for restricting wage gains, and lobbying the government to that end. By 1974, through these and additional channels that were continually being created, capital succeeded in its direct attack on labor at the point of production. While real wages and benefits had grown annually at 2.3 percent from 1947 to 1967, this had been brought down to 1.9 percent real growth from 1967 to 1973. Real wage growth turned negative in 1974, and remained slightly negative for the next two decades.<sup>5</sup>

What began with a focused attack on labor at the point of production, on wages and labor costs, soon expanded, eventually yielding the multidimensional attack on labor at the heart of neoliberalism. The socially broadest aspects of capital's increased aggression against labor beyond the point of production consisted of its campaigns to make the government, the broader State, and general social attitudes still friendlier to capital and the very wealthy. A milestone in this social broadening of the attack was the "Powell Memo" of August 1971,<sup>6</sup> "Attack on Ameri-

<sup>3</sup> An example of such rejection was *The Road to Reaction*, written by Herman Finer while he was a guest lecturer at Harvard. It was a careful, lengthy and blistering criticism of the logic (and lack thereof) of Hayek's *The Road to Serfdom*, and came out just two years after Hayek's work was published in 1944.

<sup>4</sup> *In The Great Meltdown. Systemic, Conjectural or Policy Created?* (ed.) Turan Subaset, 2016, Cheltenham, UK: Edward Elgar Publishing, pp. 116 – 135.

<sup>5</sup> Benefits continued rising at a continually slowing rate until 1979, but by 1980 capital had turned combined real wage and benefit growth negative. Only at the end of the 1990s did these finally again experience four years of moderately healthy growth, after which they settled into weak growth, and in particular growth well below the growth of real productivity.

<sup>6</sup> This memo was written at the behest of capital's most 'grass roots' (among capitalist enterprises) or-

can Free Enterprise System.”<sup>7</sup> This document went beyond calling on capital to coordinate itself to hold down wages. It went beyond calling on capital to coordinate itself to lobby the government to change labor laws and their enforcement. The Powell Memo was a call to battle and blueprint for the 1970s ‘corporate mobilization,’<sup>8</sup> a call for the coordination of all the different capitals in the US to enable them to become more aggressive in shaping all laws as they wanted them, and to more directly control US politics in their own interests. Capital was no longer to merely pressure legislators, but rather to use its vast resources to assure the election of business-friendly legislators and the defeat of labor-friendly ones.

Existing bosses’ organizations like the US Chamber of Commerce and the Business Roundtable (formed by a merger of three other groups in 1973) shifted their behavior as called for in the Powell Memo, as did existing conservative “think-tanks,” like the Hoover Institution, the American Enterprise Institute and the National Bureau of Economic Research.<sup>9</sup> A plethora of

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ganization, the US Chamber of Commerce, and distributed through its broad channels, and as such had a social impact far beyond being just one person’s opinion.

<sup>7</sup> Available on line at [www.greenpeace.org/usa/democracy/the-lewis-powell-memo-a-corporate-blueprint-to-dominate-democracy/](http://www.greenpeace.org/usa/democracy/the-lewis-powell-memo-a-corporate-blueprint-to-dominate-democracy/) (Accessed May 1, 2019). Richard Nixon rewarded Powell for this escalation of the attack on labor with a seat on the Supreme Court. This marked an important first step in the movement of the Supreme Court (and the whole court system) to the right over the last 45 years, with Powell originally serving as a conservative “swing vote.”

<sup>8</sup> This name and others used in the literature make its nature clear: business mobilization, business rebellion, revolt of the bosses, and politicization of the business community.

<sup>9</sup> Because one of its missions is to produce large amounts of economic data, it is often forgotten that on policy issues the NBER is not “neutral” but rather a conservative organization.

additional conservative think tanks were founded as part of this long campaign, two of the better known being the Heritage Foundation (1973) and the Cato Institute (1977).

Starting in the 1980s and continuing through today, a fairly sizable number of articles and books documenting the birth of neoliberalism, including both capital’s declarations of its intentions and its subsequent actions, have been continually published. Two excellent very recent additions to the documentation are *Dark Money* by Jane Mayer in 2016 and *Democracy in Chains* by Nancy MacLean in 2017.

*The essential reason for the birth of neoliberalism, for capital reversing its earlier rejection of neoliberalism and adopting it under the then existing conditions, was to qualitatively intensify its attack against on labor, in order to defend its rate of profit.*

## II. What is Neoliberalism?

There are thousands of journal articles and books that directly ask and respond to this question. Of course all answer the question somewhat differently. Therefore, the description in this time-limited presentation of the multidimensional nature of the neoliberal form of capitalism can only be a very compressed indication of a more complete answer.

All capitalism is characterized by a conflict between the capitalists and the workers. However, in line with what the last section presented as the essential reason for capitalism’s transformation into neoliberalism, it is argued here that the essence of neoliberalism is that it is a form of capitalism in which capital both aggressively and openly fights to drive down, as much as is politically possible at the given moment, the share of the social net economic product obtained by those who directly produce it, the working class. This

statement takes on meaning as a contrast to the behavior of capital, particularly in the advanced industrial world, in the three decades following World War II, during “the Golden Years” or “the Keynesian Compromise.”<sup>10</sup> Stated more tersely using the words from the last section explaining its birth, *the essence of neoliberalism (in comparison to the form of capitalism that it replaced) is its qualitatively intensified attack by capital against labor*. Using still different current terminology, today’s generalized austerity policies are the essence of neoliberalism (again, understood as in comparison to the form of capitalism that preceded it). The real-world nature of this attack is multidimensional. After a few further short comments on its essence as an intensified attack on labor, this section will consider five of the dimensions of that attack in the actual world of today: the changed role of the government and the State, financialization, Shareholder Value, managerial governance, and “marketization of everything.” I stress that all these dimensions (and others) are intrinsic to how neoliberalism operates – one cannot

understand neoliberalism if one does not understand how all of these function in the real world today. But at the same time, all of these issues concerning the operation of contemporary capitalism can themselves be understood only in the frame of them being dimensions of neoliberalism, in the frame of studying them as contributions to the essence of neoliberalism, an intensified attack by capital against labor.

One visually striking indication of this intensified attack against labor is the well-known graph, often popularly called “growing together, growing apart.”<sup>11</sup> This shows how gains in hourly compensation tracked productivity gains very closely from 1948 to 1973 (the two growing 90.9 and 95.7 percent, respectively), while thereafter a gap between the two growth paths opened rapidly (with the respective gains from 1973 to 2017 being 12.4 and 77.0 percent) (EPI 2018). While the growth of wages and benefits in the US was about as fast as the growth of labor productivity in the Golden Years, it dropped to only one sixth as fast under neoliberalism.

Keynesian economists who are progressive but not radical, such as Paul Krugman and Joseph Stiglitz, sometimes refer to neoliberalism as “low road capitalism.” In “high road capitalism,” capitalists decide that to maximize their profits under the existing conditions, they need to share a somewhat higher percentage of the newly produced wealth with the workers, in order to create sufficient demand to sell what is produced. This is done both through higher wages and a meaningful social safety net. These economists see this as the pattern of the Golden Years in the US, and especially of Social Democracy

<sup>10</sup> A school of thought in Political Economy, the Social Structures of Accumulation (SSA), sees neoliberalism as an example of an arrangement of the structures of society to promote a “liberal capitalism,” and the Golden Years as an example of a “regulated capitalism,” with capitalism cycling between these two types since the late 1800s. Liberal and regulated capitalism each have internal contradictions, which when they grow to cripple the capitalist process of accumulation, need to be replaced by the other form. The cycles in the US were the Gilded Age (1865-1900, liberal capitalism), the Progressive Era (1900 – 1920, regulated capitalism), the Roaring Twenties (1920 – 1929, liberal capitalism), the Great Depression, WWII and the Golden Years (1929 – 1979, regulated capitalism), and Neoliberalism (1979 – present, liberal capitalism). See *The Rise and Fall of Neoliberal Capitalism* by David Kotz from 2015 for a fuller presentation of this idea. However, seeing the essence of neoliberalism as a much more aggressive relation of capital to labor than in the capitalism that preceded it of course does not require agreement with SSA on the existence of related earlier cycles.

<sup>11</sup> Economic Policy Institute. 2018. ‘The gap between productivity and a typical worker’s compensation has increased dramatically since 1973’, a graph available at <https://www.epi.org/productivity-pay-gap/> (Accessed May 1, 2019).

in the same years in Europe, and they call for abandoning neoliberalism and recapturing this aspect of the previous form of capitalism. They hold that if this is not done, capital will face a realization crisis (insufficient effective demand in Keynesian terms), which will be bad for profits and hence bad for capitalism.

*1) The changing the role of the government and the State*

It has often been pointed out that neoliberalism's claim to be "anti-government" in favor of "free markets"<sup>12</sup> is false. Neoliberalism does not oppose all interventions of the government into "the economy," but rather opposes some types of intervention while promoting others. In simple terms, the neoliberal goal is to strip the government and State of any role they might assume for the protection of working people from the aggression of capital (minimum wages, unemployment insurance, welfare programs, laws empowering them to different degrees in capital-labor conflicts, redistributive progressive tax policies, etc.), or even from protecting workers' ability to organize themselves to resist such aggression (laws protecting the formation of unions). On the other hand, a neoliberal government and State have the tasks of creating a general environment in which capital can operate, of intervening to save capital and even capitalism during capital's periodic crises, and to continually "broaden capitalism" (discussed in point 5 below).

It is widely accepted among progressive economic and political historians that in the elections of 1976 capital achieved the Powell Memo strategic goal of creating a more business-friendly national

legislature. With the election that year of President Carter and a Congress again controlled by the Democratic Party, labor thought it would win some major battles it had long been fighting for. Its three biggest concerns were labor law reforms, common situs picketing, and indexing the minimum wage to inflation and average wages. But although the party composition of the Congress changed little from 1974, the results of capital's new strategy of electing pro-business candidates (and directly buying off fence-sitting legislators during Congressional votes) yielded a radically more pro-business Congress than the preceding two, which had still been typical of the post-war-compromise period. All three of labor's concerns were defeated. With the election of Reagan in 1980 (or arguably the political change in Carter in 1978), capital completed its planned creation of a business-friendly government with the capture of the national executive branch. These changes in the nature of the government were permanent, with all subsequent Congresses and executives more business-friendly than previously, regardless of which party dominated. The drives to transform all individual state governments also continued from then on to the present, with the sweeping changes in the 2010 midterm elections being particularly important in this regard.

It is important to recognize that capital's strategy was aimed at the entire State apparatus, not just the government, and one can see its success from the late 1970s onward in the continuously more pro-capital operation of almost all components of the State. A well-known example of such a shift that continues to this day in a very broad component of the State is the courts and the entire legal system. An example of a fundamental change in a much smaller part of the State, but one that also very di-

<sup>12</sup> The call for no government intervention in the economy is sometimes based on the false myth of "self-regulating markets," that markets settle into optimal behavior unless the government intervenes and distorts them.

rectly facilitated the increased aggression of capital, is the changed nature of the operation of the National Labor Relations Board. This change was an important part of making it almost impossible to form a union in the US, even when a broad majority of the workers want to.

## 2) *Financialization*

On the one hand, “financialization” is arguably the most referred to characteristic of neoliberalism. On the other hand, exactly what the term refers to differs significantly among authors, notwithstanding broadly shared core general ideas about its nature. It is a many-faceted concept. To be concrete, I will list here a non-exhaustive list of seven highly interrelated central aspects of financialization: (1) expansion of the financial sector; (2) numerous fundamental changes in the operation of the financial sector; (3) an expanded role for financial operations in the non-financial sector (with the finance for these operations possibly coming from the non-financial sector itself); (4) an increased economic and political power of the financial sector; (5) a change in corporate governance to pay more attention to financial goals; (6) increased debt throughout the economy; and (7) asset inflation (including bubbles).

Note that the very visible critique of (“excessive”) financialization by liberal economists in the US like Krugman and Stiglitz is fundamentally different from a radical critique. The liberal treatment focuses on financialization as a struggle between capitalist financial interests and capitalist productive interests (which it partially is). It concludes that in the excessive neoliberal form, financialization reduces productive investment and therefore is bad for growth, and for “the economy as a whole.”

Radical treatments of financialization investigate how it serves as a part of the

essence of neoliberalism, the intensified attack against labor. This includes both direct conflicts between financial capital and labor, and other roles finance plays in shaping the way neoliberal capitalism carries out its assault on labor. The fundamental channel of the direct attack by financial capital against labor is household debt (credit cards, student loans, bank loans, etc.), which exploded under neoliberalism. The result was a marked increase in the part of labor’s current wages being immediately taken for debt payments, effectively reducing the wages available to workers for all the other expense in their lives (a mitigated form of capitalism’s earlier more extensive “debt slavery”). But given finance’s thorough permeation of neoliberalism, its contributions to the attack on labor go far beyond this direct channel. Five examples follow.

i) Large increases in government domestic and sovereign debt have been used as the political justification (falsely claimed to be economically necessary) for imposing national austerity programs.

ii) Large increases in household, corporate and/or government debts have served to prevent a drop in aggregate demand from neoliberalism’s relative reduction in wages, which if not offset could cause what Marxists call a “realization crisis,” and Keynesians call a crisis from inadequate “effective demand.”

iii) The flow of capital into the financial sector created “asset inflation” (and from that numerous times “asset bubbles”), which increased the consumption of the wealthy (the “Pigou Effect”), thus further maintaining demand in the face of neoliberalism’s assault on workers’ wages and benefits.

iv) The expansion of the financial sector, with its rate of profit higher than the productive sector, contributed to US capital reversing much of the fall in the ag-

gregate rate of profit after 1982. Note this expansion rested on the higher rates of return, and those in turn rested on the asset inflation that was driven by the inflow of capital into the sector itself.

v) The shift in corporate governance to the “shareholder value” paradigm was an important part of the assault on labor, as will be discussed further in the next point. The shareholder value paradigm requires expanded financial transactions, financial incentives for actors, and financial corporate performance goals.

### 3) Corporate governance / (“Shareholder Value”)

While the ultimate goal of obtaining maximum profits and accumulating capital remains the same under all organizational forms of capitalism, the change between post-war compromise capitalism and neoliberalism in the operational proxy goals of corporations, which are intended to maximize profits, has been one important part of capital’s increased aggression against labor. In the first place, the negative effects on labor have concerned its compensation and working conditions. Additionally, they concern workers as consumers, and also more broadly as members of society.

Under post-war compromise capitalism the key to maximizing profits was generally considered to be growth, often (not always) involving the belief that the best way to achieve this was to develop new or better products, or more efficient production processes. From this, the standard business ideology of the period, as detailed in the 1956 eminent classical study of that ideology, *The American Business Creed*, was that corporate managers “have four broad responsibilities: to consumers, to employees, to stockholders, and to the general public .... Stockholders have no special priority.”<sup>13</sup> By the 1980s it was

no longer possible for top management of any major US corporation to publically declare a view of stakeholder capitalism as the chairman of Standard Oil of New Jersey Frank Abrams had in 1951: “the job of management is to maintain an equitable and working balance among . . . stockholders, employees, customers and the public at large.”<sup>14</sup> Notwithstanding that the earlier view was of course neither universally adopted by business nor fully implemented by those who did profess it, it is essential to understand the importance of the change to a corporate consciousness of ‘shareholders *über alles*’ in promoting a number of practices that were elements of neoliberalism’s overall increased aggression against labor.

Making the increase in a firm’s stock price be the central measure of a firm’s performance, and in many cases tying top management’s compensation directly to it, had both direct and indirect negative effects on labor. Since such measures as reducing wage or benefits gains, or sometimes even reducing wages or benefits, or cutting the workforce, or breaking or blocking the formation of unions, almost always caused an immediate increase in the stock price, the new governance paradigm increased such attacks on workers. Note that in some cases these proxy goals did not even actually serve capitalism’s central goal of maximizing profits because of increased worker antagonism and associated reduced productivity, or because of increased worker turn-over and associated training costs for replacements. There are also many additional indirect negative effects of the shareholder value paradigm on workers that operated through neoliberalism’s depression of the economy’s rates

[1962]), *The American Business Creed*. New York: Schocken Books, pp. 64-5.

<sup>14</sup> Smith, H. (2012), *Who Stole the American Dream?* New York: Random House, p. 37.

<sup>13</sup> Sutton, F., S. Harris, C. Kaysen and J. Tobin (1956

of investment and growth. One example is shareholder value's strong contribution to neoliberalism's much commented on short-termism: the replacement of the previous longer-term corporate planning time horizon needed to pursue growth by the shorter-term time horizon involved in performance evaluation according to stock prices. A second example of shareholder value's indirect harm to workers through the depression of investment and growth is its practice of boosting a stock price by increasing dividend payouts and stock buy-backs, and then borrowing to invest because of the reduced retained earnings. This increases finance's role in the reproduction and expansion of capital, resulting in a greater share of capital being tied up in finance and hence less in productive capital, again lowering the rate of investment and growth.

The shareholder value argument that shareholder interests not only have priority over the interests of workers *qua* workers, but also that shareholder interests have priority over the interests of workers in their roles as consumers (product quality, product safety, and so on) or as members of the community where the enterprise operates (pollution, traffic congestion, and so on) is an important further aspect of neoliberalism's increased aggression against workers.

#### 4) *Corporate governance II (managerial governance)*

Like everything in the real world, capitalism continually changes over time. Some of these changes are very large, and that poses the question – is the new version so different from the old version that it should have a different name, or should it still be considered a changed form of the old, with its major change indicated by an adjective? The large change in the role that finance plays in the way capitalism

operates since the time of Marx and Engel's masterful analysis of capitalism's essence, with the most recent aspects being the changes under neoliberalism referred to above, has led many people today to refer to today's capitalism as "financial capitalism."

Another major change in the way capitalism operates began at the end of the 1800s and the beginning of the 1900s, and continued throughout the 20th century. As some individual capitals achieved till-then-unprecedented scales, a layer of "managers" was incorporated into the standard capitalist process of production. At the time of the bulk of the writing by Marx and Engels, nearly all productive units were managed by (at least one of) their owners, perhaps with some people whose job was to assist in the management. As the layers of managers grew, owners carried out less and less direct management of the productive units. Their role shifted to continually reviewing the profit performance of the managers, and replacing them with other managers if they were not satisfied.

Throughout the 1900s most radicals looked at this growing layer of managers as simply agents of the capitalists who carried out the same role the latter had before, attempting to maximize profits. As such their existence and growth did not represent any fundamental change in the operation of capitalism. But by the end of the century, the game-theory principle-agent problem became well known, and people asked – why would the managers work to maximize profits, which would benefit the capitalist owners, instead of working to maximize their own returns from their work? First in the US, and then to a lesser extent in Europe and to a still lesser extent in Japan, this theoretical consideration gained attention, especially because of the oversized CEO (and other top management) salaries that developed

under neoliberalism. These of course represented a reduction in the profits of the owners. Business schools argued from the 1980s onward for the need for shareholders to regain control (and reduce the size of managerial salaries), but for four decades this has not been able to be achieved.

Our concern here is not what this means for the future of capitalism,<sup>15</sup> but rather what this change meant under neoliberalism in regards to capital's intensified attack on labor. I will illustrate the effects through two short examples.

We saw above that evaluation of a productive unit's performance by the shareholder value paradigm can motivate many different types of attacks against labor – wages, working conditions, layoffs, and so on.

However, even if a system were to evaluate enterprise performance based on shareholder value but was managed by the owners, they would have greater flexibility to ignore the metric of evaluation

<sup>15</sup> On this issue which will not be expanded on here, see *Managerial Capitalism* by Gérard Duménil and Dominique Lévy, 2018. The book presents a large amount of empirical information on the issue of the rise of managers. It also goes beyond that, however, in three particular ways. A first way is that, analogous to the reasoning behind the fairly common use for of the phrase “financial capitalism,” they argue that today's capitalism needs to be called “managerial capitalism” to differentiate it from the capitalism analyzed so profoundly by Marx and Engels. Their second claim, which this author believes will be accepted as appropriate far less among people who consider themselves “Marxists,” is that the changes in the role of the managers in the process of capitalist production are so profound that they need now to be considered a class. And their final position, which this author believes will be accepted by even fewer Marxists, is that the internal contradictions of the current system, which will eventually bring an end to capitalism, are such that what will follow capitalism should be called a “managerial mode of production.” Again, my concern in this talk is only how the continual growth, both qualitatively and quantitatively, of the managers under neoliberalism, which they document so well, has made important contributions to neoliberalism's increased attack on labor.

than managers do. They could operate the productive units however they wanted to, since it is their property (capital). While clearly the majority would measure their own performance by the social norm (that is why it is called a social norm), capitalists as managers could in theory be concerned with product quality (say food), or environmentally less destructive production (human survival), or minimizing workforce turnover, or anything else they wished to consider. Hired managers do not have that freedom. If they fail to act to maximize shareholder value for whatever reason, they can be removed. In the frame of neoliberalism and shareholder value corporate governance, managing done by managers tends to increase neoliberalism's attack on labor.

A similar result operates through hostile takeovers. Many times long-term growth requires long-term investments, which leads to companies being “undervalued” in the short run. This exposes them to hostile takeovers which means termination of the current management. Management therefore has a self-interest in low growth short-termism, and as noted before, low growth is generally harmful to labor remuneration. Again in the frame of neoliberalism, managing done by managers has a tendency to increase neoliberalism's attack on labor.

##### 5) “Marketization of everything”

Although various authors have referred to what I will here call “the marketization of everything” in various ways, this characteristic of neoliberalism is usually under-considered in the literature.

One of the best known points made by Karl Polanyi in his work *The Great Transformation* was that before capitalism “the economy” had been embedded in social relations, while capitalism, to the contrary, drove to embed social relations in

“the economy.” Marx and Engels similarly wrote throughout their work of how capitalism reduced relations among humans to “economic relations”: they were subordinated to “the market principle,” or more correctly, to “the logic of capital accumulation.” As it does with other dehumanizing characteristics of capitalism, neoliberalism also hypertrophies this aspect in pursuit of increasing the generation and accumulation of surplus value.

There are two aspects of this dehumanizing process that should be distinguished – the “natural economic” extension of the logic of capitalism into all aspects of life, and the extension driven by deliberate and conscious State policy.

Examples of the former include a plethora of services and small scale material production for direct consumption, many of which used to be carried out in the (extended) family, and now are produced in circuits of capital. These include, as examples, parts of working people’s food production and especially preparation, childcare, production and maintenance of clothing, and the care, cleaning and maintenance of one’s home. While capital’s concern in these “natural economic” extensions is to expand the production and capture of surplus value, such changes often do not end up being simply neutral changes of who the active agents are, of “who does what,” producing the same goods and services. The production and preparation of food is a good, and currently socially much discussed, example of this. It is continuously more and more subordinated to the logic of capitalist accumulation, to the logic of “production for profit,” as opposed to production with the goal of human well-being. The result has been that the nutritional value of much of the food produced has dramatically deteriorated, and the amount of harmful chemicals we ingest with our food has dramatically increased.

A particularly visible example of the use of the State for neoliberalism’s drive to “marketize everything” is a component of neoliberalism that is always listed among its central characteristics: privatization (partial or complete) of government-provided services. Varying among countries, these include among many other things social security (despite clear evidence that private social security systems are less efficient with higher overhead costs), health care, education, mass transportation and communication systems, utilities such as electricity and water, and prisons. The US even privatized a small part of its military forces, in particular a part used in some of the most inhuman aspects of the many recent US aggressions against countries in the Third World.

Another component of this aspect of using the State to “marketize everything” is using it for the creation of markets where there were none before. One way is through the ever more broadly used “intellectual property rights,” which in some cases are applied to things freely available from nature that are transformed by law to things obtainable only by purchase from the license holder. Another way is to impose regulations that force the creation of new markets. The until now very unsuccessful cap-and-trade carbon market for CO2 emissions is a well-known example of this (in theory extendable to many other parts of the vast field of environmental regulation).

Many popular commentators on neoliberalism, as well as some academics, present neoliberalism as a resurrection of classical economic liberalism, and it indeed shares many of economic liberalism’s ideological underpinnings. But as was mentioned above, neoliberalism was created in the 1920s exactly because of the loss of traction at that time of the ideology of liberalism as a justification for

capitalism, and was consciously presented by von Mises and those that followed him as an alternative to liberalism. The key difference involves exactly this issue of the role of the State to promote capitalism. Economic liberals argued for *laissez faire*<sup>16</sup> and hence a “minimalist State,” based on the illusion of what it called “self-regulating markets.” It held that property arose naturally out of work and trade, and the only role that the State was necessary for was to protect that property, to avoid the social breakdown Hobbes had argued would occur without it. Given this protection, “markets” (really meaning the circuits of capital) would bit by bit expand by their own nature into more and more aspects of human economic activity, because of their inherent maximal efficiency. Von Mises and subsequent adherents of neoliberalism stressed that while a capitalist State indeed needs to carry out all the functions of a liberal minimalist State, it needs to do more than that. A capitalist State has to additionally be much more interventionist and constructivist, in the service of whatever needs capitalism manifests at any given time, in pursuit of its goal of the creation and appropriation of surplus value.<sup>17</sup>

<sup>16</sup> Of course, even when economic liberalism was dominant, no country in practice limited itself to *laissez faire* when it perceived government action was needed to confront a crisis or even major problem of capitalism.

<sup>17</sup> Defenders of neoliberalism often still employ the economic liberal claims of the self-regulation and optimal efficiency of markets in their public discourse, even though markets were never self-regulating nor necessarily optimally efficient. It is important to note the following concerning these claims by neoliberalism. Such claims were consistent with the ideology of arguing for a “minimalist state” by economic liberalism (even if in practice liberal capitalist States abandoned the position whenever the continued existence of the capitalist system required State intervention). They are inconsistent, however, with the argument for the need for a pro-capital interventionist State, as neoliberalism has contended from the time of its first works by

Aspects or characteristics of neoliberalism cannot be understood “in terms of themselves.” The financialization of today’s capitalism, for example, is frequently studied in that inappropriate way. To the contrary, the nature of the five preceding aspects of neoliberalism, and all other aspects, can only be studied and understood in terms of what neoliberalism is. *Neoliberalism is defined by its raison d’être, a form of capitalism whose structure allows it to intensify capital’s attack on labor beyond what it was under the capitalism that preceded it.*

### III. What is next for neoliberalism?

Based on the examination of the history of humanity, Historical Materialism concludes that human history, or the continual joint transformation of humans and their societies, is driven over the long-term by a form of collective human activity in pursuit of human development, class struggle.<sup>18</sup>

This broad conclusion from Historical Materialism certainly cannot, however, answer the question “what is next for

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von Mises up through the most influential current neoliberal theoreticians, such as for example the recently deceased James M. Buchanan.

<sup>18</sup> Throughout history much human activity has of course been rooted in, and directed at, the simple need to survive. But activity aimed at changing aspects of the physical and social world that people live in has been driven by humans’ drive for human development, or as Paulo Freire so nicely expressed it, “man’s ontological and historical vocation to become more fully human.” (*Pedagogy of the Oppressed*. New York: Continuum, 1992[1970], p. 40) Note two aspects of this drive. Within the confines of the existing social frame (which are different for different individuals in society), many individuals act to attempt to develop their human potential. At the same time, groups of individuals fight to change the existing society in a way that will allow their further human development by removing barriers that the existing society presents. Since the development of class societies, the strongest driver of transformations of the structures of societies has been the class struggles of the subaltern classes.

neoliberalism?" In the first place, when people ask this question, they are asking what will come next in the short-term. In itself, knowing that people will eventually act to remove barriers to their human development does not imply any particular timeframe, and there is no reason from looking at the level of social struggles today to argue that such profoundly liberating changes to neoliberalism are what will come next. More broadly, to say that history moves to "eliminate the contradictions of a given social form," or to "remove (or reduce) the most prominent barriers to human development at a given moment," does not indicate *specifically* what will be done. Since a given contradiction can be negated many ways (a given barrier eliminated or reduced many ways), the conclusion from Historical Materialism that humans will act to remove barriers to the development of their humanity cannot indicate in what way they will eliminate a given barrier, it cannot indicate which of the many barriers will be eliminated next, it cannot indicate any time frame for the elimination of any barrier, and it cannot indicate if what will be next for the capitalist system before the elimination of these barriers will not be changes introduced by capital to maintain given barriers the face of the sharpening contradictions that they cause.

A response to the question of what is next for neoliberalism in the short-term will certainly be informed by an understanding of both what the prime contradictions in the social system are today, and the attitudes toward the system of various classes. But answering such a question ultimately must involve a political evaluation of the intentions of all groups in a society, and their power to realize their intentions. To end this brief presentation, I will put forward three different possibilities for what is next for neoliberalism that are widely

discussed today, with some comments on issues influencing the possibilities of their realization.

1) *Swing back to pre-neoliberal capitalism.* This is the vision promoted by anti-neoliberal economists such as Paul Krugman and Joseph Stiglitz, generally understanding neoliberalism as the result of overly powerful financial capital and calling for its reregulation (in the interests of capitalism as a whole). Technically, this would be possible if all actors in the world economy agreed to do so. However, capitalism is not such a coordinated system, but rather rests on each owner of millions of pieces of the total social capital carrying out whatever behavior and actions he believes will maximize his own profits. Capitalist governments and States around the world would need to agree on sweeping legal changes, and the bulk of capitalists around the world would have to consider it appropriate to conduct themselves according to not only the letter, but the spirit, of the new laws.<sup>19</sup> Such necessary political coherence does not exist, and there is no indication that the bulk of capitalists would accept the required ideological changes in their view of how capitalists should behave, even if world governments enacted the indispensable sweeping legal changes. The "genie" of neoliberalism cannot be put back into the "bottle" by implementing regulating laws and practices which would be necessary for capitalism to function as it did after WWII, even if was politically possible to globally pass such laws, which it is not.

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<sup>19</sup> As is the case for any laws, if a small minority of capitalists decided to try to disregard the laws in pursuit of their profits, they could be dealt with legally, but if a significant percent of the capitalists considered it appropriate to continually try to circumvent them, the laws would not create the practices they were intended to generate.

2) *Move beyond capitalism.* To do this would require a broad social will, and a social agent strong enough to overcome the fierce resistance that capital would marshal to any such attempt. At present there is arguably no such agent anywhere in the world that is broadly socially accepted by its own society,<sup>20</sup> nor is there even a social consensus in any country that moving beyond capitalism is necessary to promote human development. The belief that extensive human development within a “kinder, gentler, capitalism” is possible still remains widespread among those people who want a better world, and among the subaltern classes despite their experiencing growing dissatisfaction with the status quo.

3) *Continue with neoliberalism, and the diminution of bourgeois democracy.* If neoliberalism continues, it will nevertheless need to be changed by capital to enable it to address some of its internal contradictions, which are presently threatening its existence. In the case of such changes in the frame of a continuation of neoliberalism, the definition of neoliberalism as an open and aggressive attack on labor, which has been used in this presentation, becomes essential for understanding what it is that is continuing. For example, work over the past several years by Costas Lapavistas and Ivan Mendieta-Muñoz suggests that in the US under neoliberalism the share and role of finance in total profits first increased, then stagnated, and has now begun to slightly fall.<sup>21</sup> If one considered the essence of neoliberalism to be

simply the financialization of capitalism, the recent data would argue for a weakening of neoliberalism. But if one considers the essence of neoliberalism to be an open and aggressive attack on labor, then this fall and the related slight re-regulation of finance, for the purpose of somewhat stabilizing the system against the type of disruption that wracked it in the Great Recession of 2008/9, represent no weakening of neoliberalism. Rather, this change can be understood as follows. From the 1980s until the Great Recession the attack on the compensation of labor was supported by the large asset bubbles that inflated over that period. The size and nature of the last one prior to the Great Recession, however, dramatically destabilized the system. Capital concluded that more control over asset bubbles was necessary for it to maintain its aggression against labor.

If this alternative of a continuation of neoliberalism persists, which seems the most likely one for the short-term (though of course not assured), it suggests the necessity of an important change in (advanced) capitalism which seems to already be occurring. While extensive bourgeois democracy is clearly not necessary for capitalism to operate (observe the majority of capitalist countries in the world, both over the last century and today), the general trend in advanced capitalist countries over the century prior to the rise of neoliberalism was its expansion. But if the essence of neoliberalism is to make workers relatively worse off, one would expect at some point they will rise in protest against this, and therefore reducing their democratic rights will be important to capital. Particularly in the US since the 1980s, but also in Europe and the rest of the advanced capitalist world since neoliberalism gained hegemony in those countries, such a slow ongoing reduction of bourgeois democratic rights is exactly what has occurred. Un-

<sup>20</sup> In a very few cases concerning powerful forces promoting extended transitional strategies this could be debated.

<sup>21</sup> See “Financialization at a watershed in the USA,” *Competition and Change*, 2018, 22(5) pp. 488-508, and “Profitability trends in the era of financialization: Notes on the U.S. economy,” *The Japanese Political Economy*, 2019, 45(1-2), pp 4-19.

derstanding neoliberalism as an open and aggressive attack on labor suggests that over time it will move away from extensive bourgeois rights in those countries where they were won, toward an authoritarian capitalism. The contribution of my colleague Alfredo Saad-Filho to this conference is exactly about this changing nature of advanced capitalism. It is a topic that just now is beginning to be extensively addressed in political economy. One example of a recent article on this, again by Alfredo Saad-Filho but in a setting where he has space to make the arguments at greater length, is "Neoliberal capitalism: The authoritarian turn?"<sup>22</sup>

#### IV. Conclusion

The sharpening of the internal contradictions of neoliberalism since the Great Recession of 2008/9 have caused its performance to generate increasing opposition to both its economic results and the associated political and social structures. This suggests three possible answers to the question "what is next for neoliberalism?" as the most probable. The first pos-

sibility is that capitalism will return to the type of regulation that it had in its post-WWII form, which allowed the workers to obtain a greater part of the new wealth created every year. The second possibility is that the problems of neoliberalism will be addressed by beginning a process of transformation beyond capitalism itself, as has long been the aspiration of socialists. The third possibility is that capital will continue with neoliberalism. But since neoliberalism is defined by its *raison d'être*, a form of capitalism whose structure allows it to intensify capital's attack on labor, such a continuation will cause the opposition to the economic, political and social systems to continue to grow. In those countries where the working class to some significant degree won bourgeois democratic rights for the population, this will cause capital to reduce them. Given the current balance of forces, this third alternative seems the most probable, at least for the short-run. In fact, this transformation of neoliberalism to a more authoritarian form is already occurring, most noticeably in the United States and some Third World countries, and to a lesser extent in Western Europe.

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<sup>22</sup> This was written with co-authors Marco Buffo and Ben Fine, and appears in *Socialist Register* 2019: *The World Turned Upside Down?*

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