Journal of Management & Public Policy
Vol. 8, No. 1, December 2016, Pp. 21-26
ISSN 0976-0148 (Online) 0976-013X (Print)

Myth of 'TINA': Neoliberalism's Origins, Processes, Crises and Persistence in Contemporary World

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Abstract
This paper is a critique of Neoliberalism. The author provides incisive account of its origins and how it impacts the lives of people. Neoliberal advocates believe that the market is *natural*. It functions according to laws of nature and is therefore scientific. As it is dictated by natural laws, any human intervention amounts to a distortion of its efficient functioning, for humans are flawed. The key proponents of neoliberalism include governments, economists, international institutions, and non-state actors such as transnational corporations. Several eminent research institutes and think-tanks are also complicit in the spread of neoliberal policies across the globe. The paper discusses at length whether neoliberalism is relevant in contemporary world or we have no alternative but to stick to it as a single phenomenon.

Keywords: Neoliberalism, Free Market, Monetarism

Introduction

This essay has been titled 'The Myth of TINA', TINA being an acronym for There Is No Alternative, a famous remark made by Margaret Thatcher when she and her US counterpart Ronald Reagan defended economic restructuring in their respective countries along neoliberal lines. Free market is the way of nature. State interference is not. Consumer choice is paramount and should not be inhibited by states. Competition leads to efficiency enhancing and therefore welfare-improving outcomes. This is what neoliberal advocates contend. Interestingly, 'neoliberalism' is a term used mostly by its critics, regardless of their specific orientation. The term is almost never used by its proponents, like Monbiot suggests. For those arguing along his lines, the term 'neoliberalism' has come to represent *all that is evil or wrong with the world today*. From increasing social and economic inequality in Africa and Asia to the global financial crisis of 2008, they argue that it is neoliberal ideology which is at work.

However, it seems to persist despite such fervent opposition from diverse groups such as academics, NGOs, advocacy groups, and so on. Before we embark upon a process of how to understand this persistence of 'neoliberalism', it is important to us to identify the core principles of this ideology, the different key actors and advocates who propound such policies in present times. This will then help us in delineating the underlying raison d'être for its continued persistence and relevance. The essay argues that it's a myth propagated by the proponents of neoliberalism that there is no alternative to free market. This inevitability has been constructed by governments owing to domestic and external pressures emanating from international institutions such as IMF and World Bank as well as MNCs. It also argues that the need to come up with a viable alternative strategy is more urgent than ever.

Free Market is 'Natural'

Hagen Schultz-Forberg (2013) traces the origins of neoliberalism in the inter-war period and shows how the present-day version of neoliberalism took off only in the late seventies and early eighties (what are popularly termed today as 'Reaganomics' and 'Thatcherism'). The neoliberal ideology is not unitary. Nor are the processes of neoliberalization uniform. 'By the early 1980s, enabled by the apparent failure and delegitimation of extant alternatives, a transnational repertoire of neoliberal strategies had been established as a package of putatively all-purpose responses to the crisis of international Keynesianism' (Brenner et al 2010). Yet, there are certain commonalities which need to be identified in terms of core propositions or principles and also in terms of the actors involved.

Neoliberal advocates believe that the market is *natural*. It functions according to laws of nature and is therefore scientific. As it is dictated by natural laws, any human intervention amounts to a distortion of its efficient functioning, for humans are flawed. Humans have limited capabilities and understandings. 'Citizens are redefined as consumers whose democratic choices are exercised by buying/selling in the 'free market'' (Monbiot 2016). As a result, they cannot devise something that is perfect. Only *nature* can. Therefore, it is unwise for governments to intervene in the market, however noble their intentions might be.

Given that markets follow the rules of nature, any inequality that subsequently arises is individualized. As you sow, so you reap. You get what you deserve. No actor or institution deliberately creates these inequalities. People who work harder get more. With this these fundamental axiomatic principles in place, neoliberals argue that the only function of the state, in fact the only rationale for the state to exist, is the maintenance of law and order. This is because markets cannot function in the midst of chaos. A well-ordered society is essential for markets to function efficiently and allocate resources. The state has no business in meddling with the markets. Markets are perfect and will therefore correct themselves. The costs due to state's intervention are higher than the costs due to any possible market failure.

In the realm of international trade and finance, neoliberals argue for 'free trade' i.e. trade without any restrictions (which could be tariffs, quotas, health and safety standards etc.). They also call for a fully 'floating' exchange rate system i.e. states should not fix the exchange rates of their currencies. The exchange rate shall be determined in accordance with the forces of supply and demand by the currency market. Now that we have a broad idea of what neoliberals say, let us try to list some of the key actors who propound and often implement these policies (although not always to the extreme described here).

Neoliberal Policies: Little Choice in a Skewed System?

When we speak of neoliberal policies, it is important that we avoid treating the domestic and international or global spheres as watertight compartments. These policies are often a result of both 'outside' and 'domestic' pressures and policymakers' proclivities. Let us list the important actors and we will then examine the interplay.

The most important actors in this regard have to be states themselves. States are vested with sovereignty and therefore decide which policies they should pursue. However, states' sovereignty is not absolute, for they do not operate in a vacuum. They operate within a system that consists of other sovereign states and non-state actors. Often, the non-state actors such as transnational corporations are also extremely powerful. Over and above this, we have international institutions such as the International Monetary Fund and World Bank who also influence decisions taken by individual states. We also have economists and the institutes they are affiliated with who exert enormous influence both at ideational and policy-levels. Let us take a couple of concrete examples to illustrate how neoliberalization processes unfold in a given setting.

India adopted a mixed economic model, combining elements of market economy and planning. After more than four decades of experimenting with this model which also saw half-hearted liberalization attempts, the country faced its biggest macroeconomic crisis in mid-1991 – a severe balance-of-payments crisis. To put it simply, India simply did not have enough foreign exchange reserves to pay for its oil and other imports. The economy was on the verge of a collapse. Naturally, India sought the help of IMF and World Bank.

As *always*, the two institutions agreed to help India get out of the crisis, *provided* the government agreed to the conditions they placed upon it. These came in the form of Stabilization Policy of IMF aimed at curbing excess demand in the short-run to ease the constraints on scarce resources. The other was the well-known Structural Adjustment policy of World Bank which essentially included conditions for gradual deregulation and privatization of the economy. Two back-to-back currency devaluations had not been able to save India. The expenditure-led growth strategy followed in throughout the '80s, with crowding-out of private investments, had been a colossal failure. Keynesianism had failed. There was but one alternative: Neoliberalism. Some 'three generations' of economic reforms have been carried out in the twenty-five years. Yet we have not reached an end-point, for there isn't one. One can see how different actors come into play in the formulation and implementation of neoliberal policies.

Mark Blyth's *The Austerity Delusion* (2013) is an exquisite analysis of how neoliberal ideas and policies gain currency in a post-crisis scenario – why, despite historical evidence pointing to the contrary, politicians, policy-makers and international institutions seem to buy the logic of neoliberalism – you can't spend more than you have. Blyth (2013) lists three factors why austerity doesn't work:

1. As far as the impact of austerity measures are concerned, the poor are hit harder by these spending cuts than the well-off. The impact, in other words, is differential because society is not homogeneous.
2. It's a myth that everybody can save at the same time. For someone to save, someone else has to spend.
3. Cutting public spending in order to ensure that crowding-out of markets for private investments does not occur is a bad idea. There's no evidence to indicate that such steps will improve investors' confidence.

Influence of Monetarism: Autonomy is Good

At the same time, it's equally important for us to understand that it was this ideology that led to the crisis in the first place. In this section, I want to briefly examine the different economic and political actions and the underlying motivations that led to the crisis.

Economists and political scientists who have wrote extensively on the Eurozone crisis point out why the Eurozone was a flawed idea bound to fail right from the beginning. That the member-states did not constitute an 'optimum-currency area' has been cited as a significant reason why Eurozone project was hasty and fallacious. Others argue that economic considerations were completely ignored in terms of whether or not an individual member-state was 'prepared' to be part of a monetary union. They contend that political motivations trumped economic considerations. Germany under Kohl wanted to lead a united Europe and France wanted to balance German power. Up until then, all European countries had pegged their individual currencies to the Deustche Mark and France saw the creation of the monetary union with a single, new currency for the entire area as a way to restrain German power, as a way of breaking away from following German monetary policies. The 'Maastricht Convergence Criteria' which specified public debt and budgetary deficit levels for member-states were ignored. Greece and Italy did not satisfy any of the criteria.

It is important that we understand how insidious these processes are and have been, more or less from the beginning. The very creation of the European Monetary Union was a neoliberal project in itself. The extreme independence given to a single monetary authority, the European Central Bank, which would formulate a single monetary policy, and a single currency was a significant erosion of state sovereignty. The autonomy given to ECB was unprecedented. No individual member-state could question ECB's decisions or policies. Its mandate could be altered only by a treaty-change. This is neoliberalism. This idea of extreme insulation from 'political actors' in order to ensure markets, the European single market in this case, functioned 'efficiently' is neoliberal thinking of Milton Friedman and others.

Is that it? Unfortunately no. Not only did monetarist, neoliberal thinking influence the very institutional design and policy-making structure of European Monetary Union, but it caused a greater havoc in the aftermath of the Eurozone crisis. Neoliberal pundits placed blame on the PIIGS (Portugal, Italy, Ireland, Greece, and Spain) countries for the crisis. They argued that it was the lack of fiscal discipline and unsustainable public debt that caused the crisis. This had a profound influence on the EU population. There were protests in Germany which echoed these sentiments. In reality, the reason for the crisis, with the exception of Greece, was accumulation of *private* debt, not government debt. Furthermore, the appropriate policy-response on the part of the affected states was not possible since the EMU creation had taken away all monetary authority from them and placed it in a bank seated at Frankfurt.

Having contributed to the crisis and then unjustly placing the blame on individual member-states, the neoliberal ideology then advocated austerity measures to get out of the crisis. Austerity measures have not once worked. Blyth (2013) demonstrates that with multiple examples from history. However, the fact that they were propounded by economists, accepted by the dominant powers of EU, and forced upon the affected southern countries attests the influence of neoliberal thinking on policymakers. We have seen budget cuts in all key areas such as healthcare, social security, education and so on. Monbiot's (2016) article is important because he argues that it is precisely because the Left has failed to come up with a feasible alternative in the past ninety or so years that neoliberalism has 'triumphed', so to speak. Keynesianism had its flaws and its failures showed in the crises of late '60s and '70s. This is what provided the context for the resurgence of neoliberalism in the first place.

Relevance of Neoliberalism: Is there no alternative?

Why is neoliberalism relevant? It is relevant because, like Brown (2015) suggests, it marketizes every aspect of human life. The freedom it offers is one of consumption. It has no place for democratic freedom. In contrast, neoliberals believe in a strong state (authoritarian or otherwise) and in the insulation of policymaking from popular and political pressures. This essentially implies that the citizens have no space to get their grievances redressed in the legislations decided upon by the policymakers. Power relations are nowhere in the analysis. The long-standing belief in the 'free market' is a myth. A perfectly competitive market simply doesn't exist, nor has it ever existed. Neoliberal diktat of allowing market to allocate resources and services is flawed. Market externalities such as environmental damage are ignored. Market failure is not addressed. They quote Adam Smith's laissez-faire idea as supporting their arguments. However, Smith also said, in the Theory of Moral Sentiments, that the market is supposed to be a support structure that ensures that the minimum necessities and comforts of life are allocated to everyone. If such allocation does not happen, then the state should intervene.

One might even say that neoliberal ideology thrives on crises. It might seem counterintuitive but the crises it contributes to do not diminish its influence. On the contrary, its influence only increases and a more fervent call for 'more reforms' (meaning privatization, rollback of social security and the like) is made. To quote Brenner et al. (2010), "Rather than causing market-oriented regulatory projects to be abandoned, endemic policy failure has tended to spur further rounds of reform within broadly neoliberalized political and institutional parameters. Neoliberal strategies frequently postpone or displace crisis pressures, instilling an insatiable need for 'next stage' reforms."

No neoliberal economist has ever said, "This is it. There are no more reforms to be done." The end point is never reached, for it doesn't exist. It's just multiple iterations of neoliberalizing reforms that postpone the impending crisis/crises. 'Neoliberalization has never represented a stable institutional 'fix'. The very elusiveness of the fix and the perpetuation of systemic regulatory failure ensnare the regulatory system in a messily persistent form of disequilibrium' (Brenner et al 2010).

It is important and relevant for us because the belief in 'free market' has to go in order for people to realize the need for the state in economic life. It is important that people, especially those at the helm of decision-making, do not think of critiques of neoliberalism as coming from a bunch of progress-hating communists. It is important that they realize that the international institutions such as IMF, World Bank and WTO are *not* ideologically *neutral*.

Is Neoliberalization a single phenomenon?

Brenner et al (2010) highlight the strengths and weaknesses of different approach to understanding processes of neoliberalization. They argue that the shortcoming of the Varieties of Capitalism approach is that 'it offers little analytical insight into the evolutionary trajectories of neoliberalizing reforms because it conceives neoliberalizing processes in ideal-typical terms'. The 'new constitutionalist' model inspired by historical-materialist approaches are critiqued for imposing a unidirectional logic in a top-down fashion, thereby 'ignoring the possibility of differential strategies of national and local territorial adaptation to this globalizing disciplinary regime' (ibid). Governmentality approaches, on the other hand, run the risk of taking it to the other extreme by 'neglecting the macro-spatial context… if not a celebration of context-specific uniqueness' (ibid). A search for commonalities should not be construed as an argument for uniformity across contexts.

Conclusion

The key proponents of neoliberalism include governments, economists, international institutions, and non-state actors such as transnational corporations. Several eminent research institutes and think-tanks are also complicit in the spread of neoliberal policies across the globe. This does not, however, mean that neoliberalization processes have occurred uniformly and to the same extent in different contexts, as Brenner et al (2010) point out.

Neoliberalism is particularly relevant today because structural problems such as poverty are individualized by the proponents of this ideology. The burden of addressing problems like poverty and hunger shift from the state to the individual, for it is a self-help system. The market ensures that everyone gets what he/she 'deserves'. 'Inequality is recast as virtuous. Not having a job or being poor is individualized. It's the individual's fault, not a structural problem' (Monbiot 2016). This has been termed 'responsibilization' in governmentality literature whereby an individual becomes responsible for things that which previously would have been the obligation of the state or other institutions.

However, it would be an error to think neoliberalism has to do only with economics. It is an ideological orientation that impinges market-oriented values and ways of thinking into non-economic realms of human life. It is a mode of governing rationality, like Wendy Brown suggests (Brown 2015). 'The political crisis is even more significant than the economic crises neoliberal policies cause. As the state contracts, our ability to influence decisions which impact the course of our lives also contracts. Disempowerment leads to disenfranchisement' (Monbiot 2016). Furthermore, neoliberalism recasts human beings as 'human capital' i.e. financializes them whose overriding objective is to maximize their value in every area of life. Performing arts are a good example. The calibre of the artiste becomes secondary. The crowd-pulling capacity meaning revenue-generating ability of the artiste takes priority. This is what Wendy Brown (2015) suggests neoliberalism does.

The 'triumph' of neoliberalism, so to speak, has occurred notwithstanding the vehement protests and criticisms because its opponents have failed to come up with a viable alternative economic strategy. Also, the 'neoliberal policies' are hardly ever labelled so by the governments or economists. They are usually formulated and implemented in the name of 'fiscal discipline', 'austerity measures', 'creating space for private investments' and so on. Neoliberalism has triumphed in a sense because despite being the cause of financial crises (the 1997 Asian financial crisis, the dot com crisis, the 2008 crisis, Eurozone crisis, crises in Latin America), the simplicity of its core axiomatic principles continue to be attractive and seem to appeal to policymakers and economists alike. Apart from the simplicity of its ideas, another important reason behind its persistence seems to stem from its namelessness, lack of identification in popular discourses, like Monbiot (2016) argues. It reminds me of what Kevin Spacey's character says in *The Usual Suspects*: 'The greatest trick the Devil ever pulled was to convince the world that he didn't exist.'

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