Neoliberalism redux? Managing the contradictions of neoliberalism in crisis

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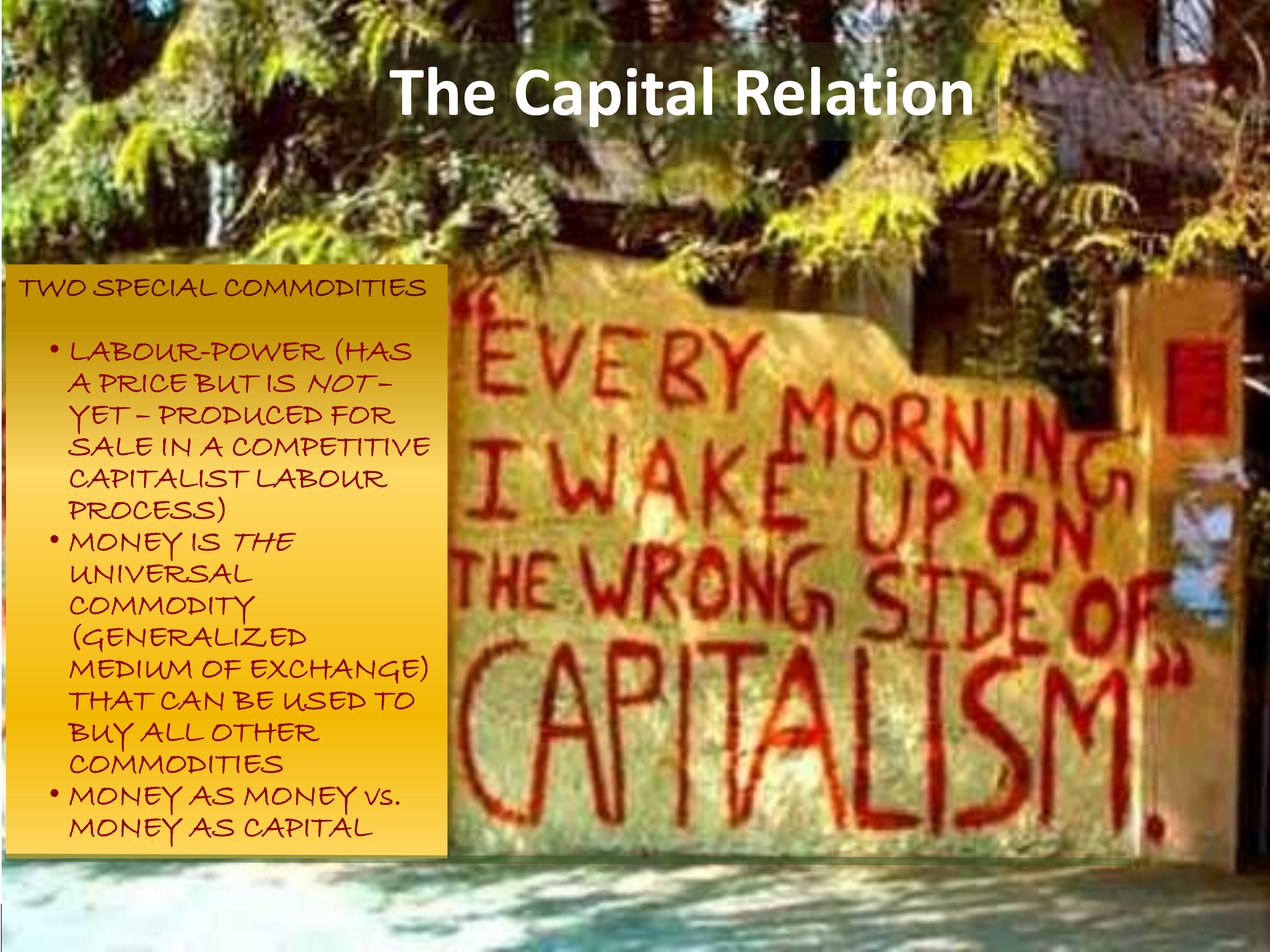
Outline

- The capital relation
- Contradictions of the capital relation
- Variegated capitalism in the shadow of neoliberalism
- Why neoliberalism matters
- The North Atlantic Financial Crisis
- The Eurozone Crisis
- Neoliberalism Redux
- Conclusions

The Capital Relation



TWO SPECIAL COMMODITIES

- LABOUR-POWER (HAS A PRICE BUT IS *NOT*–YET – PRODUCED FOR SALE IN A COMPETITIVE CAPITALIST LABOUR PROCESS)
- MONEY IS *THE* UNIVERSAL COMMODITY (GENERALIZED MEDIUM OF EXCHANGE) THAT CAN BE USED TO BUY ALL OTHER COMMODITIES
- MONEY AS MONEY VS. MONEY AS CAPITAL

Some Foundational Contradictions

Basic Form	Value Aspect	Material Aspect
Commodity	Exchange-value	Use-value
Labour-power	a) abstract labour as substitutable factor of production b) sole source of surplus value	a) generic and concrete skills, different forms of knowledge b) source of craft pride
Wage	a) monetary cost of production b) means of securing supply of useful labour for given time	a) source of effective demand b) means to satisfy wants in a cash-based society
Money	a) interest bearing capital, private credit b) international currency c) ultimate expression of capital in general	a) measure of value, store of value, means of exchange b) national money, legal tender c) general form of power in the wider society
Derivatives	Pure value in motion Arbitrage	Hedging

Some Foundational Contradictions - II

	Value Aspect	Material Aspect
Productive Capital	a) Abstract value in motion as necessary moment in the self-expansion of capital b) source of profits of enterprise	a) stock of specific assets to be valorized in specific time and place under specific conditions b) concrete entrepreneurial and managerial skills
Land	a) Transformed natural resources b) Alienated and alienable property, source of rents	a) Freely available and uncultivated resources b) 'Free gift of nature' that is [currently] unalienable
Knowledge	a) Intellectual Property b) Monetized Risk	a) Intellectual Commons b) Uncertainty
State	Ideal Collective Capitalist	Factor of Social Cohesion
State Bond	Interest-bearing (fictitious) capital	Means of reproducing state and its activities

The Significance of Contradictions

- Contradictions of capital relation are incompressible but their weight varies with stages and 'varieties' of capitalism
- Contradictions → dilemmas (e.g., does State treat wages, including social wage, mainly as source of demand – Keynesian welfare; as cost of [international] production – neoliberal retrenchment; or both – as in flexicurity?)
- Handling of these contradictions shapes later crises (e.g., Keynesian welfare state is weakened as wage *qua* cost, money *qua* currency, get more significant, limiting crisis-management capacities, damaging social compromise)
- Next spatio-temporal fix(es) depend on path-shaping initiatives and new challenges to accumulation

Productivist vs Liberal Strategies

- Productivist vs liberal proto-concepts are ideal-typical depictions of ’spontaneous’ or self-evident interests of a fraction of capital and how to secure them.
- *Productivist concept* oriented to material nature of production and use-values and reflects interests of industrial capital, which more often needs to valorize a given set of specific assets in a particular space and time.
- *Liberal concept* prioritizes maximum mobility of money as capital in world market; oriented to exchange-value.
- Comprehensive concepts synthesize proto-concepts for specific periods and conjunctures in (world) market

Wage-Led vs Finance-Dominated Growth

Wage-led growth privileges

- wage as source of demand
- labour-power as concrete skills
- productive capital as stock of assets
- money as medium of exchange
- money as national (or state) money

Finance-domination privileges

- wage as cost of production
- labour-power as abstract labour
- productive capital as abstract value in motion
- money as interest-bearing capital
- money as international currency

Fordist class compromise

To make the **poor** work harder you

link pay to productivity

To make the **rich** work harder you

link industry and unions

Neoliberalism

To make the **rich**

work harder you

pay them more

To make the **poor**

work harder you

pay them less

Kinds of Neo-Liberalism

- **Neo-liberal system transformation**
  - Shock therapy in post-socialist, market economies (ground zero)
- **Neo-liberal regime shift**
  - Principled roll-back of post-war settlements, roll-out of neo-liberalism
- **Neo-liberal structural adjustment programmes**
  - Imposed on “crisis-ridden” economies by external powers & forces
- **Neo-liberal policy adjustments**
  - Pragmatic adaptation of post-war growth modes to new conditions

Neoliberal Highpoint and After

- 1980s-early 1990s

  All forms co-exist → celebration of neo-liberal hegemony

- Mid-1990s

  System transformation fails, crisis in roll-back phase of regime shifts, structural adjustment fails, neo-liberal policy adjustments are reversible

- Late 1990s-early 2000s

  Neo-liberal bubbles begin to burst, 'rescued' by creating conditions for more bubbles

  Crisis of world market shaped by neo-liberalism

Sequential but Overlapping Phases in Neoliberal Regime Shifts

1. Roll-back: end ‘normal’ and ‘exceptional’ forms of state intervention linked to welfare and/or developmental states
2. Roll-out: ‘exceptional’ measures to establish ‘normal’ forms of neo-liberal rule nationally, supranationally, internationally
3. Crisis-managed phase: ‘exceptional’ steps to save neo-liberal project with flanking and supporting measures to keep neo-liberal project moving forward plus a strong ‘security state’
4. ‘Blow-back’: emergence of distinctive crises of neo-liberal finance-dominated accumulation
5. Crisis of neo-liberal crisis management leading to search for new accumulation regime, mode of regulation, and state?

States and Neoliberalization - I

- In the genesis of neoliberalism, private organizations prepared an intellectual war of position that pre-positioned neo-liberal ideas to exploit economic and political crisis of the late 1960s and 1970s and to make neo-liberal solutions appear to be ‘common sense’
- In neoliberal system transformation, national states were backed by leading imperial states (USA and EU) plus Bretton Woods agencies (notably IMF, World Bank, and WTO) to undertake ‘shock therapy’
- Linked to kleptocratic practices and unusual deals with political authority that broke all neoliberal principles.

States and Neoliberalization - II

- Something similar occurred in case of neo-liberalism imposed through structural adjustment policies.
- Public authority, usually elected but sometimes dictatorial, played a crucial role in neo-liberal regime shifts by *rolling back* post-war settlements in different types of economic and political regime
- In pragmatic neoliberal policy adjustments, states had key role but this reflected normal play of politics and policy-making. But there was a ratchet-like effect as pragmatic policies cumulated over time.

States and Neoliberalization - III

- Public authority also played crucial roles, with financial and industrial capital in exploiting roll-back of earlier institutionalized compromises.
- Capital exploited these opportunities on an increasingly global scale thanks to the push to roll out neoliberalism through economic, political and ideological pressures.
- Unusual deals with political authority facilitated by campaign finance, lobbying, and revolving doors promoted the ‘deregulation, desupervision and de facto decriminalization’ (Black 2012) of finance

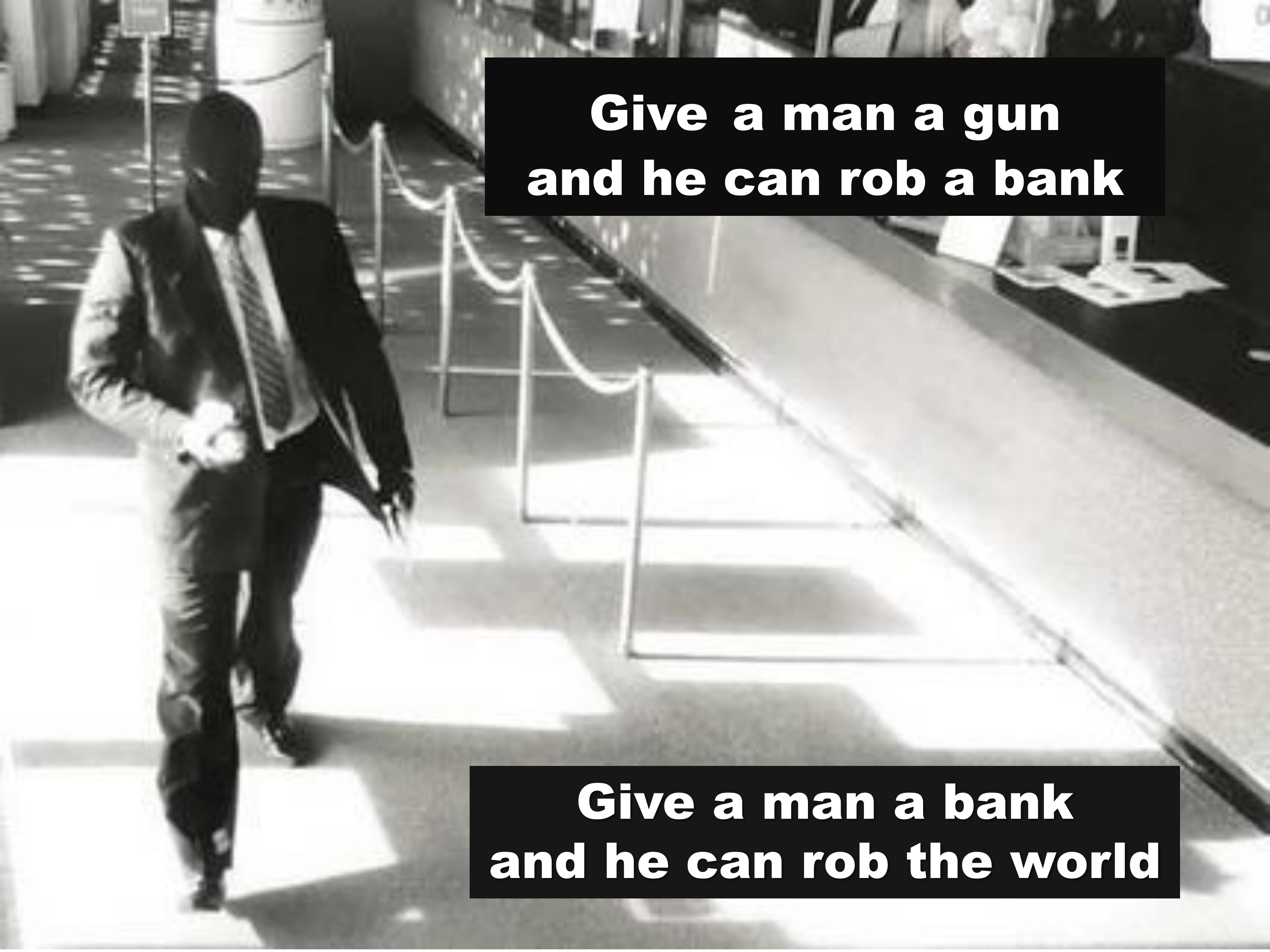
Why Neo-Liberalism Matters - I

- Neo-liberalism privileges exchange-value moment of capital's inherent contradictions and associated fractions of capital, their overall strategies and specific policies
- Regardless of type, neo-liberalism generalizes and intensifies contradictions on a world scale - world crises become possible
- Logic of capital colonizes other systems and lifeworld through profit-oriented, market-mediated capital accumulation
- It also destabilizes 'spatio-temporal fixes' that once served to manage contradictions and dilemmas (especially those tied to state intervention), weakens state or collective capacities to compensate for this one-sidedness

Why Neo-Liberalism Matters - II

- Neo-liberalism creates zones of insecurity-instability as well as zones of prosperity and stability
- Neo-liberalism defers basic problems into future
- Eventually neo-liberalism needs flanking and supporting mechanisms to limit its dysfunctions and contain backlash as well as resistance (‘Third Way’, roll-out neo-liberalism, ‘double movement’, etc.)
- This does not mean that superfast, hypermobile money capital can escape its eventual dependence on production

Finance-Dominated Accumulation


Give a man a gun
and he can rob a bank
Give a man a bank
and he can rob the world

Descriptive Aspects of Financialization

- Proliferation and expansion of financial markets
- Deregulation of financial system and broader economy
- New financial instruments and institutions
- Dominance of finance over profit-producing capital, affecting investment and production
- Market forces, complemented or reinforced by policies, underpin rising inequalities in income and wealth
- Consumption tends to be sustained by extending credit
- Finance colonizes economic and social reproduction
- Special culture: accounting, managerialism, debt culture

Analytical Aspects of Financialization

- The basic principle is the transformation of future streams of (profit, dividend, or interest) income into a tradable asset like a stock or a bond.
- Financialization is a ‘pattern of accumulation in which profit making occurs increasingly through financial channels rather than through trade and commodity production’ (Krippner 2002)
- Reflects systemic power and importance of financial markets, financial motives, financial institutions, and financial elites in operation of economy and its governing institutions, nationally and internationally (Epstein 2001).

Varudana 2009

Finance-Dominated Accumulation *en Régulation*?

Basic Form	Primary Aspect	Secondary Aspect	Institutional Fixes	Spatio-temporal fixes
Money/ Capital	Fast, hyper-mobile money as general form (+ derivatives) as general form	Valorization of capital as fixed asset in global division of labour	De-regulation of financial markets, state targets price stability, not jobs	Disembed flows from national or regional state controls; grab future values
(Social) wage	Private wage plus household credit (promote private Keynesianism)	Cut back on residual social wage as (global) cost of production	Numerical + time flexibility; new credit forms for households	War for talents + race to bottom for most workers and 'squeezed middle'
State	Neo-liberal policies with Ordo-liberal constitution	Flanking plus soft + hard disciplinary measures to secure neo-liberalism	Free market plus authoritarian "strong state"	Intensifies uneven development at many sites + scales as market outcome
Global Regime	Create open space of flows for all forms of capital	Dampen uneven growth, adapt to rising economies	Washington Consensus regimes	Core-periphery tied to US power, its allies and relays

Finance and Liberties - I

... banking institutions are more dangerous to our liberties than standing armies. If the American people ever allow private banks to control the issue of their currency, first by inflation, then by deflation, the banks and corporations that will grow up around the banks will deprive the people of all property until they lose everything (Jefferson 1802)

Finance and Liberties - II

- ‘We must make our choice. We can have democracy in this country or we can have great wealth concentrated in the hands of a few, but we can’t have both’ (aphorism, attributed to Hon. Justice Louis D. Brandeis, n.d.)
- See also: L.D. Brandeis, *Other People’s Money and How Bankers Use it* (1914)

…. **IS GENERIC AND PARTICULAR CRISIS-TENDENCIES**

Crises, what Crisis?

- Crises as ‘accidental’ products of natural or ‘external’ forces rather than antagonistic internal relations (e.g., invasion, tsunami, crop failure, SARS)
- Crises as ‘structurally-determined’: inherent crisis potentials and tendencies of specific social forms with corresponding patterns of crisis-management (e.g., capitalism, democracy)
- Crises ‘in’ are normal and *may* be resolved through established crisis-management routines and/or through innovations that largely restore previous patterns
- Crises ‘of’ are less common and involve a crisis of crisis-management, indicating inability to ‘go on in the old way’ and demanding more radical innovation.

Interpreting Crisis, Governing Crisis

- Getting consensus on interpretation about which of many crises matters is to have framed the problem
- To successfully blame one set of factors and/or actors distracts blame from oneself and sets stage for various efforts to resolve crisis
- This consensus must be translated into coherent, coordinated policy approach and solutions that match objective dimensions of the crisis
- Effective policies need to be consolidated as basis of new forms of meta-governance and institutionalized compromise

The North Atlantic Financial Crisis

Finance-Dominated Accumulation in Crisis

Basic Form	Primary Aspect	Secondary Aspect	Institutional Fixes	Spatio-temporal fixes
Money / Capital	Rising antagonism between "Wall Street" and "Main Street" (etc.)	Epic recession based on debt-default-deflation dynamics (D4)	De-regulation → crisis of TBTF predatory finance + contagion effects	Protectionism in core economies, growing resistance to free trade from periphery
(Social) wage	Credit crunch puts private Keynesianism into reverse	Austerity reinforces D4, leads to double dip recessions	Growing reserve army of surplus, precarious labour	Global crisis and internal devaluation → reproduction crisis
State	Political capitalism undermines Ordo-liberalism	Austerity policies meet resistance, harsher discipline	Crises in political markets reinforce "post-democracy"	Cannot halt uneven development at many sites + scales
Global Regime	Unregulated space of flows intensifies "triple crisis"	Multilateral, multi-scalar imbalances and race to bottom	Crisis + rejection of (post-)Washington Consensus	Crisis of US hegemony, BRICS enter crisis and global disarray

Putting the NAFC in its place - I

- Whether via endogenous causes, specific vulnerabilities, or contagion, a crisis made in the USA has spread globally
- It is nonetheless concentrated in some economies, where it is taking a distinctive form (to be explored below)
    - liberal market economies with neo-liberal regime shifts (e.g., US, UK),
    - other varieties of capitalism that had de-regulated finance (e.g., Iceland, Ireland, Cyprus),
    - post-socialist states that embraced neo-liberalism and also de-regulated finance excessively (e.g., Baltic republics)
- It has spread via contagion through world market – but via distinct, not generic, economic and political mechanisms

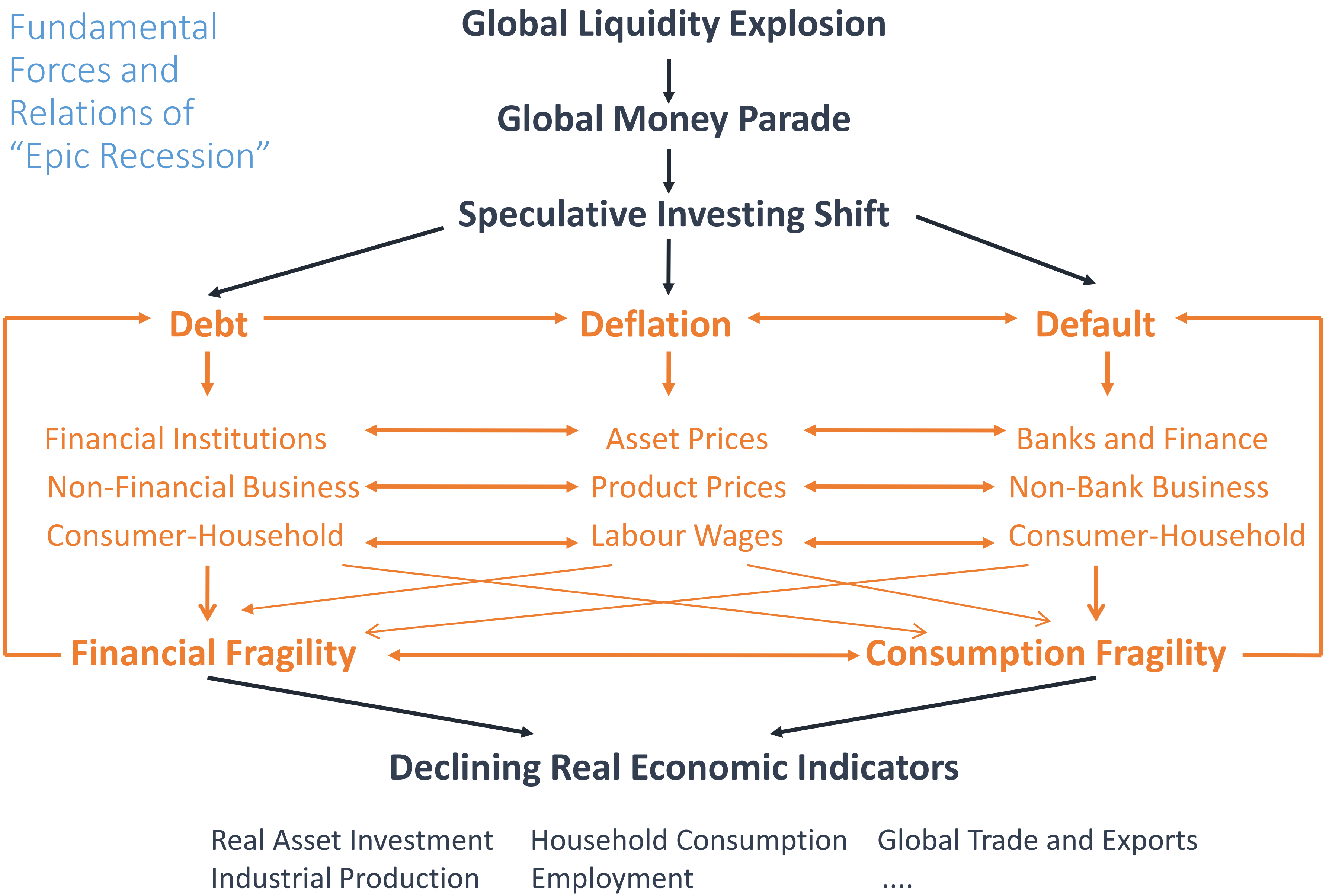
Putting the NAFC in its place - II

- Five sets of crises are crucial contextually (in order of importance)
  - Global environmental crisis (plus energy, food, water)
  - Crisis of US hegemony within post-1975 global order
  - Crisis of neo-liberalism as economic and state project
  - Crisis of finance-dominated growth regimes
  - Crisis in particular strategic sectors (e.g., automobiles)
- These are superimposed on more local (regional, national, sub-national regional, local crises) and other types of crisis (fiscal, rationality, crisis in crisis-management, legitimacy, organic, etc.)
- A key question for crisis theories and crisis responses is their adequacy to ‘objective’ nature of the GFC *in its wider context*

Immediate Origins of the Crisis

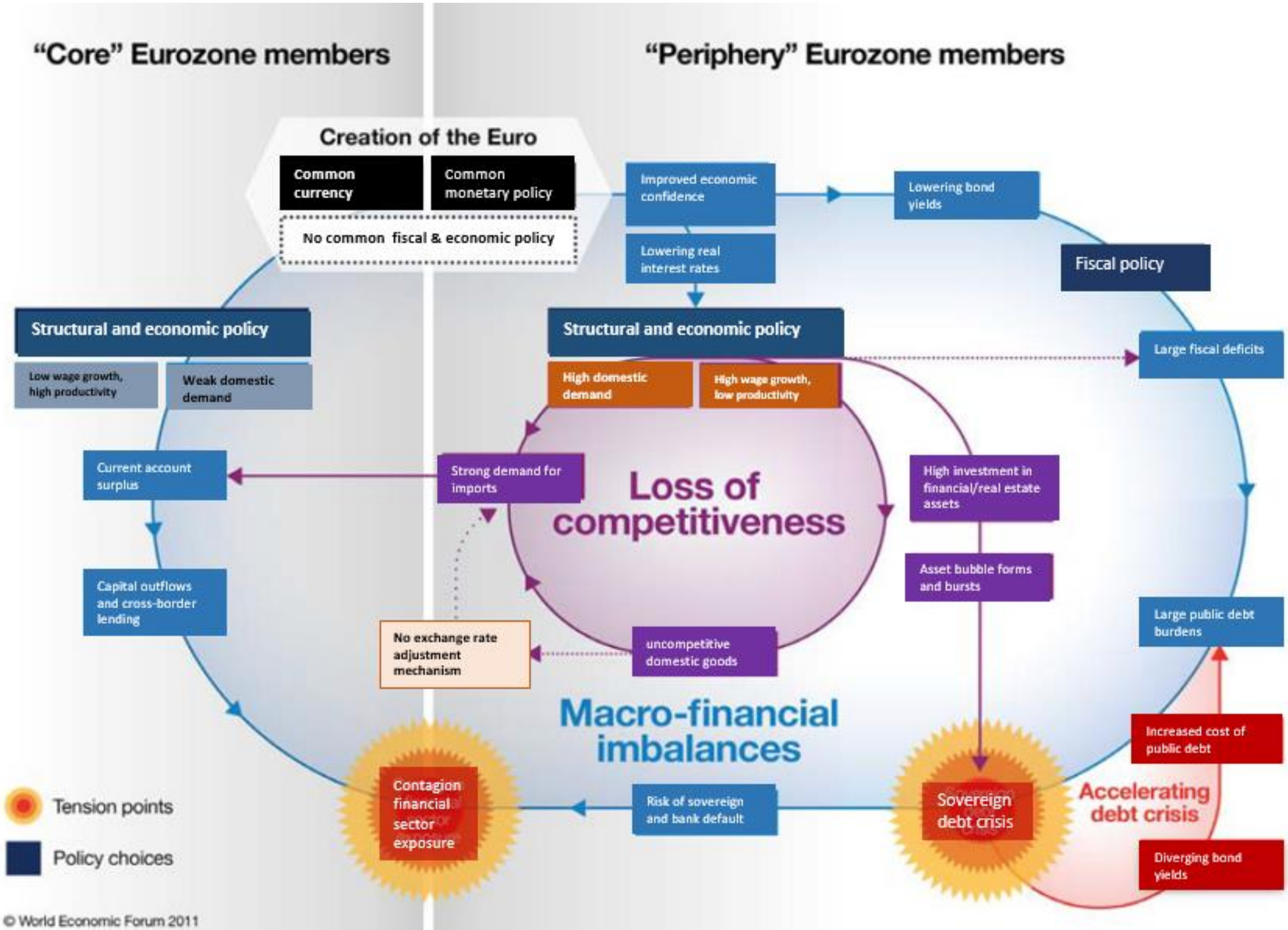
- NAFC arose from "capitalist speculation and finance", not from "free trade in markets and capitalist production"
- Its was enabled by "unusual deals with political authority" (de-regulation of finance, rising income and wealth inequalities, etc) and "predatory political profits" (due to roll-out of neo-liberal regimes, "disaster capitalism")
- Specific form due to *hyper-financialization* of advanced neo-liberal economies, especially de-regulated, opaque and sometimes fraudulent financial institutions
- NAFC has triggered crisis *in* neo-liberal, finance-dominated accumulation regimes in a world market that has been re-organized in the shadow of neo-liberalism

Fundamental Forces and Relations of "Epic Recession"



Derived from Rasmus , 2010: 16

The View from Davos



Mediatization

- Lived experience of crisis is necessarily partial, limited to particular social segments of time-space
- Sense of overall dynamics of crisis is heavily mediatized, i.e., depends on specific forms of visualization and media representations
- Different actors have different access to representations and narratives of crisis: mass media often present very different crisis accounts from specialized, insider media
- Crisis responses and learning reflect articulation of personal narratives, organizational narratives, media representations, and meta-narratives ....

Temporal Sovereignty

- Temporal sovereignty = capacity of state to make decisions according to its own criteria and temporal rhythms.
- Abandon attempts to control short-term economic calculation, activities, and movements even as states still seek to control medium- to long-term economic decisions and movements.
- Compress decision-making cycles to enable more timely and apt state interventions,
  - shortening of policy development cycles, fast-track decision-making, rapid programme rollout, institutional and policy experimentation, relentless revision of guidelines and benchmarks, and retreat from fixed legal standards towards more flexible, discretionary, reflexive laws.
- Create relative political time by slowing circuits of ‘fast capitalism’
  - E.g., Tobin tax to decelerate flow of superfast, hypermobile financial capital and limit its distorting impact on the real economy

Power matters too!

‘Errors have been made. Others will be blamed’

***CHUMS*, an Edwardian paper for English boys, published 1906**

- Power is the ability *not* to have to learn from one’s mistakes (Deutsch 1963: 111).
- Elites may try to impose costs of their mistakes onto others
- Entrenched blocs, durable alliances, and/or temporary coalitions of the powerful may seek to allocate costs of crisis management/ adjustment and also shape learning processes

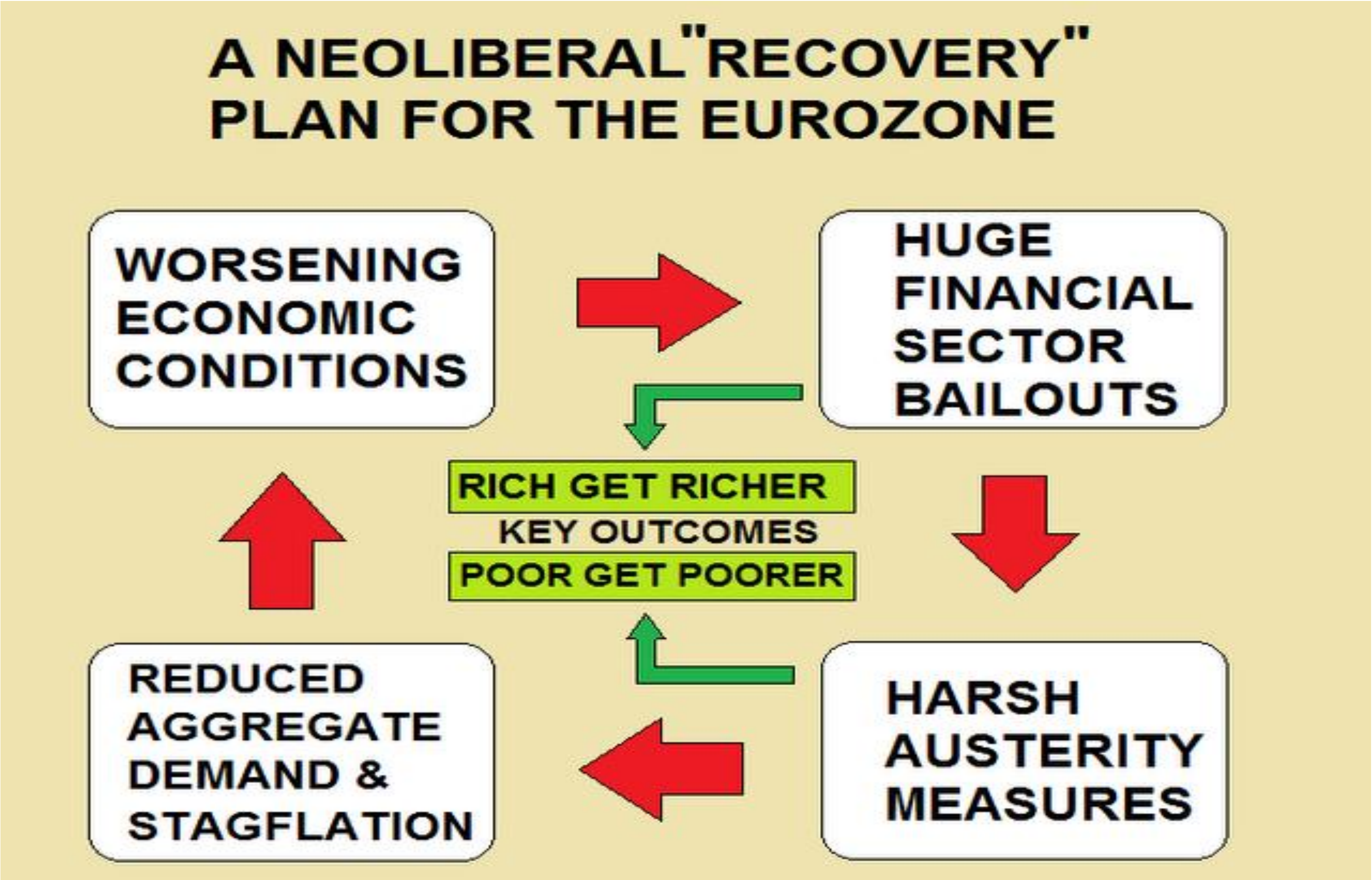
Policy, politics, …

- Conjunctural austerity policies
  - introduced initially as temporary measures in response to short-term or immediate problems. As conjuncture improves, these policies are suspended or reversed.
- Neoliberal politics of austerity
  - *enduring politics of austerity* (‘permanent austerity’) is promoted in reply to a ‘chronic’ crisis, real or fictitious, in fisco-financial domain and/or in wider economy
  - Intended to reorganize the balance of forces in favour of capital rather than to make policy adjustments to safeguard existing economic and political arrangements

… and the Austerity Polity

- Results from a continuing fundamental institutional reorganization of relations between economic and political in capitalist formations
- May be a possibly unintended cumulative result of enduring politics of austerity, especially where this aggravates the underlying causes of fisco-financial crisis
- May result from deliberate strategy to subordinate the polity more directly and durably to the 'imperatives' of 'globalization' as construed in neoliberal discourse

A Miracle for Whom?



Seymour (2014) on Austerity Polity

- rebalance economy from wage-led to finance-led;
- redistribute income from wage-earners to capital;
- promote ‘precarity’ in all areas of life as disciplinary tool to reinforce the financialization of everyday life;
- recompose social classes, with growing inequality in income and wealth and greater stratification within classes;
- facilitate penetration of the state by corporations;
- accelerate turn from KWNS with shared citizenship rights to a coercive workfare regime and, esp. in US, base in penality;
- promote the values of hierarchy and competitiveness

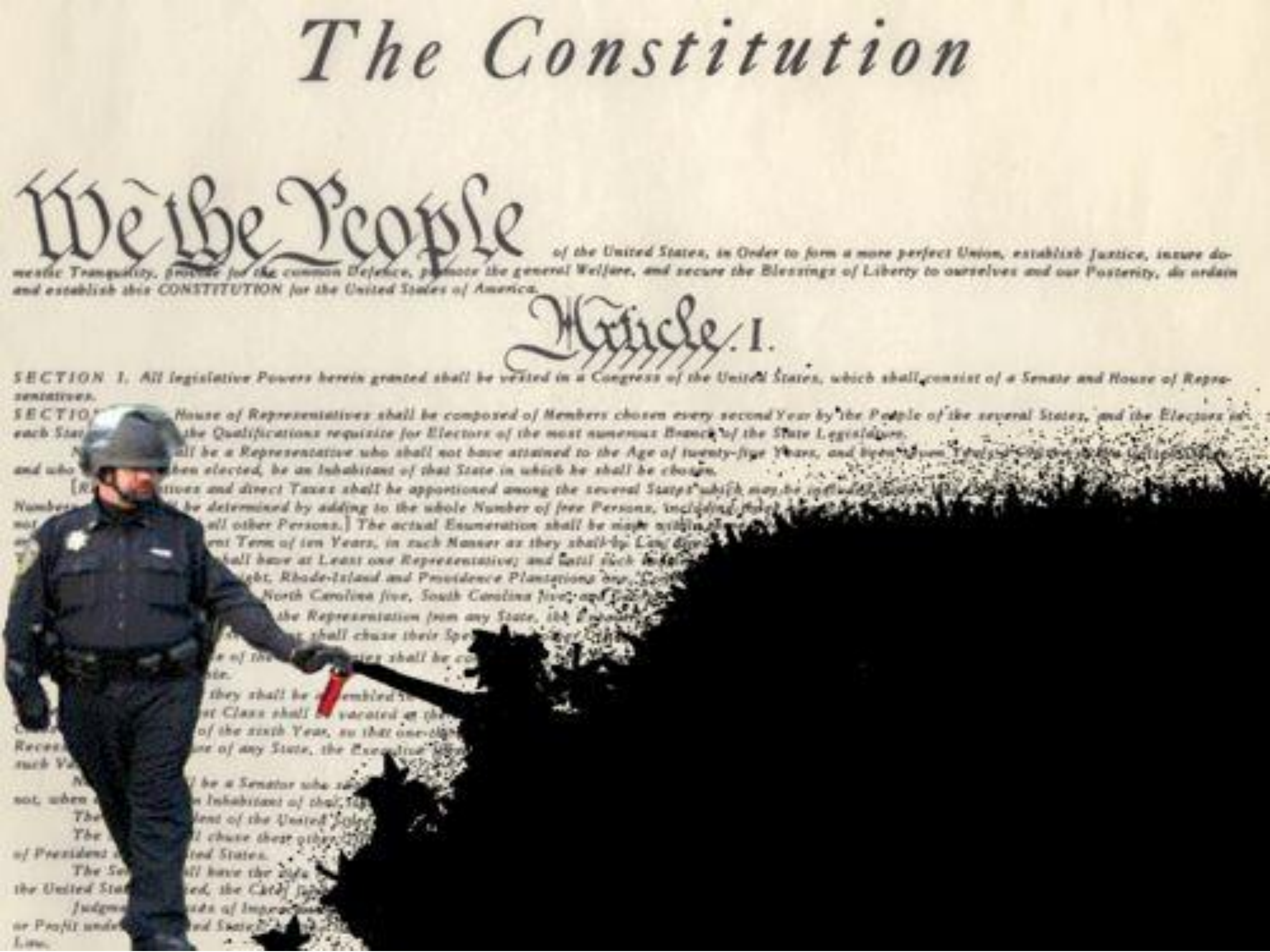

AUSTERITY IS WORKING*
*for the 1%

Economic and Political Crisis - I

- Financial and economic crises have more radical effects when there is a crisis in the state and politics and this provokes challenges to state as well as economic forms
- The North Atlantic Financial crisis was not at first linked to a crisis in the state (i.e., governance + government): instead, “market failure” led to “state rescue”
- Roll-out of free markets is connected to strong state at home and new forms of transnational governance inaccessible to popular forces
- Both aspects limit scope for social movements to define the crisis and shape responses

Economic and Political Crisis - II

- State facilitated superficial return to financial "business as usual" (elements of "extend and pretend") but there was uncertain, limited, halting recovery in "real economy"
- State rescue has transformed crisis in private finance into crisis of public finance and sovereign debt: this is being solved through austerity politics (there *are* alternatives)
- Austerity is generating political/state crises at rural and urban, regional, national, EU, and international scales
- There are obvious signs of "crisis in crisis management", *ad hoc* muddling through, and incoherent responses; and this is provoking popular discontent and mobilization


The Constitution
We the People
of the United States, in Order to form a more perfect Union, establish Justice, insure domestic Tranquility, provide for the common Defence, promote the general Welfare, and secure the Blessings of Liberty to ourselves and our Posterity, do ordain and establish this CONSTITUTION for the United States of America.
Article. I.
SECTION 1. All legislative Powers herein granted shall be vested in a Congress of the United States, which shall consist of a Senate and House of Representatives.

Authoritarian Statism - I

Intensified state control over every sphere of socio-economic life combined with radical decline of institutions of political democracy and with draconian and multiform curtailment of so-called ‘formal’ liberties

(SPS 203-4).

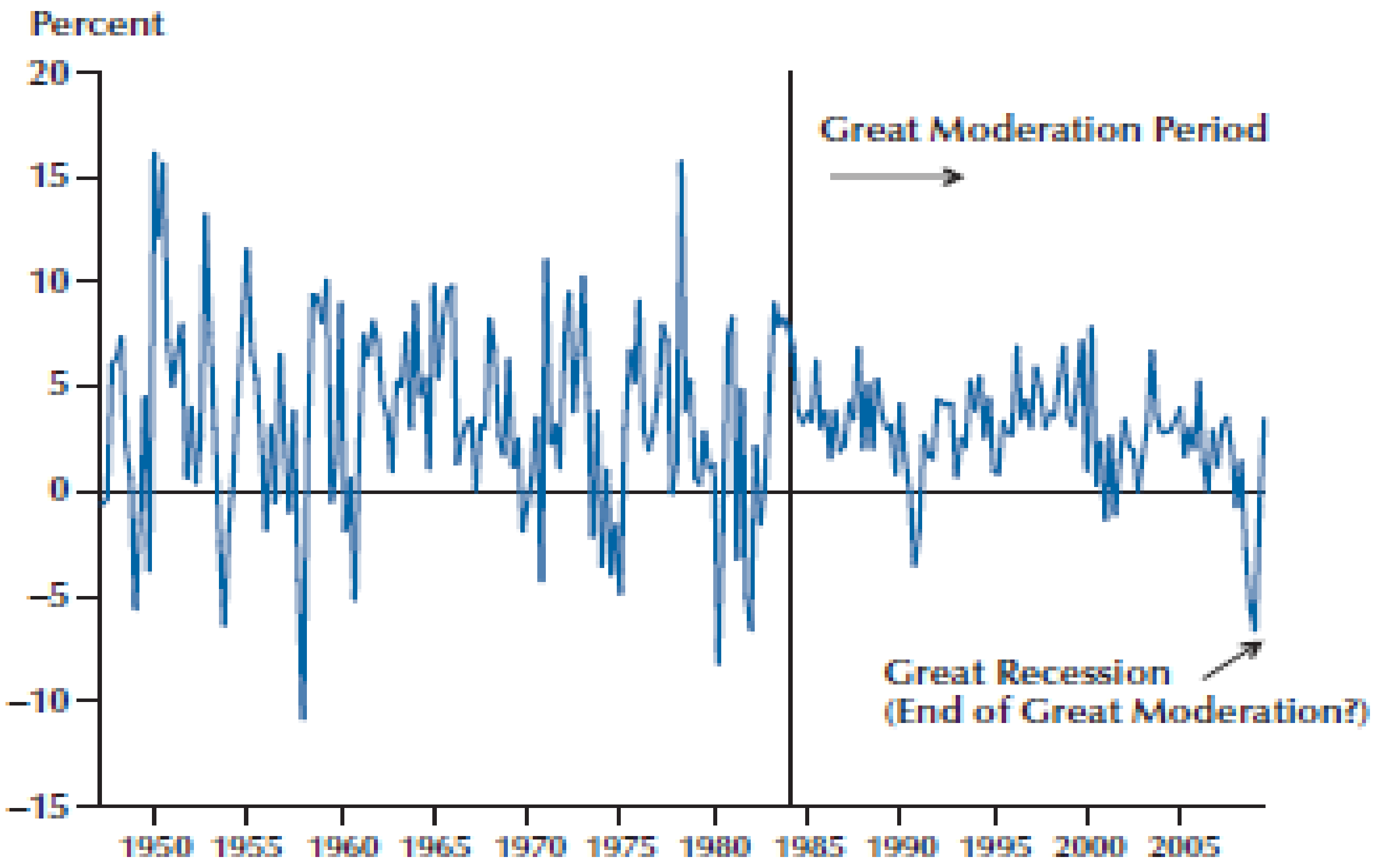
Authoritarian Statism - II

- Transfer of power from legislature to executive and concentration of power within the latter
- Accelerated fusion between three branches of state legislature, executive, judiciary – decline in rule of law
- Functional decline of political parties as leading channels for political dialogue with administration and as major forces in organizing hegemony
- Rise of parallel power networks cross-cutting formal organization of state, with major share in its activities

Conclusions

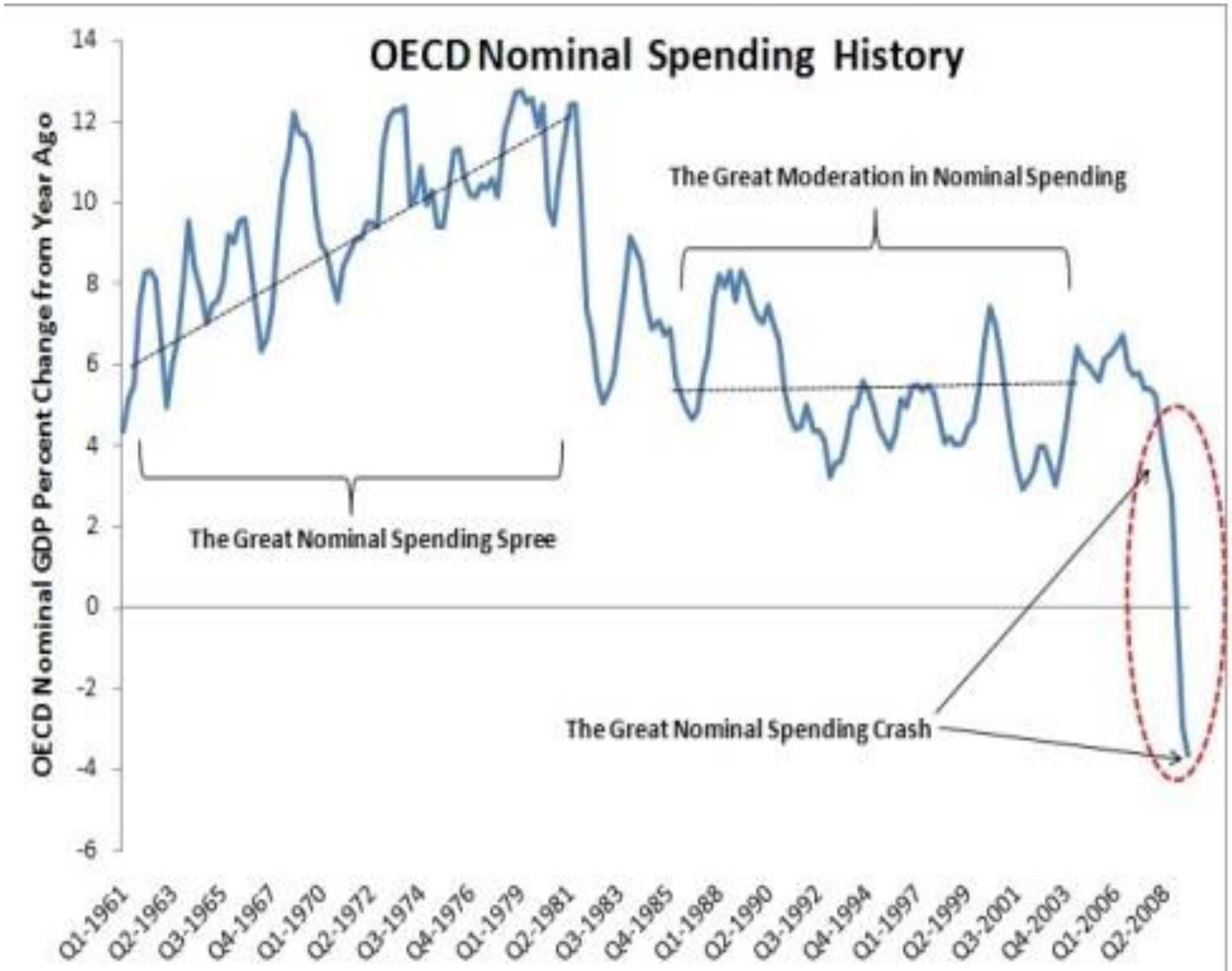
- Crises are objectively overdetermined moments of subjective indeterminacy
- As such they are also moments for learning and/or teachable moments (learning after crisis)
- Crisis-management often involves crisis-displacement and crises of crisis-management pose special problems
- Construals link scientific analyses and correct diagnoses oriented to restoration-transformation-revolution
- Crisis can be coupled to critique: critique of domination as well as critique of ideology are bases for change

From Boom-Bust to Great Moderation



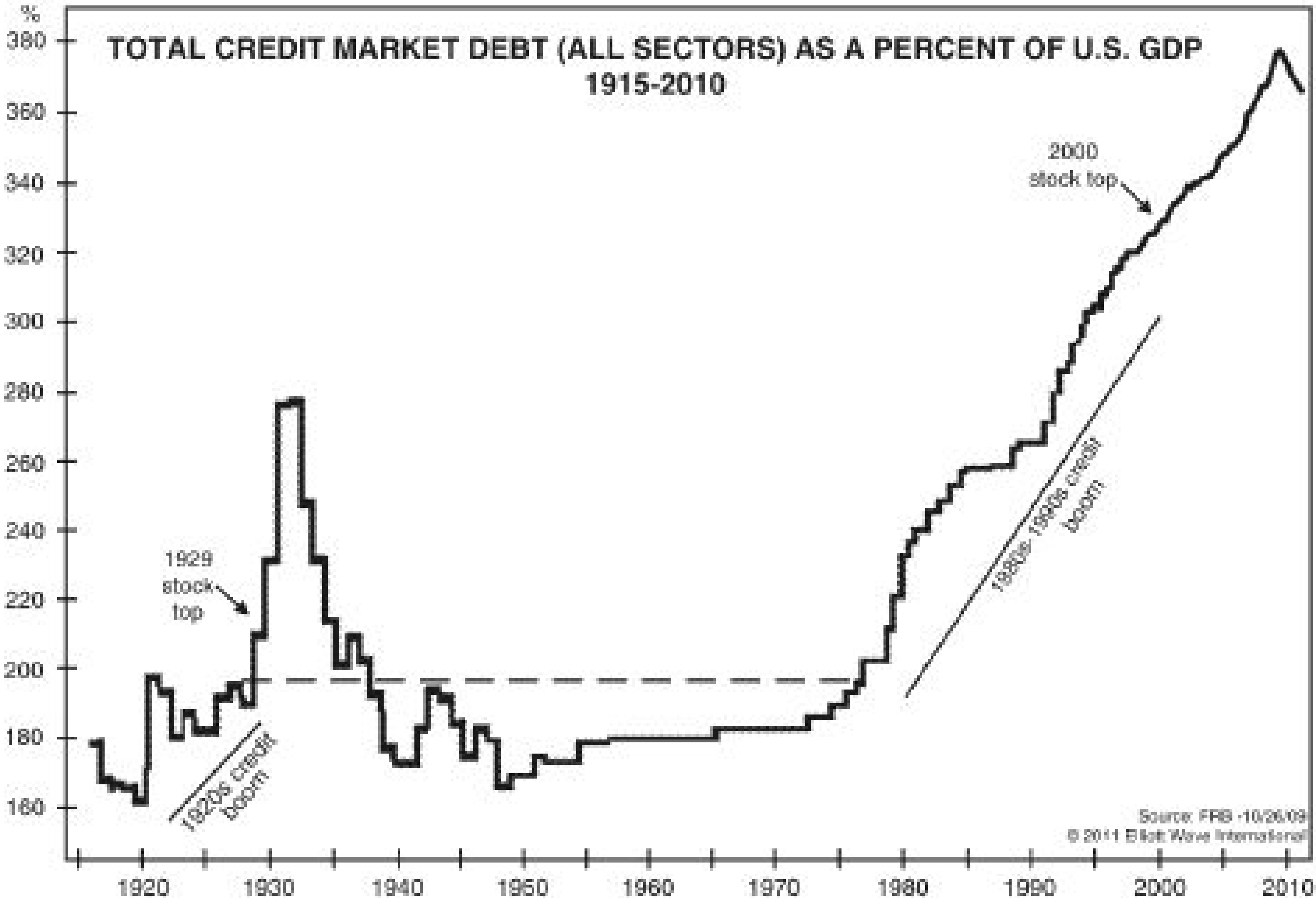
Growth Rate of Real GDP (Figures for USA)

Growth of Public Spending



http://www.europe2020.org/spip.php?article636&lang=en

OECD Nominal Spending History (as a % of previous year's GDP) - Source: MacroMarketMusings / David Beckworth, 11/2009



TOTAL CREDIT MARKET DEBT (ALL SECTORS) AS A PERCENT OF U.S. GDP
1915-2010
%
380
360
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280
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1920
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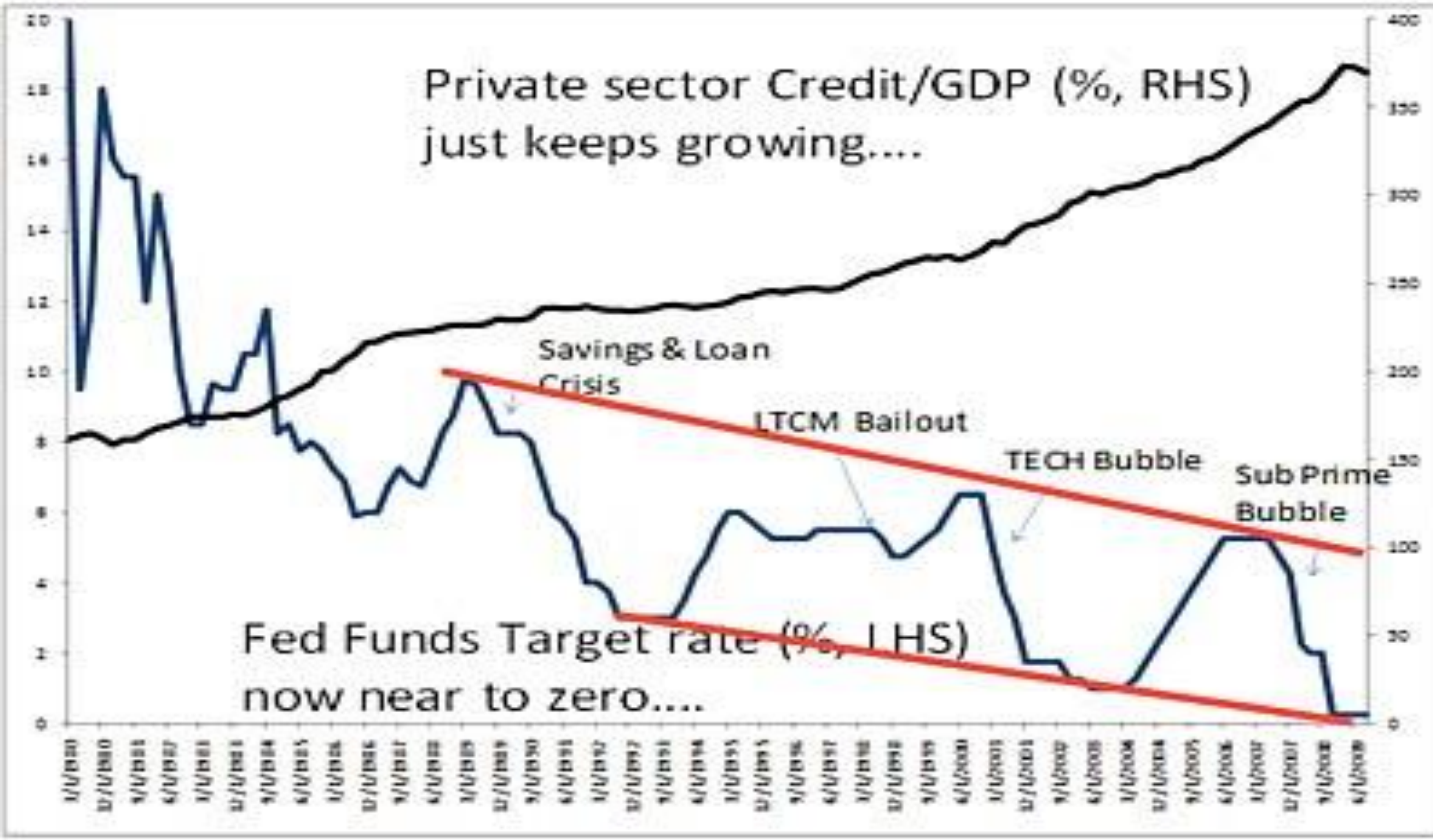
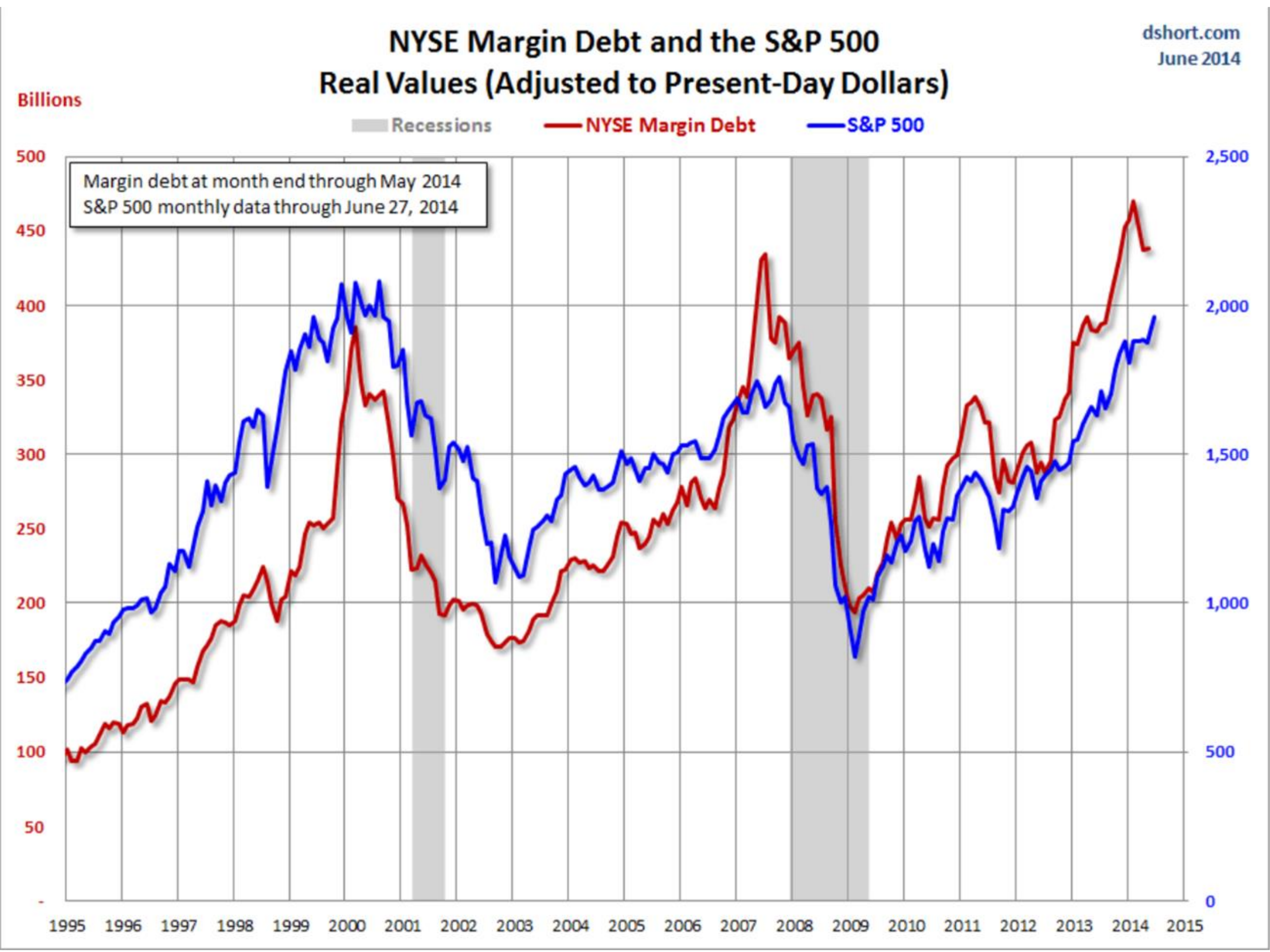
1950
1960
1970
1980
1990
2000
2010
1929 stock top
1920s credit boom
1980s-1990s credit boom
2000 stock top
Source: FRB -10/26/09
© 2011 Elliott Wave International

US Private Sector Credit Expansion



http://market-ticker.denninger.net/archives/2198-Death-Spiral-Intercept.html


NYSE Margin Debt and the S&P 500
Real Values (Adjusted to Present-Day Dollars)
dshort.com
June 2014
Billions
Recessions
NYSE Margin Debt
S&P 500
Margin debt at month end through May 2014
S&P 500 monthly data through June 27, 2014
500
450
400
350
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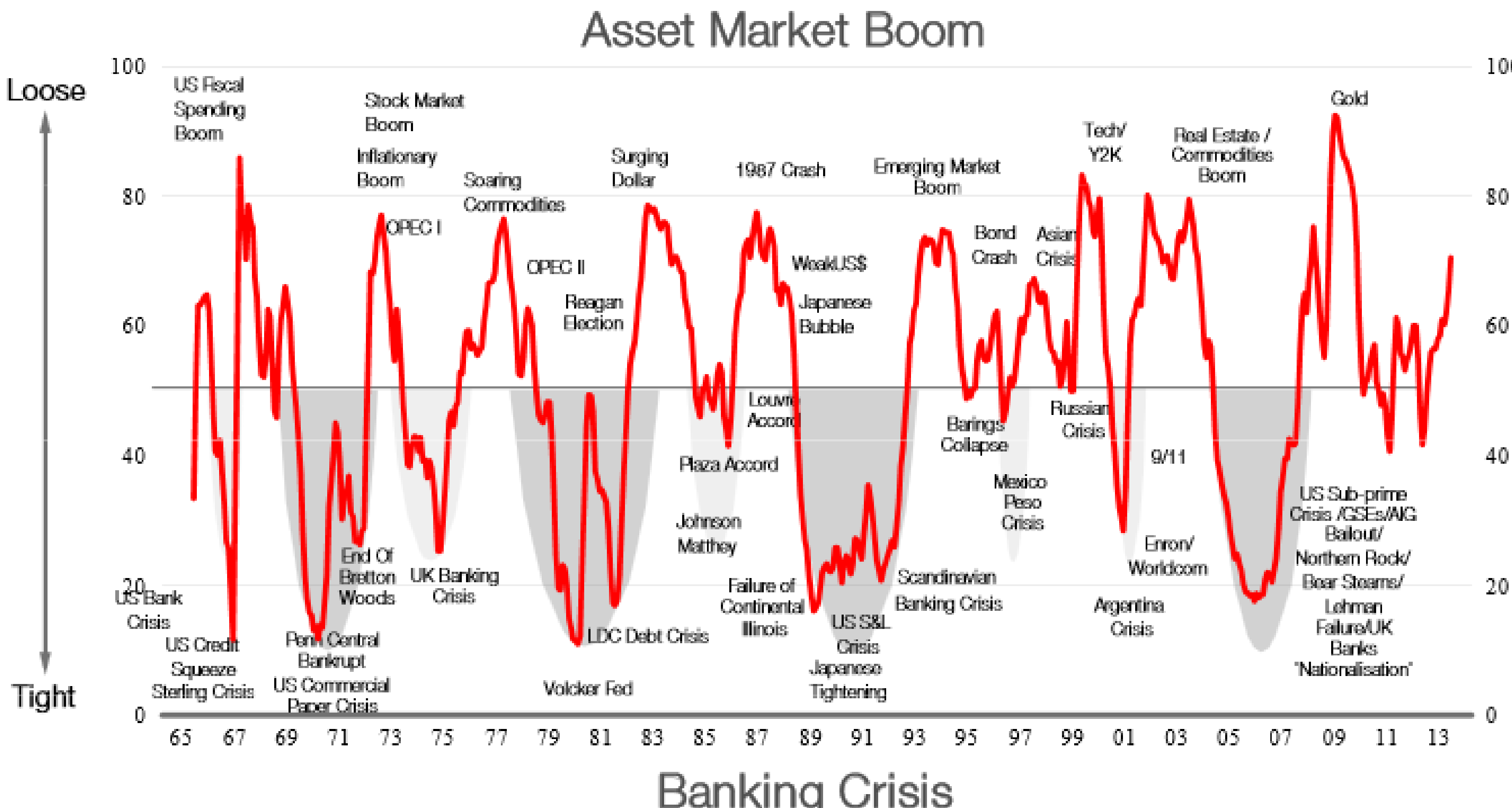
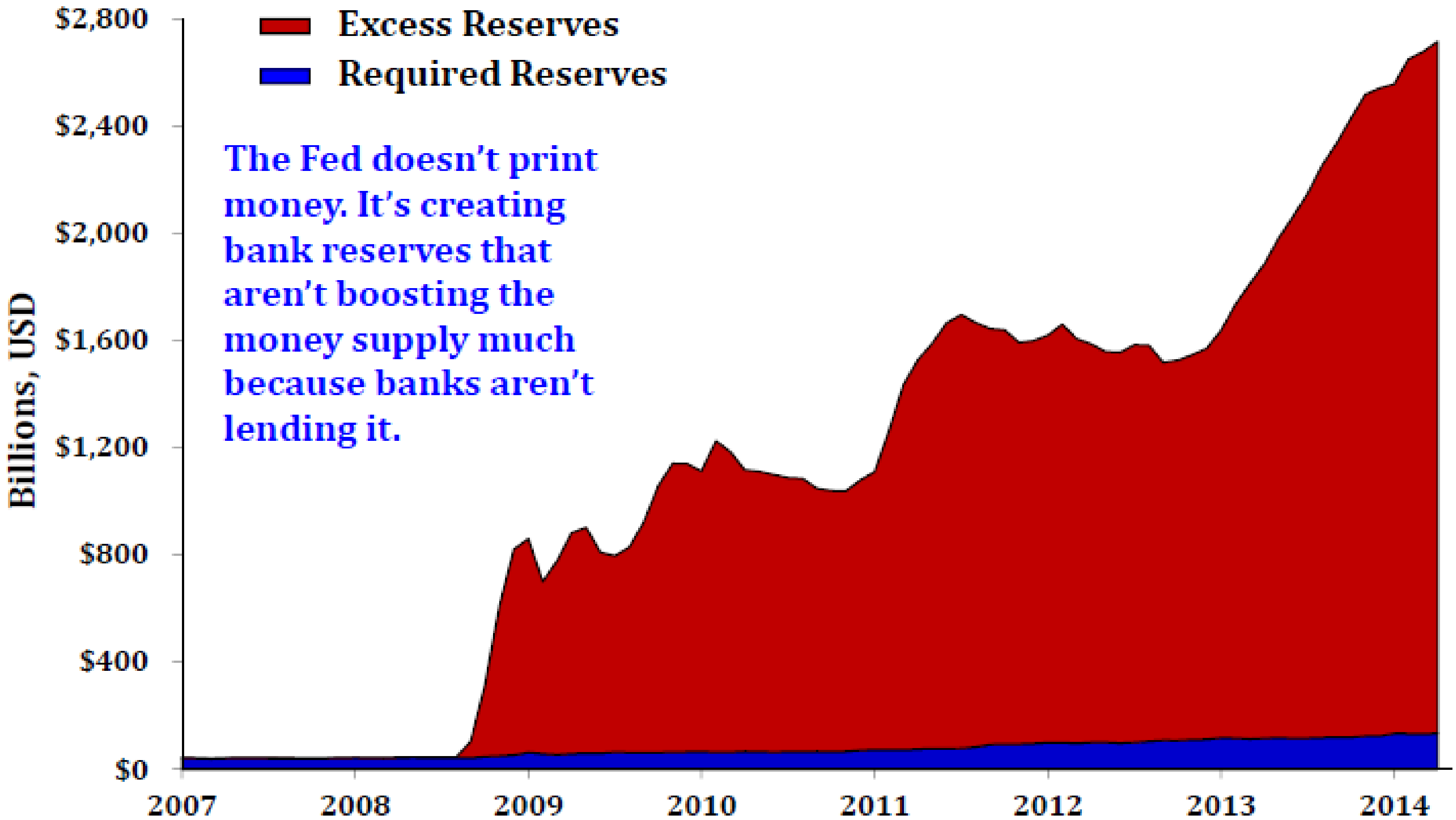
Liquidity, Asset Markets, and Banking Crises

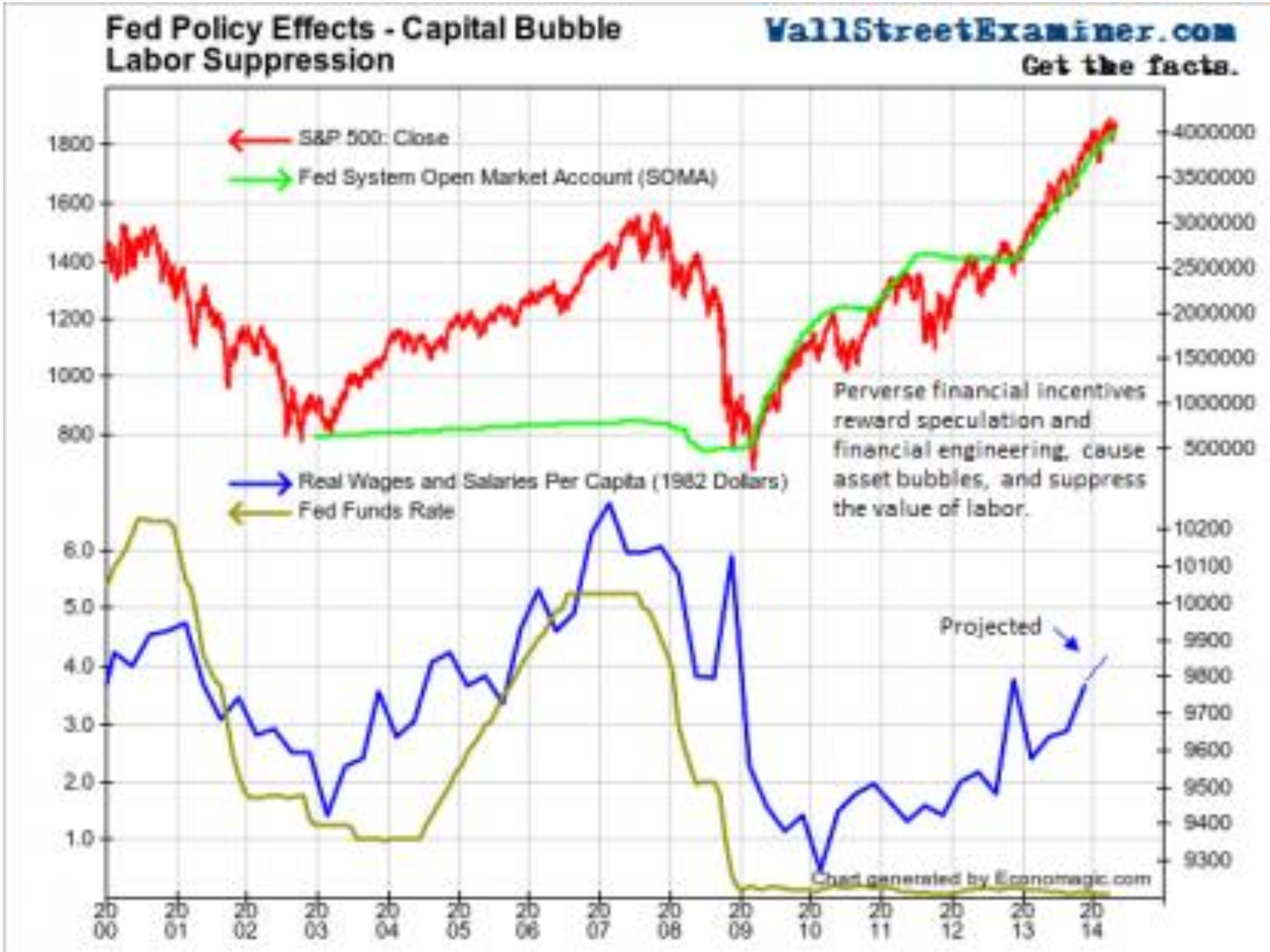


http://www.liquidity.com/Docs/Global_Liquidity_Indexes_%28GLI%29_2013_Data.pdf. Accessed 03.11.2013

…But New Money Isn't Flowing Into The Economy



Source: FactSet, Inc., as of 8/5/2014, Federal Reserve Total Bank Deposits, Required Bank Reserves and from 31/1/2007 to 30/4/2014


Fed Policy Effects - Capital Bubble
Labor Suppression
WallStreetExaminer.com
Get the facts.
S&P 500: Close
Fed System Open Market Account (SOMA)
Real Wages and Salaries Per Capita (1982 Dollars)
Fed Funds Rate
Perverse financial incentives reward speculation and financial engineering, cause asset bubbles, and suppress the value of labor.
Projected
Chart generated by Economagic.com
1800
1600
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4000000
3500000
3000000
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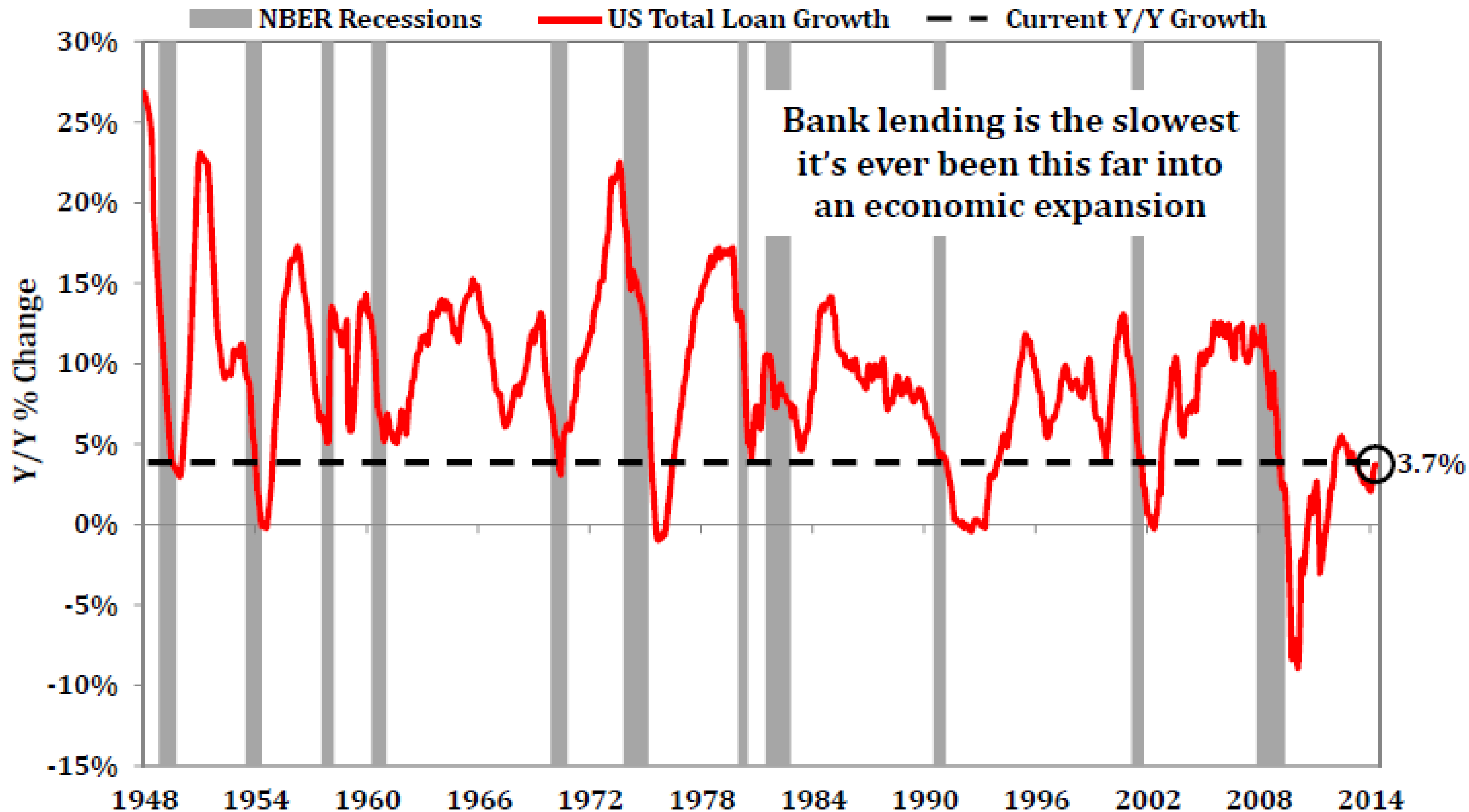
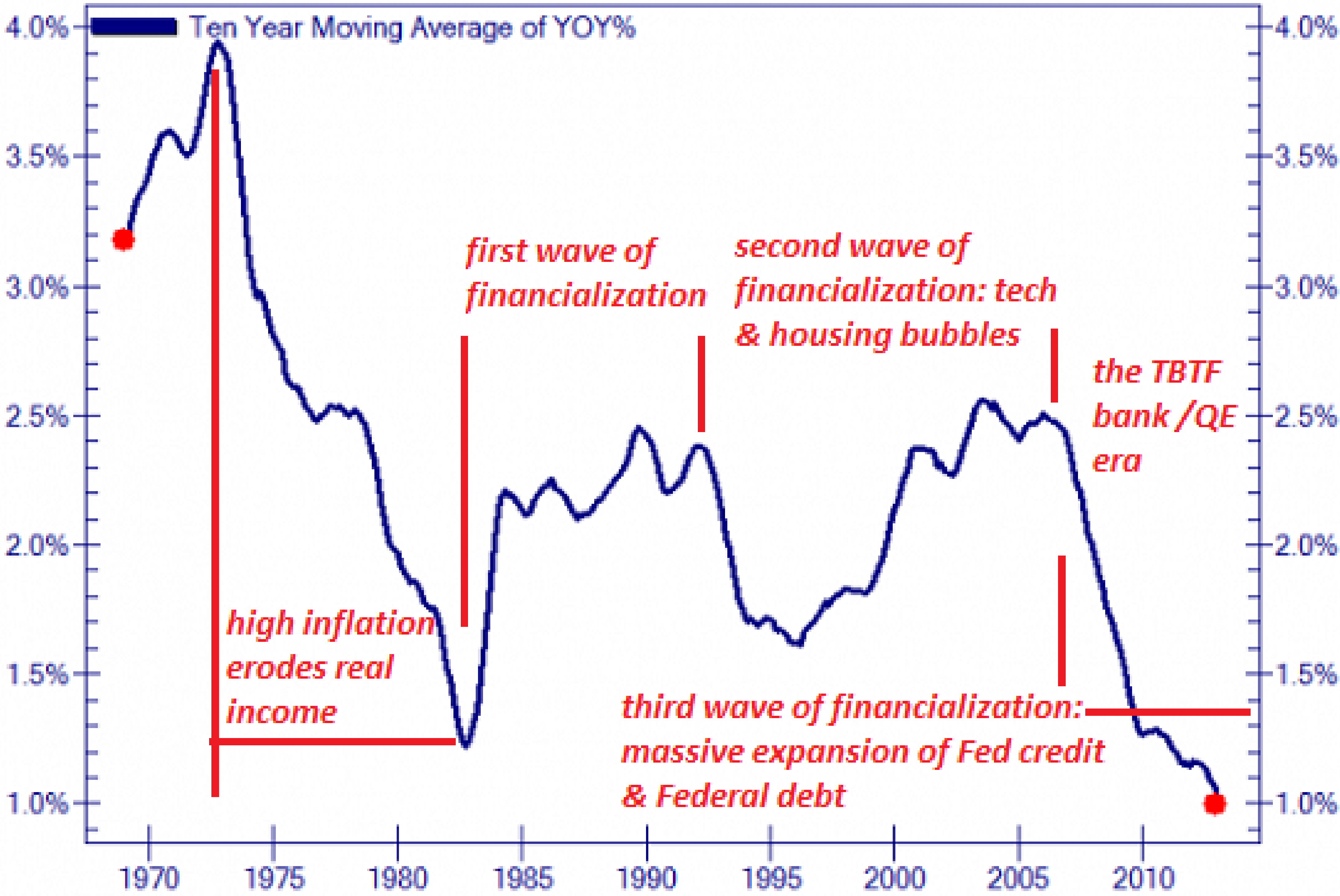
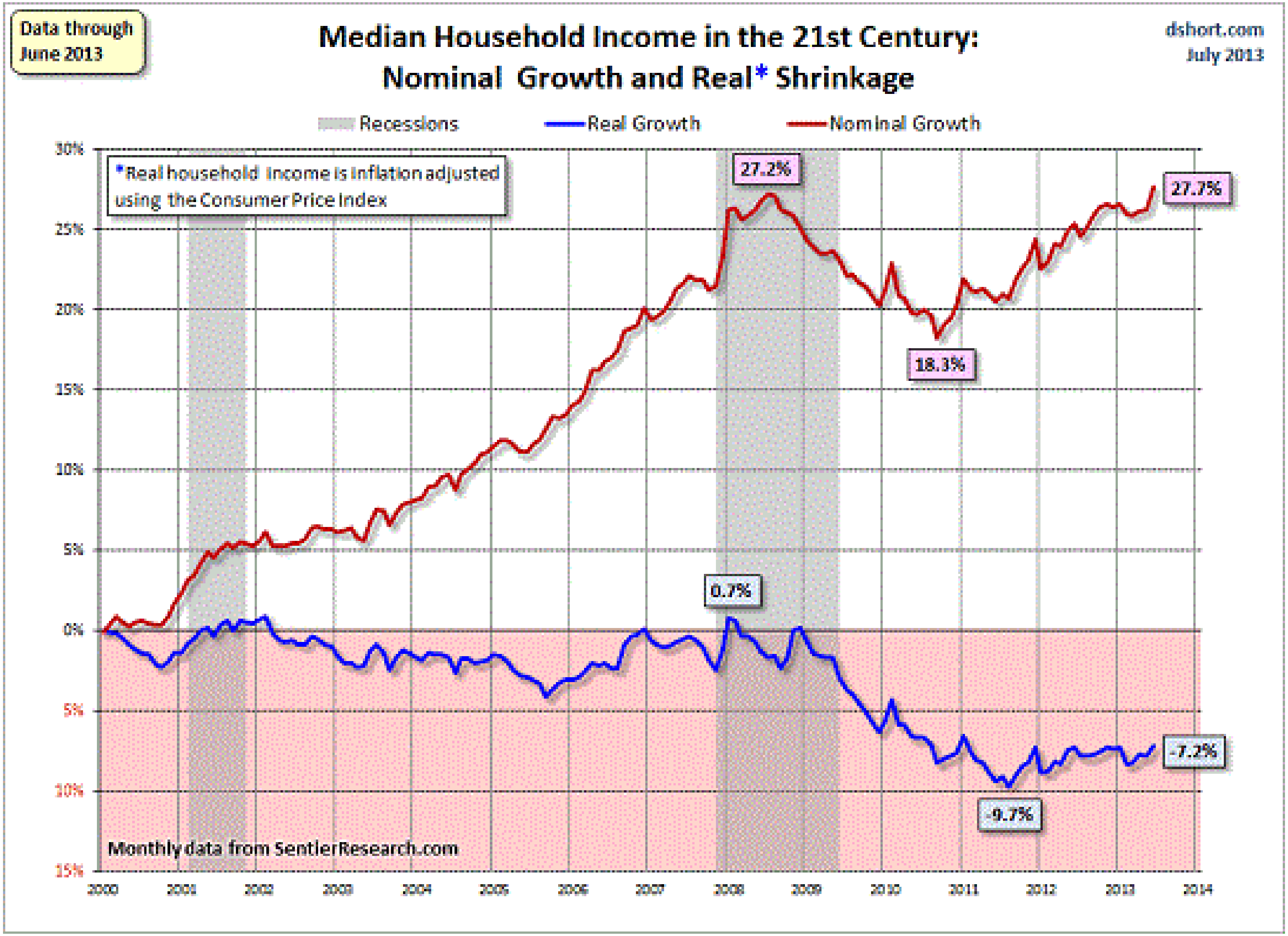
Banks Aren't Lending Aggressively



Source: FactSet, Inc., as of 14/5/2014; Monthly Assets of Commercial Banks, Loans & Leases in Bank Credit, SA from 31/1/1947 to 30/4/2014

Real Disposable Income Per Capita

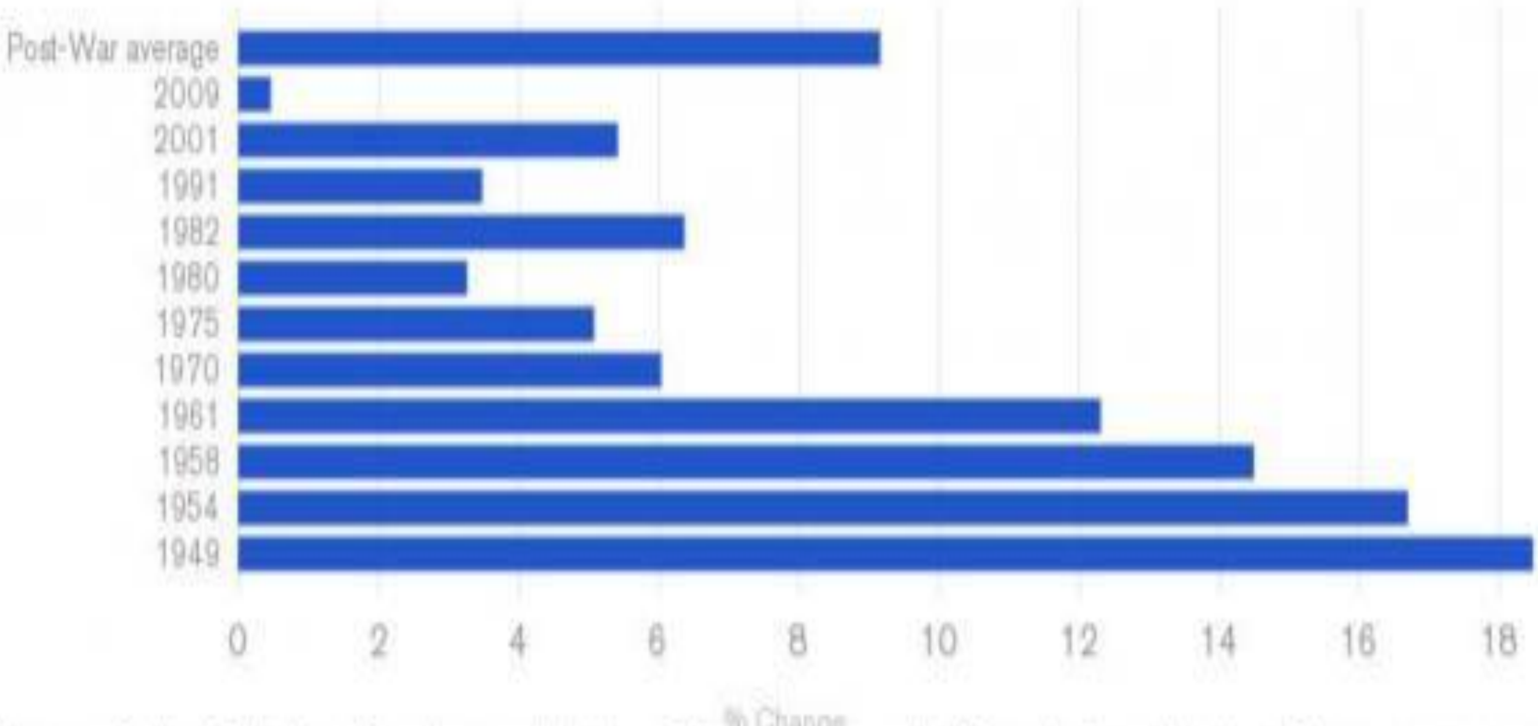




Data through June 2013
Median Household Income in the 21st Century:
Nominal Growth and Real* Shrinkage
dshort.com
July 2013
Recessions
Real Growth
Nominal Growth
*Real household income is inflation adjusted using the Consumer Price Index
27.2%
27.7%
18.3%
0.7%
-7.2%
-9.7%
30%
25%
20%
15%
10%
5%
0%
5%
10%
15%
Monthly data from SentierResearch.com
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014

Weakest Post-War Wage Growth

Growth of inflation-adjusted compensation per hour 60 months from the start of recoveries



Bureau of Labor Statistics, Bloomberg calculations. Chart shows growth 60 months from the start of the recovery, some recoveries did not last 60 months.

Bloomberg