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The Advent of Neoliberal Capitalism Over The 20th Century

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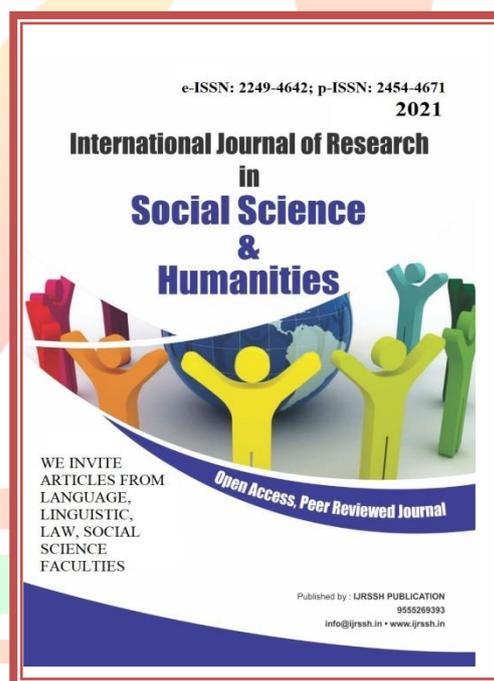
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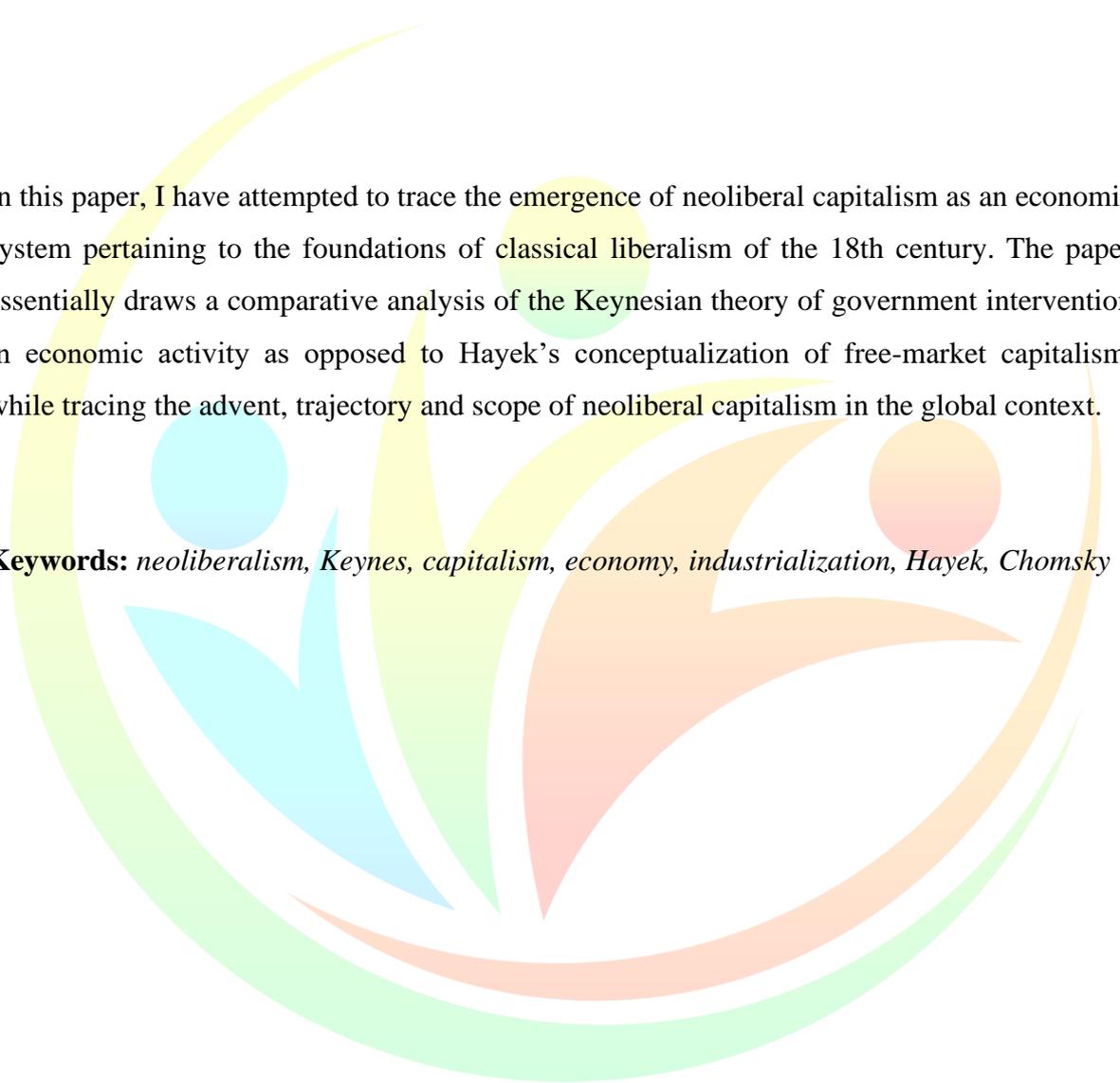


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ABSTRACT

In this paper, I have attempted to trace the emergence of neoliberal capitalism as an economic system pertaining to the foundations of classical liberalism of the 18th century. The paper essentially draws a comparative analysis of the Keynesian theory of government intervention in economic activity as opposed to Hayek's conceptualization of free-market capitalism, while tracing the advent, trajectory and scope of neoliberal capitalism in the global context.

Keywords: *neoliberalism, Keynes, capitalism, economy, industrialization, Hayek, Chomsky*

The logo for the International Journal of Research in Social Sciences and Humanities (IJRSSH) is a large, stylized graphic. It features a central figure that resembles a person or a flame, composed of several overlapping, curved shapes in shades of blue, green, yellow, and orange. The figure is set against a background of a large, light-colored circle. Below the graphic, the acronym 'IJRSSH' is written in a bold, orange, sans-serif font.

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INTRODUCTION

The emergence of neoliberalism as an economic system can be explained pertaining to its substructure lying in the classical liberalism of the 18th century. It essentially emphasizes the way in which the state and the market operate without the intervention of the government with respect to the “laissez-faire” ideology. Neoliberalism focuses on the free-market operation of a business under the reign of capitalist owners of means of production. It functions on the dimension of fast-paced and uncontrolled globalization with relation to free trade; thereby, laying a foundation for structural forms of oppression, as it focuses on the individualistic paradigm, where the capitalist class takes unilateral decisions without the intervention of the government (Kotz, 2017). The state operation becomes unrestricted in terms of the flow of free trade, technology, and foreign direct investment by multinational corporations. John L. Campbell and Ove K. Pedersen have conceptually explained the aspects of rational choice, organization, and discursive institutionalism whilst generating a substantive methodology of the advent of neoliberalism as an economic system by highlighting the cross-section of it among different paradigms across different

dimensions of societal understanding (Campbell & Pedersen, 2001).

Fundamentally, neoliberalism assumes capitalism as a ‘given,’ and elucidates the freedom of market operation with respect to consumerism, and profit maximization. In the 1980s in the United States of America and the United Kingdom embarked upon the advent of neoliberal capitalism; further, expanding it on a world scale through globalization. Neoliberalism was brought in the USA to the democrats by Bill Clinton. On the other hand, Tony Blair, the former British Prime Minister of the United Kingdom facilitated the growth of neoliberalism in the British Labour Party. It was termed as a ‘commonsensical ideology,’ Margaret Thatcher emphasized its inevitability by stating that there was no alternative to the neoliberal model of an economic system. As neoliberalism expanded on a global scale, it became a predominant force in shaping the world. Thatcher fought the trade unions who had opposed the doctrines of neoliberalism. Ronald Reager played a leading hand in the same. Thus, the expansion of neoliberalism was advanced by the IMF, when privatization and the neoliberal agenda became predominant in the economy of

Chile with its expansionary policies, as pointed out by Milton Friedman.

Neoliberalism is asserted to uphold its hegemony, as it subdues the interests of the working class, and the poor, especially in underdeveloped economies. Such nations are coerced into complying with the principles and the demands of the developed countries. If such nations fail to do so, they are circumstantially made to face diplomatic isolation. The developing, and the developed economies privatize their services through the mechanism of state operation via the imposition of industrial power with respect to the categorical labour organization. There is large-scale income disparity, and unilateral decisions are taken by the capitalist lords; thereby, converting the capitalist class into a business class. Efficiency is considered to be the primary idea of neoliberalism, while a monopolistic economy is developed alongside. Generally, a populist strategy is affirmed in this economic system, where taxation is condemned to raise funds for social welfare, and housing facilities.

Generally, only the rich class gains economic benefits, as the rich become richer, and the poor remain poor. Wealth continues to remain concentrated in the

hands of a few; and hence, the disparity remains perpetual. Somewhere, neoliberalism has served to institutionalize oppression by negating the aspects of socio-economic inequalities such as poverty, where the poor civilians are trapped in the vicious cycle of low income.

THEORY

The emergence of neoliberalism, essentially, arises from the substratum of liberalism. During the Industrial Revolution, John Maynard Keynes, the British economist postulated the understanding of modern liberalism contending to the concept of expansionary fiscal policy, which certainly involved the intervention of the state government in regulating economic activity in the United Kingdom. He is considered to be one of the precursors of modern liberalism, as he primarily generated the theory of income and employment by challenging the classical economic theory and emphasized the importance of government expenditure to stimulate the economy (Wapshott, 2011). He explained the aspect of employment, which he believed that the government could regulate to increase productivity. With the government's deficit spending, the monetary circulation could be curbed when the

investment is prevented, and instead, the government would utilize the expenditure by the provision of social welfare and housing facilities. The conceptualization of the Keynesian theory was posited on the understanding that the market could not provide full employment without government intervention.

On the contrary, Friedrich Hayek, the Austrian economist generated an understanding of neoliberal capitalism as an economic system of relevance. He had a great distrust of socialism, and negated the aspect of institutional oppression, as opposed to what was emphasized by Keynes under his theorization of the government regulated economic system. Hayek elucidated that the monetary policy was of a greater benefit to the economy with the least or absolutely no intervention of the state government in the regulation of economic activity. He explains the vitality of the capital structure in the prevention of malinvestments. The 'stimulus' aspect of Keynesian theory is condemned by him and instead he elaborates on the exercise of free-market capitalism, where the money lies in the hands of powerful investors, and their robust management of the economy is carried out with the instruments of globalization and foreign direct investment.

On one hand, modern liberalism views economic parameters such as social inequalities (for example, poverty) as primary constraints of freedom. On the other hand, neoliberalism fails to incorporate the integral aspect of socio-economic inequalities into consideration and only focuses on the complex and structural division of labour to maximize profits in the hands of a few large capitalists ruling the global economy.

Through the tools of sophisticated bureaucracy and technocracy, the market was thus put in control of the industrialists. Military expansion became integral as a mechanism of execution during times of crisis if the working class would tamper with the growth of the overpowerful financial sector by putting up moral crusades of revolution.

SUBSTANTIVE ASPECT

Fundamentally, neoliberalism is an economic system that appears to be absolutely relevant in the modern world. The system was bound to evolve in a fashion to develop the concept of consumerism in order to eliminate the paradox of choice that prevailed amongst humans of the primeval times. Neoliberalism sets a limit to the options that are availed to the public. Since

we have spoken about how it primarily benefits the capitalist business owners, we have come to understand its emergence in terms of colonialism. Scholars and champions of economics are of the opinion that neocolonialism gives rise to neoliberalism as an economic system. Experts also view it in a sense of Western or American imperialism in terms of the operation of economic mechanisms pertaining to the specific economic institutions.

It is also believed that neoliberalism emerged as a reaction to the politics that prevailed in a welfare state, controlled and operational on lines of Keynesian economics. In America, stagflation became predominant in the 1970s. By the 1980s, neoliberalism expanded on a global scale. Milton Friedman took an unusual approach to understand the stagflation that persisted. However, as much as he has critiqued the economic system of neoliberalism, he is also, rendered to be one of the advocates of non-governmental regulation in the domain of economic activity. He considers it to be harmful to the economy and leaves the understanding of its operations to technocrats and economists. On the one hand, neoliberalism was considered to be progressive, and fast-moving in terms of the

smoothened process of technological advancements in relation to the privatization of firms. On the other hand, The US Chamber of Commerce in the year of 1971 believed that the American economic system was under turbulence due to uprising neoliberalism (Heinz, 2017).

A similar ideology of advocating neoliberalism was contained by Ronald Reagan during the 1980s. Corresponding to the changes that arose as a result of its advent, Reagan said, "government is not the solution to the problem; government is the problem." Although this understanding of neoliberalism was radical, the successors of the USA's presidential rule took to the expansion of it as well. Reagan took the agenda of neoliberalism and institutionalized it in America. His conservative, yet seemingly democratic politics established a paradigm for Bill Clinton under his reign to term neoliberalism as the "law of the land." Yet, overtly the politics of the Democrats turned to the rightist ideology. It deviated far away from the left wing and advocated the integral functional aspect of neoliberalism, though it did not directly advocate free-market capitalism in the United States of America. The financial sector became the ministry of utmost importance. Consequently, social security, education,

and expenditure invested in social welfare are marginally reduced.

Neoliberalism gained a 'common-sense' status, which emphasized the notions and expansion of elitism. Marginalization was imperative to the structural disparity that was created by this economic system. The left-wing soon realized the exploitative nature of neoliberalism in the United States. Globalization was the tool that mechanized a populist agenda in the nation, and all over the world. As stated earlier, the wealthy become wealthier over a period of time. Money lied in the hands of a few capitalist masters. Truly, the economic system of feudalism did not gravely differ from neoliberalism. The instruments of exploitation and the structural hierarchization changed corresponding to the modernization of society as a whole. People evidently became more learned and educated. The dynamics of the intelligentsia altered, yet the impact of their existence remained the same.

Thus, visibly, neoliberalism seems to have perpetuated and found a place in the modern economy as a deeply embedded economic system. It has changed in its dynamics, and somewhat, even in its understanding. Yet it

continues to dominate our globalized world of functional transnational economies.

CONDUCTED STUDIES

Helene Shugart has very well contended to the understanding of neoliberalism through a profound quote, "Neoliberalism ascribes virtually all responsibility for personal and social welfare to the individual, which is further articulated as crucial to individual liberty under the auspices of choices..."

This quote explains the structural role of the government in a nation in facilitating the industrialized growth of neoliberalism on a global scale. The economic system intrinsically persists to dominate the transnational operation of the global market despite having caused the austerity of the financial crisis in the year 2008, which is said to have been a cause of a leading loophole in the understanding of its impact on humans across the world. It may emphasize and somewhat, even ensure a great deal of productivity, but it has certainly laid the foundation of hierarchized structural employment.

On the other hand, Noam Chomsky also criticizes neoliberalism as an economic system. He believed that democracy was a non-negotiable aspect of a post-capitalist society, such as neoliberalism itself.

Moreover, he did not consider neoliberalism to be a new economic system. Instead, he stated that it was essentially a different mode of control exercised by the capitalists in the late 20th century. He also points out that markets aren't inherently competitive, but are made to become so due to the undemocratic operation of the multinational corporations that control them (Chomsky & McChesney, 2011). Contrary to the generalized understanding of neoliberalism as postulated by Hayek, Chomsky believes in the essential role of powerful governments in expanding globalization to suit the needs of their respective states with respect to functional economic activity. In 'Profit Over People,' Chomsky stresses the fact that political activism is the only force that keeps democracy intact in an economic system of neoliberalism.

Despite the ostensible collapse of neoliberalism as an economic system in the current scenario, we are aware of that fact the essential features of its model continue to persist in the current world as well. Globalization in terms of foreign direct investment has expanded on a broader scale by seeping its way into more and more nations. The economy is given the primacy of any other system of operation. Some experts are of the opinion that the economy is integrally embedded in society. The state order and government regulation have also left the economy to operate on its own. In some countries, the central government is said to indulge in economic activity. However, the truth is that most economies are devoid of government intervention. Public policies do influence economic activity, but often, the case is the opposite of what it is assumed to be.

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