

5 TARGETING NEOLIBERALISM

Here is the sequence so far. Much of the search for knowledge takes place in Kerr's multiversity. The Temple of Science model suggests that that institution is excellent in some ways but lacks a *general* commitment to confront the populist age in which we live. While such a commitment is absent, modern society has nevertheless accorded unusual authority to the Temple's economics column, as if scholars there possess especially useful knowledge as compared to what is discovered by other disciplines (columns) dealing with people.

Within what economists say, mainstream economics is regarded as particularly incisive. It recommends that government should above all promote economic growth, which is generated by creative destruction. The recommendation in favor of growth is accepted by many Americans, from politicians to industrialists, from workers to corporations, from farmers to doctors, from ministers to talk show hosts. In the light of this intense interest in, and support for, economic growth, the downsides of creative destruction, some of which fuel populism, receive much less attention.

Karl Polanyi

I believe that some political scientists should fill in some of what is missing. But before we move on to consider where and how they might do that, let us note an insight on this subject from one of the great thinkers worth engaging in our times. Thus Karl Polanyi observed in *The Great Transformation* (1944): "Nowhere has liberal [that is, Enlightenment]

philosophy failed so conspicuously as in its understanding of the problem of change. Fired by an emotional faith in spontaneity, the common-sense attitude toward change was discarded [in the nineteenth century, after the Enlightenment] in favor of a mystical readiness to accept the social consequences of economic improvement, whatever they might be. The elementary truths of political science and statecraft were first discredited, then forgotten. It should need no elaboration that a process of undirected change, the pace of which is deemed too fast, should be slowed down, if possible, so as to safeguard the welfare of the community.”²¹⁶

In effect, Polanyi declares that change – political, economic, social, and technological – is not compelled by some fixed rule like the law of gravity, something which, for the religious among us, constitutes an immutable act of God and which, for secular people, is something to which they must adapt rather than something they are allowed to control.²¹⁷ Instead, Polanyi reminds us that statesmen and educated people were once wary, and for good reason, of permitting change to go forward without consideration for how it might be limited for “the welfare of the community.” This is, I believe, a common-sense observation that we should keep in mind as we begin now to address what many of today’s opinion leaders, in and out of the academy, are powerfully hawking.²¹⁸

Targeting Neoliberalism

Polanyi suggests that it is reasonable to “slow down” some effects of creative destruction. But he does not say *how* scholars, or anyone else, should promote such a slowdown. Therefore, I want to recommend that we should direct our thoughts and efforts to that end by targeting the late-stage capitalist belief system that social scientists and historians call neoliberalism. *Neoliberalism* is the practical and ideological force that inspires *creative destruction*, in which case challenging the former may help us soften the impact of the latter.

So the first reason for targeting neoliberalism, which relentlessly advocates creative destruction, is, for me, a matter of principle, because I believe it endangers our society.²¹⁹ On that score, in my opinion, taking the measure of neoliberalism's imperfections is a matter of conscience.

The second reason for targeting neoliberalism is practical. Political scientists (as a class) do not legislate, and we vote only in small numbers. But we do study, we do teach, we do publish for one another, we join our neighbors in acts of good citizenship, and we have a presence in the mass media. In all these realms, targeting neoliberalism would be a practical strategy for at least part of our discipline.

Thus, (1) to be practical would be to specify a common adversary and, by aiming at it, assemble otherwise scattered pieces of research about various instances of social and environmental destruction. Furthermore, (2) to be practical would be to explore where a dangerous force comes from in history and how the costs it imposes are likely to continue if no one checks them. And finally, (3) to be practical would be to maximize impact, would be to unite around a visible target and offer non-political scientists accessible and riveting information about exceptionally important events and trends. It follows that if, say, journalists would pay attention to our findings along these lines, politicians and voters would hear from media sources more than they do today about what political scientists are together criticizing and why.

What is Neoliberalism?

So what exactly is "neoliberalism"? The term refers to a *new* (modern) liberalism that in some respects resembles the *old* (classical) liberalism that Polanyi criticized and that arose in the nineteenth century. At that time, the term "liberalism" referred to a set of ideas that, roughly speaking, condemned the economic arrangements of late-stage feudalism, and that admired a wave of enterprise galvanized especially by

middle-class creativity (which could not fully flower under feudalism) in realms such as science, commerce, manufacturing, agriculture, banking, education, transportation, communication, international trade, and more.

Many years later, the ideas and practices of neoliberalism came to constitute an updated version of this former liberalism that, as we saw, Karl Marx first praised and then criticized. The later liberalism is therefore equal, in another vocabulary, to contemporary “capitalism,” which, sanctified by mainstream economics, endorses repeated acts of creative destruction and is therefore a source of both prosperity and devastation.

In a sense, then, neoliberalism is the pro-creative-destruction ecology of American social life that we should investigate in the Age of Populism. However, it is also something around which there already exists a lively public conversation. Therefore – and this is an ethical matter of no small importance – if some of us will participate professionally in that conversation, our presence there will be directly relevant to the society in which we live.

Commitment to that last point, in effect, was proposed by Robert Putnam, APSA president in 2002, who declared that “My argument is that an important underappreciated part of our professional responsibility is to engage with our fellow citizens in deliberation about their political concerns, broadly defined.” Putnam went on to argue that public alienation and disengagement from government have grown, therefore political scientists should debate them more than they have. He said the same about globalization and social justice. And he affirmed that “I believe that attending to the concerns of our fellow citizens is not just an optional add-on for the profession of political science, but an obligation as fundamental as our pursuit of scientific truth.”²²⁰

Unfortunately, to study neoliberalism and its effects is easier said than done, because neoliberalism is not a *thing*, like a dog, which can be scientifically described in specific ways as different from other things, like bananas or granite.

Neoliberalism is, instead, a *concept*, relating to the social world like many other concepts such as justice, power, authority, rights, charisma, democracy, and more. That being the case, scholars and pundits who talk about neoliberalism don't always agree on exactly what they are talking about when they use that term. Moreover, in the Temple of Science, different sorts of professors, from different columns, approach research subjects differently, to the point where many books and articles address, but not always consistently or compatibly, aspects of modern life that they ascribe to neoliberalism.²²¹

Accordingly, there are complicated interpretive controversies in all this that we cannot resolve here. But what happened – that is, the historical record – is fairly straightforward. The Crash of 1929 and the Great Depression challenged American faith in capitalism,²²² while John Maynard Keynes insisted that private markets would not automatically balance themselves in a socially beneficial way. Consequently, government intervention in economic activity seemed to many voters warranted, whereupon, in 1932, they elected Franklin Roosevelt president with a Democratic majority in both the Senate and the House of Representatives. Roosevelt and his Democratic colleagues enacted New Deal measures, such as the Securities and Exchange Act, the Glass-Steagall Act, and the National Labor Relations Act, which placed some capitalist institutions under government supervision. Later, Washington in the 1960s and 1970s continued to keep some capitalist creativity in check, for example, initiating programs to improve workers' safety and increase environmental protection.

Then, as voter impressions of damage caused by the Crash and the Depression faded, the conservative Ronald Reagan was elected and began to restore to capitalism, now called “free enterprise,” some of its earlier powers. Thus “neoliberalism” began to “take off” in the 1980s, when large tax cuts, mainly for the well-to-do, fueled an expansion of prosperity financed by massive federal spending deficits. Consequently, supported by most Republicans and many Clinton Democrats, leading up to the Crash of 2008, labor unions were weakened, public

services were privatized, interest rates were unleashed, social services were reduced, welfare became “workfare,” home mortgages were “securitized,” commercial and investment banks were permitted to engage in brokerage and insurance,²²³ corporate and private political contributions were uncapped, “globalization” led to “deindustrialization,” “downsizing” encouraged “outsourcing,” disparities of income and wealth separated the One Percent and the rest, while conservative think tanks (such as the Cato Institute and the Heritage Foundation) and conservative media outlets (such as Encounter Books, *The Washington Times*, and Fox News) were established to promote neoliberal ideas and policies.²²⁴

Homo Politicus

These were some elements of *what* happened in recent American history. That such things transpired is not much in dispute. What is more complicated and controversial is *why* they happened. That is, to ask why neoliberalism appeared, and why it now dominates American life, is to engage in inexact interpretations of what the facts imply, is to argue over which intangible ideas and concepts drove the establishment and evolution of those facts.

On this score, scholars agree that neoliberalism, as an extension of capitalism, entails a very fundamental mental switch away from the concept of *homo politicus* to the concept of *homo economicus*.²²⁵ Starting with Aristotle, great thinkers long considered people to be political animals (*homo politicus*), who are naturally intended (as opposed to how Greeks assessed neighbors who they called “barbarians”) to live together consciously in a well-organized community (or *polis*). In that community, people could exercise their capacities for self-rule, for defending home and hearth, for making moral judgments, for legislating rules of conduct, for creating art and commerce, and for pursuing a good life. In the same community, a person of central importance was the citizen, who was endowed with a potential for reason, with

the right to hold office, and with the power to participate in (some) community decisions.

Assuming that they were in the category of *homo politicus*, citizens eventually came to be regarded, say by Locke, Montesquieu, Jefferson, and Madison, as naturally competent to fashion social contracts that would empower them to exercise sovereignty (political power) together, thereby maintaining institutions and practices – such as religious tolerance – by which their communities (states) would stand or fall. By extension, the aim of achieving social contracts fostered democracy in the modern world, where in the nineteenth and twentieth centuries more and more people became citizens, protected by constitutions and other legal arrangements that afforded them opportunities for maximizing their natural talents for public expression and political action.

Homo Economicus

While all this unfolded, disciples of Aristotle suspected, as he did, that people who lived mainly by and for commerce – the so-called *homo economicus* – were dangerous to society. The problem was that, driven by an acquisitive instinct, such people might so resolve to accumulate money and riches, rather than just reasonable sustenance, that their passion for piling up wealth might generate social conflicts and thereby undermine the community's ability to foster moderation, reciprocity, respect, balance, and civility.

Nevertheless, when fairly static feudal classes in Europe began to disintegrate, some people – a growing middle class – began to enlarge industry and trade in European society. In those circumstances, acquisitive behavior – in banking, in manufacturing, in timber, in mining, in large-scale buying and selling of slaves, cotton, sugar, wool, tobacco, pottery, textiles, spices, and coffee – became more acceptable than formerly, and thinkers like Adam Smith began to talk about the “natural propensity” of all people “to truck, barter, and exchange one thing for another.”²²⁶

Accordingly, thinking positively about the sort of people summed up in the phrase *homo economicus* (although not using that term) became more common than previously.²²⁷ Simultaneously, a new science of economics, from Smith to Ricardo to Jevons to Pareto to Schumpeter and further, arose to analyze what happens when people are measured less by their rank in society (feudalism) and more by their contribution to economic efficiency (capitalism).

In philosophical terms, it was as if men and women were no longer born to seek a good life (for example, in Aristotelian or Christian virtue) but to make themselves useful in a natural system of voluntary market exchanges, which no one created or controlled. In economic terms, which annoyed Polanyi, it was as if people were expected to welcome lives marked by constant flux, as if creative destruction were sacrosanct and citizens had no choice but to accept its dislocations. In social terms, it was as if residents would not be regarded chiefly as *political citizens* in the state – for example, enacting laws to control constant change – but as *economic actors* competing in implacable markets. In Kantian terms, although neoliberals are not disciples of Kant, it was as if everyone were destined to risk becoming a means to someone else's end.²²⁸

Economic Consequences

Because it assumes that people are *homo economicus*, neoliberalism promotes distinctive beliefs about the nature of (1) individuals, who animate the modern economy. Then it promotes distinctive beliefs about the nature of (2) markets, where *homo economicus* individuals presumably come together to trade. And then it promotes distinctive beliefs about the nature of (3) commercial corporations, which arise from the way in which economically minded people sometimes aggregate their resources and ambitions in order to produce and to profit.

From these and related beliefs, various consequences follow. Limited space here permits us to consider only a few of them. They cannot be explained in straight-line fashion, as if they

flow from a single theory or syllogism, with one proposition leading to the next, and after that another and another. But neoliberal propositions do hang together, based on shared and interlocking concepts. So let us first consider those that are mainly economic, and then we will consider those that are mainly political.

The Market-Based Society

For example, when neoliberals assume that people belong to the category of *homo economicus* – which is another way of describing the mainstream economic concept of utility-seeking people calculating rationally – they sanction a predominantly “market-based” society. In that society, every adult is expected to cultivate his or her own worthiness “to compete” against others,²²⁹ even though neoliberals do not think of this society as a Hobbesian war “of every man, against every man.”²³⁰ That is, each person is evaluated by how much marginal utility he or she can contribute to the market; many individuals must turn themselves into commodities for sale to others; each worker is regarded as an animated machine enabling production; young people are advised not to seek moderation and stability but to adapt and evolve ceaselessly according to changing market needs;²³¹ education for life and citizenship is transformed by globalization imperatives into a national commitment to job training;²³² and so forth.

Some people, naturally ambitious and competitive, probably enjoy these circumstances. Many others are constantly anxious and “lead lives of quiet desperation.”²³³ Yet all this seems reasonable to neoliberals even though no one can really be sure why some people succeed economically and others, who may be reasonably energetic and conscientious, do not. After all, in capitalist thought, everyone is supposed to earn in proportion to his or her contribution to output and prosperity. But, in truth, no one – not economists, not employers, and not workers – has ever measured the market system’s basic building block, which is, according to neoliberals, the marginal utility of any person’s contribution (that of owner or renter,

supervisor or secretary, hotelier or bellhop, Steven Spielberg or Julia Roberts, and so forth) to economic activity.²³⁴ So we don't really know, according to marginal utility theory, why some full-time, hard-working people are mired in poverty.²³⁵

Natural Markets

Neoliberal faith in economic growth works through an assumption that markets are natural. Citing opinions expressed by former CEO of the Goldman Sachs Group and then Secretary of the Treasury Henry Paulson (2006–2009), Larry Bartels describes this faith as a “general tendency to think of the economy as a natural system existing prior to, and largely separate from, the political sphere.”²³⁶

Now, if markets are natural (economic) and separate from governments (political), one can argue that in markets successful people deservedly acquire money and property, which they can use to resist government power.²³⁷ In which case, in a way, efficient markets, by sustaining economically secure citizens, are what keeps governments from becoming tyrannical.

In addition, however, to assume the existence of natural markets is to ascribe to them natural consequences, such as inequality. In which case voters, and government officials, need not inquire too closely into where those consequences come from. Inequality, for example, is painful to some people, therefore some of them seek government help. But political decisions, say neoliberals, are artificial, selfish, and inherently fallible, whereas market decisions are genuine, flow from impartial confluences, and are simply the price that we (actually, the losers) must pay for progress.²³⁸

In fact, to insist that “capitalism” or “free enterprise” works through “the market” is a slight-of-hand trick, because natural markets don't exist.²³⁹ David Graeber has pointed out that, despite Adam Smith's supposition that markets arise naturally from the division of labor and the propensity to barter, the history of primitive societies reveals only contrived markets fashioned differently by various tribes, cities, and

governments.²⁴⁰ Nevertheless, neoliberals not only assume that markets are natural and precede government, they also believe that, on behalf of economic “efficiency,” the chief obligation of governments is to protect unremitting competition and creative destruction in those markets even if that requires criticizing politicians and voters who might want, on behalf of society, to regulate such churning.²⁴¹

Entrepreneurs

Neoliberals argue that “entrepreneurs” generate creativity and prosperity, but that claim is only part of a wider neoliberal notion that “capitalism” (or “free enterprise”) and its special characters, such as entrepreneurs, produce economic growth and progress.²⁴² The argument here is that governments, everywhere in the world, should establish the wherewithal for ceaseless economic competition, including conditions such as “law and order, the foundations of secure property rights, and an inclusive market economy.” Where those conditions have obtained, as during the Industrial Revolution in England, “The engine of technological breakthroughs throughout the economy was innovation, spearheaded by new entrepreneurs and businessmen eager to apply their new ideas.”²⁴³

On the one hand, at home this thesis justifies using government to legislate in favor of a fraction of the class of *homo economicus* as if they are the movers and shakers of national prosperity. On this score, tax breaks and subsidies for commerce are enacted, and the theory of supply-side economics is commended.²⁴⁴ On the other hand, the same thesis promotes globalization abroad, which extends domestic practices into the international arena – assuring profitable access for American managers and investors – by insisting that each country should act in the spirit of competitive capitalism in order to avoid economic “failure.” Resistance is scorned, as summed up with rhetorical brilliance by Thomas Friedman’s praise for “the golden straitjacket”²⁴⁵ – unpleasant but effective – which consists of economic practices fashioned and enforced by globalization champions such as the World

Bank, the International Monetary Fund, and the World Trade Organization.²⁴⁶

What is neglected in this scenario for going forward are people who are not remarkable, who are nevertheless virtuous, and who contribute greatly to progress and prosperity. For example, there are scientists and engineers who discover things like antibiotics and Lipitor, who understand why glaciers are melting, who learn to grow two blades of grass where one grew before, who invent transistors and turn them into computers, who place satellites in orbit and broadcast from them signals for GPS systems. Some of these people may aspire to profit greatly from their work, as neoliberals claim. But others may act from a sense of vocation, for instance, from the challenge of discovering something new.²⁴⁷ And they may be willing to do that as government employees, which would cost society much less than when, in the name of promoting innovation, neoliberals insist that discoveries paid for by government research grants should be turned over to capitalists for development.²⁴⁸

A second loss relates to fairness. To the extent that innovative businessmen succeed, they do not produce prosperity by themselves. Other people have a hand in their success and may deserve to be treated more generously than they are today. Philosophers have made this point by insisting that science, technology, education, and good health surround successful entrepreneurs, who get ahead by standing on the shoulders of giants, by working with earlier discoveries, and by reaping gains from government spending on research and infrastructure.²⁴⁹

Furthermore, praise for entrepreneurial creativity usually discounts how it may profit from the occasional indecencies of historical forces, and especially from those associated with war.²⁵⁰ For example, while British capitalism flourished along with colonial exploitation, Hilaire Belloc described as follows England's major cultural advantage during the battle of Omdurman (1898) against Arab tribes in the Sudan: "Whatever happens, we have got / the Maxim gun and they have not."²⁵¹ Moreover, American capitalism thrived greatly after 1945

because, protected by the Atlantic and Pacific oceans, it emerged from World War II unscathed compared to Germany, France, the United Kingdom, the Soviet Union, China, and Japan.²⁵²

Free Trade

Underlying neoliberal support for globalization is enthusiasm for “free trade.” Free trade justifications go back to nineteenth-century economist David Ricardo and his principle of “comparative advantage,” which says that any country can benefit from *exporting* what it can produce most efficiently and *importing* what its trading partners can produce most efficiently. That is, exploit your comparative advantage and let your trading partners exploit theirs. Later economists would draw the same conclusion in terms of marginal utility theory, where producing efficiently (using few or cheap resources) generates inexpensive utility, to be exchanged for someone else’s inexpensive utility (based on using few or cheap resources) in return.

Thus Nobel Prize winner (economics, 2008) Paul Krugman declared to his readers that “If you had taken the time to understand the story about England trading cloth for Portuguese wine that we teach to every freshman in Econ. I, [then]... you know more about the nature of the global economy than the current U. S. Trade Representative (or most of his predecessors).”²⁵³ With that kind of confidence emanating from economists, the conservative pundit Charles Krauthammer, perhaps recalling what he studied in college, agreed with Krugman by declaring: “That free trade is advantageous to both sides is the rarest of political propositions – provable, indeed mathematically.”²⁵⁴

Well, not exactly. There are serious problems with this abstract model, to the point where using it as a basis for making real-world decisions may cause enough local resentment to propel some voters into populism. One is that, as understood by neoliberals, the model suggests that, under conditions of free trade, economic boats everywhere are rising, to the point where hundreds of millions of people worldwide are no longer as poor as they used to be.²⁵⁵ Here is an accomplishment that

little impresses many American workers, some of whom lost their jobs when American factories outsourced many of those jobs to Mexico after the North American Free Trade Agreement (1994) was proposed by Republicans in Congress, supported by more Republicans than Democrats in both Houses,²⁵⁶ and signed into law by the neoliberal President Bill Clinton.²⁵⁷

A second problem with the free-trade model is that it deals with average gains. That is, neoliberals argue that “America” and “China” are better off, in GDP terms, from massive trading between them. This may be true, if GDP is a test of national welfare. But it is also a barometer of creative destruction, in which competitive innovation produces local winners and losers. In which case, many Americans may feel that, even if “America” is better off, they themselves lost ground.²⁵⁸

Or, in a powerful political story of recent years, it turns out that in a national economy driven largely by creative destruction working through free trade and globalization, the richest One Percent of Americans now own 40 percent of the country’s wealth,²⁵⁹ while the average family in the top One Percent of income receivers took in more than twenty-six times the average family income of the other 99 percent of income receivers.²⁶⁰

Shareholders and Stakeholders

Free trade is dominated by large actors, which are often business corporations, and those are regarded by neoliberals as best administered according to “the theory of shareholder value.” Milton Friedman explained this theory as early as in 1970, but did not name it at the time, when he argued that the sole responsibility of corporate managers, within whatever legal guidelines the state may determine, is to maximize profits.²⁶¹

In other words, because shareholders own the corporation, its officers are obliged, by their terms of employment, to serve those shareholders by earning for them as much profit as the law permits. In theory, at least, the notion of managers serving

shareholders even justifies the practice of “venture capitalists” buying enough shares to take over a corporation, selling off parts of the enterprise, loading up what remains with debt, but all the while paying substantial dividends and/or creating for the new owners other financial benefits (such as buying back the corporation’s stock in order to boost its market price).²⁶²

In short, the shareholder theory is an elaboration of Alfred Sloan’s aphorism, from the 1920s, that General Motors, which Sloan led, existed to make money rather than motor cars.²⁶³ The problem there, for social thought, is that the theory of shareholder value clashes with older notions, familiar to political thinkers, which may be used to assess corporations that operate, after all, under public authorizations. Joint-stock corporations, such as the eighteenth-century Charles River Bridge Company in Massachusetts, which enjoy limited liability and other valuable privileges by law, were invented by Western societies to serve public needs, such as building a bridge over a particular river.²⁶⁴ In the realm of such corporations, profit was an expected by-product, but public service was the larger goal.

Accordingly, even when in the early nineteenth century the flexible practice of general incorporation (without a specific legislative charter and with no designated purpose) was authorized in America by state laws, there remained some sentiment in favor of regarding corporations as artificial persons, licensed and charged with serving not just *shareholders* but also other citizens. These might include corporate clients, consumers, tenants, workers, neighbors, taxpayers who pay for public education and infrastructure, governments that protect corporations from foreign enemies, and more.²⁶⁵

This view, which is in effect a *stakeholder theory* of corporate management, harks back to a time when Populists and Progressives feared that capitalism was run mainly for the benefit of bankers and industrialists – that is, shareholders – who critics regarded as serving themselves and exploiting the public.²⁶⁶ That suspicion lasted well into the New Deal, but it has been challenged by neoliberal thinkers ever since.²⁶⁷

Scarcity

Homo economicus, natural markets, entrepreneurs, free markets, shareholder values: All these terms, framing neoliberalism, rest on a supposition that economic activity is about “scarcity,” much like psychology is about personality. Neoliberalism adopts this concept from mainstream economics. As Nicholas Gregory Mankiw says in his bestselling textbook *Principles of Economics*, “Economics is the study of how society manages its scarce resources.”²⁶⁸ Or, as we saw Alan Blinder saying, there are three “noncontroversial propositions” in “the economic way of thinking,” and the second of these is that “Resources are scarce.”²⁶⁹ That point may seem obvious when people have in mind, say, the limited amount of gold worldwide, or the shortage of curbside parking spaces downtown.

Nevertheless, economic scarcity is not simple. One difficulty has to do with how resources are distributed and allocated within the existing economy. For economists, “resources” in this sense are the items – from coal, to clean water, to antibiotics, to wood, to aluminum, to oil, to computers, and many other things – that get combined in families, in factories, in farms, in schools, in laboratories, and more, to produce goods that people want. It follows that, because such resources are not endlessly and easily available, there is at any moment a finite supply of them. In which case, a market mechanism is needed to enable citizens to compete against one another, voluntarily of course, and to receive, each according to his or her utility contribution, more or less from the stock of goods that scarce resources, in combination, are capable of producing.

Well, again, not exactly. One problem is that, on scarcity, neoliberalism draws no distinction between “needs” and “wants.” Needs are, roughly speaking, what we require to get along as normal, ordinary, moderate, balanced, and civilized people. On that score, it is obvious that the world’s population today, if organized to that end, could easily make enough, for example, tables, chairs, shirts, pants, bread, jam, dwellings, and medicines to supply what everyone really needs.²⁷⁰ So

satisfying *needs* is not prevented by scarcity. Add to the needs list some luxury items based on cravings and idiosyncrasies, and the necessary productive capacity still exists.²⁷¹

Wants, however, are an entirely different matter. Wants have to do with what we “desire” rather than what we “need.”²⁷² And our desires are constantly enlarged by social norms, by advertisements, by fashion, and by keeping up with the Coopers who are themselves straining to stay ahead of the Smiths.²⁷³ In a way, then, desires are innumerable and insatiable. It follows that satisfying wants/desires completely is impossible. There is simply not enough stuff to go around.²⁷⁴

In these circumstances, the axiom of scarcity fits into a neoliberal endorsement of “consumer sovereignty,” where presumably it is consumers who rule the economy and corporations that merely seek, obediently, to satisfy their demanding customers.²⁷⁵ That consumer desires are created day after day by ubiquitous advertising, that store shelves can be cleared only if we will buy things that we don’t need, that planned obsolescence is built into cars, appliances, furniture, and other items, that many children and adults have more toys and clothing than they can play with or wear: All these are common-sense observations that must be ignored by neo-liberalism because they might validate the critics who claim that large corporations actually dominate small consumers rather than the other way around.

Economic Growth

If perpetual scarcity exists, one way to deal with it is to generate endless economic growth. More growth equals more things equals more acquisitions equals more happiness... until one decides to pursue the next new thing. Apart from the treadmill quality of this proposition, it may sound plausible until one considers that when neoliberals borrow their analysis of economic growth from mainstream economists, and when they boundlessly admire that project, they usually overlook or discount the inevitable adjunct of growth, which is what economists call “externalities.”

A useful item, say a home air conditioner in 1950, may be produced where it did not previously exist and may therefore be considered a welcome multiplier of economic growth. But beyond its market price, making that product and many others may impose on society “external costs,” some personal and some social, for example, environmental pollution and ecological disorder.²⁷⁶ Which means that “more” is not necessarily “better.”

In our day, the worst of externalities is global warming, driven by burning fossil fuels purchased at market prices.²⁷⁷ Global warming is catastrophic, but you would not know that from buying affordable gallons of gasoline. The problem is that market prices, which add up to GDP and therefore indicate economic growth, do not necessarily include external costs, because they register only the *marginal utility value* (short-term) of items that are exchanged. And the problem there is that the marginal utility prices of items like gasoline, used on a daily basis in the modern economy, mostly do not take into account either the *long-run fate* of humanity, or the *absolute value* of the Earth – its soil, its forests, its water, its air, and more – which supports us all. So we keep driving, all too often in gas guzzlers.

Some neoliberals claim that when we will become richer, we will be able to afford to solve ecological problems; that is, they say we can continue to do what we are doing now, to boost GDP, and we can at the same time safely assume that, somewhere later on, people who will be less vulnerable to scarcity will create the efficiencies and substitutions we need to prevent disastrous externalities.²⁷⁸ They might also explain, along these lines, that because economic growth is *required* for progress and prosperity, there is a growth versus climate “trade-off” for which we must seek “an optimal path that puts the benefits and costs of each into balance.”²⁷⁹

Nowadays, that optimum path, in strictly economic terms, might entail enacting a carbon tax.²⁸⁰ Its proponents assume that if carbon emitters will have to pay more for what they are doing, they will stop emitting.²⁸¹ What would happen to the Earth if they would just frown and pay up (as comfortable

people do when the price of gasoline for their SUV rises) is discussed nowhere in neoliberal writings that I know of. For, as Naomi Klein says, “To admit that the climate crisis is real is to admit the end of the neoliberal project.”²⁸²

Ideology

Another difficulty with the notion of scarcity relates to its role in neoliberal “ideology.” Ideology is a term sometimes used by scholars in reference to what are called “catechisms” or “creeds” in religion, where some authoritative source, such as the Bible, is distilled into a collection of principles and propositions, such as the Nicene Creed of 325 AD, which tell us what life is about and what we should do with it. On the secular front, Marxism is sometimes seen as this sort of ideology, composed of various linked principles and propositions derived mainly from the writings of Marx, Engels, Lenin, and Stalin.

Neoliberalism is *not* an ideology in this sense. It has no leaders like the Pope, and it has no authoritative scriptures like those of Marxism.²⁸³ However, “ideology” is also a term with sociological dimensions. It can be used to describe a compendium of principles and concepts, which are not based on formally authoritative sources, which are not written down anywhere systematically, but that indicate what some people do together in society and why what they do justifies their collective status, perhaps conferring on them wealth, prestige, and political power.²⁸⁴

In this sense, the assumption of perpetual scarcity, borrowed from mainstream economics, is part of a powerful complex of ideas that add up to an ideology that is commended by, and that is promoted by, many of the more successful people in America today. In this sense, it is a middle-class, or bourgeois, ideology – as opposed to an aristocratic, or proletarian ideology – because, to deal effectively with what they call scarcity, neoliberals praise and applaud people who generate growth (there are the entrepreneurs), who encourage growth, who justify growth, who admire globalization (there is the free trade project), who support privatization (there is the marketplace), who injure

or eliminate jobs, traditions, small towns, unions, bowling leagues, and more, all in the name of progress (there is the creative destruction).²⁸⁵

For example, Edward Conard explains that capital is chronically scarce because “workers” or “voters” won’t cut back on consumption.²⁸⁶ There is the scarcity assumption. In his view, it justifies lowering taxes on entrepreneurs so that those people, when successful, will retain enough money to invest – that is, to pay for taking “risks” that only they, among workers and voters, will incur but that society requires in order to stimulate innovation (economic growth), to the benefit of all.

But what is the context? Conard identifies himself as a “former managing director of Bain Capital, LLC.”²⁸⁷ We should note, then, that his contention, on behalf of investors like himself, is a long-standing thesis, going back to the 1830s when classical economists such as Nassau Senior justified (bourgeois) profits by arguing that capitalists practice “abstinence,” whereas workers provide “labor.”²⁸⁸ That is, capitalists refrain from a measure of consumption, accumulate savings, then use that money to build productive enterprises, and therefore deserve to profit when those enterprises generate goods for the benefit of society at large. In other words, what Conard says today is, in effect, more or less what industrialists and business people have long claimed. But he makes the case for capitalist privileges and power in terms of “innovation” rather than “abstinence,” probably because we don’t usually believe that abstinence is characteristic of people like Jeff Bezos, Bill Gates, George Soros, Mark Zuckerberg, or Michael Bloomberg, to say nothing of President Donald Trump.

Political Consequences

So far, we have looked at neoliberal ideas that relate mainly to economic practices. In the real world, though, even small economic practices can have large political consequences.²⁸⁹ So let us consider some of those now, even though they are so large that we can explore them here only briefly. Like neoliberal

economic ideas, these political consequences cannot be depicted in straight-line fashion, as if they express the orderly unfolding of a formal theory. They do connect, however, via shared concepts, and they are worth noting here, even unsystematically, because they are especially relevant to political scientists who, in the Temple of Science, might commit themselves professionally to analyzing America's political condition in the Age of Populism.

Public Goods

Let us start by noting that neoliberalism is very weak on "public goods," which in any society provide a large part of social well-being. The Constitution says that "the People of the United States, in order to ... 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" constitutional government in America. Thus, in its Preamble, the Constitution describes the new government as responsible for facilitating the achievement of several public goods that will benefit all citizens.²⁹⁰

The reason why neoliberals are weak on public goods is that they are strong on markets, as opposed to governments.²⁹¹ That markets fail to provide public goods (such as fresh air, clean water, and national defense) is obvious, but it was also demonstrated logically by economist Mancur Olson, who argued that, because everyone can enjoy a public good once it is created, rational (self-centered) individuals will decide not to pay for it voluntarily.²⁹² If it is there, they will use it; if it is not there, they will wait for someone else to pay to create it; once that other person, or persons, has paid, *then* rational individuals will use it, thus acting as "free riders."

Technically speaking, markets do not provide public goods because such goods cannot be priced, like cars and breakfast cereals, for separate and voluntary purchase. For example, weapons are necessary for the creation of a public good called national security. However, it is not likely that customers would

be willing to pay separately, say in Home Depot, for missile fins or tank treads, and then send those parts to the Pentagon so that soldiers could assemble them into weapons to defend the country.

Therefore, public goods will only appear if government will tax (force) citizens enough to pay for them. But neoliberals recommend enacting the lowest taxes possible, in order, presumably, to leave money in private hands so that profit-seeking entrepreneurs will be able to innovate. In which case, the neoliberal prescription for how to maintain government services while not raising enough tax money to support them thoroughly is that individuals should mainly pay government for what they use, such as water, parks, libraries, roads, trash removal, sewage, education, and more. As one privatization enthusiast says, “We must scale government benefits to economic contributions. Charge users for the [government] services they consume.”²⁹³

There is a philosophic issue here. Which goods will be regarded as *public goods* depends on which goods a society decides, on the basis of ethical considerations, to regard as publicly valuable or not, after which it will provide them or not on the basis of taxation for the general welfare of society’s members. Thus, when Barack Obama was president and there were Democratic majorities in both Houses of Congress, they decided together that health services should be available to all citizens, to which end they enacted the Affordable Health Care Act of 2010. The argument was that many millions of Americans could not afford existing private health insurance policies but that the community as a whole would benefit from paying for everyone to be as healthy as possible.²⁹⁴

In response, neoliberal politicians and intellectuals, who preferred that health care would remain private, within the realm of competitive market practices, argued that Democratic politicians wanted to enact a public health care law so that the receipt of affordable health services would cause poor people, previously uninsured, to become loyal members of

the Democratic Party. In other words, beyond law, order, and national defense, all of which protect markets and private enterprise, neoliberals are apt to regard proposing, and then providing, additional public goods as designed to achieve political gain rather than social well-being.²⁹⁵

Democracy

As it is weak on public goods, neoliberalism is also weak on democracy, again because it focuses mainly on the market economy. That economy encourages creative destruction, pursues endless growth, and generates the One Percent outcome, sometimes called the “Winner-Take-All Society.”²⁹⁶ In that society, the top One Percent of citizens receive more than 20 percent of the nation’s yearly income and own more wealth than the nation’s bottom 90 percent.²⁹⁷ This striking inequality of economic rewards and resources was the central theme of Bernie Sanders’ 2016 campaign for the Democratic presidential nomination.²⁹⁸

Against critics like Sanders, neoliberal thinkers insist that, according to the economic model of marginal utility, people who have large incomes deserve what they earn because they make corresponding contributions to national prosperity. A large gap in personal incomes is therefore justified. What this economic approach to rewards does not explain is that small incomes are spent mostly on *needs*,²⁹⁹ whereas large incomes cover *needs and savings*, in which case the savings (wealth) can be used, via lobbying and campaign contributions, to project power in politics.³⁰⁰

In other words, when unequal *incomes* turn into unequal *wealth*, which they inevitably do, the democratic principle of one person, one vote is endangered because some (moneyed) people have, in effect, more *power* than that conveyed by a single vote.³⁰¹ In recent years, that power in politics has been enormously boosted by two Supreme Court decisions, where the justices voted 5–4 in *Citizens United v. Federal Elections Commission* (2010) to permit virtually unlimited group political

contributions and again 5–4 in *McCutcheon v. Federal Elections Commission* (2014) to permit virtually unlimited individual political contributions.

Is this money crucial? Because ballots are cast secretly, we never know exactly which citizens vote for one policy rather than another, or why one candidate rather than another wins an election. Therefore, when scholars compare whatever campaign spending figures are available, they disagree on whether or not money *by itself* can assure electoral success to whoever spends more. Nevertheless, there are clear indications that, as the saying goes, money talks.³⁰² Indeed, the Supreme Court inadvertently endorsed that notion when it ruled that, by expressing the opinions and preferences of those who give, campaign contributions are no more nor less than a form of free speech, which is guaranteed by the Constitution.

In effect, the Court considered the *legality* of money-backed talk but did not take that talk's *impact* into account. Yet candidates pay special attention to people who are likely to contribute, and elected officials are reluctant to act against the interests of people whose money they will need to cover campaign expenses next time around.³⁰³ In such circumstances, democracy becomes, to some extent, a neoliberal marketplace, a political form of “consumer sovereignty” whereby some citizens figuratively “buy” candidates with their single votes, and whereby other citizens figuratively “buy” candidates with thousands or millions of dollars’ worth of campaign donations and lobbying.³⁰⁴ Officially, all citizens are equal. But, as George Orwell explained in *Animal Farm* (1945), when some animals (the pigs) gain control of the farm’s resources, all the farm’s animals may remain *equal* in a formal sense, even while some of them (the dominant pigs) are in fact *more equal* than others.³⁰⁵

The Middle Class

As we have seen, neoliberals prefer the market-centered economy. Consequently, again, they are weak on something very important politically, and that is the *middle class*. This weakness suggests a glitch in their economic theory because,

if they expect supply-side innovations to generate economic growth, it is not clear from where they expect that consumers will earn enough money to buy what innovators are going to offer/supply to them.³⁰⁶

In the One Percent economy, attention focuses on *what is there*, in the sense that a great many modern resources and power have been captured by One Percent of Americans. The problem of the middle class, on the other hand, is *what is not there*; among the remaining 99 percent of Americans, ever fewer people possess the resources and therefore the power that had once belonged to a vibrant middle class that thrived in America between the end of World War II and the mid-1970s.³⁰⁷ Those were the days when, as Robert Reich points out, “the income of a single schoolteacher or baker or salesman or mechanic was enough to buy a home, have two cars, and raise a family.”³⁰⁸

What happened is not that technological productivity declined or that formerly middle-class people stopped working hard and responsibly but that, in later years, the rules of the economic game – determining who will win and who will lose – changed around them. For one thing, banks, credit card companies, brokers, and insurance agencies benefited from new legal arrangements that permitted them to consolidate and charge higher fees than before, to the point where the financial sector (which employs relatively few people and generates more paperwork than it makes commodities) began to take in more of America’s national GDP than the people who manufacture things, from food to medical instruments to clothing to home appliances and to machine tools.³⁰⁹

Moreover, people who did manufacture things were, as a class, unable to hold out for a greater share of the nation’s productivity gains because private-sector labor unions shrank. It was a classic Edgeworth Box situation, where workers (who were selling labor) had little bargaining power against employers (who were buying labor) because, for example, many of their jobs could be outsourced to low-wage countries, many other jobs could be eliminated by increasing automation, many

workplaces could be flooded with temporary personnel,³¹⁰ many illegal immigrants could undercut wages for *bona fide* citizens, and many factories could be closed down because free-trade agreements permitted easy importation of cheap goods made in countries where unions did not exist.

Furthermore, while neoliberals pushed for reduction or privatization of public services, an economy emerged where in many families two people must work to make ends meet even minimally. In those cases, some people have been squeezed out of the middle class by their inability to pay for things they formerly had obtained free or inexpensively.³¹¹ This is the story, for example, told by Alissa Quart, about how millions of ordinary Americans, conscientious and reliable, working for low wages and sometimes on several jobs, cannot afford pregnancy expenses, cannot afford child care, cannot afford college tuition, cannot afford health insurance, cannot afford home mortgages, and cannot afford retirement plans that were formerly subsidized by employers.³¹²

The decline of the middle class is an issue where consulting with great thinkers is patently worthwhile. For example, Ganesh Sitaraman notes recent decades of increasingly unequal incomes in America, leading to a severe shrinking of the middle class to the point where, in 2015, for the first time in generations, middle-class Americans no longer constituted a majority of the population.³¹³ But when the country lacks a moderate, middle-class anchor, he says, growing class differences, pitting poor against rich, threaten the republican values and civic constraints that, starting with Aristotle, Polybius, Cicero, Machiavelli, Harrington, and Montesquieu, eventually inspired the Constitution.

Thus, from where we are today, Sitaraman recalls first-order political thinkers and their ideas. Whereupon, while engaging those thinkers, he cites and analyzes the anti-tyrannical constitutional balance among groups and classes that some of them, such as John Adams, Thomas Jefferson, and James Madison, fashioned for America. He then explains, by drawing on recent empirical studies, how, because the middle class is

in decline, that vital balance is being lost today. And, finally, he recommends public policies, in education, banking, and employment compensation, by which it can be restored.³¹⁴

Populism

I will again sound repetitive for proposing that neoliberalism's enthusiasm for markets is implicated in a further political problem, which is the rise of populism. A mainly market-based economy may not be the *only* cause of populism, but it is certainly *one* major reason why populism has grown in recent years.

The sequence is as follows. While GDP rises, and while it is regarded as demonstrating that the country enjoys more prosperity than ever, then the decline of the middle class is an indicator that prosperity is not reaching many Americans. As Nobel Prize winner (economics, 2001) Joseph Stiglitz declared point-blank: "The American economy no longer works for most people in the United States."³¹⁵

The problem here is that rewards for hard work in America are being distributed unevenly within a worldwide matrix of globalization, including free trade and financialization, which can only be resisted if America's government will be strong enough to confront numerous and powerful corporations that profit from existing economic arrangements and oppose all political inclinations to change them. But the state apparatus in America is weaker than it used to be because, when neo-liberal principles are translated into practices, "the state" gets weakened in favor of "the market," as we have seen. This even though, when the state is weak, it cannot make adjustments that might be necessary to provide, beyond present market-based outcomes, well-being and prosperity for all its citizens.³¹⁶

Many Americans therefore feel, increasingly since the 1970s, that they have been treated badly by markets and that no one is doing anything about it.³¹⁷ In the circumstances – and here are the grounds for populism – resentment is turned against conventional political leaders who, for years, were nominally in charge but produced only more of the same. Surely this

resentment in 2016 worked against Hillary Clinton because, as a candidate for president then, she looked like a former office holder who, while taking home millions of dollars in speaking fees, had done little to compensate “losers” in the war of all against all.³¹⁸

At the same time, Donald Trump benefited from resentment when his slogan, “America First,” encouraged many ordinary Americans to feel that he would stand up for them against a corporate world whose leaders cared more for globalization, deindustrialization, creative destruction, automation, free trade, and international finance than for the well-being of most neighbors at home.³¹⁹ That Trump was, objectively speaking, a member of the global elite did not deter his supporters.

The Death of Truth

To round out this review of some neoliberal political consequences, we should note what may be called “the death of truth.”³²⁰ America’s market economy, which neoliberals praise and promote, is not based on scarcity, no matter what neoliberals claim, because, for at least a century, American factories and workers have been able to produce everything that everyone *needs*. There is no scarcity to overcome, then, except in the unevenness of distribution. In fact, flowing from modern science and technology, overproduction – which is the exact opposite of scarcity – is a constant threat.

Accordingly, the real imperative underlying modern commerce and technology is to convince people to buy what they do *not* need, and for this purpose advertising has evolved into a complex and sophisticated form of incessant persuasion where *truth*, if it exists at all, is secondary to provoking *wants*.³²¹ In ads, young and beautiful people dash about, alone or together, accompanied by snappy music, wearing new clothes, driving flashy cars, using famous toothpaste, tennis rackets, and smartphones, promoting Calvin Klein, Toyota, Nike, Apple, American Express, Tide, and, via Chipotle, McDonald’s, and Applebee’s, and happily eating their way through life.³²² In

the circumstances, as Stephen Colbert put it, metaphorically speaking, *truth* is something we *think* with our heads, by ourselves, whereas *desire*, aroused by nonstop ads, is something we *know* in our hearts.³²³ In other words, truth is beleaguered and desire is boundless.

Now this is, not surprisingly, analogous to the way in which neoliberals, via their enthusiasm for mainstream economics, make no judgment about what people prefer and why they buy anything.³²⁴ For so long as something on sale gives people pleasure (utility), it is commendable for contributing (via GDP) to their well-being and that of society. If apparently frivolous goods are going viral, so be it. After all, value is not what *is true* across the board but what people *feel is true* for themselves. As Bentham said, pushpin or poetry, it's all the same.³²⁵

Of course the language of persuasion, refined and elaborated in commercial advertising, quickly spread via exercises in public relations to other realms of life, to wherever people could gain an advantage by making something look more attractive than it really is.³²⁶ It was inevitable, then, that advertising techniques would powerfully influence politics, especially in lobbying and campaigning, where a great many things – such as taxes and war, and some candidates for public office – have always had to be made more attractive than they really are.³²⁷

The problem here is that, in public life, and especially in democratic societies, truth is not something we can easily do without. In fact, it is a vital *public good* for, without truth, how can democratic citizens think accurately about the condition of their society and how they might vote and speak up to improve it? In that sense truth is a public good because, when it exists, it is available to all citizens, and their access to it serves to make them all better off.³²⁸

More specifically, without truth, people cannot talk to each other constructively, cannot understand each other's interests, and cannot adjust together successfully to real-world conditions.³²⁹ Yet truthful talk is not a default setting in the Age of Populism, personified by a president who runs the White House like a soap opera and often sounds like a

walking advertisement for himself and his branded properties.³³⁰ Indeed, when confronted by adversaries or journalists wielding the truth, the president accuses them of promoting “fake news,” and his spokespeople claim that Trumpian declarations, even when patently false, are justified by “alternative facts.”³³¹

History teaches stern lessons about the importance of truth.³³² For example, Hannah Arendt, who fled to America from Nazism, warned, in *The Origins of Totalitarianism* (1951), that fascist and communist regimes erased the difference between fact and fiction, true and false, to the point where their citizens would willingly endorse and commit extraordinary brutalities.³³³ And George Orwell, after serving unhappily as a British propagandist during World War II, in 1984 (1948) darkly portrayed fictitious but plausible societies whose leaders, such as Big Brother (who Orwell invented and named), promote public policies based entirely on lies. Thus Orwell’s protagonist Winston Smith, living in Oceania (including mainly North and South America, Britain, and Australia), and working in the Ministry of Truth, where official explanations and justifications changed daily, warned that there can be no freedom without truth. As Smith said: “Freedom is the freedom to say [the truth] that two plus two makes four. If that is granted all else follows.”³³⁴

John Stuart Mill

To sum up, creative destruction is promoted ceaselessly by neoliberalism, therefore some political scientists should frame their concern for destruction within the public conversation on neoliberalism. I will return to all that in a moment. But first, let us illuminate the neoliberal propositions I have discussed so far by citing a great thinker who was seriously worried about change and prosperity.

Thus John Stuart Mill, in his *Principles of Political Economy* (1848), commented as follows: “I confess that I am not charmed with the ideal of life held out by those who think that the normal

state of human beings is that of struggling to get on; that the trampling, crushing, elbowing, and treading on each other's heels, which form the existing type of social life, are the most desirable lot of human kind, or anything but the disagreeable symptoms of one of the phases of industrial progress."³³⁵

Clearly, Mill would oppose neoliberalism were he alive today. Therefore, he continued: "It [the trampling, crushing, etc.] may be a necessary stage in the progress of civilization ... But the best state for human nature is that in which, while no one is poor, no one desires to be richer, nor has any reason to fear being thrust back by the efforts of others to push themselves forward." Mill called this "best state" the "stationary state," in the sense that it would not pursue endless economic growth but would rest content to make here and there small scientific and technical adjustments that would improve people's lives.³³⁶

In the Age of Populism, while we are beset by severe personal, social, cultural, ethical, commercial, and ecological strains, I believe that hoping for less struggle, for less trampling, for less pushing forward, and for less of a human footprint on the Earth – that is, hoping to mitigate creative destruction in neoliberal times – is a reasonable aspiration. Perhaps that is what Polanyi had in mind when he warned that not all *change* amounts to *progress*.³³⁷

However, to transition to such a state of affairs in America would require far-reaching *political* decisions, which economists don't typically study and which neoliberals, who prefer market outcomes, disdain. So let us turn now to the study of politics, to see where political scientists might take a stand against the perpetual-growth optimists.