Neoliberalism, Capital Accumulation, and Austerity

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Abstract

Recent crisis in global capitalism has once again brought to the fore major structural contradictions and the consequences of these contradictions are reflected in the massive dislocation of the economy, growing number of (the) poor, concentration of wealth in the hands of a few around the globe, indebtedness, rampant speculation and an unprecedented concentration of financial capital at the expense of productive sector of the economy. The austerity program by which the global working class must endure has generated much social protests including "occupy Wall Street," but with very little discussion of an alternative to the current global system.

In academia, the term descriptive of finance capital's policy prescription is "neoliberalism." Yet the term not only has created confusion since in the North American context, liberals and neoliberals have always been viewed as left leaning people and not the free marketers and market fundamentalists. Neoliberalism often refers to a set of economic policies designed for intense and accelerated capital accumulation. Rarely the discussion of the process of intense capital accumulation includes a restructuring of society and social institutions as a precondition for the successful implementation of the policies. This paper is an attempt to add to the discussion by pointing out the indispensability of the practice of social imperialism in the process of reproducing the hegemonic structure and effective implementation of the policy.

Reaction to the evolving socio-economic and political events has been one of the greatest preoccupation in the social and political sciences as a habit and of necessity. References to what Gramsci (1995) calls the "traditional" intellectuals provide the "organic intellectuals" (Gramsci, 1995) with the necessary foundation to debate the social and political theory and even praxis. For the most part the debate begins *ipso facto* and for the most part dominated by empiricist argument irrespective of the labels. In the current discourse on the global political economy both the defense of recent development and consequences of enormous mobility of capital in the last few decades as well as criticism of it are found in all orientations labeled "conservative," "liberal," "libertarian," and "radical." Common to all is the absence of the predictive power of theory, and by extension the absence of a long view of the evolving structure and context. In other words, empiricism has been a common thread in all of these descriptions and precisely for this reason, there is at the end a convergence of what appears to be diametrically opposed approaches.

While some of the discussions point out the inevitability of the occurrence of events such as the recent financial crisis of global capitalism, the reasoning with respect to the cause and the scope of the problem differs significantly. The view that the recent financial crisis is of short term duration and a short term problem and that the forces within the market will resolve it, is found in a variety of classical approach. On the other hand the view that this problem is caused by an inherent set of contradictions falls into two general categories but with different conclusions and predictions. First is the *very rare* view that an inevitable collapse of the system is looming and nothing can save it and second the common view that the contradictions can be minimized and the system can overcome its malaise provided that the market is allowed to operate freely and that a culture of “shared sacrifice” (code word for austerity) develops. What is missing from the discourse is any references to the manner in which a democratic society through the use of ideological superstructure and specific strategy is prepared to accept the fate. The democratic process entails dialogue and reasoning, but it is also subject to influence from various powerful actors (donors rather than voters). Indeed the definition of the structure here as the ensemble of powerful, enduring and influential interest groups, with control over resources and important social institutions such as education, media, religion, sports, family and off course polity. In a democratic society if the structure is to remain intact and to continue to reproduce itself, it must create consensus – hegemony. Gramsci defined hegemony (1995) as the domination of society by the powerful elites through consensus. Once the populace internalized the values of the ruling elites as logical and legitimate (“common sense”) and participates in the reproduction of the system voluntarily then a hegemonic structure is created. One of the main features of hegemony is the manufacturing of false consciousness that masses do have power within the parameter set by the structure. The fact that people feel that they have power and that as a pitfall of feeling powerful without concrete basis may result in social inaction. The mainstream approach - a managerial approach or the analysis of the system within the parameter set by the structure has been one of the main preoccupation(s) of the mainstream social and political science. In this case the problems are viewed in terms of individual managerial capabilities and therefore methodological individualism becomes the analytical tools and the means by which success and accomplishment are measured. If however, the systemic and or structural approach is taken, one cannot but to take a dialectical approach with the structure at the center of scrutiny in pursuit of contradictions. And to create a hegemonic structure various mechanisms have been devised and none has been as effective as the practice of social imperialism both in what I call the classic form and the contemporary form. Hegemonic empires of the early twentieth century such as Britain practiced the classic form of social imperialism. Imperialist policies abroad required the support of the domestic working class. To gain the support of the masses the British Empire promised great economic return from the colonial expansion, a promise that had to be renewed many times over. Thus in a "democratic" society the classic form of social imperialism for rallying mass support for imperialistic policies was the dominant form until the late 1960s. While the classic form of social imperialism relied heavily on the provision of material supports to gain the support of the working class in the implementation of imperialist policies, contemporary social imperialism relies on the elevation of fear emanating from external threats (real or imagined), as well as economic and social insecurities at home. Contemporary social imperialism uses the real social and economic insecurities but in the context of individualism as a worldview and an assortment of well-prepared set of self-medicating techniques vital for an effective implementation of social imperialism. In both cases of social imperialism the use of jingoistic corporate media and other social institutions have been indispensable components of the strategy. While the use of media in the service of imperial policy began in the early part of the twentieth century, the use and abuse of social and political sciences (broadly defined) dates back to the nineteenth century European colonial era. Eugenics and Social Darwinism provided the intellectual/anthropological justification of imperial plunder and the basis of modernization theory or the mainstream sociology of development. What developed was a unified front for the implementation of policy and a concerted effort at institutionalization of that front which Gramsci calls the "historic bloc." To Gramsci's "historic bloc" composed of socio/cultural, political and economic forces in every epoch manufactures the dominant ideology of the epoch. From the rise of colonial empires in the nineteenth century to the present, particularly from the Post World War Two, "historic bloc" has been an integral part of the structure of domination. In the post WWII the global strategy of capitalism to contain communism and all forms of obstacles to capital accumulation included a variety of tools invariably created by the "historic bloc." To understand the latest global financial crisis and the crisis of confidence, one has to trace its roots, examine the socio-economic and political structure within which it evolved and understand the guiding principles—or ideology and its cultural characteristics. Even though the ideology of neoliberalism dictates much of what has been undesirable, the interest of the dominant class also dictate that the "organic intellectuals" of the neoliberal regime begin questioning specific strategy for maximizing their return. Indeed the rise of "how to save capitalism' literature began not before the collapse of the financial apparatus, but after it had already melted. And indeed what is striking is the resiliency of capitalism as an economic system and accordingly the interest of its dominant political and economic class trumped the ideology therefore forcing ideology to accept changes as dictated by the interests. No phenomenon, or event is an independent one, and its occurrence depends on a series of events large and small. Viewed in this fashion, the continuity and the cumulative changes across time and space negates empiricism and the episodic and event centered history. And one can say for sure that all significant events, have a history, a structure and a guiding ideology. And that ideology in turn is grounded or anchored in a supporting philosophy.

From Liberalism to Neoliberalism:

The interdependency of the vital economic and political units of the global capitalism is as much the cause and the reason for the persistence of crisis as is the ideological principles undergirded by a morphed philosophical orientation once considered the beginning of man's coming of age—the enlightenment philosophy. The philosophy of this period was as much a reaction to the controlling philosophical orientation as it was a reaction to the controlling socio-economic, political and religious establishment headed by a hereditary monarch and feudal lords. Indeed Enlightenment was a collective effort at deconstruction and a philosophical reaction to despotism of the Church and the State in 17th and 18th centuries. At the core of enlightenment philosophy is individual rights, liberty, limited government (the type they experienced), rule of law, and progress. And precisely the political treaties invariably showed an inverse relationship between powerful government and individual liberty. They invariably equated prosperity with limited government. Thus philosophers such as John Lock, is to this day considered to be the father of liberalism. His political treaties advocated smaller role for the government. Locke viewed human nature as the embodiment of rationality motivated by selfishness. To Lock, State's primary responsibility is to protect the natural rights (life, liberty and personal possession of individuals) and an environment in which individuals can pursue these rights. Yet individual liberty did not mean the pursuit of harmful interest and at the expense of the rest of society. Even Thomas Hobbs whose Leviathan is a defense of absolutist power, introduces social contract—a contract between the state and individual protecting the right of individuals was viewed as a necessary condition for the creation of a healthy political state. It was a reaffirmation of individual rights and freedom and a rejection of an abusive sovereign power, feudal lords, aristocracy and their institutional base such as the Church.

Classical Liberalism begins with the enlightenment philosophy and it becomes the framework in which liberalism of the 17th and the 18th centuries finds its base. Enlightenment philosophy was not necessarily a rejection of the tradition and institutional arrangements, but an advocacy of rational discourse beginning with overt skepticism. The instigators of the enlightenment movement viewed skepticism as a vital first step towards reviving a society perceived as in need of life support and shock therapy. Perhaps one of the greatest skeptics (among many) of the 17th century philosophy was Rene Descartes, 18th century David Hume and Kant were instrumental. Rationality of Descartes, Empiricism of Hume and reasoning of Kant were necessary ingredients of the philosophy designed to rebuild society or to redirect changes. Espinoza, Rousseau, Say, Voltaire, Montesquieu, and Diderot among others and by extension the North America statesmen such as Thomas Paine, Thomas Jefferson, Benjamin Franklin and James Madison were classic liberals. The American statesmen were influenced by the Europeans thought and it is believed that the American Revolution, and the Bill of right were influenced by the ideas of individual liberty, and freedom of thought. Invariably, “Liberalism” is viewed and defined in terms of political history and this is the reason for the ascendency of John Lock and almost neglect of Rousseau and other enlightenment philosophers and political economists.

With the advent of Industrial Revolution and the gradual dominance of Industrial capital a new strategy for the World began to take shape. The classic liberals such as Adam Smith, David Ricardo, Robert Thomas Malthus, and J.B. Say theorized that market forces operating in their natural environment – free from government intervention can provide a flourishing environment for everyone. Yet they were not naïve to think that government was irrelevant. Specifically Adam Smith showed disdain both for the one percent of his time and the government allied with it.

While in the bifurcated American political context, liberal and liberalism are descriptive and orientation suggesting an economic and social approach in which the government plays an active role, provides social services (particularly to the needy) through taxation, and conservatives are those who advocates smaller government, less taxes and free market without government intervention. Traditionally, the “right” of the political spectrum has maintained an image of an ideal political economy based on free market, less government and a plan to “conserve” the traditional institutions among their marriage, family, education and religion.

The conservatives often cite the English statesman of Irish descent Edmund Burke whose reverence for conservatism was on the basis of empiricist view of the world that if the current institutions have survived for such a long period of time, they must be right and legitimate. They are, Burke reasoned, the result of trial and error and they have been serving people well. To conserve them is to respect their contribution, hence the basis of his opposition to the French Revolution. Today’s references to conservatism are references to the infallibility of free market (a substitute for capitalism) and all of the social institutions –the ideological superstructure. Of all the social institutions, polity and the institutionalized (organized) religion have been instrumental in support of capitalism and free market. Pioneer Sociologists of the nineteenth century had conflicting views on religion as a social institution. To Marx, it was a part of the ideological superstructure at the service of the ruling class—it was the “opiate of the masses.” To Weber, each had a unique prescription for social engagement. In particular Weber viewed the teaching of the Protestant sect as instrumental in the rise and expansion of capitalism. Though both of these theses have been questioned and their accuracy examined, the very preoccupation with religion showed its influence in society. What was most significant was the rise of evangelical Christianity in the nineteenth century in support of market and commerce. Both for the classic liberal and the institutionalized and evangelical Christianity, Free market was and is viewed as a natural phenomenon capable of addressing all that is right and correcting all that is "unnatural"—fluctuations and ups and downs. Thus according to the evangelists of the 19th century, poverty is caused by an impure existence –sinful existence and no social program *should be* designed and implemented to get rid of it. Poverty was viewed as a penalty for an unnatural existence and only market can correct it (Bigelow, 2005). The remarkable growth of evangelical Christianity during the first half of the nineteenth century was both a reaction to the rising intellectual work in political economy (radical and mainstream both) notably those of Adam Smith and David Ricardo, but also a reaction to the uncertainties of the era (revolution, poverty, and wars among others). To the Evangelical Christians of the era, market was the natural development and an effective means of creating a wealthy society. Up to this point, their ideas to some extent were compatible with those of classical economists including Smith and Ricardo. But once they discovered that within the works of these pioneers in classical thinking there was a hidden hint at class conflict (Ricardo) and a negative view regarding the manner in which merchants enrich themselves (Smith), they decided to rally against this kind of heretical thinking. Poverty and other problems were primarily a matter of divine intervention. Hunger, deprivation and dispossession were "natural spurs to prick up the consciousness of sinners"—the poor (Bigelow, 2005). The reality was that this kind of thinking was not limited to the religious arena, it became a powerful determinants of public policy. In 1820s the evangelists held important positions in government and began policies for "atonement for sin…" Their first plan was to dismantle the old parish-based system of aiding the poor and the aged leading to the Poor Law amendment of 1834 (Bigelow, 2005). The attack on the poor today is eerily similar to that of the aforementioned period.

While anti government intervention continued to grow on both sides of the Atlantic, the reality of market fluctuations was overwhelming enough to think what if. What if small recessions do turn into great depression? What is to be done? Up until the 1930s various events were viewed as temporary and short lived. But speculative activities particularly in the United States were impacting the manufacturing base. From the latter part of the 19th century onward, the growth of finance capital is accompanied by the episodic growth in its speculative part. The panic in the year 1873 (lasting several years), 1897 lead to a severe recession in 1898, and the twentieth century panic of 1902, and 1903 and the biggest of all of 1907 were not independent events, but a string of related events. At the turn of the twentieth century, the American Exports particularly agricultural commodities increased dramatically leading to an inflow of over $1.5 billion export revenue (Faulkner, 1952:35). By 1900 the US capital market economy experience a glut (mostly rich and middle class monies) and the banking system began to expand. Two very prominent financiers Edward Harriman, and J Pierpont (JP) Morgan began the battle for the control of Northern Pacific . Their rivalry had an impact on the speculative market. In particular when the market was cornered by J.P. Morgan the value of stock increased from 160 to 1000 in 1907 (Faulkner, 1952:36). Then where is the surplus capital going? It is diverted to real estate and other fixed assets leaving the market without liquidity (Faulkner, 1952:35-37). The creation of financial surplus and the recycling of the surplus was financiers' (such as J.P. Morgan) main preoccupation. This is the period which FINANCE CAPITAL becomes the dominant form of capital—the supremacy of bankers and the speculating class. This was the context in which in 1910, Rudolf Hilferding wrote his famous "Finance Capital" describing s form of capitalism dominated by the powerful banking sector. Lenin also observed the same phenomenon and carried it one step further and pointed out the international dimension of this stage. To Lenin, it represents "the Highest stage of Capitalism" which inevitably leads to expansion of imperial control on a global scale—imperialism. This is the period of orthodox or traditional liberalism characterized by excessive freedom for the finance capital to decide how it wants to behave.

As the roaring 1920s came to an end and the crash of the stock market signaled the beginning of an unprecedented depression, the believers in the free market and orthodox liberalism struggled to explain. The Great Depression however changed the traditional belief in the ability of the market to regulate itself. Government intervention in the form of the New Deal in the United States, Fascism in Europe and "socialism" in the Soviet Union were all responses to the Great Depression and market failures (Polanyi, 1952). The response to the Great Depression—the failure of market economy was the "New Deal"-the management of the economy through regulation and public expenditures. WITH THE GREAT DEPRESSION CAME STRUCTRAL CHANGES AND RULES AND REGULATIONS; the purpose was to learn how to avert a tragedy such as the GREAT DEPRESSION. Laws were enacted specifically for the purpose of curbing the power and the appetite of finance capital. Glass Steagle was one of the most effective mechanism by which the line between the commercial banks and the investment banks were drawn. They no longer could be one and the same. In other words, the commercial banks were to take your money as deposit and then by following a stringent set of guidelines, loan the money to qualified investors, rather than directly taking risk with it..

From the late 1940s to the late 1960s, the capitalist world system enjoyed great prosperity and expansion. To the Keynesians and the admirers of Karl Polanyi, the absence of orthodox liberalism was the reason for a prolonged period of prosperity. Demand management as opposed to market fundamentalism, and "embedded liberalism" ("ethical") rather than disembedded liberalism was viewed the primary cause of the rise of the Golden Age of Capitalism.

The "Golden Age of Capitalism"

The lingering recent financial crisis in the core capitalist economies is neither unprecedented, nor the last in its severity and scope. To understand the current crisis which the main stream economics and political economy as well as managerial sciences assume that the crises are episodic and a matter of bad or inappropriate management, one has to ground this development in its history and identify the contradictions within the structure. From the latter part of the nineteenth century to the end of World War Two, United States experienced several recessions and depressions with the Great Depression of the 1930s having the deepest impact. The dominant philosophy of survival of the fittest and the corresponding economic ideology of competition and market fundamentalism continued to view these events as aberrations caused by unnecessary intervention in the market. Even the Great Depression was viewed by the Orthodox liberalism as the cause of bad decision on the part of the monetary authorities of the United States and the abandonment of the Gold Standard. Thus any decision short of abandoning intervention in the market would cause more harm than good and any plan to assist those marginalized by the event would be counter-productive. As the Roosevelt Administration reluctantly adopted a “welfare state” approach to the economy—the “New Deal”, the criticism grew and the proponents of the Orthodox liberalism began regrouping. After World War Two, the preoccupation was not with recovery, but with accumulation of capital as a sustaining strategy. Given the reality of the epoch, mere economic policy was not sufficient to address the imperatives of the new reality. Capitalism now is concerned not just with accumulation, but with expansion into new territories in face of “communism of the USSR and the liberation movements of the newly decolonized social formations.

The Post World War Two global strategy of capitalism had both external and internal imperatives. Faced with two major obstacles to its drive for expansion and accumulation on a global scale, capital had to confront the rise of a formidable force armed with powerful armies, and binding military and economic treaties – the Eastern bloc (the “totalitarian,” “Godless,” Communist) lead by the former Soviet Union and the growth in liberation movements across the Third World, invariably opposed to persistent post World War Two colonial control. While the former remained outside of the sphere of accumulation, the latter was a threat to be eliminated or subdued. As de-colonization proceeded and a greater number of countries gained independence, the “containment” policy was implemented on several fronts including but not limited to the political, social, economic and cultural spheres. The containment of communism within its borders meant the creation of reproducible capitalist systems which in a previous paper (2008) I have labeled “defensive capitalist development.” The creation of a reproducible capitalist system was to become show cases of capitalist success and also a greater opportunity for expansion of low wage areas and higher rates of accumulation. Through several powerful capitalist institutions such the World Bank and the International Monetary Fund (IMF), capital embarked on a stringent system of control, directives and monitoring and a heavy emphasis on export oriented growth. Trying to avert a long and expansive war, finance capital imposed a new monetary regime with strict rules, monitoring and control. And precisely for this reason the Post world War Two global monetary system was based on strict control and directives and one of its most important objective was to achieve a sustained growth under a managed and centralized financial system. As part of the grand strategy of capitalist reproduction, the global scene was one of race for resources and markets while pursuing to lower cost of production. During the 1960s and 1970s various countries of the periphery began to borrow to facilitate the growth of the export sector. By the late 1970s and the 1980s – the time for debt service, some found themselves in a situation of debt trap—borrowing to pay the interest on the existing loans. Thus a greater emphasis on export as means of acquiring hard currency for debt service and a simultaneous reduction in government expenditures mainly in the area of social services. While a few countries managed to build and industrial base (albeit a dependent form), others continued to suffer the burden of debt service and social problems such as food insecurity and hunger.

By the 1970s as the debt began to pile up and the interest payment was due the pressure to earn hard currency increased and therefore the push to export more often at the expense of domestic consumers. These two powerful institutions began to implement policies for the creation of a world free of any planned and centralized economies and dominated by free market. IMF was charged with monitoring the World of commerce, credit and finance. Those Nation-States which were in line with the grand strategy and in need of obtaining credit were given credit. But they also had to submit to the dictates of the IMF. Their economic policy, trade, wages and social services had to meet the criteria set by the IMF. The centralization of the post WWII international monetary system with US dollar as the international currency, allowed for greater surveillance and control. Internally, the domination of the World capitalist system by the United States involved social, economic and political costs. Economic involvement trough US direct investments along with rising military involvement required a comprehensive political and economic strategy. Politically the United Nations in general and its security council in particular provided the legitimacy umbrella for police action. Domestic support for military, economic and political involvement was of paramount import. The experience of Colonial empires in Europe was a lesson in the effective practice of social imperialism.

In addition to the outside challenges, capital had to find a way to challenge the rising power of domestic labor. Capital's strategy both nationally and globally involved rising productivity as a less cumbersome path to profitability. The resulting system of mass production and mass consumption known as Fordism began to take hold. Mass production was sustained by mass consumption which in turn was made possible through high wages. In the 1950s and 1960s welfare state expanded to reach millions who otherwise would have been deprived of basic necessities. By the late 1960s, the new international regime of capital adopted a strategy of dismantling the welfare state in favor of welfare capitalism. The welfare state was viewed as a drain on the social surplus, a contributor to the rising costs and an unnecessary obstacle to the creation of an effective market based on exchange. So long as the revenue exceeded the cost, capital received a greater portion of the social surplus. During the entire period designated as the “golden age of capitalism”-- up to the 1960s, total revenue in relation to cost increased. But once the cost relative to revenue increased, then anti-labor, anti-Union, anti-regulation and anti-tax rhetoric followed by policies also increased. Then as the profit margin began to shrink, globalization came to the rescue. Profitable markets in the developed and the developing markets appeared very tempting. Aided by the multilateral agencies such as the World Bank and the International Monetary Fund (IMF), the stage was set for the expansion of the profitable arena.

From the late 1960s a new era in capital/labor relation has evolved and as capitalism became more globalized and the national planning was replaced by global planning and integration, global labor became powerless. As low wage areas were being identified, the workers in the developed core economies in spite of their history of collective bargaining were challenged for greater concessions to capital. From the 1940s to 1960s Fordism became a synonym for consensus and higher productivity. Post Fordism on the other hand was the structure of “intense capital accumulation” through greater global mobility of capital and shifting of production to cheap labor areas, reduction and/or elimination of collective bargaining power through union busting policies, and an obscene austerity programs for the working class. The stagflation of the early 1970s was the beginning of one of the most comprehensive capital accumulation through a comprehensive austerity program. The 1970s was also the decade of petrodollar recycling which increased the amounts of cash surplus adding more fuel to the fire of finance capital for its next rampage. During the intensification of neoliberalism in the late 1970s and early 80s, the military buildup was a clear message that capital no longer will tolerate any challenge to its plans for global accumulation through intensified exploitation and austerity including in areas such as the developed (market) economies of North America and Western Europe. The agents of global industrial and financial capital, the IMF and the World Bank, among others formulated and implemented global austerity measures. A war on the working class particularly their unions whose bargaining power during the “golden age” of capitalism reached an effective level, began through outright dismantling of unions. In the meantime an attack on the poor (on welfare recipients and not on poverty) became an official policy. Capital accumulation causes Indebtedness and indebtedness is the reason for austerity program. During the 1970s, austerity was the punishment for the indebted countries of the global South suffering from the heavy burden of illegitimate (“odious’) debt. To meet the dictates of the International Monetary Fund (IMF), debtor had to implement austerity measures which included elimination of social services, wage freeze or reduction in wages, and an increase in exports (food, raw materials, etc,) in order to free up money for the purpose of debt service. Increase in exports was to generate hard currency for the sole purpose of paying the interest on the debt. Often the amount of revenue from exports was not sufficient to pay of the interest on the debt, some had to borrow and a situation of debt trap was created. But the discovery of drug as an export commodity (established by the British in the 19th century with India as the producer and China among others as addicts) was to bring relief from the burden of debt service. Drug trafficking then became an additional method of generating hard currency for the purpose of interest payment. Even though they are imposed for the most part on the weakest of all economies which are in debt, in the past few decades some advanced industrial societies have been targeted for austerity measures. On a global level, the agents of neoliberalism, the IMF and the World Bank have been the enforcers of neoliberal policies. Illegitimate (Odious) Debt, generated by the state is a socialized cost of militarism, imperialism and globalization not to mention the corruption factor. In the past few decades neoliberalism has symbolized greed, avarice, ruthlessness and a grand strategy of restructuring society and indeed the world to serve its interest. Neoliberalism is an essential ingredient for the accomplishment all of these strategies toward accumulation and dominance. Austerity is and has always been a policy of the IMF—which often as an anti-recession policy formulated

To be sure, the current economic crisis as were all other preceding crises of capitalist system, is at the same time entering a new path and inevitably as it attempts to adjust itself to the new reality, it also forces readjustment and restructuring of the whole society. Historical and structural transformation of capitalism as an economic system and as an ideology has generated considerable debate both with respect to its dynamism as well as its self-destructive and exploitive features. Even one of its most articulate critics of capitalism, Karl Marx acknowledged the inherent dynamism of the system, but indicted capitalism for the social cost it inflicts on society. Indeed the historical progression of capitalism points to a resilient structure capable of morphing into a new reality as it tackles its internal contradictions. And up to this point in its history, it has minimized the impact of the symptoms of its structural contradictions (speculative finance, widening gap in access to resources, overproduction and under-consumption among others).

Often the argument on the part of its defenders and proponents is that one has to look at empirical reality and see what capitalism has been the most innovative system and has created a civilization second to none. But what is overlooked either by design or lack of foresight, is that criticism of capitalism has always been a criticism of policy and rarely an alternative is put forth. The only one that comes close is the idea of social capitalism which its predecessor in the not so distant past—welfare capitalism variety.

As reality becomes more complex, and as capitalism adapts to the new reality both in terms of the technological/material base and at the level of institutional arrangements, more descriptive labels are invented to explain reality. Indeed the variety of capitalism is indicative of its power to take on new and different characteristics in so far as they either minimize the impact of systemic contradictions and/or disguise them. From the depression of the 1890s, through the great depression of the 1930s and the stagflation of the 1970s and the current one, structural changes and institutional adaptation and the reaction have been unique. During the Golden age of capitalism, the presence of a perceived alternative – "socialism" of the Eastern Bloc was a reason for the granting of the right to collective bargaining and once that threat was no longer a real alternative, economic policies favoring accelerated global accumulation returned and began consolidating its global position in relation to labor once and for all. Also during this period us involvement in various wars necessitated the employing of the "classic" mode of social imperialism. Therefore, the containment of the working class involved the distribution of some of the surplus (realized through higher revenue and lower cost). Keynesian solution was to stimulate demand and therefore revenue and for the post-war capitalism, it was the dominant ideology. Renowned Economists of the era notably John M. Keynes and Karl Polanyi were advocates of an international economic order with an "embedded liberalism" (Ruggie, 1982; Lecher 1999). "embedded liberalism" also refereed to as "ethical liberalism" created the post War economic prosperity (the golden age of capitalism) lasting three decades ending in the late 1960's and more so with the stagflation of the early 1970s. Polanyi views the onslaught of the Great Depression as the first Great Transformation. It was a great transformation because it rejected the concerted efforts to subdue society and to subordinate it to the wishes of the market. Polanyi's Great Transformation rejects this notion and argues that the only way that market can be conceived of (as expressed in the sentiments of Orthodox liberalism) is when the entire society and all of the social relations and rules and values are commodified. (See Fred Block, 2001) for an excellent commentary on Polanyi; http://www.compilerpress.ca/Competitiveness/Anno/Anno%20Block%20Intro%20Great%20Transformation%202000.htm). Only the commodification of every aspect of life can support such contention and to the extent that society is commodified, demand management by way of fiscal policy was presented as an alternative to the orthodox liberalism and an acceptable approach to both labor and capital. The periodic recessions and depressions and the tension within and between societies were for the most part rejection of orthodox liberalism and sufficient reason to have interventionist and proactive "liberal" economic policies. To Polanyi, "The second "great transformation"--the rise of fascism-- is a result of the first "great transformation"--the rise of market liberalism." The problem for Polanyi, is not the economic theory itself, it is the belief in the ascendency and supremacy of economy in general and the imposition of the market in particular over the rest of society. While the Keynesian approach to the economy was beginning to materialize in the form of intervention, the attack from the doctrinaires of orthodox liberalism was well underway. The forces advocating free markets on the other hand were preparing to put forth a convincing argument that free market was in spite of all of its periodic fluctuations, the best alternative. In 1947, the Mont Pelerin Society (MPS, named after a resort in Switzerland) was set up by three most influential advocates of orthodox liberalism; Fredrick Hayek, Von Mises and Milton Friedman who viewed free market as being synonymous with freedom, prosperity, and civilization (1). The purpose of the MPS was to guard human civilization against collectivism and political tyranny (Wikipedia). Instead they wanted to retain the power of orthodox liberalism as a blueprint to the management of a free society and a free economy.

The use of the term neoliberalism and what it implies have been relevant in the past few decades, but it is one of the many labels such as Trickle down theory, Reaganomics, Thatcherism (both of which preached national pride and individualism), Market fundamentalism, finance capitalism, crony capitalism, entrepreneurialism, supply side economics, Post-Fordism, etc.,) describing a particular policy prescription for accumulation in global capitalism. In reality the term neoliberalism –describing a new policy approach to capital accumulation is much newer than other strategies adopted for accumulation. As the classic accumulation relied on higher rates of exploitation, contemporary strategy of accumulation has embarked on a restructuring of society in its entirety. For financial capital the high return in its speculative investments makes the real and productive sector of the economy less desirable to the point of abandonment.

During the 1980s, the period considered one of the greatest periods in the recent American history was the period of intensified accumulation. It is also a period which is romanticized and of late it is presented in a nostalgic fashion. The period was one of fantasy and the current references to that era illustrate the short term memory and/or no memory of the public and lack of interest in what really are the structural determinants. Neoliberal policies under Reagan aimed at not just the removal of regulations, but on a restructuring of society and people’s perception. Rarely there has been a delusional reference to the period as one of the greatest economic recovery and prosperity and without much evaluation of the substance of the neoliberal policies of the Reagan era. But the illusions and delusions did not subdue all.

Ronald Reagan as the “Patron Saint” of contemporary conservatives is credited with creating millions of job, a prosperous condition all by deregulation and removal of “annoying” government intervention. Most literature on neoliberalism consider the rise of Ronald Reagan in the United States and Margaret Thatcher in Britain as the beginning of its contemporary revival. What is neglected is the fact that there was nothing unique about the two political stars of the era. The charisma of the two was socially and psychologically essential for the restructuring of society. David Harvey (2005) views neoliberalism as the most intensified era From the late 1970s in the history of capitalist exploitation rather than a whole new era in the long history of capitalism.

The 80s was a great decade of feeling good and making sure that the people understood that the “Shining city on the hill” remained as such. The rise of evangelical Christian such as the so-called “moral majority” and other capital sponsored think tank organizations whose sole purpose was to remove any criticism of capitalism were important components of neoliberal institutional restructuring and a component of social imperialism. To that end the rise of anti-communist crusade “moral majority” armed with nuclear theology and the certainty of Armageddon became the unconditional defender of Israel and while synchronizing their anti-communism, and in particular anti-Soviet rant with that of Ronald Reagan’s strategy of eliminating the “evil empire”. The rogue elements of the media had to be tamed and for that purpose the think tank “Accuracy in Media” along with “Accuracy in Academia”- another Think tank charged with defending capitalism against the attack from ungrateful “pinko commies” of campuses were created to aid in institutional restructuring for the purpose of effective implementation of neoliberal policies.

Reporters Donald Bartlett and James Steele in an exhaustive work published in 1992, “America: What Went Wrong?” have compiled significant amounts of data on the 1980s Tax reform under Ronald Reagan and any interest in the plight of the middle class during this period would have made publications like this would have been discussed and used as teach ins. But neither this story nor the works of many others including some devout republicans receive as much coverage and to this day it is a taboo subject. Unprecedented deregulation of industries beginning in the late 1970s, transfer of health care cost to individual worker and the government, weakening labor unions, and greater internationalization of production, outsourcing, and speculation among others were the building blocs of the intensified accumulation. In the 1980s’ the S&L crisis (costing taxpayers over a trillion dollar), along with the failures of Drexel Burnham Lambert, which dominated the junk-bond market, and Baring Brothers, a British bank all were considered isolated cases and not too concerned about the possibility that it might be a tip of a financial iceberg. Falling home prices from 1985 caused savings banks insolvency. 2412 community banks folded and the costs for US taxpayers amounted to $326 billion. With the savings banks, the US economy collapsed. This precursor from the current crisis from the 1980s had a far smaller size (Bartlet/Steele, 1992). Alternative minimum tax; first enacted in 1963 (designed to remove excessive deductions so equity in tax payment is achieved), and then revived in 1982. The results off course were the opposite. In 1986, ATM tax collection amounted to $6.7 billion and in 1989, it dropped to 0.7 billion (Bartlett and Steele, 1992: 8). Reduction in corporate taxes due to perfectly legal provision of interest deductions in 1980s was $92.2 billion.

As corporate tax deductions increased, and revenue declined, the need to borrow increased and in 1990 the interest on federal debt reached $184 billion slightly less than the $199 billion spent on k-12 education. In the 1980s the reform of bankruptcy code allowed corporation to file for bankruptcy (50,000 annually reaching 63,500 in the 1980s) and continue to operate and also to borrow and eventually leading to leverage buyouts in the 1980s. Corporations removed $21 billion from their employees' pension plans during the 1980s" (Bartlett and Steele, 1992:163), a current practice that was well documented by Ellen Schultz (2011) in her "Retirement Heist…". Most of the gains realized in capital gains tax cuts were noticed by 1% of tax payers. Even foreign investors get big tax breaks on money made in the US. Money earned by giant corporations was used to raid other companies. Mergers and acquisitions increased dramatically. As Bartlett and Steele (1992:147) put it "By the early 1980s, the raiders were being glorified as the saviors of American business." As explained by Drexel Burnham Lambert in a congressional hearing in March 1985; "…corporations …as a result of acquisition activity or strategic change have evolved into stronger companies better equipped to compete in today's domestic and international markets...merger and acquisition activity results in a shifting of assets to more productivity uses." As concentration of capital continued, more deregulation was deemed the best policy. Lack of accountability to the uninformed public was a cherished reality, but an extremely dangerous threat to the whole system. In 1987 on "Black Monday," the first visible sign of a looming crisis in the form of stock market crash appeared around the World beginning in Asia. This coincides with almost an entire decade of neoliberalism.

During the decade of the 1980s, cultural, social and political landscape was re-engineered so as to meet the demand of intense accumulation while simultaneously prevent social upheaval. Neoliberalism is not just the removal of commercial and financial rules and regulations, it also includes the removal of the political, moral and ethical constraints on the reproduction of hegemony in general and capital accumulation in particular. In general neoliberalism must rely on social actors and institutions (the super-structural forces) in support of the process of reproduction of hegemony. All institutions must perform a useful function in this process and if not able to lend a supporting hand, they will be re-formed and re-structured so as to meet the need of process of hegemonic reproduction. Capital must reorganize society and redirect social institutions in order to create the condition of its reproduction and hegemony – it must reproduce the essence of the system—class relation and the social relation of production and it must restructure society so as to gain institutional support.. In the Unites States, conservatism began with a reaction to the Great society proposed by President Johnson in the 1960s. From the 1960s, the conservative reaction has been gathering momentum and their momentum culminated into the election of Ronald Reagan. Even though the label of conservatism is commonly applied to an era beginning in the 1980s, a label descriptive of that triumph in the academic circles has been neoliberalism rather than conservatism. And on the conservative side, never one hears the word neoliberalism being uttered. This is precisely what the strategy called for. Instead, “conservatism” was the ideological buzzword and a solution to America’s “demoralized,” “abused” and so on so forth. Indeed his predecessor, President Carter in his “malaise” speech pointed out similar perceived problems and again neoliberalism was to change that direction. Structural contradictions remain as contradictions and no amount of slogans can change them. But the impact of the structural contradictions could be minimized provided that there is an effective social imperialism and or an effective restructuring at the institutional level and the social psychological in support of public policy. The emphasis on “conservatism” was appealing to many since they felt comfortable with the basic tenets of conservatism. Indeed the history of capitalism shows that it is prone to crisis and disruption, but also has the ability to revive supporting institutions. Reviving social institutions demands mass participation and an effective leadership and in the case of the United States, fundamentalist churches have been instrumental.

Then various social forces like the televangelists whose political party affiliation was with the Republican Party, recruited a great number of the faithful for a successful takeover of the Presidency and the Congress. By emphasizing the free market preferences and deregulation of the economy and emphasizing the role of individual liberty and freedom and freedom of choice and as recently acknowledge the legal claim of corporate “personhood”, the conservative movement provided the ideological superstructure for the implementation of the neoliberal policies of finance capital in control of the economic base. Their platform includes smaller government, less regulation and more individual liberty. This is the essence of conservatives, as an opposition to liberalism as defined in the American political culture.

At the concrete level—the economic base of society economic policy is a vehicle by which capital accumulation (in particular) is achieved. In other words, mere economic policy of fiscal and monetary types is not sufficient. Effective implementation of neoliberalism requires the preparation of the general public through a series of institutional and super-structural support. Institutions such as the family, education, polity, Media, religion and sports along others must perform a useful function in support of accumulation. To assert its dominance, and to effectively implementing neoliberalism, requires an umbrella of social imperialism both in its classic version but more so in the contemporary form. Whereas the classic form contained as one of its basic strategy the cooption of the working class through the promise of riches from the colonial areas, the contemporary form relies on fear as a justification of military intervention on in support of globalization and speculative finance capital. Although the basic blueprint of an effective social imperialism in both cases is the same, the contemporary version of social imperialism employs –thanks to the new technological means—new and popularized social media have become new tools of hegemonic distraction. Hegemony—the strategy of gaining legitimacy and eventual control, as Gramsci envisioned is a strategy of developed capitalist state wherein the working class is dominated not through coercion and outright police action, but through the power of ideas and the material reality. “Historic bloc” as a front not only controls the material production, but also the superstructure (social institutions). As the public cynicism increases, the need to invent new strategy toward hegemonic control increases. The contemporary form relies heavily on fear and the looming material insecurity.

“Fordism as the ultimate stage in the process of progressive attempts by industry to overcome the law of the tendency of the rate of profit to fall” (Gramsci, 1995:280). To Gramsci Fordism was a counterrevolutionary strategy (“passive revolution”) and a strategy of minimizing the impact of some of the structural contradictions. Fordism as commonly referred to as a system of higher wages was introduced in support of higher consumption by workers through higher wages. Post-Fordism is characterized by decline in regulation, internationalization of production, and above all an effective end to labor’s ability to collectively bargain.

Fear driven Austerity is an integral part of neoliberalism and to avoid a recessionary unemployment scenario, “job creators” must systematically overwhelm the fiscal apparatus and the political positioning and process. To that end the party politics evolves into the supportive system made up of subservient functionaries occupying political offices. The state becomes the instrument by which the neoliberal elites communicate their wishes both at the national and international levels. Neoliberalism then assumes a global posture and extends its reach beyond the national boundary. It forces through its powerful national state, the compliance of peripheral states in becoming the “conveyor belt” in the accumulation drive. The contemporary global austerity measures are indicative of that power. Might makes it right and any opposition to the mandate can reek havoc.

Speculation as an amoral and immoral, economically stifling, morally despicable and it is successful only if at the heart of neoliberalism or any other dominant ideology which removes all restrictions to speculate. Government intervention and bailout do not signify the end of neoliberalism. In fact it implies greater influence on the government as an integral component of neoliberalism. For those accustomed to agency centered analysis and methodological individualism, the adoption and the imposition of neoliberal policies is a matter initiated by individual or a political office or party. The reality however, suggests that the structure is the primary determinant and agency is molded to meet the needs of the structure. As the Reagan era (the age of “neoliberalism”) came to an end and a new party came to power, there was a hint particularly by those who see a clear line of demarcation between the two parties that neoliberalism has come to an end also.

Neither neoliberalism nor the core of neoliberal policies changed. Neoliberal policies did not cease with the election of Bill Clinton—a democrat, and in the American political lingo a "liberal." By the 1990s, the difference between commercial and investment banks was virtually eliminated. In the same period similar bill such as the Gramm-Leach-Bliley Act allowed the mergers of various companies. A bank could take over an insurance company or set up one which the end result is the same---more concentration and questionable portfolio. All was made possible when the piece of regulatory device --the Glass Steagall Act was repealed. An act like Glass –Steagall "….would have prevented firms like Morgan Stanley and Goldman Sachs—which are bonafide investment companies with 30-to one leverage inside them—from calling themselves bank holding companies, which they were allowed to do in September. And as a bank holding company, they will be allowed to buy banks and use depositors' money as collateral for taking one more risk." (Prin, 2008:50). Both "complexity and leverage are critical components of market crisis, regulation needs to address these two factors." (Bookstaber, 2008: 57). But the need for capital led them either to abandon their partnership structure and raise money on the stock market or to join up with commercial banks. In turn, that required the dilution and eventually, in 1999, the elimination of the old Glass-Steagall act, devised in the Depression era to separate American commercial and investment banking. Henry Paulson believed that the best government was no government. In 2000 deregulation was the beginning of speculation drive. Paulson was a Goldman Sachs man now in government and charge of public treasury. During the 1990s, austerity continued to persist as The 1990s "workfare" as a component of austerity albeit sounding less draconian, became the official ideology.

Between 1992 and 2007 (during Presidents Clinton and Bush Administrations) the real income of bottom 90 percent of US families rose by 13% and for the top 400 families rose by 399% during the same period. As finance capital began to tighten its control over the financial market, the removal of all the post Great Depression rules and regulations gradually became the goal of the treasury department. This disparity of this magnitude and in a very short term is the product of speculation—that is a short term and quick profit seeking business decisions rather than the product of investment strategy in the real economy—long term entrepreneurial activities. The trend in profitability for speculators continued well into the first decade of the 21th century. The total *income* of top 400 families grew close to $140 billion in 2007. As is customary, the ability of these families to make money is praised and viewed as virtue and a vindication of capitalism. But what is missing from this line of argument is any discussion of the social cost of the profitability of finance capital through speculation and in particular the damage to the real economy. In 1936 John M. Keynes (1936, 2010), made this rather tame observation that "as the organization of investment market improves, the risk of predominance of speculation does, however increases….Speculation may do no harm as bubbles on a steady stream of enterprise. But the position is serious when enterprise becomes the bubble on a whirlpool of speculation. When capital development of a country becomes a by product of the activities of the casino, the job is likely to be ill done." Today however, a job "ill done" does not convey much regarding the actual damage to the economy and society, for we have a new reality on the ground.

In reality whenever the real economy can no longer (for whatever reason) absorb the financial capital, it becomes speculative. But is the absence of absorption potential in the real economy the problem or the profitability of speculation? In search of higher profit margin, speculation has always trumped the expectation in the real economy. Speculation is one of the defining features of finance capital. And the power of finance capital make money through speculative means rather than investment in the real economy has not escaped the attention of the political economists. In the latter part of the nineteenth and early part of the twentieth century Thorsten Veblen observed that the danger is the dominance of the speculators who do not contribute to the development of industrial capacity as do the industrialists. Marx remarked that "The real barrier to capitalist production is capital itself." Capital can and has morphed into a money exchanging apparatus without production—without creating or helping the expansion of the real economy. Therefore, speculation becomes a very profitable and as money capital expands its influence around the glob, it will need state protection and alliance between the components of finance capital (banks, insurance, hedge funds, etc) and the close relation between the finance capital and the speculative had an overwhelming influence on the real economy. This alliance evolves into a parasitic system based on speculation and the continuous invention of instruments which can maximize return and open up new possibilities for speculation. Securitization is the transformation of debt into securities and specifically transferring the risk to the bondholders a practice that goes back to the Great Depression era. Perhaps one of the most striking examples of the Law of unintended consequences is the Community Reinvestment Act of 1977 which required banks to meet the credit needs of the "entire community". Fannie Mae and Freddie Mac, the two government-sponsored giants of the mortgage market, were encouraged to guarantee a wider range of loans in the 1990s. Homeownership became another election tool during the Presidency of George W. Bush and his promise of helping Americans to fulfill the dream of homeownership even though the household income was declining. As more homes were sold, and more people demanded more homes, the demand for loans went up as did the interest on the loans and fees. The banks then invented new techniques to make these suspicious loans and then bundle and sold them to investors. Every new financial instrument that was invented became a new tool of speculation and expanded further by more deregulation. Financialization as a complex and multifaceted process of financing, expansion and contraction allowed the owners of finance capital to expand their holdings, primarily through the creation of financial questionable instruments for the sole purpose of leverage and speculation. Indeed the history of finance capital is the history of speculation and hedging and the absence of an effective regulatory approach. Securitization, which has been at the center of the current crisis, is another child of the 1970s. It involves bundling loans into packages that are then sold to outside investors. The first big market was for American mortgages. When homeowners pay their monthly payments, these are collected by the servicing agent and passed through to investors as interest payments on their bonds. In 2005-2006 Bear Stearn and others such as Washington Mutual issued mortgages they knew the borrower could not make the payment. Some fabricated and forged documents to qualify the unqualified borrowers. More fundamentally, securitisation opened a new route to growth for banks. It helped the expansion of commercial banks. Now they could borrow. To cut the risk of defaulting, CDSs were insured with insurers like American International Group (AIG). When the markets collapsed, these toxic assets then became the responsibility of the third party. Securitisation created another instrument called Collateralized Debt Obligations (CDOs). CDOs involved bundling of different bonds and then sliced them into tranches according to investors' risk taking ability. Those with better ability received better tranches. Credit Default Swaps (CDSs) were introduced on the speculative basis and the belief that, by allowing business and investors to spread risk, both markets and economies would become more robust. CDSs grew at an explosive rate reaching $60 trillion in 2007. The first CDS was issued by J.P. Morgan in 1997. The practice of leveraging, risk transfer and so on had the support of Alan Greenspan (2007), the chairman of the Federal Reserve System from 1987 to 2006, welcomed the growth of CDSs, and considered them instruments of stability and profitability. Securitization grew quickly and reached $2.5 trillion in June of 2008 up from $400 billion in 1995 (compiled from various online sources). Subprime lending allowed ordinary folks to be in appearance part of the process of accumulation and equity and asset ownership. No one other than the insiders could understand the damaging potential of mortgage backed securities. As the economy began to show signs of sluggishness, fear took over. When borrowers defaulted on their loans, the bondholders were in no position to collect on the bond (Jackson, 2010). Securitization was the primary factor leading to the rise of SHADOW BANKING or banking without oversight and regulation even though their reach is global and command substantial capital. The creation of billionaires through indebtedness was one of the immediate results, and yes, not to forget the infamous "bailout" for the finance capital at a time when austerity is prescribed for a vast number of people across the globe. Political democracy without economic democracy is neither sufficient nor capable of lifting the majority of World's population from the cycle of dependency and degradation.

Conclusion:

We no longer are predicting, we are reacting. And our reaction is timid at best. There is massive confusion and labels are no longer what they were designed for and even now they are applied to the things they stood against. We hear that what is needed is less government and more free enterprise, more tax cuts, therefore more job creators. Yet the lesson of the past three decades ought to be that we need more regulation and not just any regulation and less neoliberalism. Today “Arab Spring” which erroneously believed to be a reaction to neoliberalism of regimes in Tunisia, Egypt and Libya is in reality a revolt was and continues to be orchestrated by the henchmen of global capitalism and the grand strategy of privatization on a global scale.

Neoliberalism is the ideology of accumulation and if the aim is accumulation of capital, all efforts in society will be geared towards the restructuring of society so as to facilitate the implementation of such a plan. Neither the ideologues of neoliberal policies nor the proponents of orthodox liberalism can be accused of a deliberate attempt at engineering such a plan to cause the current crisis. Rather it must be viewed as an unintended consequence and the belief that the strong selfish interests of the financial managers would act a barrier to any anti-market activities. This belief was carried to the extent that they decided that the entire lesson plans in preventing another Great Depression was deemed unnecessary. The complexity of the system couples with globalized market creates a very contagious condition. The interconnectedness, and the complexity of the system (“tight coupling” ala Bookstabber, 2008), combined with parasitic behavior have mad the system more Prone to malfunction and systemic crises. In particular lack of oversight and regulation and aversion to government intervention along with accumulation drive would make the repeat of the recent crisis a certainty. It is telling that while the so called conservative continuously cite the “founding fathers” and early American statesmen such as Thomas Paine, Thomas Jefferson, James Madison and Ben Franklin (among others) in defense of less government and none seems to be aware that most if not all of them had stern warning about the very danger of leaving the public at the mercy of the economically powerful class. Politics must have ethics and integrity, greed must be outlawed, and people must be given the opportunity to learn what is in their collective interest.

ENDNOTES:

1) Ronald Reagan campaign had 22 members of the MPS as advisors.

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