

MIDTERM EXAM QUESTION - Include: historical context, references from the readings, comparisons on economic theory, contemporary issues, developed argument

Extract information from the reading(s) and present it in a coherent argument

Discuss the development of neoliberalism in the 20th century vis-à-vis the major political and economic events of the twentieth century.

Your answer should include the definitions of neoliberalism (by both its critics - Ha-Joon Chang/Harvey - and advocates -

Friedman/Thatcher/Reagan), the main historical contexts in which it arose and/or fell, its concept of the relationship between market and state, as well as the social impact of neoliberal policies.

What is neo-liberalism? Discuss, in particular, its conception of the relation between the market and the state.

- **(INTERNET)** Neoliberalism, ideology and policy model that emphasizes the value of free market competition. Although there is considerable debate as to the defining features of neoliberal thought and practice, it is most commonly associated with laissez-faire economics.
- **(HARVEY)** “Neoliberalism as a political project to re-establish the conditions for capital accumulation and to restore the power of the economic elites” (Harvey, 19)

What was the role of government policy in expanding growth and employment during the Golden Age years? How did that change with neoliberalism?

HISTORICAL CONTEXT

- Economic conditions - crisis of capitalism emerging in the 20s
 - Great Depression
 - New Deal by Roosevelt was created to prevent the collapse of capitalism and pull the country out of the Depression
 - WW2 - Rise of Fascism + Totalitarianism (1930s)
 - Taking over in Europe and there was a fear that it would be brought to the US
 - Hitler -- 100% employment, no unions or strikes (no individual liberties)
 - David Harvey: Mont Pelerin Society (intellectual reaction - Hayek is first generation)
 - Shifts to neoliberal idea - proposes private property rights, free markets, free trade
 - “Role of the state is to create and preserve an institutional framework appropriate to such practices”

Neoliberalism is in the first instance a theory of political economic practices that proposes that human well-being can best be advanced by liberating individual entrepreneurial freedoms and skills within an institutional framework characterized by strong private property rights, free markets, and free trade. The role of the state is to create and preserve an institutional framework appropriate to such practices. The state has to guarantee, for example, the quality and integrity of money. It must also set up those military, defence, police, and legal structures and functions required to secure private property rights and to guarantee, by force if need be, the proper functioning of markets. Furthermore, if markets do not exist (in areas such as land, water, education, health care, social security, or environmental pollution) then they must be created, by state action if necessary. But beyond these tasks the state should not venture. State interventions in markets (once created) must be kept to a bare minimum because, according to the theory, the state cannot possibly possess enough information to second-guess market signals (prices) and because powerful interest groups will inevitably distort and bias state interventions (particularly in democracies) for their own benefit.

There has everywhere been an emphatic turn towards neoliberalism in political-economic practices and thinking since the 1970s.

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- Gold standard disappears after WW1 because it was no longer viable and failing (\$35 = 1 oz of gold)
 - Promised convertibility (40% of bank account is gold)

OUTLINE FOR REST OF DEVELOPMENT

- Neoliberalism had four guiding principles
 - Human well-being
 - Private property rights
 - Free market
 - Free trade
 - The first generation of neoliberalism acknowledged the state’s right to exist and its influence over society
 - Note the dispute between capital and labor (social impacts)

DEVELOPMENT OF NEOLIBERALISM

- Reconstruction (investment, etc) - “purely material”

- Marshall Plan (1940s) (officially the European Recovery Program, ERP) was an American initiative to aid Western Europe, in which the United States gave over \$13 billion (nearly \$140 billion in 2017 dollars) in economic assistance to help rebuild Western European economies after the end of World War II.
- Fordism the system of mass production that was pioneered in the early 20th century by the Ford Motor Company or the typical postwar mode of economic growth and its associated political and social order in advanced capitalism. (link to Keynes - effective demand the level of demand that represents a real intention to purchase by people with the means to pay)
- 1950-1973 Golden Age - During this period the nation was flourishing therefore neoliberalism was put on the backburner
 - State as producer (SOE, social services: health care, schooling)
 - State as regulator (or stabilizer of the market economy)
 - Countercyclical monetary and fiscal policy
 - State as distributor (progressive taxation, minimum wage)
 - Wages kept high (legal means: minimum wage, unions)
- Prominent theory: Keynesian economics (debt compromise)
 - Involuntary unemployment
 - State (ensure wages are never too low to always have demand in the economy)
 - Preserve capital by compromising with labor
- Bretton Woods system replaced the Gold Standard - it failed during stagflation (1973-1981) but established during Golden Age
- 1970s: Stagflation - high inflation and high unemployment. Goes against the widely accepted trend in the Phillip's curve high inflation/low unemployment and vice versa - Keynesian economics didn't predict that it could happen but it did (lost faith)

RE-EMERGENCE OF NEOLIBERALISM

Friedman, Thatcher, Reagan - 2nd generation of neoliberals (1980s)

- Deregulation - no longer have state decide
 - Difference than 1st is that before state should exist with laissez-faire, 2nd say state shouldn't be able to do anything because market will fix itself
 - Everything has a market / is a market (healthcare, environment, etc.)
- Keynesian economics theory isn't the prominent theory
 - K believed in giving power to the state to distribute. 1NL acknowledged the state's place and position of power. 2NL rejected the state's right to power over the market
 - Washington Consensus - accepted view of how we should live in both parties
 - Ha-Joon Chang pg. 10 (developing countries referred to neoliberalism) - because it is advocated by 3 of the most powerful economic organizations in the world based in Washington DC (US treasury, International Monetary Fund (IMF), World Bank)
 - Personal taxation - kept it low

How did neoliberal economic policies impact the history of capitalism and how do they impact the present state of affairs?

- Neoliberalist economic policies has impacted capitalism and present state of affairs because it allows for personal growth and wealth (Corporations to working class)