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Why Was Neoliberalism Delayed?

7.1 The problem

Our argument, to repeat, is that neoliberalism in advanced capitalist economies was the product of a long period in the development of the productive forces and associated changes in the production relations, which modified the superstructure and had significant effects on social consciousness. However, this points to a potentially serious problem for us in accounting for the timing of neoliberalism. Why was it delayed until the 1970s? In previous chapters, we have documented the technological and economic forces that operated to reduce or eliminate market relations, but these chapters also showed that they coexisted for a long time with changes working in the opposite direction to promote market relations. Certainly, the latter strengthened from the 1970s, with the emergence of information technologies centred on the computer,¹ but it seems reasonable nonetheless to expect that neoliberalism would have begun earlier than it actually did.

7.2 An outline of our argument

Our argument has four components. We deal with them here in summary form and elaborate upon them in subsequent sections of this chapter and also in Chapter 8.

First, as we explained in the Introduction, neoliberalism in advanced capitalist economies is not a return to classical liberalism, but is compatible with, and indeed requires, the maintenance of welfare states as well as extensive regulation of most economic activity. There have been reductions in unemployment benefits and welfare payments to the poor in order to promote market dependence, but, on the whole,
welfare states have been restructured rather than reduced in provision. Most of their programmes contribute to the high productivity of advanced capitalist societies, and remain very popular with their electorates. The same holds true for deregulation. This has been pronounced in finance and other important sectors, but it usually involves re-regulation rather than the rescinding of regulation. And both imply that neoliberalism in advanced capitalism is a different phenomenon from that characterising peripheral countries, including former communist ‘transitional’ economies. Neoliberalism in advanced capitalism is a matter of extending markets and market dependency, but it occurs in contexts involving sophisticated technologies and political democracy, which make it very different from what goes by the same name in less-developed areas. It is misleading to treat neoliberalism as a singular entity having similar causes and consequences the world over, irrespective of the levels of economic development and type of political system.

Second, neoliberal changes were delayed by the consequences of the ‘age of catastrophe’, defined by the two World Wars and the Great Depression. All three events accelerated the protectionist tendencies countering market dependence that were emerging in advanced capitalist economies before 1914. But these two wars and severe depression also added new and powerful market-eradicating forces that continued to have significant effects in the postwar years, where they were reinforced by those of the Cold War. What proved to be especially important for their enduring influence was the economic and military predominance of the United States and its adoption of a ‘grand strategy’ accepting Keynesian constraints, both (to a rather limited extent) within America and (to a rather greater extent) in other capitalist economies. This included the maintenance of significant ‘financial repression’, in which financial institutions and financial markets were severely restrained in what influence they could exercise on other economic sectors and on state policies. (We examine this in more detail in Section 7.3 below.)

It is true that there was a market-eliminating trend operating independently of the Great Depression, World Wars and the Cold War, which stemmed from those technological and economic changes documented in Chapter 5. However, this market-eliminating trend was reinforced by the ‘age of catastrophe’ and its aftermath, and the contrary forces actually promoting markets were considerably constrained and weakened. Consequently, the significance of much of the market elimination that actually took place was misspecified by economists of all the schools discussed in Chapters 3 and 4.