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Neoliberalism as a Class-Based Project

NEIL DAVIDSON

Introduction

At first glance, neoliberalism is so obviously a 'class-based' project that the phrase is redundant. Neoliberalism is a historical variant of capitalism, and capitalism, whatever else it might involve, is a form of society based on the exploitation of one class by another. By definition then, *any* form of capitalism maintains the interests of the ruling class. The only reason for regarding neoliberalism as a special 'project' would be if these interests had been fundamentally denied or undermined. Such a claim was advanced by David Harvey in his foundational work, *A Brief History of Neoliberalism*, where he argued that neoliberalism can be seen 'either as a *utopian* project to realise a theoretical design for the reorganisation of international capitalism or as a *political* project'. The former is expressed in neoliberal theory or, more accurately, ideology, as it emerged from the work of the Austrian variant of neoclassical economics. The second has two aspects, 're-establishing the conditions for capital accumulation' and 'restor[ing] the power of economic elites'. The term 'economic elites' is a curiously un-Marxist one for Harvey to use, but let us treat it here as synonymous with 'ruling class'. These three elements are at least partially distinct: it is by no means clear that the utopian project was the inspiration for the political one; and the two aspects of the latter are at least partially separable from other – indeed, as we shall see, Harvey was right to observe that neoliberalism, 'has not been very effective' in relation to 're-establishing the conditions for capital accumulation' (Harvey, 2005: 19).

Some writers influenced by Harvey, like Naomi Klein, follow the logic of his argument and treat the post-war period as one hostile to capitalism (Klein 2007: 190, 532; Klein and Smith 2008: 583). For her, the utopian and political projects are indissoluble: neoliberalism was the application of a doctrine, lovingly preserved by ideologues like Milton Friedman, which capitalists had been waiting their opportunity to apply since the introduction of the American New Deal or the creation of the European welfare states. Klein therefore sees neoliberalism as the manifestation of the inner logic of corporate capitalism (although perhaps not of capitalism itself) and 'shock' as the means by which it can be realised. She quotes Friedman's statement that 'only a crisis – actual or perceived – produces real change' and argues that neoliberalism is a 'shock doctrine' which takes advantage of disaster (a 'crisis') in order to impose the idea of the new market order (Klein 2007: 6-7, 140-141). As a result of this perspective, Klein has a tendency to treat every geopolitical event since 1973 as one either consciously undertaken or opportunistically manipulated to impose neoliberalism, a fixation which imbues neoliberal policies with a strategic coherence they never possessed in practice. This perspective has been adopted, in even more extreme forms by her followers (see, for example, Loewenstein 2015: 6-8, 11). But even if we accept that that neoliberals have opportunistically intervened to take advantage of disaster situations in recent decades, why it was only at a certain stage in post-war history that crises were manipulated to produce these outcomes?

Some of Harvey's other supporters recognise the difficulty this poses for his thesis and tend to shift ground, arguing instead that neoliberalism has 'undermined the potential of 'bourgeois democracy' to return critics of the market [to office]' and has involved 'taking back most of the gains made by the trade union movement and the forces of popular democracy, minimal though they might be argued to be' (Miller 2010: 39). But this is a different and more defensible position, concerned with the balance of power between the main social classes during the Great Boom. In what follows I will draw on the experience of the UK and the USA to argue that the 'class project' thesis is based on a misunderstanding of the period which preceded neoliberalism.

Restoring Power to Economic Elites?

In the context of the West, 'restoration' can have two meanings. One is that capitalists were excluded from power during the post-war boom, and that neoliberalism brought this exclusion to an end. But capitalists hardly ever exercise power directly and the post-war period was no exception. As Fred Block has written, politically 'the [capitalist] ruling class does not rule' (Block 1987a). Only the very earliest capitalist formations like the Italian city states or the Dutch Republic are exceptions, and in both cases it was one of the reasons why they failed to consolidate into viable nation-states (Davidson 2012: 563-64, 580-82). The competitive nature of capitalism virtually ensures that business decisions are made without reference to any broader social interest, but capitalists are also generally incapable of correctly assessing their *own* overall collective class interests, as many of the great social theorists have pointed out from the late 18th century onwards (see, for example, Smith 1976: Book I, Chapter XI, 278; Marx 1976: 606–610; Schumpeter 1994: 138–139). As a result, two other forces have tended to rule jointly in place of the capitalists themselves: politicians and state managers – the senior component of the permanent state bureaucracy. In both cases the very distance of the groups involved from direct membership of the capitalist class allowed them to make assessments of what was required by the system as a whole. Politicians need not belong to the same class as the capitalists: indeed, it was landed aristocracies who played this role for much of modern European history down to 1945, and Social democracy – originally a working-class political tendency at least nominally committed to overturning capitalism – intermittently did so afterwards.

In some senses, however, the state managers are more important than politicians, not only because they tend to be more enduring, but also because they tend to be closer to capitalists in social terms. Their incomes are paid from state revenues that ultimately derive from the total social surplus value produced by the working class, as are the profits, interest, and rent received by different types of private capitalist. In other words, the relatively high levels of remuneration, security, and prestige enjoyed by these officials depend on the continued exploitation of wage labour. At this fundamental level, then, he interests of state managers and capitalist are the same. They also have a shared ideological commitment to capitalism, but their particular interests arise from distinct regions of the totality of capitalism, in its various national manifestations. A common background in institutions like schools, universities, and clubs helps to consolidate a class consciousness that articulates these interests, but a more fundamental reason is that the activities of states are subordinated to the accumulation of capital. Regardless of their class origins, state managers and capitalists are drawn together into a series of mutually supportive relationships. The former need the resources provided by individual national capitals, principally through taxation and loans, in order to attend to the needs of the national capital as a whole; the latter need specific policy initiatives to strengthen the competitive position of their sector of the national capital within the global economy. State managers may not do this as successfully as the capitalist class might wish, and it is always possible to misjudge what capitalist interests are at any point, but error is not antagonism and does not mean that the state managers have different goals. The two therefore arrive at what Block calls a *modus vivendi* that is highly favourable to the owners of capital. Yet this *modus vivendi* is permanently under threat, since state managers have both to facilitate the overall process of capital accumulation and ameliorate its effects on the population and environment: 'The consequence is that many of the state actions that have served to strengthen capitalism have been opposed by large sections of the capitalist class because they are seen as threats to class privilege and as steps towards a Leviathan state' (Block 1987b: 86-87). Hostility to the state has always been more general among the capitalist class as a whole in the USA than anywhere else in the world. On the eve of the neoliberal era David Vogel correctly ascribed this attitude to a failure by American capitalists to understand, not their *individual* business interests, but the *collective* interests of their class (hence their overwhelming opposition to the New Deal), to the relative absence of the state in the initial process of industrial development, and to the sheer dominance of US capital: '*In this sense, an anti-state ideology is a luxury that can only be enjoyed by a relatively powerful and successful bourgeoisie*' (Vogel 1978: 78). Of course, capitalists seek to influence what states and governments do, but since capitalists had never possessed political power in the sense required, it is difficult to see how it could be restored. There is a different argument, which I will address later, that neoliberalism has allowed for the first time the capitalist class more direct access to power, but that involves an innovation, rather than a restoration.

A second meaning of 'restoration' is compatible with my critique of the first, but involves a different claim: that the politicians who governed Western nation-states after the Second World War were not primarily interested in promoting business interests. To claim that a 'restoration' took place in this sense is, however, to inadvertently perpetuate the neoliberal myth that developments during this time were ultimately detrimental to capital, when in fact this was the period when it enjoyed the highest levels of growth in the history of the system, 'twice as fast between 1950 and 1964 as between 1913 and 1950, and nearly half as fast again as during the generation before that' (Kidron 1970: 11); and that growth was largely uninterrupted by cyclical business fluctuations, let alone recession (Maddison 1976: 477). A return to recession after the Second World War was averted by an unintended consequence of the Permanent Arms Economy which accompanied the Cold War, namely the absorption of capital which would otherwise have re-entered the circuit of productive capital into what was – in strictly economic terms – waste. This led to important constraints on the growth of the organic composition of capital and, consequently, counteracted the tendency of the rate of profit to fall (Kidron 1970: chapter 3; Harman 1984: 78-84). Other mechanisms had performed the same function earlier in the history of the system, notably investment in colonial possessions outwith the reproductive circuits of capital and luxury spending by the ruling class, but none of these involved expenditure on a comparably massive scale. Nevertheless, preventing a slump is not the same as causing a boom, although high levels of arms spending did contribute towards it by feeding through to other sectors of the economy through the so-called 'multiplier effect'. Leaving aside the short-term effects of post-war reconstruction, two other processes were required. One was the generalisation of 'Fordist' high-productivity, mass-consumption regimes across the core of the system, above all in the production of cars and electrical household goods (Davis 1986, 195-201). The other was the industrialisation of those areas of Europe and North America which had previously been based on small-scale, family-based agriculture or petty commodity production, effectively bringing millions of new productive workers into the labour process and consumers into the market for mass-produced commodities. In the Stalinist regimes of Eastern Europe very similar processes were at work as in the West, including industrialisation, economic growth and, less often noticed, the increased availability of consumer goods (Maddison 1976: 491; Therborn 1995: 131-146).

Were these developments against the interests of capital? There was an occasion, surprisingly soon after the end of the Second World War, when a British government considered adopting measures we would now recognise as neoliberal. Britain had massive unresolved economic problems, the immediate expressions of which were a balance-of-payments deficit and declining reserves of sterling – not helped by a massive rearmament programme the costs of which began to erode the welfare state within a few years of it being initiated. When the Conservative Party was returned to office in 1951, some members of the new administration led by the unlikely figure of RAB Butler drafted a proposal ('Operation ROBOT') to simultaneously float the pound and make it convertible against other currencies, which would have immediately led to sterling falling in value against the dollar. The central intention here was to resolve the balance of payments difficulties crisis: exports would be given a massive boost, while at the same time imports would fall; domestic prices would be high, but wages would have to be held down to avoid inflationary pressures, not least by allowing unemployment to rise. In effect, the government would be forced to cut funding of the welfare state, especially the housing programme, as well as its overseas military commitments. The plan was dropped, largely as a result of the nervousness of Churchill and his closest allies over the likely electoral consequences of a policy which was so redolent of those followed during the depression years of the 1930s (Hennessey 2006: 199-217; Kynaston 2009: 74-75).

Historians have tended to treat this episode as a typical example of the consensual thinking which supposedly prevented deep-seated problems from being tackled before the election of Margaret Thatcher in 1979 (see, for example, Marr 2007: 131). Neoliberal politicians who served in her Cabinets, like Nigel Lawson, have similarly argued that many of problems they were forced to deal with might have been avoided had a stand against interventionism been taken at this time (Kynaston 2009: 75-76). The point, however, is that an experiment of this sort would have been, in capitalist terms, both destructive and unnecessary. Destructive, because it contrary to the type of economic structures being put in place in the advanced capitalist West; most obviously, it would have wrecked the Bretton Woods agreement, the only components of which to have been put in place at this point were precisely the fixed exchange rates that British actions would have undone. Unnecessary, because from the end of the Korean War in 1953 the British economy began to experience boom conditions, which meant that any attempt to limit trade union power or redefine the limits of the welfare state could be postponed. British capitalism did indeed have serious underlying problems, but in conditions of generalised expansion, very few members of the British ruling class felt it was necessary to take the course of action later initiated by the Thatcher governments. Those who did argue for proto-Thatcherite solutions in the 1950s, like Enoch Powell or Ralph Harris, were marginal to political and intellectual life and remained so until the 1970s. Few members of the bourgeoisie, let alone the wider population, took seriously the arguments produced by these institutions at the time. Harris, the first Director of the Institute of Economic Affairs, unsuccessfully stood as a Conservative candidate in Scotland during the 1951 and 1955 General Elections, despite the latter being the only occasion when that or any other party has won an absolute majority of votes anywhere in Britain since the achievement of universal suffrage. 'The atmosphere was wholly hostile to the right-wing position', he recalled (Beckett 2009: 272).

It is certainly true that a number of concessions were won by or granted to the working class, and it is for this reason that the reputation of what Eric Hobsbawm calls 'the Golden Age' remains high, particularly in contrast to 'the Landslide' that followed (Hobsbawm 1994: 403-416). It rests on two main factors. One was high, indeed for practical purposes full employment. The other was the expansion of the 'social wage', meaning not only transfer payments in the form of unemployment benefits and pensions, but also subsidised housing and health, and social service provision free at the point of use. Both of these factors were necessary to capital: on the one hand to gain the support of the labour force, thus helping to ensure social stability; on the other to aid increases in productivity, thus contributing to international competitiveness. Consequently, these measures were not necessarily dependent for their introduction on social or even liberal democratic governments. In most of Western

Europe outside Scandinavia, it was Christian Democrat governments who were instrumental in establishing welfare states. Even in Britain, where post-war social welfare was at least partly initiated by the local representatives of Social democracy, the process began under the Conservative-dominated wartime coalition and was inspired by liberals like William Beveridge (Judt 2008: 10). For some writers this does not represent a particular problem, since they regard all political parties at the time as sharing the same essentially benign attitude to the working class. Here Harvey's position dovetails with those of writers very far indeed from his own historical and geographical materialism. For Frances Beckett, both New Left and New Right are equally responsible for neoliberalism: 'So the dull settlement that had given the baby boomers all their chances in life, created by the Attlee government and maintained by Macmillan, Wilson, Heath and Callaghan, had few defenders among the children of the sixties, being too radical for some and not radical enough for others' (Beckett 2010: 154-155). Beckett is here employing precisely the same dubious notion that power and influence can be ascribed to an entire generational cohort that was first popularised by the subjects of his complaint ('the generation gap'). More importantly, it ignores a number of important facts.

First, British levels of social provision were by no means the most generous in the West. Writing in 1968, Michael Kidron pointed out that welfare payments form 'a smaller proportion of gross national product…a smaller part of the average worker's take home pay…and a smaller relative charge on capital' than in most other Western European countries, with consequently worse specific conditions in relation to paid holidays, severance pay, inflation-proof pensions and family allowances (Kidron 1970: 20-21). Second, these economic considerations were not the only ones to cast some doubt over the extent to which capitalist power was in retreat. 'Far from introducing a "social revolution" the overwhelming labour victory [in 1945] brought about the greatest restoration of social values since 1660', runs Anthony Howard's famous assessment (Howard 1964: 33). Yet it is one which recent research, for example into the relentless repression of gays under both Labour and Conservative post-war governments, tends to support (Knyaston 2007: 376-377; Knyaston 2009: 97-99, 331-334, 391-392). As Elizabeth Wilson notes, 'in the fifties Britain was a conservative society described in the rhetoric of a radical ideology' (Wilson 1980: 6). It is regrettable that some writers continue to describe it in these terms, although it is understandable. In the face of the neoliberal assault on all the institutions erected during that era, the response of many on the left in the UK has been to dream of a return to the starting point and the election of the 1945 Labor Government – one whose crimes, compromises and omissions have been carefully glossed over – as if this was the best that could be hoped for by contemporary socialists: Ken Loach's film, *The Spirit of 1945* (2013) is perhaps the epitome of this longing for return to an earlier time when capitalism had at least been rendered more endurable for the working class. Edward Thompson powerfully emphasised the reality just as the Keynesian era was coming to an end:

> The reforms of 1945 were assimilated and re-ordered within the system of economic activities, and also within the characteristic concepts, of the capitalist process. This entailed a translation of socialist meanings into capitalist ones. Socialised pits and railways became 'utilities' providing subsidised coal and transport to private industry. Private practice, private beds in hospital, private nursing-homes and private insurance impoverished the public health service. Equality of opportunity in education was, in part, transformed into an adaptive mechanism through which skilled labour was trained for private industry: the opportunity was not *for* the working class but for the scholarship boy to escape *from* this class. … In short, what was defeated was not each 'reform'…but the very meaning of reform as an alternative logic to that of private enterprise, profit and the uncontrolled self-reproduction of money (Thompson 1973: 53).

In many respects, the trajectory of the two openly right-wing governments which immediately preceded the neoliberal era, those of Heath in Britain (1970-74) and of Nixon in the US (1968-74), demonstrate how far even they were from introducing it. There is a neoliberal myth, assiduously promulgated Thatcher and her inner circle, which holds that the Heath Government of 1970-1974 had intended to introduce the radical policies later implemented by the Thatcher Governments after 1979, but failed to do so because of its shameful and unnecessary retreat in the face of labour movement resistance. In other words, neoliberalism could indeed have been introduced earlier than it actually was, if not for a failure of will on the part of those espousing it. As Anthony Seldon points out, this assessment is 'ahistorical'. In particular, it exaggerates the extent to which Heath had broken from traditional one-nation Conservatism: 'Heath was never a believer in Laissez-faire, but was a traditional Tory who saw the state as an essential deliverer of economic and social policy.' In so far as some positions of the government did indicate a serious move to the right, on tax and spending cuts, for example, 'the motives for policies were instrumentalist and opportunistic, not ideology'. From the point of the working class this scarcely made Heath an attractive proposition, as the immense struggles during this period, above all against the Industrial Relations Act, bear testament. Seldon is right, however, to identify the absence of any of the preconditions for what was to follow:

> …there was no alternative and acceptable philosophy available which would have provided the intellectual underpinning for an assault on the prevailing orthodoxy of Keynesianism. …there was no popular intellectual and media backing for a full frontal assault on Keynesian consensus-type policies, even if he had wanted to do so. … Finally, and most tellingly, the three main architects of the Thatcher revolution were all present in the Heath Cabinet. … To criticise the Heath Government for failing to persist with new right policies during 1970-1974 when Thatcher, Joseph and to a lesser extent Howe were in key positions and failed to argue strongly for such policies, is a plain absurdity (Seldon 1996, 14-15).

Similar arguments could be made for the Republican Party in the US, at the time of Nixon's election in 1968. In the USA, social welfare was always less generous than in the UK. It tended to exclude larger numbers of workers and, where it did exist, was in many cases not provided by the state as a right, but by capital as deferred wages on the basis of collective bargaining with unionised workforces (Davis 1986: 116). Although some reforms were directly introduced during the New Deal of the 1930s, notably Social Security, their expansion, let alone the introduction of more general social welfare provisions such as Medicaid and Medicare, were the result of the movements of the 1960s, above all that for Black civil rights. And the latter were implemented, not by the Democrats, but by the Republicans during Nixon's first term between 1968 and 1972. On 15 August 1971, he claimed 'I am now a Keynesian in economics', after freezing wages, prices and rents (Blumenthal 1986: 110; Brenner 1985: 55-59; Piven 2004: 66-67; Stein 2010: 86). Judith Stein comments that it is necessary to 'distinguish social from economic liberalism':

> Nixon and most of the nation concluded that growth had become self-generating. The consumer demand created by the economy, supplemented when necessary by deficit spending, would be sufficient incentive for industrial modernization. In 1969, as in the Democratic 1960s, there appeared to be no conflict between consumption and investment, labour and capital, equity and growth. Business did not need subsidies to produce, and government needed revenue to regulate and compensate. Thus Nixon was for tax reform, not reduction.

Nixon was scarcely unaware that the US had entered a social crisis by the late 1960s, however:

> The answer was not to contract out government functions to private institutions, but 'to make government more effective'. A young Donald Rumsfeld did just that with the poverty program. Rumsfeld called himself a 'modern Republican', meaning one who accepted the mixed economy plus elements of the welfare state. It was not an accident that Nixon approved laws expanding Social Security and Medicare. He set up the Environmental protection Agency (EPA) and signed the Occupational Safety and Health Administration (OSHA), a Clean Air Act, and numerous other pieces of environmental legislation. All these reforms were evidence that liberal hegemony had not ended in 1968 (Stein 2010: 86, 87-88).

Carl Freedman points out that it was only under Nixon that federal spending on domestic social programmes was greater than military spending and, by the time he left office, the former was, at 40% of the federal budget, 12% higher than it had been under Johnson. This included massive expansion of medical research, particularly into cancer, the passing of the Clean Air Act and creation of the Environment Protection agency, and the introduction of automatic cost-of-living adjustments to Social Security. Indeed, partly on this basis Freeman makes a case for regarding Nixon, rather than Kennedy, as the more liberal of the two candidates in the 1960 Presidential election. Freedman further points out that Nixon also supported school desegregation and affirmative action programmes, although this was more Machiavellian in intent than his other reforms, in that Nixon hoped to stimulate a white backlash which would be directed at him or his party, but at the institutions and groups most associated with supporting the black population, the federal government and white liberal 'establishment', which were in turn associated overwhelmingly with the Democratic Party (Freedman 2010: 144-147, 162-170). In this respect, Nixon was responsible for mainstreaming what Jeffrey Engels calls "the politics of resentment" which had been incubated by Barry Goldwater and George Wallace earlier in the 1960s, and which have now given birth to the Donald Trump presidency:

> Nixon radically altered American definitions and practices of democracy by redefining the conflict at the heart of democracy. It was no longer the rich versus the poor or the few versus the many. Instead he divided "the people" into "the great silent majority" versus the tyrannizing minorities seeking to oppress it (Engels 2015: 74, 75-96).

These policies proved quite compatible with the saturation bombing of Cambodia and the targeted assassination of leading members of the Black Panthers. The coexistence of welfare provision with imperial expansion and domestic repression can of course be traced back to the immediate post-war period. It is for this reason that notions of a post-war 'compromise' (Harvey 2015: 10) or 'deal' (Leys 2001: 40) between labour and capital are deeply misleading, even if considered as metaphors. In the most important case, the USA, the left was decisively defeated and the trade unions depoliticised for a generation. But the fundamental point about all reforms associated with the welfare state in Britain, the New Deal and Great Society programmes in the USA, or their analogues elsewhere, is therefore that they were not just compatible with capitalism, but organised in line with its requirements. And this is the case even where the reforms in question were originally demanded and subsequently defended by the labour movement. In other words, as Hilde Nafstead and her colleagues write, 'welfare states should not be understood simply as a protective reaction against modern capitalism, but as varieties of modern capitalism' (Nafstead et al 2007 : 314).

It is true that major new capitalist organisations were established during the post-war boom to lobby governments for greater support, notably the Business Roundtable in the US, founded in 1972. These are often assimilated to ideological think-tanks like the Mont Pelerin Society and the IEA (Cockett 1995: 281-282; Miller and Dinan 2008: 73-77). But the CEOs of the Business Roundtable were not initially lobbying for what we now think of as neoliberal measures. Klein is wrong to say: ‘Friedman’s vision coincided with the interests of the large multinationals, which by nature hunger for vast new unregulated markets’ (Klein 2007: 57). Multinational corporations have wanted different policies at different times. As Richard Vinen recounts for post-war Europe:

> …economic policy did not spring from the imposition of state authority over industry but rather a convergence of the two. This convergence came partly from changes in the state: new departments were set up to deal with economic matters, and were often staffed by businessmen. The private sector also changed. Small companies run by an owner whose own capital was at risk might feel very alienated from the state. Large companies, however, were run by managers whose own capital was not at risk, and who could afford to take a relatively detached view of many issues (Vinen 2002: 331).

Nor was business demanding alternative policies. In Britain, there had been officials within the main employer’s organisation, the Confederation of British Industry (CBI), arguing for what we would now call neoliberal policies, but the point is that they had virtually no influence on its actual policies during the relevant period. Indeed, the high-tide of corporatism within the CBI was reached as late as 1973 when one of these figures, Barry Bracewell-Milnes, was removed from his post by the Director-General – an event hailed in the business page of Manchester Guardian under the heading ‘Bosses turn left’ (Rollings 2013: 653-658). Even in the USA, where, as we have seen, suspicions of the state were most deeply embedded, these had largely been overcome by the 1960s, for similar reasons to those in Europe. ‘It may seem the height of grandiloquence to say so’, opined business journalist Theodore Levitt in 1967, ‘but there is abundant evidence that the American business community has finally and with unexpected suddenness actively embraced the idea of the interventionist state’ (Levitt 1967). The example of the Business Roundtable is a case in point. As Sydney Blumenthal writes:

> They want big government to be the marketing agency and brokerage firm to big business. The CEOs appreciate the methods of big government, when they serve their interest, because they seem so similar to those of big business. What they want from big government is faster service and preferential treatment. They believe government should be run like a subsidiary. So they think of reforming government, not eliminating it (Blumenthal 1986: 75-76).

Nor did this acceptance only extend to measures directly supportive of business. As late as 1975 one leading corporate chairman, Stanley Marcus of Neiman Marcus, thought it implausible that a significant number of his contemporaries would ever again oppose reformist social legislation:

> Who amongst the business community today would seriously propose that congress repeal our child-labour laws–or the Sherman Antitrust Act? The Federal Reserve Act, the Securities Exchange Act? Or workmen’s compensation? Or Social Security? Or minimum wage? Or Medicare? Or civil rights legislation? All of us today recognise that such legislation is part of our system; that it has made us stronger (Quoted in Silk and Vogel 1976: 219).

In Europe, only in West Germany did neoliberal ideas have any serious influence before the 1970s. These were heavily promoted by the original neoliberals of the nineteen thirties, and led to the Federal Republic of Germany being virtually the only area of Europe where policies of deregulation, the abolition of wage and price controls, and of lowering taxes were introduced. Yet even this was only possible for two reasons. One was the way in which these constraints on private capital were associated with the Nazi regime (Peck 2008: 18-22). The other was of longer standing: ‘The state played a limited role in Germany partly because industrialists had traditions of organisation that allowed them to dispense with the discipline imposed by the state elsewhere [in Western Europe]’ (Vinen 2002: 333). By the late 1950s, however, West Germany too had adopted the type of corporate interventionism that would through the 1980s be held to distinguish Rhenish capitalism from the neoliberal Anglo-Saxon variant, even while claiming to retain what was actually referred to as neoliberal economic policy (Hutton 1995: 262-268; Stedman Jones 2013: 121-126). Wolfgang Streeck recalls interviewing West German industrial managers of the post-war period who nostalgic for the ‘allocation economy’ which prevailed through most of the Great Boom: ‘I even heard managers suggest that the differences between the organized capitalism of the West and the state socialism of the East were not as dramatic as one might have believed at the time: only that delivery periods were even longer in the East’ (Streeck 2012: 29).

Re-establishing the Conditions for Capital Accumulation?

If we reject the first part of Harvey’s definition on the grounds that there was no need to restore what had not been lost, what of the second? This is in fact the real basis for the neoliberal project – not a loss of power but a much more precipitate decline in profitability, the conditions for which had been established during the Great Boom.

During this period of unparalleled growth three developments took place in the world economy which established the framework for what followed, by rendering obsolete the largely national assumptions within which economic policy had been conducted since the Great Crash of 1929. First, an unprecedented three-fold expansion of international trade, growing twice as fast as actual output across the period, with the biggest increase taking place in the decade immediately prior to the crash of 1973/4. Second, the advent of cross-border production, utilising world forces of production rather than only those of one territorial state – a process driven, above all, by the need to achieve economies of scale only possible within a multinational market. Third, the increase in large-scale foreign direct investment (FDI), together with the creation of ‘offshore’ banking and flows of money capital unlimited by national boundaries: unlike factories, money can be moved with ease and is not dependent on protection of a territorial state or states. When Nixon devalued the US dollar and detached it from the Gold Standard in August 1971, this first of all neoliberal policy decisions was therefore, as Morris Berman points out, ‘the *result* of globalisation’, of the cumulative changes brought about by the resumption of the internationalisation of capital after 1945 (Berman, 2007: 54).

As we have seen, during the Great Boom there was general support for state intervention among the larger businesses and corporations, while small business retained their traditional hostility to it. These differences expressed the relative security of their positions within the market: corporations were protected from the worst exigencies of price competition and were able to plan for longer – term investment growth, often in alliance with the state; small businesses were much more vulnerable and, to them, the state simply represented a source of predatory taxation and bureaucratic regulation. Increased global competition changed the relative position of the corporations, so that all but the largest transnational corporations were placed in a similar position to the small businesses of the post-War period, in terms of their relative size within the market: ‘The process of globalisation has sharply increased the degree of competitive pressure faced by large corporations and banks, as competition has become a worldwide relationship.' Corporations still needed a home state to act as a base, but they increasingly required it to behave differently. Neoliberal globalisation 'pushes them towards support for any means to reduce their tax burden and lift regulatory constraints, to free them to compete more effectively with their global rivals' (Kotz 2002: 104). Corporations therefore began to demand some of the policies long advocated by Hayek and Friedman, and politicians and state managers began to implement them – not, as Klein claims, because individual opportunities to do so which previously been missing finally presented themselves, but because changed conditions of accumulation required changed strategies. Given the limited number of these available (assuming them to be in interests of capital), it is unsurprising that the new practices now demanded now began to overlap with existing theories. Streeck notes that a legitimation crisis does not simply involve two players, namely the state and the population over which it rules, but three: the state, the working class and capital, represented by "profit-dependent owners and managers": 'Contrary to neo-Marxist theories, a legitimation crisis may therefore grow out of discontent on the part of "capital" with democracy and its associated obligations' (Streeck 2014: 20-21).

As Ashley Lavelle writes, globalisation is a 'proximate' explanation for the rise of neoliberalism, the end of the post-war boom is an 'ultimate' one (Lavelle 2009: 23). The precise causes of the return to crisis after 1973 have been widely debated, but some key features are highlighted by most analysts. Increased price competition from West Germany and Japan within the advanced world was made possible by intensive investment in technology and relatively low wages. This forced their hitherto dominant rivals – above all the USA – to lower their own prices in a situation where production costs remained unchanged. American corporations were initially prepared to accept a reduced rate of profit in order to maintain market share but, ultimately, they too undertook a round of new investments, thus raising the capital-labour ratio and increasing the organic composition of capital, leading to consequent further pressure on the rate of profit (Harman 1984: 99-102; Brenner 2006: 99-101). As Al Campbell writes, neoliberalism was therefore a solution to 'a structural crisis of capitalism' in which 'policies, practices and institutions' which had hitherto served capital accumulation no longer did so: 'More narrowly, one can say that capitalism abandoned the Keynesian compromise in the face of a falling rate of profit, under the belief that neoliberalism could improve its profit rate and accumulation performance' (Campbell 2005: 189). But, as I have suggested above, the inadequacy of Keynesian policies was itself the result of changes to the nature of the world economy which had taken place during the long boom, and which made these policies increasingly difficult to apply with any possibility of success.

The emergence of neoliberalism as a conscious ruling class strategy, rather than an esoteric ideological doctrine, therefore took place in response to the end of the post-war boom, but in changed conditions created by that boom. The failure of Keynesianism and other forms of state capitalism predisposed many capitalists, state managers and politicians, not just to accept, but to wholeheartedly embrace theories which they would earlier have rejected as eccentric, or even dangerously destabilising; but even then, the policy shifts which followed were as often pragmatic adaptations as they were born of ideological conviction (Cahill 2013). Robert Reich is therefore right to argue that existing neoclassical theories 'offered a convenient justification for the shift already under way': 'They did not cause the shift; at most, they legitimised it' (Reich 2009: 12). Because of this, the more credible advocates of capitalist globalisation, like Martin Wolf, have been able to emphasise the way in which neoliberalism (although he refuses the term) has been an adjustment to capitalist reality rather than an adoption of theoretical dogma:

> To many critics, the last two decades of the twentieth century were the age of a manic 'neo-liberalism' imposed by ideological fanatics on a reluctant world. This picture is false. The change in politics was, with very few exceptions, introduced by pragmatic politicians in response to experience (Wolf 2004: 132).

Wolf wants to defend the neoliberal order, without conceding the term; but the essential point is correct. As Andrew Gamble writes, neoliberalism as 'a global ideology' was less significant than 'the competitive pressures of capital accumulation in forcing the convergence of all capitalist models and all national economies towards neo-liberal institutions and policies' (Gamble 2001: 133). But the theories did have a function, as G. A. Cohen explains:

> Considered as practical proposals, the theories of Friedman, Hayek and Nozick were crazy, crazy in the strict sense that you would have to be crazy to think that such proposals (e.g. abolition of *all* regulation of professional standards and of safety at work, abolition of state money, abolition of *all* welfare provision) might be implemented in the near, medium, or long term. The theories are in that sense crazy precisely because they are uncompromisingly fundamental: they were not devised with one eye on electoral possibility. And, just for that reason, their serviceability in electoral and other political contest is very great. *Politicians and activists can press not-so-crazy right-wing proposals with conviction because they have the strength of conviction that depends upon depth of conviction, and depth comes from theory that is too fundamental to be practicable in a direct sense* (Cohen 2011: 212-213).

In public pronouncements, neoliberals initially tended to focus less on restoring profitability and more on reducing the amount of state expenditure and the size of the state itself (although usually treated as synonymous these are of course very different goals), and controlling inflation, since these could be presented as beneficial to citizens as tax-payers and consumers. But regardless of the way in which neoliberal goals were expressed, the major obstacle to the reorganisation of capital required by the crisis lay elsewhere. The Argentinean military junta of the 1970s had originally regarded their main opponent as the Peronist movement, but as one member later admitted, 'by 1976 we already knew that the problem was the working class' (Levy 2006: 142). The imminent threat of revolution raised by 1968 was no longer a threat by the mid-1970s, so in what sense was the working class, 'the problem'?

In 1972, when the crisis was gathering, but had not yet broken, Andrew Glyn and Bob Sutcliffe claimed that the decline in profit share going to British capital was caused by increases in money wages forced by working class strength, and the inability of capital to pass these on as price increases because of the rising level of international competition. But they also saw this as a general explanation for the declining profit margins across the advanced capitalist world (Glyn and Sutcliffe 1972: 50-102). If this had been the case, then neoliberalism might genuinely have represented a 'class (against class) project': but it could not have been. On the one hand, there was no crisis during the 1950s, when real wages were rising much more quickly than in the late 1960s and early 1970s. On the other, during the latter decades, all of the major economies went into recession simultaneously, even though levels of labour organisation and militancy were massively different (Harman 1984: appendix 1; Brenner 2006: chapter 1). In effect, this argument simply ascribes a different and positive value to the ideological claims of the bourgeoisie concerning union power. In fact, rather than wage pressure being the problem which caused the crisis, it was the crisis which made wage pressure into a problem, or at least one which could no longer be tolerated. During the Second World War the Polish economist Michael Kalecki predicted that although 'a regime of permanent full employment' would actually increase profits, employers would nevertheless oppose such a development because it would build working class selfconfidence, encourage industrial action for improved wages and 'create political tension'. In the end, Kalecki wrote, ''discipline in the factories'' and 'political stability' are more appreciated than profits by business leaders' (Kalecki 1943: 327). The Golden Age did of course see many intense industrial struggles, but no concerted attempts to roll back the position of trade unions until the very end. Kalecki underestimated the extent to which employers would be prepared to accept pressure on wages, however unwillingly, provided the rate of profit was maintained at a sufficiently high level. Once it began to fall, as it did from the late 1960s, this situation was no longer sustainable for capital, meaning, not only attacks on workplace terms and conditions, but also on those aspects of the welfare state – the 'social wage' – which were beneficial to the working class. The main source of funding for welfare provision came from redistribution within the working class itself; but to the extent that it was also a cost to capital, a drain on investment, it was one which capitalists had reluctantly been prepared to pay so long the system was expanding. When it began to contract, as it did after 1973, these costs to capital, like wages, had to be reduced, by directly attacking provisions directly in the hands of employers (pensions, health insurance) and shifting the burden of taxation even more decisively onto the working class. 'Some people will obviously have to do with less', announced an editorial in *Business Week* in 1974 with unusual candour, then adding: 'Yet it will be a hard pill for many Americans to swallow – the idea of doing with less so that big business can have more' (Carson-Parker 1974: 120-121).

A Project for Capital*ism* – or for Capital*ists*?

Neoliberalism did succeed in restoring the rate of profit between 1982 and the financial crash of 2007, although more weakly after 1997 and at no point to anything like the levels achieved during the post-war boom. Given the exceptional nature of the latter period, this is less significant than is sometimes assumed. What is perhaps more important is the major achievement neoliberalism provided for capitalists and the bourgeoisie more generally – not *re-establishing the conditions of capital accumulation*, but *transferring wealth and resources* to the ruling class and its hangers-on. Some analysts of neoliberalism, such as Gérard Duménil and Dominique Lévy have argued that this was always the result intended by the project:

> Ideology was not the engine of the neoliberal revolution. The relationship [of neoliberalism] to class hierarchies is all too obvious. … The hegemony of the upper classes was deliberately restored, a return to financial hegemony. A neoliberal ideology emerged, the expression of the class objectives of neoliberalism.

They describe the achievements of neoliberalism as being 'consistent with the interests of the upper classes, that is, the maximisation of high incomes' (2011: 18). This assessment builds on an earlier discussion in which they note two movements in the fortunes of the ruling class: one involving a 'relative deterioration' in their holdings at the beginnings of the crisis in the 1970s, and the other 'a restoration and more under the neoliberal banner'. The latter is what they describe as a 'tour de force accomplished by the dominant classes through neoliberalism, both in the absolute and relative to the other classes of the population', but it was one which involved diverting declining profits from productive investment (Dumenil and Levy 2004: 139). The neoliberal programme benefited individual members of the capitalist class by increasing their personal wealth, at the expense of the living standards of the poor and the working class. The conclusion drawn by Alfredo Saad-Filho is therefore that 'the notorious inability of the neoliberal reforms to support high rates of investment or high GDP is really irrelevant…it *has* been able to support much higher standards of consumption for the top strata of the population and its promotion of consumer debt'. This, rather than the capacity 'to promote growth, reduce inflation or even to increase the portfolio choices of the financial institutions' was the real consequence of neoliberalism (Saad-Filho 2007: 342-343). One can agree that this has been the outcome, but are neoliberalism's failures at a systemic level really 'irrelevant'? Ross McKibbin wrote of former British Chancellor of the Exchequer George Osborne: 'He wishes to serve the interests of the rich, but has a very narrow conception of what those interests might be, which is why there is no plan B' (McKibbin, 2013: 3). Both points are certainly true, but 'serving the interests of the rich' is not the same – or at least, not always the same – as 'serving the interests of capital' and may in certain circumstances be in contradiction to it.

Neoliberalism has weakened, to varying degrees, the capacity of capitalist states to act in the interest of their national capital as a whole. The relationship between neoliberal regimes and capital has since the 1970s prevented states from acting effectively in the collective, long–term interest of capitalism and leading instead to a situation where, according to Robert Skidelsky, 'ideology destroys sane economics' (Skidelsky 2014: 29). It is true that neoliberal regimes have increasingly abandoned any attempt to arrive at an overarching understanding of what the conditions for growth might be, other than the supposed need for lowering taxation and regulation and raising labour flexibility. Apart from these, the interests of the total national capital is seen as an arithmetical aggregate of the interests of individual businesses, some of which, to be sure, have rather more influence with governments than others. These developments have led to incomprehension among remaining Keynesians of the liberal left (Chang 2011: 190–191; Hutton 2013). But their assessments are correct in noting that, in so far as there is a 'strategic view', it involves avoiding any policies which might incur corporate displeasure, however minor the inconveniences they might involve for the corporations, which of course includes regulation.

The weakening of the labour movement and consequent rightward shift by social democracy may therefore ultimately prove self-destructive for capital since, as we have seen, one of the inadvertent roles which it historically played was to save capitalism from itself, not least by achieving reforms in relation to education, health and welfare. These benefitted workers, of course, but also ensured that the reproduction of the workforce and the conditions for capital accumulation more generally took place. But with the weakening of trade union power and the capitulation of social democracy to neoliberalism, there is currently no social force capable of either playing this 'reformist' role directly or by pressurizing non–social democratic state managers into playing it. That leaves the state apparatus itself, but the necessary distance between the state and capital (or between state managers and capitalists), to which I earlier alluded has been minimized. Ironically, China may be one of the few areas where this is not the case. Slavoj Zizek writes that, 'arguably the reason why (ex–) Communists are re–emerging as the most efficient managers of capitalism: their historical enmity towards the bourgeoisie as a class fits perfectly with the progress of contemporary capitalism towards a managerial system without the bourgeoisie' (Zizek 2012: 11).

In the US, by contrast, Doug Henwood writes that 'policy is now made through a Wall Street lens of maximizing profits over the next few quarters, and the long term can take care of itself,' which in turn suggests that 'the distinction between the American ruling class and its business community – with the ruling class presumably operating on a time scale of decades rather than quarters – has largely collapsed' (2005, 71: 73). Henwood's point about the regime's adoption of timescales associated specifically with financial capital is important as it indicates the short–termism involved, which is embedded at every level. Clearly, in situations of absolute, immediate crisis, short–term emergency measures would be introduced in the same way as the effective nationalisation of banks and other financial institutions took place in both the US and UK during 2008. But these were minimal interventions to prevent outright collapse, save the institutions (and the practices which brought them to the point of crisis in the first place) without using them for any coherent strategic end, let alone any broader social purpose; and of course on the basis that they would be re–privatised as soon as possible (Cahill 2012: 123–124).

Originally improvised as means of resolving the last great capitalist crisis, neoliberalism has no answer to the return of crisis – or at least, no answer acceptable to the CEOs and shareholders it has enriched – other than to carry on with the strategies which brought us to this pass in the first place. It is unsurprising, therefore, that no significant section of the international ruling class has abandoned its belief in the fundamentals of neoliberal capitalism: they have too much to lose. Colin Crouch has written of the need to accept that 'political and economic elites will do everything that they can to maintain neoliberalism in general and the finance-driven form of it in particular': 'They have benefitted so much from the inequalities of wealth and power that the system has produced, compared with the experience of strongly redistributive taxation, strong trade unions and government regulation that constituted the so-called social democratic period' (Crouch 2011: 118-119).

If what I call vanguard neoliberalism established this phase of capitalist development, and social neoliberalism then consolidated it, the current period of crisis neoliberalism is primarily defensive, an attempt to preserve the now decaying order through ever–more generalised attacks on the subaltern classes–not as 'occasional' incursions to enable budget cuts here or prevent industrial action there, but as permanent aspects of the political regime (Davidson 2016). The dilemma of crisis neoliberalism is therefore that it has no strategy for restoring general levels of profitability. Having bailed out the debts incurred by the banks responsible for the crisis and thereby transforming them into state or 'sovereign' debt, regimes then announced the need for 'austerity' to compensate for the supposed failure of the state to 'live within its means' by incurring these debts in the first place (Blyth 2013: 5–7; Peck 2014: 19–20). Ideologically, this may have been a brilliant manoeuvre, but neither attacking the incomes of unemployed single parents nor demonising asylum seekers is going to rescue British or American capitalism, although it has helped to deflect hostility from the ruling class to these groups by legitimising hatred and providing 'psychic compensation' for those in marginally more secure positions. Any longer term strategy in the overall interests of capital would have to address the dysfunctionality of the financial system, the refusal of firms to invest in productive capacity and low levels of tax intake attendant on a fiscal system massively skewed towards the wealthy, but state managers are no longer prepared to do this and neither are most politicians – with the exception of one tendency.

The revival of the far–right as a serious electoral force is based on the apparent solutions it offers to what are now two successive waves of crisis, which have left the working class in the West increasingly fragmented and disorganised, and susceptible to appeals to blood and nation as the only viable form of collectivism still available, particularly in a context where the systemic alternative to capitalism – however false it may have been – had apparently collapsed in 1989–91. The political implications are ominous. The increasing interchangeability of political parties gives the far–right an opening to appeal to voters by positioning themselves as outside the consensus in ways which speak to their justifiable feelings of rage (Cole 2005: 222–223). The potential problem for the stability of the capitalist system is however less the possibility of far–right parties themselves coming to power with a programme destructive to capitalist needs, than their influence over the mainstream parties of the right, when the beliefs of their supporters may inadvertently cause difficulty for the accumulation process – as in the impending withdrawal from the EU in the case of the UK or, potentially at least, a halt to migration from Mexico and Central America at the behest of the Trump presidency in the case of the US. Here we see emerging a symbiotic relationship between one increasingly inadequate regime response to the problems *of* capital accumulation and another increasingly extreme response to the most irrational desires and prejudices produced *by* capital accumulation (Davidson and Saull 2016).

Conclusion

It is possible then, that neoliberalism has indeed proved to be a project which has benefitted the capitalist class, but far less so the system on which they depend. 'No effective opposition being left, and no practicable successor model waiting in the wings of history, capitalism's accumulation of defects, alongside its accumulation of capital may be seen…as an entirely endogenous dynamic of self-destruction', writes Streeck (2016: 13). I am less convinced that capitalism will simply collapse under the weight of its own internal contradictions. Scenarios of this type, from those of Rosa Luxemburg onwards, have been proved false in the past and there is no reason to suppose that they will be any more accurate in the future. Nor am I even suggesting that we have entered a phase of permanent crisis: as Marx pointed out: 'Permanent crises do not exist' (Marx 1968: 497). Claims to the contrary have an unfortunate tendency to be disproved even as they are made (see, for example, Harman, 1984: 121). It would be more credible to argue that, as the system ages, the counter–vailing tendencies to the tendency of the rate of profit to fall become fewer and less effective. Booms will continue to occur, as they did between 1982 and 2007, but they will be weaker and the range of beneficiaries fewer. In these circumstances, everything will depend on the re-emergence of an 'effective opposition' with a 'practicable successor model'; but that will involve a class project of a quite different type.

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