

A Brief History of Neoliberalism

by David Harvey, Oxford University Press, 2005, 256. pp.

Michael J. Thompson

David Harvey has established himself as one of the most insightful and politically relevant social scientists on the left. By extending Marxian political economy into new spheres of social reality – such as the urban environment and space – he has been able to make significant contributions to our understanding of the ways that capitalism shapes everyday life. His seminal work, *Social Justice and the City*, published over thirty years ago, in 1973, provoked a profound reorientation in urban studies and in the study of capitalism. Harvey proposed the important thesis that urbanism, the city, and all related phenomena, were epiphenomena to the processes of capital. Against the most important urban theorists of the time, such as Henri Lefebvre, whose influential book, *The Urban Revolution*, argued that the urban was a sphere into itself, separate and, indeed, capable of being a way of life which was anti-capitalist, Harvey reasserted the notion that capital structured space, the city, and the political and cultural life associated with it. Our attention, Harvey suggested, ought never to leave the processes of capital since it was capital that was the dominant force in modern social, and of course, urban, life.

Social Justice and the City was a text that opened new avenues for urbanists to think about urbanisation, rent, culture and space. But it was also a book that charted a new intellectual path and project since Harvey saw that it was through the reading of Marx that we were able to grasp the dilemmas of urban space, and overcome the methodological problems of social science. Marx, after all, according to Harvey, had shown that – unlike the liberal paradigm that was, and still is, predominant in the social sciences – the split between fact and value had been overcome. No longer was it sufficient to talk about social phenomena without invoking political even practical evaluations of them.

Harvey's most recent book, *A Brief History of Neoliberalism*, dissects the inner workings of what has come to be one of the most salient features of late 20th and early 21st century economic and social life: the gradual shift, throughout the nations of the global economy, toward economic and social policies that have given an increased liberality and centrality to markets, market processes, and to the interests of capital. If Harvey's enduring perspective – and one which admittedly

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echoes orthodox Marxism – has been to put the mechanics of the capitalist mode of production at the center of every aspect of modernity (and of postmodernity as well), then his most recent contribution deviates little from that course. Harvey's contention is that we are witnessing, through this process of neoliberalisation, the deepening penetration of capitalism into political and social institutions as well as cultural consciousness itself. Neoliberalism is the intensification of the influence and dominance of capital; it is the elevation of capitalism, as a mode of production, into an ethic, a set of political imperatives, and a cultural logic. It is also a project: a project to strengthen, restore, or, in some cases, constitute anew the power of economic elites. The essence of neoliberalism, for Harvey, can be characterised as a rightward shift in Marxian class struggle.

This analysis stems from Marx's insight about the nature of capital itself. Capital is not simply money, property, or one economic variable among others. Rather, capital is the organising principle of modern society. It should be recalled that, in his *Grundrisse*, Marx explicitly argued that capital is a process that puts into motion all of the other dimensions of modern economic, political, social, and cultural life. It creates the wage system, influences values, goals, and the ethics of individuals, transforms our relation to nature, to ourselves, and to our community, and constantly seeks to mold state imperatives until they are in harmony with its own. Neoliberalism is therefore not a new turn in the history of capitalism. It is more simply, and more perniciously, its intensification, and its resurgence after decades of opposition from the Keynesian welfare state and from experiments with social democratic and welfare state politics.

Neoliberalism, as Harvey tells us, quoting Paul Treanor in the process, 'values market exchange as "an ethic in itself, capable of acting as a guide to all human action, and substituting for all previously held ethical beliefs," it emphasises the significance of contractual relations in the marketplace. It holds that the social good will be maximised by maximising the reach and frequency of market transactions, and it seeks to bring all human action into the domain of the market.' (p. 3)

Neoliberalism is not simply an ethic in abstracto, however. Rather, the locus for its influence has become the 'neoliberal state', which collapses the notion of freedom into freedom for economic elites. 'The freedoms it embodies reflect the interests of private property owners, businesses, multinational corporations and financial capital.' (p. 7) The neoliberal state defends the new reach and depth of capital's interests and is defined against the 'embedded liberalism' of the several

decades following World War II when ‘market processes and entrepreneurial and corporate activities were surrounded by a web of social and political constraints and a regulatory environment that sometimes restrained but in other instances led the way in economic and industrial strategy.’ (p. 11)

Neoliberalism and the neoliberal state have been able to reverse the various political and economic gains made under welfare state policies and institutions. This transformation of the state is an effect of the interests of capital and its reaction to the embedded liberalism of the post war decades. Taking the empirical analysis – and the hypothesis – from the French economists Gérard Duménil and Dominique Lévy, and their important book *Capital Resurgent*, Harvey argues that ‘neoliberalisation was from the very beginning a project to achieve the restoration of class power,’ (p. 16) ‘a political project to re-establish the conditions for capital accumulation and to restore the power of economic elites.’ (p. 19) This notion of a revolution from above to restore class power is the basso ostinato of Harvey’s analysis, the bass line continuously repeated throughout the book that grounds the argument.

He sees the first historical instance of this revolution from above in Pinochet’s Chile. The violent coup against Salvador Allende, which installed Pinochet to power, was followed by a massive neoliberalisation of the state. The move toward privatisation and the stripping away of all forms of regulation on capital was one of the key aspects of the Pinochet regime. While the real grounding of a neoliberal theory began much earlier with thinkers such as Friedrich von Hayek and Milton Friedman, among others, its first real empirical manifestation was Pinochet’s Chile. Of course, this also allows Harvey to illustrate another crucial dimension of his argument, namely that neoliberalism is a liberalism for economic elites only; that liberal aspects of the polity are decreased. It is Harvey’s fear – along with Karl Polanyi – that neoliberal regimes will slowly erode institutions of political democracy since ‘the freedom of the masses would be restricted in favour of the freedoms of the few.’ (p. 70) Insulating economic institutions such as central banks from majority rule is central, especially since neoliberalism – particularly in developed economies – revolves around financial institutions. ‘A strong preference,’ Harvey argues, ‘exists for government by executive order and by judicial decision rather than democratic and parliamentary decision-making.’ (p. 66)

America and England constitute Harvey’s next two cases for his thesis. Thatcher in Britain and Reagan in the United States were both pivotal figures, not so

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much because of their economic policies, but, more importantly, because of their success in the ‘construction of consent.’ The political culture of both countries began to accept neoliberal policies. The focus on individual rights, the centrality of property rights, a culture of individualism, consumption, and a market-based populism, all served as means by which the policies of neoliberalism – and the massive inequalities that have emerged over the past two decades – were able to gain widespread support. Political liberalism becomes eroded by the much more powerful forces of economic liberalism.

Another theme that Harvey explores – understandably, given his background in human geography – is the phenomenon of uneven spatial development. In China, Harvey’s fourth case, we see the rapid expansion of a neoliberal ethos. Markets were significantly liberalised and an economic elite was reconstituted virtually overnight, in early 1980s, amid Deng Xiaoping’s economic reforms. The result has been extreme inequality between regions. Coastal urban areas, where industry and finance are concentrated, have become massive epicenters of economic power and activity, sucking in surplus labor from agrarian hinterlands which, as a result of the economic growth of these metro regions, have begun sinking into poverty. Harvey sees this reality in China being mirrored throughout the globe, and the results are common: a pattern of rising economic and social inequality which increases the marginalisation of large sectors of national populations and concentrates ever more sectors of capital within certain regions and among certain groups. Neoliberalisation, therefore, effects a return to some of the most entrenched forms of social inequality and injustice that characterised the industrial expansion during the late 19th century in the West. The story of capitalism, for Harvey, always seems to play the same dire tune.

But the global expansion of capital is premised on what he terms ‘accumulation by dispossession.’ This concept – developed more fully in Harvey’s previous book, *The New Imperialism* (2003) – argues that accumulation under globalisation continues to expand by dispossessing people of their economic rights and of various forms of ownership and economic power. Harvey defines it best:

By [accumulation by dispossession] I mean the continuation and proliferation of accumulation practices which Marx had treated of as ‘primitive’ or ‘original’ during the rise of capitalism. These include the commodification and privatization of land and the forceful expulsion of peasant populations...; conversion of various forms of property rights (common, collective, state,

etc.) into exclusive private property rights (most spectacularly represented by China); suppression of rights to the commons; commodification of labor power and the suppression of alternative (indigenous) forms of production and consumption; colonial, neocolonial, and imperial processes of appropriation of assets (including natural resources); monetization of exchange and taxation, particularly of land; the slave trade (which continues particularly in the sex industry); and usury, the national debt and, most devastating of all the use of the credit system as a radical means of accumulation by dispossession. (p. 159)

But it also includes – for working people in developed nations – the ‘extraction of rents from patents and intellectual property rights and the diminution or erasure of various forms of common property rights (such as state pensions, paid vacations, and access to education and health care).’ (p. 160) Neoliberalism, therefore, can only continue its process of accumulation by dispossessing people of what they own, or to what they have always had rights.

In the end, Harvey tells us, the way out of this situation – not surprisingly – is a reconnection of theory and practice. But his analysis is, once again, subtle and takes stock of present political realities. The plethora of social movements need to form a ‘broad-based oppositional programme’, which sees the activities of the economic elites as fundamentally impinging on traditionally held beliefs about egalitarianism and fairness. Crisis, for Harvey as with any orthodox Marxist, is always looming. Neoliberalism’s rhetoric of individual freedom, and equality, and its promise of prosperity and growth, are slowly being revealed as falsities. Soon, Harvey believes, it will become evident that all of economic life and institutions are solely for the benefit of a single, small social class. Therefore, theoretical insight – such as Harvey has proffered here – needs to constantly nourish the various opposition movements that currently exist. The dialogue between theory and practice is the only sure way to take advantage of the moment when a new crisis – financial or otherwise – bursts forth onto the scene. The deepest hope is that such a moment will foster a basis ‘for a resurgence of mass movements voicing egalitarian political demands and seeking economic justice, fair trade, and greater economic security.’ (p. 204) Harvey’s position is explicitly anti-capitalist, and his hope is that the rhetoric of neoliberalism will be unmasked by the various realities – most specifically, massive economic inequalities – that it spawns. Only then will social movements be able to gain political traction, and move society toward some form of social, economic and political transformation.

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Harvey's logic is seductive, and his ruminations on 'freedom's prospect' are compelling. But political and cultural realities cannot be simply reduced to the mechanisms of capital and accumulation. While we can use Harvey's brilliant and deeply insightful analysis of the structural mechanisms of neoliberalism, it has to be admitted that there are only rumblings of discontent in the United States or China, and no hint of a mass movement against the realities of capitalism. There is too little attention paid – and here the deficits of the orthodox Marxist approach can be sensed – to the way that the culture of consent has found a deep affinity with American liberalism. Louis Hartz, in his classic, *The Liberal Tradition in America*, was perhaps most correct when he predicted that the contours of American liberalism would lead to the acceptance of quasi-authoritarian political and social norms. China – lacking any democratic tradition – has not seen a mass movement arise to combat the inequality that has swollen over the last two decades, either. But the question of social movements remains open. There is no guarantee what you get with a mass movement of the disaffected – one can think of Venezuela's Hugo Chavez, in this regard. Harvey does not look into such issues, but they need to be considered since history – even the history of capitalism – cannot be viewed as cyclical and politics does not spring mechanistically from economic conditions.

But despite this, Harvey's book is deeply insightful, rewarding and stimulating. His ability to thematise the imperatives of the most recent manifestation of capitalist accumulation – most specifically the recent trends in economic inequality, the shifts in urban cultural and political life, and the economic logic that currently drives the process of globalization – is nothing short of virtuosic and his ideas should become a central part of the current discourse on globalisation, economic inequality, and the erosion of democratic politics throughout the globe. His history of neoliberalism may indeed be brief, but the richness and profundity of this volume is without question.

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