

THE SLOW DEATH OF NEOLIBERALISM: PART 4B

Part 1.

Part 2.

Part 3.

Part 3A. This post at Naked Capitalism expands on Part 3, and adds a discussion of Simcha Barkai's paper and methodology; I discuss other aspects in Part 4A.

Part 4A.

In Part 4A, I laid out the neoliberal theory of the person, and the beginning of an appraisal of the effect of that theory on elites. In this post I add to that appraisal, and take up the impact of this theory on the rest of us. In the next post I will offer a possible explanatory context, but not a solution.

The neoliberal theory of the person is the basis of the economics most of the elites learn as undergrads, and in business schools. Lawyers are taught neoliberal principles in anti-trust classes and in the jurisprudential aspects of other courses, through the impact of the law and economics movement. When elites get jobs in business or law or government, they are surrounded by others who are deeply enmeshed in neoliberalism, even if they can't name it. They believe that the market, whatever that is, is a wonderful, if occasionally erratic, judge of worth. They earn what they make because the market rewards the productive, and everyone finds their level in that system of rewards, based on their personal merit and their productivity. As they rise in pay and prestige, that opinion is cemented. It's like Calvinism, with the market substituted for the Almighty. And if the market rewards the productive and dumps on the "non-productive", then that is right and just.

The farther elites get from the productive work

of businesses, the more they come to regard employees as cogs in a machine, not fully human, merely factors of production. The ease with which they fire people is the result of their belief that elites are productive and the rest tools. Lawyers and politicians may see their employees as humans, if weak versions, but the rest of the working world vanishes, except when needed. In brief, the elites operationalize Karl Polanyi's concept of labor as a fictitious commodity.

And how does this work out for the lesser people? They are forced to live and work in the neoliberal world. They learn to repeat its tropes. For a beautiful piece of research on this, see *Coming Up Short: Working-Class Adulthood in an Age of Uncertainty*, 2015, by Jennifer M. Silva. The people Silva interviewed describe themselves in the terms in the Mirowski quote in Part 4A, as bundles of skill sets, who must take risks and invest in themselves to get ahead; when it doesn't work, they think it's their fault, they blame themselves, and they struggle to find some other way forward.

I saw this many times in my 25 years of bankruptcy practice. People who file Chapter 7 always blamed themselves, and never could understand how their failures resulted from the cruel form of capitalism we enjoy in the US. Here's a composite case. A young couple with two low-level jobs in a county near Nashville decide that the husband will go back to school so he can get a better job. The wife gets pregnant, suffers a bad miscarriage and can't go on working. They don't have insurance, and the bills pile up. He drops out to get a job to support them and tries to pay down the debt. She gets well enough to work, and then he loses his job. They can't pay the medical and student debt. They get money from family, but it doesn't work. They file Chapter 7, but they can't discharge the student debt and they feel obligated to pay back their families. And when we talk to them, they blame themselves in words and phrases exactly like those Silva reports in

her book.

In Part 4A, I describe two of the prevalent ideas that neoliberalism has given us, Bork's antitrust revisionism and Posner's Law and Economics. For the elites, the first was a boon. It was easy to explain how the markets would protect consumers after a merger. Corporations became larger and larger. Regulators allowed almost every merger, and the elites became more and more powerful, with more and more assets under their control. Combine the new wealth and power with their belief that they are superior, as shown by the rewards heaped on them by the all-knowing market, and suddenly elites are exerting even greater control over the government and using it to enrich themselves as managers and shareholders. According to Mirowski, this is a desired outcome of neoliberalism. See, e.g. point 10.

The Law and Economics movement supports this view. Courts following Posner look at economic efficiency above any other interest, and interpret the laws narrowly so as not to interfere with the sacred market. The consistent rulings in their favor support elites in thinking they are wonderful.

After the Great Crash, brought on by elites at gigantic banks, hedge funds, big law firms and other cheats and liars, not a single member of the elites went to jail, and they all got paid, and they all got to keep their ill-gotten gains. Many of the political elites defended their Wall Street friends. Pundits and academics and think-tankers sprang to the defense of Wall Street. Both of these groups pretended that it was everybody's fault, or the fault of those evil subprime borrowers or nobody's fault because it was all perfectly legal and the deals were between equally sophisticated and brilliant people, but it surely wasn't the fault of the well-known people who organized and sold RMBSs and other deals. The prosecutors said they couldn't indict any individual because responsibility was spread out among lots of

people, or it was too hard to get a conviction, or because something something. When elites are not held accountable, it reinforces their sense of how wonderful they are.

But the effect of these two two neoliberal theories on the rest of us is bad. As I note in Part 4A, based on this paper by Simcha Barkai, increasing concentration is perhaps the most important cause of the wage-productivity gap. Wage stagnation as profits increased has left workers struggling to get ahead, to the point that less than half of US households can pay an unexpected \$500 bill without borrowing or selling something.

In the same way, the law and economics movement has hurt workers. For example, Banks and other large corporations put arbitration clauses in all their contracts, and clauses that bar class actions, and courts routinely uphold these clauses, because it's so efficient. That means that when you get cheated in one of Wells Fargo's schemes, you have to arbitrate, and class actions are barred.

So far, the legacy political parties and the elites have been able to deflect the anger that is slowly building up in our society as frustration turns into pain. It's dawning on all of us that the way we treat our people is disgusting, whether it's cops killing unarmed Black people, sexual predators attacking women, unfair pay for people of color, massive corruption, lawsuits with utterly unjust results; the list is endless.

My prediction of the slow death of neoliberalism is based on my profound hope that people are realizing that neoliberalism is a nightmarish theory, the spell will be broken, and people will demand to be treated like human beings with natural rights that must be the central focus of social organization.