How neoliberalism works
a systematic and systemic analysis of the politico-economic processes underpinning neoliberalism

Hall, Lawrence

Awarding institution:
King's College London

HOW NEOLIBERALISM WORKS

A systematic and systemic analysis of the politico-economic processes underpinning neoliberalism

Dissertation

PhD
Department of European & International Studies
King's College London

Lawrence Williamson Hall

First Supervisor: Jim Wolfreys
Second Supervisor: Roberto Roccu
Faculty of Social Science & Public Policy
King's College London

Abstract

The purpose of this PhD is to explore the political and economic trajectories and processes that underpin neoliberalism. In order to do so, a systematic and systemic analysis based on heterodox explanatory frameworks is conducted. It consists of three steps of analysis and two steps of synthesis. The organisation of the chapters reflects this structure – Chapters 2, 4 and 5 contain detailed analyses of neoliberalism from different viewpoints while Chapters 6 and 7 contain syntheses of the conclusions of these analyses. In Chapter 2, neoliberalism is located in the critical literature, establishing the fundamentals of the subsequent steps of investigation. Neoliberalism is systematically analysed separately as a theory and as a practice, including empirical observations in a comparative two-country study (the US and Germany). The conclusions of these analyses and the empirical observations are synthesised into specific politico-economic processes of neoliberal conduct via critical discussion and contextualisation, resulting in the conclusion that neoliberal practice does not follow the premises of neoliberal theory, but, conversely, that neoliberal theory is a part of neoliberal practice, creating supporting narratives. The conclusions are analysed in reference to the questions of political agency and the historical specificity of neoliberalism. The analytical incorporation of neoliberal agency leads to the conclusion that neoliberalism is produced by the deliberate actions of social groups, three of which are analysed in terms of their politico-economic interplay and reciprocal social processes by introducing the 'Triangle of Neoliberal Agency' model. In reference to its active nature, this is called the 'push effect' of neoliberalism. At the same time, the systemic prerequisites of the capitalist mode of production in its neoliberal form continuously create and restrict a historically specific corridor of actions, which is called the 'pull effect' of neoliberalism. It is concluded that the historical alignment of the push effect with the pull effect essentially underpins neoliberalism. By this alignment, neoliberal actions help to maintain the capitalist mode of production.

Content

1 Introduction

Neoliberalism is problematic. It seems to have permeated most parts of capitalist society, including almost every major political party, mainstream economics, corporate governance, everyday philosophy and culture, and has great influence on economic policy. This has happened without a clear declaration of what it is and who promotes it. Self-proclaiming neoliberals are hard to find, either in major political parties or in academic discourse. Hence neoliberalism appears to be devoid of material subjects. This peculiarity brings to mind the words of the character of Keyser Söze in the 1995 movie, '*The Usual Suspects*'. He declares: 'The greatest trick the devil ever pulled was convincing the world that he does not exist.' At the same time, the term is also laden with political agitation and casual association with contemporary politico-economic problematics, adding to the ambiguity of neoliberalism. Noticeably, it is frequently used in political contexts, when critically referring to undesirable effects and features of capitalism.

The purpose of this PhD is to explore the political and economic trajectories and processes of how neoliberalism is conducted. In order to do so, a systematically organised analysis based on heterodox explanatory frameworks, that allow insights into systemic processes, is carried out. It consists of three steps of analysis and two steps of synthesis. The chapters reflect this structure – Chapters 2 to 5 contain detailed analyses of neoliberalism from different viewpoints while Chapters 6 and 7 contain syntheses of the conclusions of these analyses.

An attempt to analyse neoliberalism does not appear particularly original at first sight. The literature on the subject is vast. Especially during and directly after the global financial crisis which began in 2007, a great amount of popular literature was produced about neoliberalism and its connection to the crisis.

Neoliberalism is a term that is today almost exclusively used by those critical of it. No major politicians choose to call themselves neoliberal and no serious political party emblazons the word with golden letters on their flag. As Peck (2010) contends, in mainstream politics, the term is mainly used when someone distances themselves from it. Mirowski (2013a) argues that many neoliberals would even contend that there is no such thing as neoliberalism. The spectre in Marx and Engels' *Manifesto of the Communist Party* was at least reflected loudly in the title. The ghostly phenomenon that is neoliberalism does not seem to be willing to brand itself as such.

Despite the litany of work on the subject, there appears to be a gap in the literature on neoliberalism. Although contributing to the general discussion, most popular critical approaches to neoliberalism only manage to produce superficial analyses and fall short of engaging with the underlying systemic dynamics. In particular, the relevance of the sphere of production seems to be overlooked. Others do include some systemic dynamics, such as analyses of aggregated rates of profit, but fall short of connecting it with the political and business-related agencies of social actors, who push forward the neoliberal agenda. This can produce the misleading notion that neoliberalism has an agency of its own or follows irrevocably determined mechanics. Instead, this PhD proposes that neoliberalism is produced in a tension field between the agency of distinct groups of social actors and the systemic prerequisites which are influenced by the specific functioning of the capitalist mode of production and thus, have a steering effect on the actions of social actors. Heterodox schools of politico-economic thought, such as Marxist and post-Keynesian accounts, as well as authors who use Regulation Theory, have come close to this analytical understanding. Marxist literature however has overlooked micro-economic and business administration topics, such as an analysis of the role of transformations in the sphere of production, reorienting corporate governance and business administration towards shareholder value and financial management.

The logical starting point of this PhD is locating perceptions of neoliberalism within the critical literature. This provides two important inputs, which underpin our analysis. Firstly, a study of literature on neoliberalism points out how this phenomenon is understood in popular and academic discourse. And, secondly, it points to possible issues and explanatory gaps. As the review of critical literature will show, the phenomenon of neoliberalism appears to be difficult to grasp both systemically and methodically. A major problem is the confusion sparked by numerous contradictions within as well as between neoliberal theories and practices.

The aim of this PhD, hence, is to provide a politico-economic analysis of neoliberalism which is both systematically organised in its approach and provides insights into underlying, systemic processes. In order to achieve the goal of a systematic approach, it attempts to disentangle different forms of neoliberal representation. Chapter 4 provides a detailed analysis of neoliberal theories, their historical roots, and the most important neoliberal schools of thought. It is pointed out that neoliberal theory does not represent a coherent, singular body of theory. Instead, it is a multi-subject, discursive tension field of several theories, which allows contradictory conclusions on policy.

In Chapter 5, neoliberalism is analysed as politico-economic practice in a two-country study. By comparing the history of political processes and socio-economic data from the US and Germany, similarities between neoliberal transformation processes are highlighted. This method should provide an understanding of the relation of political action with socio-economic and politico-economic effects. In order to provide greater analytical depth, the analysis differentiates between transformations in the sphere of the state and in the sphere of production, each of which are analysed in detail, and each in their own respect. Finally, Chapter 5 provides data on the development of income distribution in both case countries. The empirical findings of the systematic analysis in Chapter 5 serve as input for the subsequent syntheses in the following chapters.

As the first step of the synthesis, Chapter 6 provides a contextualisation and critical discussion of the conclusions of the analyses in Chapters 4 and 5. In order to conduct a systemic analysis, connecting mechanisms between findings and empirical observations are highlighted. By doing so, it is argued that neoliberal practice does not seem to follow neoliberal theory. Thus, neoliberal theory does not fulfil the function of a neoliberal agenda. Instead, it appears that neoliberal theory must be understood as a part of neoliberal practice, functioning as a supportive narrative, with the purpose of selling neoliberal politics to those who, according to data, do not benefit from it.

In the second step of the synthesis, Chapter 7 further discusses, systemises and elaborates on the highlighted neoliberal political and economic mechanisms. By introducing the role of neoliberal agency, neoliberalism is divided into two distinct effects which have a defining character. Neoliberalism does not have an agency of its own, even if it is described as an ideology. Thus, it must be enacted by social actors. This PhD shows that neoliberalism is conducted via the interplay of three distinct groups of social actors, which push forward the neoliberal agenda. The three groups their motives and social interrelations are discussed by introducing the 'Triangle of Neoliberal Agency' model. It argues that social actors actively and consciously pursue and promote a neoliberal ideology and push forward neoliberal transformations in the sphere of the state and in the sphere of production. This effect is therefore called the 'push effect' of neoliberalism.

However simultaneously, the conclusions of the empirical analysis of the sphere of production in Chapter 5 indicate that the capitalist mode of production demands specific economic prerequisites, which have to be met in order not to slide into crisis. It is argued that at a specific point in history, in both case countries, a systemic profitability crisis occurred. The functioning of the capitalist mode of production is fundamentally based on investment of capital into production with the prospect of generating a profit. Without this prospect, however, profit-seeking investors would not invest their capital and production would stall. The functioning of the capitalist mode of production, both on a micro and an aggregated macro level, is therefore dependent on capital profitability.

The profitability crisis of the 1970s which can be empirically observed in Germany and the US thus gave direction to a corridor of action which defined the further conduct of capital circulation and generated the systemic need of a rise in relative capital profitability. This structural aspect of the capitalist mode of production is hence called the 'pull effect' of neoliberalism. It is argued in Chapter 7 that neoliberalism must be understood as historically specific, as it provides a solution to a historically specific problem within the capitalist mode of production, restoring capital profitability. Furthermore, it does so by following the political agenda of the three groups of the 'Triangle of Neoliberal Agency'. It is concluded that neoliberalism is conducted within a politico-economic field of tension, which is generated by the interplay of an active push effect and a passively steering pull effect. In order to understand the defining political and economic processes of neoliberalism, one must understand the interplay of the push and pull effects. This interplay is not a mechanical relationship, where human action is solely determined by some hidden economic laws which is waiting to be unveiled. Instead, it is maintained throughout this PhD that the continuous production of neoliberalism is the outcome of actions and decisions made by social actors. It is the goal of this PhD to contribute to a better understanding of this politico-economic field of tension.

2 Locating neoliberalism in critical literature

The aim of the following chapter is to gain a solid understanding of the current state of the critical discourse on neoliberalism, on which the further analyses in this PhD can be based. In order to do this, the relevant critical literature is discussed. This is a useful first step for the analytical ambition of this thesis because it determines the foundation on which the argument can be constructed. Moreover, the critical engagement with the key literature allows the identification of possible problematics within critical discourses.

'Neoliberalism' is a term almost exclusively used by those whose considerations are critical of it, and the same is true for neoliberalism as a subject of study. The literature which produces theoretical justification of neoliberalism (certainly without explicitly calling itself 'neoliberal') is analysed in Chapter 4. However, the concentration on critical literature in this chapter should not imply the presumption of a lack of conflict over the subject of neoliberalism. The agglomeration of conceptualisations of neoliberalism in the critical literature is indeed what Peck (2010:15) calls 'a tangled mess'.

The plurality of approaches to neoliberalism has made it an opaque phenomenon. The problem was aggravated during the financial crisis in 2008 - 2009 due to the popularity of neoliberalism as a subject in popular, non-scientific literature and media, which used the term loosely. Neoliberalism had become so popular in critical accounts that it became used as a sort of umbrella term for everything contradictory to contemporary capitalism and western society (Gamble 2009, Mirowski 2013a). This led to a notion of neoliberalism as a sort of multi-phenomena complex which was impossible to grasp. However, it would be incorrect to blame the opaqueness of neoliberalism exclusively on non-scientific accounts. As shown in the following Chapter, scientific approaches have greatly added to this problematic as well.

The term neoliberalism is commonplace in critical scientific literature engaging with contemporary Western capitalism. However, these accounts show a broad range of understanding of what the term neoliberalism describes as well as a broad range of chosen approaches towards the topic. Clustering and sorting various approaches to neoliberalism is not an easy task, as most authors, instead of using one single approach, apply multiple approaches or combinations of methods. A common practice is to call neoliberalism an ideology (Doogan 2009, Gamble 2009, Harvey 2005), a doctrine (Shaikh 2005) or a philosophy (Palley 2005). Recent contributions have approached neoliberalism from a historical perspective, analysing the 'Neoliberal Thought Collective' (Mirowski and Plehwe 2015; Mirowski 2013a) as an organisational infrastructure which has spread globally in recent decades or even regarded it as having grown into a 'regime of government of and by the state' (Dean 2014), a specific form of governmentality (Hardin 2014) or mobile calculative techniques of governing (Ong 2006:13). Recent sources claim that neoliberalism depicts specific policy packages or is a political project aimed at transforming power relations in society (Clarke 2005; Harvey 2016; Stockhammer 2015). Others claim that neoliberalism represents a structural change in the capitalist mode of production (Bakir/Campbell 2010) and even a new social order reshaping society (Duménil and Lévy 2005). Furthermore, there is a vast amount of literature which concentrates on identifying causal relations between neoliberalism and crises (Arestis and Elias 2011; Crouch 2011; Duménil and Lévy 2011; Gamble 2009 and 2014; Lapavitsas 2012, Roberts 2016). Conversely some accounts critically approach some of the alleged negative effects of neoliberalism, questioning their correlation and their empirical demonstrability (Doogan 2009; Kliman 2012). A recent account by Kotsko (2018) argues that neoliberalism should be described as a complete and successful world view. Finally, a phalanx of recent approaches analyses neoliberalism in the light of changing modes of governmentality, asserting a causal relation between neoliberalism and the rise of undemocratic and authoritarian rule (Brown 2015, Bruff 2014, Streeck 2017, Tansel 2017). In order to point out the issues with this critical literature, different representative approaches are selected which deliver important inputs to our discussion of neoliberalism.

It is useful to organise the analysis of the literature on neoliberalism along thematic lines. This gives a better direction, allowing for an in-depth discussion of how neoliberalism is understood by different authors during the various historical phases of the critical discourse, and allowing the implications for the argument developed in this PhD to be explored. Therefore, it is sensible to divide the approaches into rough historical clusters alongside major changes in the critical discourse and the notion of neoliberalism. One such historical fracture concerning the notion of neoliberalism in the literature is the financial crisis of 2008, which turned into the Great Recession. This event not only altered the public and academic interest in neoliberalism as a subject of study, it also caused a shift in methodology. Hence, the following location of neoliberalism in the critical literature is organised into four thematic groups in reference to their perspective of the 2008 financial crisis.

2.1 Pre-financial crisis approaches to neoliberalism

Approaches to neoliberalism prior to the 2008 global financial crisis and the ensuing Great Recession appear to focus on understanding its apparent success while locating and criticising dysfunctionalities. The interest in neoliberalism saw a surge in the late 1990s. Neoliberalism was not a particularly new discovery, having become the dominant economic narrative since the 1970s. But in the 1990s, neoliberalism seemed to have produced a relatively long period of economic growth, especially in the US and Europe. Due to the ongoing integration of international financial markets financial markets and a boom in the technology sector, stock markets were surging. The US stock market had developed into the epicentre of finance capitalism's growth, which persevered through the short recessions of the 1997 East-Asia financial crisis, the bursting of the dot com bubble in 2000 and the terrorist attacks on the World Trade Center in 2001.

In this period of seemingly successful neoliberal expansion and cementing of its hegemonic status in the capitalist world, approaches to it focus on the attempt to characterise it politically and to contradict the euphoric narrative of neoliberal success. It is interesting that up to the emergence of the financial crisis in 2008, major economic accounts appear to be rare compared to political analyses concerned with topics such as democracy and historical analyses of the political formation of neoliberalism.

2.1.1 Problematising neoliberalism and its effects on democracy and class formation

Typical for approaches to neoliberalism, prior to the 2008 financial crisis, critical engagement with neoliberalism revolved around political subjects, such as neoliberalism's effect on democracy and class formation, the relation between neoliberal theory and practice, the question if neoliberalism can be understood as a success or as a failure. In the following, the key literature that engages into these subjects is critically discussed.

In '*Profit Over People*', Chomsky (1999:7) describes neoliberalism as the 'defining political economic paradigm of our times' and as the 'dominant global political economic trend' of the past decades. Chomsky chooses a political and philosophical approach to neoliberalism, pointing out that neoliberalism is not only an economic system, but also a political and cultural one as well.

Chomsky makes some strong arguments in his critical engagement with neoliberalism. He identifies gaps in the neoliberal narrative, which require a closer look. Firstly, Chomsky uses several examples to work out the 'intriguing contrast between doctrine and reality' (Chomsky 1999:68) of neoliberal politics. By this he makes clear that when it comes to neoliberalism, the rhetoric has to be analysed separately from the actual practice.

> 'To deal with [neoliberalism and global] order sensibly, we have to begin with separating doctrine from reality. We often discover a considerable gap' (Chomsky 1999:19).

To support this argument, Chomsky provides two examples. The first is Ronald Reagan's swing towards protectionism while he was president. According to Chomsky, this policy was in sharp contrast to Reagan's laissez-faire rhetoric during this time. Chomsky identifies a second example in what he calls 'Thatcher's Britain' and its 'free market gospel' (Chomsky 1999:67). He claims that the UK's government's rhetoric in favour of a small state and a transition towards free market processes was only propaganda and did not find its way into actual policy. Instead, Chomsky reports that in the course of Thatcher's rule social spending was cut while industry and finance benefitted. However, by the end of Thatcher's term, public spending was at the same level of 42.25 percent of GDP that it had been when she started (Chomsky 1999:68). This could suggest a lag between neoliberal political will and economic effect due to structural factors outweighing subjective factors in determining the shape of the neoliberal economy, or that the neoliberal rhetoric was deliberately misleading.

Chomsky also makes relevant and trailblazing remarks on the relationship between neoliberalism and democracy. Chomsky argues that the neoliberal understanding of democracy is far apart from a real democratic structure and the finding of consent. The functioning of democracy, that is, the meaningful participation of individuals in a public arena, is based on equal access to material, informational and other resources.

Chomsky touches on an inherent problematic of market capitalism that is worth expanding on. Markets are by definition not democratic but governed by the rule of purchasing power, which is obviously allocated very unequally. Therefore, the agenda of neoliberals to widen the influence of market forces within society is to the cost of democracy. Chomsky argues that a necessary element of a functioning democracy access to participation in the decision-making processes. Hence, the transfer of decision-making processes to markets and other non-public arenas, such as publicly unaccountable institutions, is antidemocratic. A similar argument is made and substantiated with empirical data from European and North American countries by Mair (2006). He shows that aggregated turnout levels in Western European national elections have experienced a slow and constant decline from the 1960s to the 1990s. Secondly, he shows that those who continue to vote appear more volatile with their political preferences and voting decisions.

In sum, Chomsky (1999) locates significant problematics in the construction of neoliberal hegemony. The pinpointed gap between neoliberal theory and practice, as well as the conflict between rule of markets and rule of democracy, have developed into major points of criticism of neoliberalism.

In '*Post-democracy*' Crouch (2005) develops Chomsky's concept of conflict between neoliberalism and democracy further into a historical dimension. He argues that observations indicate that the political system of democracy is reaching a peak, from where it is already starting to deteriorate into a phase of post-democracy. He identifies several symptoms of this historical phase encompassing the rising passivity and indifference of populations towards elections and parliamentary politics, the decay of political communications, which developed into scripted advertising texts, and most significantly: the rise in political power of private corporations. He argues that the difference in political weight of the interests of private corporations and the interests of the rest of society is the main contributor to the demise of democracy.

Corporations, according to Crouch (2005), are concentrations of economic and political power. Crouch describes how corporations have expanded their power significantly in recent decades because during the course of neoliberalism, they have diffused into formerly public functions, commercialising public goods and services, such as the financing of scientific research. Furthermore, corporations' power tends to be concentrated within a small circle of individuals, especially the CEO. Crouch argues that an especially critical role is played by large media corporations, who can control what information is provided to audiences. Crouch also includes a class perspective, arguing that while the class of shareholders and top managers grow more self-aware, the traditional working class is eroding in both self-awareness and real numbers. He claims that because many people believe that social classes do not exist anymore is in itself a symptom of what he calls post-democracy.

Class formation is also a major topic in Harvey's (2005) '*A Brief History of Neoliberalism*', however reaching different conclusions than Crouch (2005). Harvey chooses to approach neoliberalism with a spatial and historical analysis, such as those by Mirowski (2013a) and Peck (2010). However, Harvey's line of argument stands out for three reasons.

Firstly, he suggests that neoliberalism did not just happen by default or through the uncoordinated interplay of historical developments, but has a clear programmatic goal, which is the restoration of economic and political power to the capitalist class. Hence, he argues that neoliberalism is a deliberate class project, with a deliberate agenda to redistribute money and political power to the capitalist class. At the same time, he explicitly dismisses the claim that neoliberalism would represent a problematic theory gone wild, as is made by Stiglitz (2010a). Secondly, Harvey ascribes a successful agenda to neoliberalism if measured by its ability to restore class hegemony. Through describing and analysing the historical milestones of neoliberal development (City of New York, the Chile coup, the Thatcher government in Great Britain, the Reagan government in the US) Harvey draws a picture of neoliberalism leaping from one success to the next. This notion of neoliberal history, however, is quite at odds with Peck's (2010) narrative, who describes neoliberalism as constantly failing.

> '[…] neoliberalization, the process rather than the theory, has been a huge success from the standpoint of the upper classes. It has either restored class power to the ruling elites (as in the US and to some extent in Britain […]) or created conditions for capitalist class formation (as in China, India, Russia and elsewhere)' Harvey (2005:156).

Thirdly, Harvey's analysis of neoliberalism has a clear class focus. In his understanding, neoliberalism appears as a function of a conflict between social classes. Neoliberalism is a class project of capitalists, with the aim of restoring their hegemonic status over the other classes. However, he makes clear that in this instance, class is not to be understood as a homogeneous mass of people and that restoration of capitalist power does not necessarily benefit the exact same people or the same kind of capitalists.

> 'While neoliberalization may have been about the restoration of class power, it has not necessarily meant the restoration of economic power to the same people' (Harvey 2005:31).

He argues that the ruling class has undergone some structural changes and that members are subject to intra-class conflicts. Traditional elites have been put under pressure and even been trumped by a newly emerged class of capitalists and high managers in the technology and media sectors and, most importantly, finance capitalism. Harvey identifies the rise of CEOs versus actual capital owners as the most eye-catching structural change within the capitalist class as an effect of neoliberalism. This conclusion is shared by several other authors, especially Duménil and Lévy (2018), who have dedicated a book to the effect of managerialism on capitalism. It is noteworthy however, that this claim is in contrast to Crouch (2005), who argues that CEOs and shareholders belong to the same class. Hence, it shows that while critical accounts share the understanding that class formation is taking place in the social strata of the financial elite, capitalists and managers, they do not seem to agree on the scope of this class formation.

> 'One substantial core of rising class power under neoliberalism lies, therefore, with the CEOs, the key operators on corporate boards, and

> the leaders in the financial, legal, and technological apparatuses that surround this inner sanctum of capitalist activity. The power of the actual owners of capital, the stockholders, has, however, been somewhat diminished unless they can gain a sufficiently large voting interest to affect corporate policy. Shareholders have on occasion been bilked of millions by the operations of the CEOs and their financial advisors' (Harvey 2005:33).

Harvey (2005:2) argues that neoliberalism can be looked at as a political-economic theory, on the one hand, but as a political project, on the other hand. As a theory of political economy, it draws positions from classical liberal utopianism, such as the merits of individual freedom, and connects them with institutional suppositions such as a society built on pure and free markets. Harvey does not look at the ideas and ideologies of neoliberalism; nor does he analyse its interior functionalities and mechanisms in great detail. Hence, he does not illuminate the inner conflicts of the neoliberal programme. He, rather, focuses on its function in redistributing money and political power.

However, Harvey (2005) makes clear that it is unlikely that neoliberalism properly represents a utopian liberal project in order to build a pristine kind of international capitalism. Rather the liberal utopianism of neoliberal theory works as 'a system of justification and legitimation for whatever needed to be done to achieve this goal' (Harvey 2005:19). Thus, he concludes that neoliberalism cannot be seen as a project following utopian liberal ideas but has to be understood as a political project which is changing capitalist accumulation in favour of the restoration of power of the capitalist economic elite. This, according to Harvey has been achieved by a programmatic upward re-distribution of income and wealth, and a lack of high economic growth.

> 'The main substantive achievement of neoliberalization, however, has been to redistribute, rather than to generate, wealth and income' (Harvey 2005:159).

This upward re-distribution was called 'accumulation by disposition' by Harvey (2005:159), and according to his analysis, it comprises four specific features: firstly, privatisation and commodification of hitherto public assets with the aim to open them up for capital accumulation and generation of profit; secondly, financialisation, enabled by the de-regulation of the national and international financial sectors, enabled a flood of speculative, fraudulent and thieving activities, which became the centre of the upward re-distribution. Thirdly is the creation, management and manipulation of crises. Here, Harvey refers to crises on the international level, such as the Mexican interest rate crisis following the Volcker shock. This line of argument has similarities to the line of argument of *The Shock doctrine* by Klein (2007), published two years after. Both identify crises and their ostensible resolutions by neoliberal organisations and governments as a strong motor of neoliberal transformation. Fourthly and finally, states which have undergone neoliberal transformation become a prime agent for the upward re-distribution of income and wealth. This can be done by creating sources of profitability for capital through privatisations and corporate welfare programmes or by making changes in the tax regime in favour of capital and high incomes (Harvey 2005:160ff.).

Harvey imputes a central role for the state in neoliberal transformation. Thus, he devotes a chapter to the analysis of the neoliberal state. He argues that neoliberalism transforms the state, shifting from government (especially through democratic processes) to governance by experts and elites. This development, according to Harvey, is based on neoliberals' profound scepticism of democracy and democratic mechanisms in society. Democracy is seen as conflicting with market rule, individual rights and constitutional liberties (Harvey 2005:66 and 77).

Nevertheless, Harvey's analysis also shows weaknesses, especially when he writes about the historical function of neoliberalism in capitalism. He argues that the US and China pulled capitalism through the 2001 crisis successfully because they abandoned the neoliberal rules of pro-cyclical economic policy, and, instead, acted in a Keynesian fashion when the US had re-engaged in massive deficit spending and China had debt-financed large-scale public investments (Harvey 2005:152). Since *A Brief History on Neoliberalism* was published in 2005, Harvey could not know that during the 2008 financial crisis too, the US government, as well as the British government and many others, would fall back on the same measures with a Keynesian character by nationalising and saving troubled banks, financial institutions and industrial corporations. Thus far, Harvey's narrative is plausible. However, his interpretation of the 2001 crisis leads to a problematic conclusion. Harvey claims that capitalism can only be sustained if the neoliberal restoration of power is put to an end:

> 'But there is a more sinister interpretation of this paradox. If we lay aside, as I believe we must, the claim that neoliberalization is merely an example of erroneous theory gone wild (*pace* the economist Stiglitz) or a case of senseless pursuit of a false utopia (*pace* the conservative political philosopher John Gray), then we are left with a tension between sustaining capitalism, on the one hand, and the restoration/reconstruction of ruling class power on the other' (Harvey 2005:152).

Harvey (2005) seems to misinterpret the pragmatism of neoliberal actors as an inner contradiction of neoliberalism itself. However, pragmatic action during times of crisis, when neoliberal governments seemingly act contrary to their ideology or economic beliefs – in this case by anti-cyclical debt-financed spending – does not contradict neoliberalism at all. On the contrary, political and economic pragmatism seems to be a recurring feature in the neoliberal trajectory. Nevertheless, Harvey's arguments suggest that deeper analysis of the relation of neoliberalism to capitalism is necessary, especially of the question of whether neoliberalism is destroying or retaining capitalism. Furthermore, Harvey suggests that the continuation of the neoliberal course can lead to a systemic crisis endangering capitalism all together. Admittedly, in 2005 Harvey could not have known how the impending financial crisis and the Great Recession would play out. But, on the other hand, it is impressive on its own that Harvey suspected a major structural crisis could be emerging. However, in hindsight his apprehension that capitalism could not be sustained after such crisis appears overstated.

Although published in the middle of the Great Recession, Peck's (2010) '*Constructions of Neoliberal Reason*' is located thematically alongside the pre-crisis literature on neoliberalism. It fits with the pre-crisis approaches to neoliberalism because it is mainly concerned with making sense of neoliberalism in its own respect without making its connections to the 2008 financial crisis the main topic. Similar to Harvey (2005), Peck chooses a historical approach to neoliberalism, however focusing on very different aspects and thus reaching different conclusions. Peck's aim is to show where neoliberalism comes from by analysing 'the connecting tissues' (Peck 2010:34) of the 'evolving web of relays, routines and relations' (Peck 2010:34) which constitute neoliberalism. He makes clear that neoliberalism cannot be traced to a single source; instead, it feeds from multiple spring points and continuously creates new ones on its way. Hence, its advance cannot be reduced to a singular and linear process either, but must be understood as a multi-centric process, which is opportunistic, contradictory and polymorphic (Peck 2010:8 and 276f.). With this conceptualisation of neoliberalism, Peck contradicts more linear understandings of the construction of neoliberal hegemony, such as Mirowski's (2013) and Harvey (2005). Mirowski puts more weight on the central role of the

MPS as the historical, organisational and ideological centre of a neoliberal thought collective and Harvey presents the trajectory of neoliberalism as a well-planned and well-executed success story of class formation.

Peck (2010:xiv) argues that the neoliberal movement has undergone great changes in its years of advance, constantly rewriting its own script. Its ideology appears to be inconsistent, lacking a clear path or trajectory. The Hayekian and Friedmanian theories, which are treated like gospels by many neoliberals, have never been put into action in a pure way. Instead, the theories have had to be adapted repeatedly. In the 1970s and early 1980s, neoliberalism and its utopian ideal of free and self-regulating markets managed to climb the stage of national politics as a political project, ready to take state power. But when neoliberals were confronted with actually governing economies, they soon had to learn that liberated markets could fail, bubbles could expand and burst, and privatisation could lead to private monopolies. Never mind the theory, these developments had the capacity to jeopardise the neoliberal success story. Thus, neoliberals finally had to engage with regulatory measures as well (Peck 2010:xiii).

> 'If there is an enduring logic to neoliberalization, it does not follow the pristine path of rolling market liberalization and competitive convergence; it is one of repeated prosaic, and often botched efforts to *fix* markets, to build quasi-markets, and to repair market failures. Neoliberalization, in this sense, is not the antithesis to regulation, it is a self-contradictory form of regulation-in-denial' (Peck 2010:xiii).

Peck shows that neoliberalism cannot be reduced to simple linear phenomenon, springing from the thoughts of Hayek and Friedman, and swelling to an unstoppable and well-planned agenda in the MPS which paved its way to economic hegemony. While it is plausible that, historically, the MPS played a key role in transmitting ideas between economic thinkers and political actors, and that Hayek and Friedman played major roles in this organisation, it is a flawed oversimplification to maintain that the MPS is the single source of neoliberalism.

Peck argues that despite the repeated failure to transform neoliberal ideas into real economic policy, and despite the theoretical contractions and conflicts between neoliberal figure heads, neoliberalism seems to be capable of constantly renewing itself. This is why Peck prefers to approach neoliberalism as a process; hence, neoliberalisation is a loose collection of evolving neoliberal experiments, which have the tendency to end in failure. However, remarkably, this failure appears to animate further neoliberal experiments, a phenomenon which Peck (2010:6) calls 'failing forward'.

Neoliberalism's trajectory of endless fixes and patches implies its incapability to be ever realised in a pristine way. Peck (2010:7) remarks: 'Neoliberalism […] has only ever existed in "impure" form, indeed can only exist in messy hybrids. Its utopian vision of a free society and free economy is ultimately unrealizable.' Logically, this means that neoliberalism is formed damned to remain incomplete; hence, it is damned to fail repeatedly. Peck highlights a substantial problematic of neoliberalism. If the effective functioning of markets presupposes pristine market conditions as an absence of exterior interferences, as is suggested by micro-economic theory, then markets must inevitably continue to fail, as these pristine conditions will never be available. Hence, markets are doomed to fail even if neoliberal theory is correct.

Still, Peck also notes that this constant failure of neoliberalism does not signify that neoliberalism has to ultimately end in a great final crisis. He assumes that:

'Maybe neoliberalism will not go out with a big bang after all – in the kind of cataclysmic crisis that dialectically calls forth (and validates) ideological alternatives' (Peck 2010:276). Instead, neoliberalism might just continue to fail and eventually be supplanted by new economic movements, whatever the face of it may be.

Peck makes a particularly strong argument in showing that there is no hidden automatism behind neoliberalism. He shows that the trajectory of neoliberalisation was created by social actors following a diffuse neoliberal ideology, as well as their own individual agendas and goals.

> 'The neoliberal ascendency was never a sure thing. It was a remarkable ascendency, not an inevitable one (Peck 2010:4).

Putting it all together, Peck's analysis of neoliberalism does a good job of clearing the fog around neoliberalism, making its shape clearer. He also shows why neoliberalism is so difficult to grasp: its historical trajectory is not linear but a polymorphic process. It is a nexus of conflicting processes and contradicting ideologies. Neoliberals themselves are fragmented into different factions, held together by a common utopian notion of freedom, which is also remarked upon by Mirowski (2013a:42). Peck's historical approach to neoliberalism is inspiring. Still – in agreement with Peck – a complete historical mapping of neoliberalism would be as impossible as it would be useless. Instead, those moments, processes and connections which had a defining character must be highlighted and analysed.

Peck's narrative of neoliberalism clearly shows that it is problematic on the theoretical level as well as when put into practice. Hence, it does not represent a superior or paramount agenda in following a pristine hidden plan. In this facet

Peck's analysis differs remarkably from Harvey's (2005), who tells the neoliberal history as a story of a successful political programme. However, both authors agree that neoliberal policy was and is put into action by social actors, with great political effort.

2.1.2 Is neoliberalism a new form of capitalism?

The term 'new capitalism' was formed by authors such as Richard Sennett (Sennett 2006 and 1998), Luc Boltanski and Eve Chiapello (Boltanski and Chiapello 2005) and Diana Coyle (Coyle 1999 and 2001). It emanates from the narrative of the post-industrial society, as described by Daniel Bell (1974). This narrative, according to Doogan (2009), is based on the idea that capitalist society, which has already finished the phase of industrialisation, is going through fundamental economic, social and cultural changes. The central economic and social role of industrial and agricultural production is systematically replaced by human services and the importance of manual labour is replaced with knowledge and skills. These changes, together with technological progress, alter the modes of social organisation, including classes. Doogan argues that the narrative of new capitalism has morphed from these ideas and has put at centre stage the labour market and the world of work. He describes how the labour market is understood as a sort of transmission mechanism between technical change, institutional change transformations of social relations and a change in the notion of modernity. This means that factors such as technological advances, demographic change, but also globalisation, including capital mobility, represent separate processes with their own autonomous dynamic. At the same time, they are transforming relations of employment and, thus, creating social changes such as the casualisation of work, welfare retrenchment and a decrease in job stability and security (Doogan 2009:2ff.).

Doogan contradicts these claims and confronts them with statistical data, in what he calls 'rematerializing social development' (Doogan 2009:6). His core argument is that the new capitalism is merely a narrative which has grown into relevance through a 'shift in the mode of representation of social change from the empirical to the experiential and the articulation of a set of ideas of social transformation expressed in business, policy and academic milieux' (Doogan 2009:12). Thus, his critique of new capitalism is pertinent to the critical discourse of neoliberalism.

In '*New Capitalism?',* Doogan (2009) delivers a set of provocative arguments, stating, in essence, that several phenomena which are loosely associated with neoliberalism are only experiential and cannot be substantiated by statistical evidence. Thus, they are merely based on a narrative which is spread by neoliberals themselves but also amplified by their critics. According to Doogan, the outcome of this narrative is a subjectively felt powerlessness of organised labour and the left in general towards social transformations, which however is not substantiated by empirical data.

A question that necessarily arises from Doogan's argument is why, despite the conclusive evidence, the narrative of new capitalism has grown to such prominence and is contradicted so little. The answer to this question, according to Doogan, is the ascendency of a fiercely ideological form of capitalism: neoliberalism.

> 'More widely neoliberalism gives rise to a more intensely ideological form of capitalism. Corporate elites and governments have invested heavily in the promotion of ideas, that are not simply pro-business, but contribute to a world view of market forces as unpredictable and uncontrollable yet naturalized expressions of human interactions' (Doogan 2009:211).

Hence, Doogan understands neoliberalism as an ideological context for the new capitalism. According to him, neoliberalism is an ideological shift propagating a change in the role of the state and praising the allocative powers of markets. This propaganda, according to Doogan, is in the interest of the ruling class, corporate elites and some (neoliberal) governments, and is accordingly promoted by them as well as by the neoliberal management literature. The narrative of new capitalism, of uncontrollable exterior forces which leave powerless governments no option but to adapt to these alleged necessary changes, fits very well into the agenda of spreading this ideology (Doogan 2009:34ff.).

Doogan makes a crucial contribution to the critical discourse of neoliberalism by showing that the casual usage of the unsubstantiated narratives of new capitalism are not limited to neoliberals and right-wing economists. He provides a detailed critique of the casual use of neoliberal assumptions and narratives by those who are critical of neoliberalism in what he calls 'Left Harmonies in the Neoliberal Chorus' (Doogan 2009:213). Left-wing commentators as well as politicians and unions also contribute to the narrative of overpowering exterior developments, powerless governments, general and indispensable precariousness, even if they attempt to criticise and expose these alleged developments (Doogan 2009:80f. and 213f.; Dawson 2010).

> 'To understand new capitalism, at the end of the day, is to understand an ideological offensive, a mode of domination, as Bourdieu suggests, that seeks to create uncertainty and anxiety and fear on the side of labour in order to guarantee its compliance. Accordingly, sympathetic commentators should recognize the risk of self-inflicted weakness created by the overstatement of capital mobility, job instability and powerlessness' (Doogan 2009:214).

In reference to Chomsky (1999) and Harvey (2005), Doogan develops new and stimulating thoughts on the relationship between neoliberal theory and practice. He seems to agree with Chomsky and Harvey that there is a significant gap between neoliberal theory and practice. However, for Doogan this gap is so fundamental that neoliberalism only exists as ideology and is not significantly reflected in practical, measurable outcomes. However, what is worth pointing out, is that Doogan claims that neoliberal theory, in the form of ideology, has successfully reached people in all political spectrums. He argues that the believe in the transformative power of neoliberalism is as strong in critics of neoliberalism, as it is in the supporters. Hence, for Doogan the success of neoliberalism is not so much the actual transformation of the material world, but its accomplishment of making people believe in its fictional transformative power.

2.2 Locating neoliberalism's role in the 2008 financial crisis

An obvious yardstick for the critical literature on neoliberalism is the 2008 financial crisis and the ensuing Great Recession. Peck (2010) and Boas and Gans-Morse (2009) show that the use of the term 'neoliberalism' in academic discourse has been rising significantly since the 1990s. However, it showed an explosive increase in the run-up and during the financial crisis of 2008. Hence, it is no surprise that a big part of the scientific as well as the popular literature on neoliberalism is also linked to the topic of financial crisis. Two outstanding changes to the literature on neoliberalism due to the 2008 financial crisis can be discerned. The first is the generally strong rise in interest in the topic of neoliberalism, as has already been pointed out, and the second is a gradual shift in subject towards economic analyses of neoliberalism. This makes sense insofar as, in order to make sense of the financial and economic crisis as well as discuss possible causes, economic approaches seem reasonable. These approaches encompass a mass of hypotheses on why the crisis happened, from superficial triggers, such as certain practices in the US housing market, to deeper, more systemic explanations. However, it must be noted that the economic discourse on the interpretation of crisis and its causes has been fiercely embattled from the beginning. Within the scope of the literature, which is critical on neoliberalism, interpretations of the crisis span from partial criticism of the specific market mechanisms (Stiglitz 2010a) to radical critiques of the entire capitalist mode of production (Kliman 2012).

At the height of the financial crisis, when neoliberalism seemed to be at a breaking point, critical discussion of neoliberalism was en vogue and books on this topic were popular. For some time during the ensuing crisis, authors seemed convinced that neoliberalism had taken a blow that it could not recover from. Still, during the recession, Altvater (2009:75), for example, stated that 'the neoliberal era lasted until August 2008 when the liberalized system of global financial markets imploded', in an article headlined, '*Postneoliberalism or Postcapitalism*'. Another example is Schäfer's (2009) '*Der Crash des*

Kapitalismus' (The Crash of Capitalism), which asks on its title page, why the unleashed market economy has failed. Nevertheless, these assertions of the end of neoliberalism and capitalism turned out to be premature.

2.2.1 A crisis of neoclassical economics or a structural crisis of capitalism?

One of the most popular and most prominent analyses of the 2008 financial crisis and the role of neoliberalism, is Stiglitz's (2010a) book '*Freefall*'. It is discussed first, because several issues with the understanding of neoliberalism in popular critical literature can be pointed out by its example and it will serve as base for further analyses the causes and historical role of the financial crisis thereafter.

Joseph Stiglitz is a major critical left-wing economist in today's mainstream media and a best-selling author. Stiglitz has made contributions which engage critically with certain parts of neoclassical economics and neoliberalism. He has even been awarded the Nobel award of Economics (full name: Swedish National Bank's Prize in Economic Sciences in Memory of Alfred Nobel) for his research. The titles of his contributions, such as '*On the Impossibility of Informationally Efficient Markets*' (Grossman and Stiglitz 1980) and '*The Non-Existent Hand'* (Stiglitz 2010b), show his analytical focus on questioning mainstream economics. The public recognition of Stiglitz's contributions to the critique of neoliberalism is huge, although he engages into analyses of very detailed aspects of the neoliberal growth model, particularly regarding the problematic of information inefficiency in neoclassical economics. Stiglitz has also provided a critical counter-narration to the 2008-2012 financial and economic crisis in '*Freefall*' (Stiglitz 2010a).

Nevertheless, while criticising certain aspects within the neoclassical economic model, he rejects abandoning this explanatory framework. Prior to the financial crisis of 2008, he wrote: 'It is not easy to change views of the world, and it seemed to me the most effective way of attacking the paradigm was to keep within the standard framework as much as possible. I only varied one assumption – the assumption concerning perfect information – and in ways which seemed to me highly plausible' (Stiglitz 2002:486). This method of criticising the neoclassical model from within shields his work from instant dismissal by mainstream economists, but it also generates argumentative inconsistencies in his analyses. In '*Freefall*', Stiglitz (2010a) is on a quest to find the causes for the financial breakdown in 2008 and the subsequent Great Recession. He criticises the assumption of self-regulating markets, as well as inconsistent market incentives. However, by the same token, he defends the general functioning of a free market economy.

> 'The crisis has made it clear that self-regulation – which the financial industry promoted and which I view as an oxymoron – doesn't work' (Stiglitz 2010a:149).

> 'Normally, most markets work reasonably well on their own. But this is not true when there are externalities, when actions of one party adversely affect others. Financial markets are rife with externalities' (Stiglitz 2010a:150).

This back-and-forth argument between criticising and defending market mechanisms succinctly illustrates some inconsistencies within Stiglitz's critique. He is relying on the neoclassical model as an explanatory framework for his analysis while simultaneously criticising parts of this very model. In one sentence, he states that self-regulating markets are an oxymoron yet a few sentences on contends that markets normally work well on their own (Stiglitz 2010a:150)). Furthermore, the statement that markets work well normally, but only when there are no externalities, raises the question of whether in this sense 'normally' means without externalities. This is not only far from the truth but is dismissed by Stiglitz in the very next sentence, which states that externalities are very common in financial markets. Probably, Stiglitz is trying to differentiate between financial markets and other markets; however, the fiction of markets existing without any externalities is not supported in practice, as has been argued and substantiated by Minsky (2008 [1986]) and Springler (2009).

Stiglitz's critique of the economic model which plays a substantial role in the conduct of neoliberalism is problematic and is contradicted by authors like Quiggin 2010. His critique of the malfunctioning of the information mechanism and market incentives in financial markets reveals relevant flaws in the neoclassical economic model; however, his unwillingness to dismiss this exact model as his own explanatory framework limits his conclusions. Putting it all together, it is unclear if Stiglitz makes a stronger case for criticising or for defending neoclassical economics.

While Stiglitz's approach mainly focuses on the immediate reasons and direct triggers of the 2008 financial crisis, others, such as Gamble (2009), and Duménil and Lévy (2011) have concentrated on understanding it in a wider historical and politico-economic context.

Gamble's (2009) '*Spectre at the Feast*' is concerned in large part with the historical development of the financial crisis and crisis theory in general. Through this lens, he provides a stimulating critical analysis of neoliberalism. Gamble argues that on its historical trajectory, capitalism undergoes recurring types of crises, of which some are cyclical and, therefore, not threatening to the system, while others are structural, and thus have the capacity to endanger the capitalist mode of production. Gamble argues that two such fundamental crises have already threatened capitalism in the past. The first was the Great Depression in the 1920s and 1930s, and the second was the stagflation and profitability crisis of the 1970s and 1980s. Gamble argues that both events were distinct from other, smaller crises because of their depth and the subsequent necessity of structural changes to capitalism in order to maintain its survival.

Gamble (2009:76) argues that the structural capitalist crisis of the 1970s and 1980s could have been resolved politically and economically in different ways. He explains that many economists in the 1970s suggested that the economic and political crisis would lead to either a form of 'Keynesianism plus' or kind of socialist alternative. The term 'Keynesianism plus' describes a form of economic policy developed in a few countries at the same time (e.g. Sweden) which included investment controls and redistributive measures, such as portioning out direct shares of production profits to workers. Gamble argues that the large-scale implementation of such measures could have put the capitalist mode of production in great danger. Yet, out of this political struggle, it was neoliberalism that emerged. Gamble points out that these changes between different forms of capitalism were not inevitable but were, instead, the outcomes of a political struggle which was eventually won by neoliberals. Noticeably, Gamble includes the element of political power relations in his narrative of the development of capitalism in the 20th century.

> 'There was nothing inevitable about the triumph of neo-liberalism; a number of political, economic and ideological interventions and circumstances combined to make it possible' (Gamble 2009:65).

However, Gamble (2009) not only provides an informative historical outline of the changing points of capitalism in the 20th century. He also makes a significant argument: It was not only the Keynesian order of capitalism which went into crisis in the 1970s; it was the capitalist mode of production itself that was at stake.

> 'Neo-liberalism provided new ways of justifying the basic institutions of the capitalist order, and it was rewarded with both economic and political success. A new phase of capitalist expansion began' (Gamble 2009:77).

Unfortunately, Gamble does not expand on this argument or lead his study further in this direction. While plausibly pointing out that capitalist crises are political and social events (Gamble 2009:38f.), he does not outline the underlying conflictual social dynamics which constitute them. This could have led him to investigate another relevant political question – as the extent to which the resolution of the last structural capitalist crisis caused by neoliberalism was influenced by political power relations.

Concerning the Great Recession, Gamble's (2009) central argument is that capitalism had yet again entered a structural crisis, which enforced a change of its governing in order – neoliberalism – to survive. Therefore, Gamble asserts, the crisis of 2008 marked the end of neoliberalism. It is clear today that Gamble's assertion of the outcome of the Great Recession was mistaken. However, it must be noted that '*Spectre at the Feast*' (Gamble 2009) was written in the midst of a crisis, when the outcome of the neoliberal order was still uncertain.

> 'If the capitalist system is to survive, then the programme of the liberal regulators or something close to it will have to be adopted. Allowing the economy to be driven by finance in the way that is has been for the last thirty years will not be seen again soon, perhaps not for a generation. The excess of the bubble economy will not be repeated – that is, until the next time' (Gamble 2009:155).

Gamble's prediction has since been proven false. The Great Recession did not weaken neoliberalism as the hegemonic political economy; nor was capitalism itself seriously at stake at any time. On the contrary, the neoliberal order seems to have emerged from the financial crisis more powerful than before. Gamble revised his position partly in his following book '*Crisis without end?*' (Gamble 2014). There, he offers a set of three different interpretations of the crisis, its depth, and the very slow recovery. The most plausible of the three arguments, in his opinion, is narrowly related to his interpretation in 2009. He maintains that neoliberalism has taken a critical punch from which it will not fully recover in the long run and that another meltdown and collapse cannot be ruled out (Gamble 2014:206). He plausibly asserts that capitalism tends to go into crisis because of its inherent structural deficiencies. However, his conclusion seems to go in the wrong direction. His claim is that the problems causing structural capitalist crises are inherent to the prevailing order of capitalism. His conclusion, therefore, is that capitalism can overcome these crises by adapting that specific order to new circumstances.

> We need a new model of growth, whose first priority should be to find the technologies which can begin to reverse the environmental damage we have already caused. And we need to find a new solidarity to generate the public resources we need to reverse the trends to ever greater inequality and ever more inadequate social provision. (Gamble 2014: 208f.)

Gamble's conclusion is questionable, as he appears to overlook two important factors. Firstly, the structural, systemic contradictions he discusses are not only a matter of the order of capitalism but are inherent to the entire capitalist mode of production. While Gamble (2009:119) plausibly points out the great imbalances between countries and social classes and different levels of dependencies on natural resources, which have massively grown during neoliberal times, he asserts that a new capitalist economic growth model will have to replace the financial growth model of neoliberalism and will have to tackle these structural imbalances to successfully sustain the capitalist mode of production. However, these claims suggest a deeper misunderstanding of the capitalist mode of production. The structural problems which Gamble ascribes to neoliberalism are also inherent outcomes of the capitalist mode of production itself. Exploitation of natural resources, as well as of human labour, are fundamental to the capitalist mode of production.

Hence, Gamble's hope for a new capitalist order and growth model without financialisation, without exploitation of the environment and without imbalances between countries and in the distribution of income and wealth appears as somewhat naïve and unlikely to be fulfilled by capitalism.

With '*The Crisis of Neoliberalism*', Duménil and Lévy (2011) produced a deep, systematic and politico-economic analysis of neoliberalism and some of the most compelling output for this thesis. As Piketty (2014) has done with international data displaying income and wealth, Duménil and Lévy provide a large amount of usable macro-economic data on different topics for the case of the US. Their empirical contributions are further discussed in Chapter 5.

Duménil and Lévy (2011:1f. and 20) draw up a structured historical understanding of capitalism and neoliberalism. Accordingly, they describe neoliberalism as a new historical stage of capitalism, spanning from the 1970s stagflation crisis to the Great Recession, which started as a financial crisis in 2008. Like Gamble (2009), they describe the Great Recession as one of capitalism's structural crisis, which, as they also hoped at the height of it, would mark the end of neoliberalism.

Altogether, Duménil and Lévy locate four structural crises through which capitalism has gone in its historical trajectory. The first is the crisis of the 1890s, which resulted in the first financial hegemony, the second is the Great Depression of the 1920s and 1930s, which not only sparked a world-wide war, but also initiated the social democratic and Keynesian compromise, which lasted until the stagflation crisis of the 1970s. The latter, as described above, made way form the final stage of capitalism: neoliberalism. Duménil and Lévy describe the crises of the 1890s and 1970s as profitability crises, but the Great Depression and the Great Recession as a crisis of financial hegemony. This description too displays their hope that after the Great Recession, a change in the financial hegemony would have to come.

Like Kliman (2012) Duménil and Lévy dedicate much of their work to the analysis of US rates of profit (ROP), which measures the development of the relative profitability of capital investments aggregated at national level. However, they reach very different empirical results and draw conclusions different to Kliman. They find that the US rate of profit experienced a strong decline between the 1960s and 1980. However, since the early 1980s it has rallied. Depending on the method of calculation used, the restoration of the US rate of profit appears stronger or weaker; but a restoration can be found in any case (Duménil and Lévy 2011:58).

Coming from a Marxist, political-economic background, Duménil and Lévy have a compelling explanatory framework for analysing the social relations and systemic connections of neoliberalism. They connect financialisation to the positive development of the ROP since 1980 – financialisation as a provider of new sources of profitability for capital in finance. However, they argue that financialisation as well as globalisation are merely tools within neoliberal conduct, used in order to generate high incomes for capitalists and managers (Duménil and Lévy 2011:36). Hence, financialisation is not the central driving force of the transformation of the capitalist mode of production in recent decades but merely an opportunistic way of enrichment for the financial elite. This functional understanding of financialisation is quite contrary to other Marxist approaches, such as Lapavitsas' (2013), who underlines the central transformative role of financialisation. In any case, Duménil and Lévy make a compelling case for their functional classification of financialisation, which is discussed in greater detail in Chapters 4 and 6.

Duménil and Levy (2011:46ff.) then connect this conclusion with an analysis of the historical development of US income distribution. There they first produce similar findings to Piketty (2014) of a U-Shaped curve. They show that in the US, income is concentrated at the top of the income brackets. The income received by the highest one-percent income bracket has experienced a strong surge between 1980 and 2007. However, contrary to Piketty (2014), whose analysis focuses strongly on the development of capital income in comparison with general economic growth, Duménil and Lévy (2011:52ff.) put more emphasis on high wages. They argue that it was not only capitalists – the earners of capital income, who profited from neoliberalism – but also those who earn very high wages. This leads them to the conclusion that the classical Marxist idea of a bipolar class system (capitalists and proletariat) cannot be sustained. Instead, they propose, that neoliberalism has given birth to a tri-polar class system, introducing managers as a new social class. This line of argument is continued and deepened in their latest book, '*Managerial Capitalism:*

Ownership, Control, and the Coming New Mode of Production' (Duménil and Lévy 2018). Within the Marxist school of politico-economic thought, this can be considered a daring move. Still, other contributors, such as Nachtwey (2016), have joined in the critique of the oversimplified bipolar class model.

Despite their strong contributions in their line of argument and empirical analysis, Duménil and Lévy's (2011) account shows some gaps and limitations. First, their analysis is limited to macro-data from the US, which is explained by the exceptionally good availability of such data in this country. However, it somewhat limits the explanatory power of their analysis of neoliberalism, which is by no means limited to the US; nor can the US be used as a blueprint example of neoliberalism for most other countries. The reliance on aggregated macro-data on state- or system level determines also the level of analysis and does not allow for deeper analyses beyond that. Hence, transformations at lower levels, such as the firm level, are overlooked by Duménil and Lévy. Another weakness is based on the timeframe, in which '*The Crisis of Neoliberalism*' was written. Like Gamble (2009), Duménil and Lévy assumed that neoliberalism would not survive its claimed structural crisis, or at least would have to change substantially. This is underlined by how they contributed a chapter in '*The Crisis of Neoliberalism*' to speculations about a new, post-crisis, post-neoliberal social order (Duménil and Lévy 2011:297ff.). Like Gamble (2009) they could not have known in 2011, when the book was published, that neoliberalism would come out of the Great Recession mostly unscathed and in some respect even stronger than before. However, it still devalues some of their analyses, which was dedicated to explaining why this would not be the case. Despite having produced a compelling analysis of neoliberalism, highlighting the systemic connections and correlations between neoliberalism, financialisation, income distribution and class formation, it is questionable if Duménil and Lévy (2011) have appropriately described the historically specific role of neoliberalism in capitalism.

Much less optimistic about the outcomes of the financial crisis than Gamble (2009) and Duménil and Lévy (2011) is Quiggin's (2010) '*Zombie Economics*'. There it is claimed that specific ideas which have caused the financial and economic crisis still dominate perceptions and policy responses to the same crisis. Quiggin (2010:2f.) argues that these ideas have been repeatedly proven wrong and, hence, should have been declared dead, but nevertheless still appear to be alive. That is why he calls them 'zombie ideas'(Quiggin 2010:2). He picks out six such economic ideas, which, according to him, comprise neoliberalism: The Great Transformation, the Efficient Market Hypothesis (EMH), the Dynamic Stochastic General Equilibrium (DSGE), Trickle Down, Privatisation, and Austerity.

Quiggin's approach is revealing in two ways. Firstly, he produces valuable analyses of some economic theory and models, policies and popularised catchphrases which are connected to neoliberalism. Some of the resulting insights and findings are referenced in Chapters 4 and 5. But, secondly, Quiggin's approach to neoliberalism is subject to casual mistakes, which serve as an example of how an intended analysis of neoliberalism can add confusion to the 'tangled mess' (Peck 2010:15) that is the perception of neoliberalism.

Quiggin's account is problematic in two ways. Firstly, he does not very clearly differentiate between neoclassical economics and neoliberal theory. For him, it seems, neoclassical economic models, such as the Dynamic Stochastic General Equilibrium, are part of neoliberalism, which is a logical fallacy. Secondly, he remains unclear on how far his critique of the neoclassical theory is going, apart from the few models he criticises.

The unclear differentiation between neoclassical economics and neoliberal theory become apparent in Quiggin's (2010:80ff.) analysis of the DSGE, where he portrays the historical development of different strands of economic thought from Keynesianism and neoclassical economics to new Keynesianism and the New Classical school, real business cycle theory and DSGE. While Quiggin (2010) gives some valuable insights into the conflict-prone world of the economist profession and makes clear his critique of new Keynesianism, he remains unclear about working out the relation between these strands of economic thought and neoliberal theory. Instead, he takes an easy way out by stating that the sum of the economic theories he chooses to criticise comprise neoliberalism.

> 'Together these ideas form a package which has been given various names: "Thatcherism" in the United Kingdom, "Reaganism" in the United States, "economic rationalism" in Australia, the "Washington Consensus" in the developing world, and "neoliberalism" in the academic discussion' (Quiggin 2010:3).

His casual subsuming of all ideas and theories he chooses to criticise under neoliberalism is problematic because his analysis points towards a conclusion that does not correspond with his understanding of neoliberalism. The economic theories and models that Quiggin guides through and analyses are partly new Keynesian, partly new classical. But it would be questionable to assume that all new Keynesian and new classical economics are per se neoliberal, at least by intention. New Keynesian economists, in their self-understanding, are often explicitly opposed to neoliberalism, putting much effort into contradicting neoliberal theory and debunking flaws in neoliberal theory. Such is the case with famous authors, such as Paul Krugman, Joseph Stiglitz and even Thomas Piketty. However, Quiggin's account also shows how intertwined neoliberal theory and neoclassical economics have become today and how difficult a separation can be. Nevertheless, in order to analyse the relationship between neoclassical economics and neoliberalism, a clear distinction must be provided – both are attempted in Chapter 4.

The second problematic aspect of Quiggin's remarks is that he remains unclear on how far his critique of the neoclassical theory and neoliberalism is actually going. On the one hand, he dismisses new Keynesianism and neoclassical economics because they have led to the financial crisis, but then he suggests behavioural economics (Quiggin 2010:69), which is part of the neoclassical oeuvre, and 'that we need a newer Keynesianism' (Quiggin 2010:122), about which he remains vague. Hence, it seems that Quiggin's analysis suffers from a similar problem to Stiglitz's (2010a) and Piketty's (2014). While criticising fundamental parts of neoclassical economics, Quiggin's critique is constructed within this exact neoclassical framework, which logically limits the scope of his critique. Mirowski (2013a) formulates a similar critique of '*Zombie Economics*', suggesting that Quiggin could be infected with the metaphorical zombie virus himself.

2.2.2 Not a neoliberal, but a capitalist crisis

So far it has been shown that the discussion of the 2008 financial crisis and the specific role played in it by neoliberalism is diverse. It spans from problematising very immediate triggers in specific markets and regulatory systems (Stiglitz 2010a), to placing neoliberalism within a historical framework of recurring structural crises (Gamble 2009), to contextualising neoliberalism and the crisis with class formation (Duménil and Lévy 2011). However, all these approaches give credit to neoliberalism, which is playing a pivotal role in the formation of the 2008 financial crisis.

In the '*Failure of Capitalist Production*', Kliman (2012) chooses a different approach to this topic not explicitly putting neoliberalism at the centre of the focus of his analysis. Instead, he claims that the role neoliberalism plays in the course of capitalism is marginal and exaggerated by left-wing authors. Nevertheless, his major focus is an investigation of the issues that led to the 2008 financial crisis and the subsequent economic recession while debunking several wrong theories of causes for the crisis. Thus, a reoccurring theme is the fiercely articulated critique of what he calls the 'conventional left account' or 'conventional wisdom' (Kliman 2012:5), which, for him, spans from orthodox (liberal) accounts to some heterodox accounts, including some Marxists. In order to do so, Kliman collected and analysed an large amount of socio-economic data, which led him to several stimulating conclusions which are worth a critical discussion.

Although Kliman's book was probably not very influential on the discourse on neoliberalism, the critical discussion of it can produce fruitful insights. On one hand Kliman analyses and criticises many other critical approaches to neoliberalism and the financial crisis. By doing so, he provides useful insights into the discourse on Marxist crisis theory. On the other hand, Kliman's empirical contributions are emblematic of why it is crucial to critically question presented statistical data.

According to Kliman, the 2008 financial crisis and the subsequent economic recession were neither the outcome of a preceding neoliberal transformation, nor financialisation, nor de-regulation, nor a widening gap of income and wealth. Instead, he argues that capitalism is suffering periodic, systemic crises because of an inherent systemic flaw, which causes capitalist production to fail. This argument is, at first glance, similar to Gamble's (2009) and Duménil and Lévy's (2011) concept of recurring structural crises of capitalist order. But other than these approaches claiming that it was the neoliberal order of capitalism which crashed in 2008, Kliman argues that it was the capitalist mode of production itself that crashed. Hence, the crisis did not emerge through neoliberalism but because of a deeper lying, systemic flaw in the functioning of capitalism. This flaw is described by what Kliman calls the 'law of the tendential fall in the rate of profit' (Kliman 2012:14). This economic theory goes back to Karl Marx's politico-economic analyses in '*Capital*' (Marx 1993 [1894]) and has been since a point of fierce debate among economists ever since. It maintains that within the capitalist mode of production, the rate of profit of capital invested into the production process tends to decline over time. The reason for this is the replacement of human labour – the single source of surplus value – by machinery in order to increase productivity, which capitalists are forced to do by competitive pressure.

The discussion of the rate of Profit (ROP) and its systemic connection to the functioning of capitalism and the historical role of neoliberalism is of paramount importance to the argument in this thesis and, hence, will be discussed in more depth in Chapter 7. Kliman (2012) makes a substantial contribution to this argument by pointing out the systemic relevance of the development of the ROP to the historical trajectory of capitalism.

Kliman argues that the capitalist mode of production has an inherent systemic flaw which cannot be finally solved within the capitalist system. A declining ROP can be counteracted only for some time, delaying the next crisis, but it cannot be resolved. The capitalist mode of production is based on the profitability of investment. Hence, a low profitability causes sluggish investment into production and a slowdown of the whole system. Kliman realises that a progressive political reform which would redistribute income and wealth from the top to the bottom by considerably raising wages, for example, would be, at first hand, a further blow to capital profitability.

> 'Well, under capitalism, a new economic boom requires the restoration of profitability, but downward re-distribution of income will reduce profitability. It will therefore tend to destabilize capitalism even further. It might trigger renewed panic in the world's financial markets, and who knows what will happen then? In this way, or by causing investment spending to fall, downward re-distribution could lead to a deep recession, even a depression' (Kliman 2013:202).

Kliman makes a strong case that the ROP might be a crucial factor to consider in crisis theory and in a critical analysis of the capitalist mode of production. In his attempt to put the falling ROP into the spotlight of crisis theory, he makes several provocative and stimulating arguments. To begin with, he claims that the US ROP has continuously fallen since its historic peak in the 1950s. Hence, Kliman contradicts the notion that counter tendencies – such as neoliberal transformation – were successful in restoring profitability. According to Kliman's narrative the only event that can reverse the decline of the ROP is a huge scale destruction of capital value, as was the case during the Great Depression in the 1930s. Due to efforts made by economic and monetary policy in order to contain the crisis, the 1970s crisis was too weak to reverse the negative trend of the ROP. Kliman (2012:48) claims that the US economy did not recover from the bust in the 1970s and that, hence, the 2008 crisis was a mere continuation of the unresolved fall in the ROP, which had already caused the crisis of the 1970s. The US economy and subsequently most parts of the world economy went into crisis in 2008, a least indirectly, mainly because of a continuous decline of rate of profit (ROP) throughout the second half of the 20th century, accompanied by a persistent decline in capital accumulation and a slowdown in the growth of income (Kliman 20012: 3ff.).

Kliman then goes further and argues that neither neoliberalism nor financialisation can be attributed as reasons for the 2008 crisis and the effects of both have been broadly overstated by other left-wing authors. This is a provocative statement, Kliman reduces neoliberalism to a pro-market ideology, which, however, did not have a substantial influence on the trajectory of capitalism or on the negative trend of the ROP.

> 'Neoliberalism and financialization have not caused U.S. corporations to invest a smaller share of their profit in production. Between 1981 and 2001, they devoted a larger share of their profit to productive investment than they did between 1947 and 1980 (and the post-2001 drop in this share is a statistical fluke). What accounts for the decline in the rate of accumulation is instead the decline in the rate of profit' (Kliman 2012:6).

Kliman also contradicts the narrative of many post-Keynesian and Marxist authors, which postulates that since the 1980s, investment in real production has dropped in favour of investment into financial markets. Going further, Kliman takes on another socio-economic phenomenon, which is widely accepted, not only in critical literature: The upward re-distribution of income. Kliman asserts that in the US there has not been an upward re-distribution of income during the neoliberal era, directly contradicting the findings of Piketty (2014) and Duménil and Lévy (2011).

> 'U.S. workers are not being paid less in real terms than they were paid decades ago. Their real pay has risen. And their share of the nation's income has not fallen. It is higher now than it was in 1960, and it has been stable since 1970' (Kliman 2012:6).

All these provocative assertions raise the question as to whether Kliman can empirically substantiate them. Hence, a critical engagement with Kliman's conclusions is necessary. Gladly, Kliman provides numerous graphs and tables in order to support his claims, and in most cases (not all) they appear to do that. However, Kliman does not always disclose the methods and calculations behind his conclusions. Anyway, in those cases in which he openly displays his methods, critical questions must be raised. For example, in his discussion of income re-distribution in the US, Kliman (2010:152ff.) admits that wages and salaries have declined in relation to total US national Income. However, he argues that 'workers' total compensation' must also include health and retirement benefits, paid by employers, as well as social security spending and Medicare taxes, all of which have to be added to the workers' income. Furthermore, Kliman adds some direct social benefits payments from the US government to the workers' compensation. While it is unclear which specific amounts are finally added to 'workers' compensation' in Kliman's model, he seems to take some liberties in making definitions of what to include and what to leave out of his statistical considerations; hence, his methods need to be critically discussed.

His methodological choices are problematic in several ways. One supposes Kliman (2012:152) would be more aware of this in a chapter he calls 'Lies, damned lies and underconsumptionist statistics', where he attempts to reveal intentional misinterpretations, or fraud, by some of his colleagues. While it is true that workers are on the receiving end of some cash flow, additionally to salaries and wages, these payments are by no means distributed equally. Hence, they cannot simply be added to other forms of payment, as Kliman apparently does. Employers' payments into pensions funds, for instance, cannot be simply added to workers' income. The money paid in is not equal to the amounts paid out. Additionally, pension funds should correctly be considered as a form of saving other than payment because the money is actually deducted from the workers' wages and not from the employers' profits. And finally, the transfer of payments into a fund, be it for pension or social security purposes, does not mean any cash-flow to the workers; hence, it has no effect on their disposable income and cannot be simply added up.

Secondly, there are some methodological issues about what Kliman includes in his calculations. Kliman works with a very limited definition of US 'workers'. He excludes workers who work for US corporations outside of the US despite them being part of the supply chain of US companies and, hence, part of the profit production. He includes the profits they produce in his calculations, but not their income. Nor does Kliman include immigrant workers in the US, who are not entitled to any US government money in his calculations. Hence, he overlooks two significant and relatively worse paid groups of workers. On the other hand, he chooses to include supervisory (hence managerial) workers to his definition of 'US workers'. All of these questionable choices, which methodically separate him from other scientific contributions on this matter, have in common that they potentially have favourable effects on the outcomes of Kliman's statistics so that they fit with his assertions.

Unfortunately, Kliman's valuable contributions in reference to the ROP are overshadowed by his attempts to contradict well documented socio-economic phenomena like the upward re-distribution of income. However, the analysis and critique of Kliman's remarks set a good base for further discussions, and they serve as a valuable example of why the discussion of neoliberalism is so difficult and why notions relating to it become so distorted, even within critical accounts of the phenomenon.

2.3 Making sense of neoliberalism's survival

Towards the end of the Great Recession, it was apparent that the crisis did not signify the end of neoliberalism, financial growth models, exploitative modes of production or capitalism, as many authors of critical literature had hoped. Parts of the critical discourse appeared to struggle to make sense of the neoliberal survival. A favoured metaphor of this time seems to be the zombie, depicting neoliberalism remerging from its grave (where it supposedly belonged). Examples for this are '*Zombie Capitalism*' (Harman 2009), '*Zombie Economics*' (Quiggin 2010), '*Austerity: The Demolition of the Welfare State and the Rise of the Zombie Economy*' (Mendoza 2015), '*Zombie Politics and Culture in the Age of Casino Capitalism*' (Giroux 2010), and even Mirowski's (2013a) '*Never Let a Serious Crisis Go to Waste*', when published in German carried the title *The Living Dead Live Longer* ('*Untote leben länger*'). These examples show the difficulty of classifying the unscathed survival of neoliberalism and what it meant for further discussion. In 2012, Peck, Theodore and Brenner added a question mark to the title of their article: '*Neoliberalism Reborn?*'.

The puzzle of neoliberalism's survival of the Great Recession has had a big impact on the critical discourse. The explosive rise in public and academic interest in neoliberalism was discontinued; hence, the market for books on this topic was consolidated as well. Furthermore, those approaches, which had claimed to foresee the end of neoliberalism or even the entire capitalist mode of production, were bluntly proven wrong and their string of arguments had to be re-assessed. Furthermore, a noticeable shift in subject focus occurred. The search for potential reasons for the financial crisis and their connections to neoliberalism popularised economic methods which produced tables and graphs depicting the distorting forces of crises. However, the discourse on why neoliberalism survived the crisis did not look so much at economic but at political answers. Crouch (2011) and Mirowski (2013b) looked for explanations of the neoliberal survival in communication strategy and political formations, such as the Mont Pèlerin Society.

One of the most discussed works is Crouch's (2011) '*The Strange Non-Death of Neoliberalism*', a critical analysis of neoliberalism's ability to not only survive but to strengthen itself in the aftermath of its own crisis. This book was written as a follow-up to the '*Post-democracy*' (Crouch 2005) analysis of neoliberalism.

In search for reasons why neoliberalism appears so resilient, Crouch (2011:145) argues that neoliberals are very flexible when it comes to their ideology, a trait which has repeatedly deceived their critics (see also Somers 2012:617). Crouch shows that since its emergence during the crisis of Keynesianism in the 1970s, neoliberal ideology has been very successful at offering solutions to prevailing problems. However, he claims that its argumentative architecture has changed according to the problems it was intended to solve. In the 1970s stagflation crisis, neoliberalism entered the politico-economic stage via monetarism, a policy focusing on stabilising currencies and guaranteeing a sound money supply. Monetarism, however, was quickly abandoned and replaced with other policies. Crouch points out that the biggest change in neoliberal ideology occurred by switching from the classical liberal idea of free markets with low entry barriers to the concept of markets controlled by transnational corporations (TNCs). He argues that today, it is not the paradigm of free markets, but the patronisation of corporations that is at centre stage of neoliberal theory. Hence, according to Crouch, the trajectory of neoliberalism is not so much a victory of deregulated and free markets over governments, but rather governments themselves which have implemented policies that have strengthened corporate power (Crouch 2011:93ff.; see also Somers 2012:620).

Crouch (2011:70ff.) substantiates this argument by providing the historical example of the abolition of the US antitrust law under the Reagan administration. This law was a piece of classical liberalism intended to guarantee a market free of oligopolies in order to promote greater consumer choice. However, the repealing of this law was justified by figure heads of the neoliberal Chicago school of economics, who were appointed as judges by the Reagan administration. In order to make neoliberal theory fit this policy, the goal of consumer choice was replaced by the new goal of consumer welfare, which, according to their novel definition, would be greater the more efficient production was (Crouch 2011:55). With this example, Crouch reveals the flexibility of neoliberal ideology and its ability to adopt contradictory positions if demanded.

Furthermore, Crouch reveals the dubiousness of the neoliberal ideal of strictly separating economics and politics while the same politics is subject to lobbying and big interventions in favour of neoliberal policy. Using several examples, Crouch highlights the disparity between what is advocated by neoliberals and their political practice, showing that neoliberals are not honest about their motives and why neoliberal policies do not produce the outcomes which they promised.

Following this strand of thought, Crouch argues that the entanglements between the economic and the political sphere which exist in a capitalist society pose a threat to democracy. Firstly, capitalists who are in possession of significant wealth but also have the capacity to decide over economically relevant and strategic questions, such as opening and closing facilities, have a very strong bargaining position with democratic government bodies. Secondly, the concentration of wealth by a small elite has given them great lobbying power with governments or the possibility of financing a political campaign and running for public offices themselves. According to Crouch (2011:179), it is this conflation of economic and political forces in favour of the economic elite which made it possible for neoliberalism to survive the Great Recession:

> '[W]hat remains of neoliberalism after the financial crisis, the answer must be 'virtually everything'. The combination of economic and political forces behind this agenda is too powerful for it to be fundamentally dislodged from its predominance' (Crouch 2011:179).

A weakness of Crouch's analysis, however, is that it does not discuss the underlying social dynamics of neoliberalism. Surprisingly, the term *capitalism* barely appears in his text and its relation to neoliberalism is opaque. It remains unclear if, for him, neoliberalism is a systemic evolution of the capitalist mode of production or just an unfavourable distortion (Hyman 2012:611). Nevertheless, he makes clear that irrespective of his criticism, he still considers markets to be useful instruments when kept within their limits and when market failure is provided for.

> 'There are no good reasons why we should not use markets to achieve our goals, or to seek to make markets more perfect so that they respond to consumers' demands. In order to use markets effectively we do, however, need to understand their characteristics and limitations, and to develop further the idea of market failure' (Crouch 2011:28).

Hence, a systemic critique of the capitalist mode of production and market economy is not part of Crouch's analysis. This missing depth of Crouch's analysis becomes apparent in his discussion on the abolition of the US antitrust law under Reagan, despite his investigation producing some very interesting approaches. Crouch argues that the US antitrust law was abolished because of the pressure by corporations on the government. While this narrative is plausible, his analysis overlooks a possible economic relevance of this historical episode. The antitrust law was not only against the economic interest of big corporations, it was also hindering further increases in capital profitability through the raising of efficiency in a time of profitability crisis. According to Crouch (2011:55), this goal was explicitly stated by Robert Bork, one of the neoliberal key personnel in repealing the law, even without hiding the populist rhetoric of consumer welfare.

To put it in a nutshell, Crouch (2011) produces a compelling answer to the question: How did Neoliberalism survive this crisis? He argues, convincingly, that neoliberal survival does not signify a vindication of its theory; nor is the critique of its problematic relation with democracy dissolved. But those who profit from neoliberalism have become so powerful in political terms, both in governments and in the economy, that the crisis could not break their dominance.

Similar to Crouch's '*The Strange Non-Death of Neoliberalism*' (Crouch 2011) Mirowski's (2013a) '*Never Let a Serious Crisis Go to Waste*' makes the observation that neoliberalism has not been weakened by the Great Recession, but has emerged from it even stronger, as the starting point for its discussion. Mirowski's explanations as to why this happened can be condensed into three points:

The first is that neoliberals and orthodox economists have worked together remarkably well during and after the crisis, following an implicit 'Neoliberal Playbook' (Mirowski 2013a:12), which included, at first, the denial of the failure of the Dynamic Stochastic General Equilibrium (DSGE) model in macro-economics and the Efficient Market Hypothesis (EMH) in micro-economics (Mirowski 2013a:178ff.). Denial was followed by spreading uncertainty and doubt in what Mirowski (2013a:223) calls 'Agnotology, an interplay of orthodox economists, FED bankers and financial capitalists. In a revealing section, Mirowski points out the numerous financial and professional ties between acclaimed US economists and the financial sector (Mirowski 2013a:204ff.).

The second point is what Mirowski calls 'everyday neoliberalism' (Mirowski 2013:89), which is in connection with the confusion resulting from denial and Agnotology. Mirowski argues that due to uncertainty and doubt and due to a lack of reliable answers by economists, journalists and the public had to make sense of the crisis by themselves. As a result of decades of neoliberal indoctrination, the ideology had permeated culture and everyday life to such a degree that the only explanatory framework which people could fall back of in the course of the crisis was the neoliberal one. Henceforth, it was possible for neoliberals to propose market solutions to problems posed by crises and to claim that the neoclassical economic model and the system built on it could indeed be fixed (Mirowski 2013a 356ff.).

The third point of why neoliberalism came out of the crisis strengthened, concerns what Mirowski addresses as 'the Left' (Mirowski 2013a:15 and 37). He claims that left-wing critics have broadly failed to develop an apt and striking critique of neoliberalism in order to form a relevant line of attack against it during the crisis. Critical discussions were based on deep misunderstandings and misconceptions of neoliberalism or they grappled with small details within the neoclassical economic model, never questioning the logic as a whole. Stiglitz's (2010a) critique of the neoclassical economic model could serve as an example here. Building on this argument, Mirowski then investigates why it is so difficult to criticise neoliberalism or even to understand it correctly. He finds several strategies implemented by neoliberals to make a concise critique more troublesome. An example is the recurring claim that neoliberalism does not exist, but is merely a concept made up by the left. In reference to that, Mirowski (2013a:23) asserts that no counterargument against a critique is as devastating as the claim that the object of critique simply does not exist.

> 'All manner of commentators, including, significantly, no small number of neoliberals, have insisted that the theory behind the label never really

> existed; if they happen to be preternaturally pugnacious, they tend to dismiss it as a swearword emitted by the addled denizens of the left' (Mirowski 2013:a27).

Additionally, Mirowski argues that neoliberal ideologies are inconsistent and have changed over time, adding to the difficulty of grasping neoliberalism. However, the confusion is multiplied by what Mirowski (2013a:68ff.) calls the 'double truth doctrine'. He provides a stimulating approach to the problematic of inconsistencies in the neoliberal programme. He asserts that every neoliberal doctrine has an *exoteric* version, which is meant for the broad public, and an *esoteric* version, which is meant for the small group of insiders.

Notwithstanding that, Mirowski argues that left and critical accounts have contributed heavily to the opaqueness of neoliberalism as well. Like Gamble (2009), Mirowski (2013a:29) points out that critical discourse was and still is repeatedly distorted by mixing neoliberalism with other phenomena in contemporary capitalism.

> 'But an equal moiety of the blame [that neoliberalism came out of the crisis stronger] should be dished out to their opponents on the left, who often bandy about attributions of "neoliberalism" as a portmanteau term of abuse when discussing grand phenomena often lumped together under the terminology of "globalization" and "financialization" and "governmentality"' (Mirowski 2013a:29).

Mirowski argues that as an effect of the misunderstanding of neoliberalism, some discourse was miserably misguided. One example is the critique of neoliberalism because of its alleged doctrine to roll back state power. Well acclaimed authors even claimed a 'retreat of the state' was occurring (Strange 1996). However, as Mirowski repeatedly points out, neoliberalism requires a strong state in order to implement its policies. Hence, he (2013a:56) maintains that a 'primary ambition of the neoliberal project is to redefine the shape and function of the state, *not to destroy it*' (highlighting by Mirowski).

Another example given by Mirowski is the discussion concerning the de-regulation of (financial) markets. He admits that neoliberal propaganda promotes the liberalisation of markets in order to allegedly make them free. However, he (2013a:16f) points out that financial markets have never been fully deregulated by neoliberals. Instead, he suggests that neoliberal policy was aimed at the re-regulation of markets – hence, the change in regulation in the interest of neoliberal politics rather than ridding it of regulation. In this way, however, all criticism of neoliberalism pointing towards de-regulation in terms of *laissez-faire* politics appears as misguided, and the same is true for any ambition to re-regulate (financial) markets.

After explaining why neoliberalism is so difficult to grasp, Mirowski attempts to produce a more concise understanding of it. In doing so, he displays some originality. According to Mirowski (2013a:29), the correct approach to neoliberalism is a historical one: 'The clarification of the neoliberal program is first and foremost a historical inquiry.' He argues that the historical spring point of neoliberalism was the foundation of the Mont Pèlerin Society (MPS) in 1947, which started as an elite and private debating club. Mirowski argues that neoliberalism is built on the three theoretical schools, or 'sects or subguilds' (Mirowski 2013a:42) which are represented in the MPS. They are the Austrian legal theory, founded by Friedrich A. von Hayek, the neoclassical Chicago school of economics, and German ordoliberalism. Thus, he makes clear that neoliberalism is not the same as neoclassical economics, and that they must be analysed separately and criticised in their own respect.

Out of the MPS, an international structure of neoliberal networks was constructed, including university departments, think-tanks and grassroot organisations. Mirowski (2013a:43) argues that all neoliberals and their organisations are connected with each other, in what he calls the 'Neoliberal Thought Collective' (NTC), which is laid out in layers like a Russian doll, with the MPS at its centre.

In summary, Mirowski provides a stimulating critique of the critical left and their failed attacks on neoliberalism. He points out some weaknesses in their arguments and underlying analyses. His historical approach to neoliberalism is inspiring, as it sheds light on the global neoliberal infrastructure, which he calls a thought collective. However, it must be noted that his approach to the formation of the NTC neither appears to be historically specific – the MPS could have been founded and spread anytime – nor systemically embedded – Mirowski lets the NTC appear independently of the systemic prerequisites of capitalist production. By this critique his historical approach to neoliberalism appears somewhat ahistorical. And it raises the question of how the NTC managed to become such a powerful and discourse-dominating organisation. It is questionable if the outstanding success of neoliberals can be mostly explained by the way they constructed their organisational and intellectual infrastructure. Furthermore, compared to Peck's (2010) multi-centric approach to neoliberalism, Mirowski's single-centric depiction of the NTC as a Russian doll appears rather one-dimensional. And finally, Tansel (2017:8ff.) criticised Mirowski's approach as being too much 'idea centred' because it is built around an ideology and, thus, is unable to explain the neoliberal phenomenon in non-Western countries. Tansel, rather, understands neoliberalism as a reactive practice, which attempts to solve specific capitalist problems based on the regulation theory concept of 'actually existing neoliberalism'.

For further discussion, it would be useful to connect Mirowski's sociological findings with the politico-economic analyses of the historical role of neoliberalism in the capitalist mode of production. Hence, Mirowski's findings are discussed in such a context in Chapter 4. In reference to Tansel's critique, Chapters 6 and 7 engage in a detailed discussion of neoliberal agency and the role of ideology.

2.4 Alternative thematic orientations post-2008

As the Great Recession slowly levelled out, new debates unfolded around the public debt crisis, the euro crisis and austerity measures. The public and academic interest in financial crises and neoliberalism waned. The notion of neoliberalism coming out of the crisis stronger had left behind confusion in the critical discourse. Hence, the focus of discourse shifted to other, non-crisis topics, such as the distribution of income and wealth (Piketty 2014), financialisation (Lapavitsas 2013), the formation of post-crisis authoritarian democracies (Brown 2015; Streeck 2017; Tansel 2017) and class formation (Duménil and Lévy 2018).

2.4.1 Distribution of income and wealth

The discussion by Piketty (2014) differs from the previous authors at first sight because he does not focus on neoliberalism or crisis. His main concern is the inequality of distribution. It is important to acknowledge the strong contributions made by him in producing an empirically verified picture of the trends of income and wealth inequality. Piketty's work manages to put income distribution and income inequality at the centre of politico-economic discourse. Contrary to other popular accounts, he provides sound empirical data to support his arguments. Central to Piketty's arguments is the chart of the U-shaped curve: Chart 2.1 shows Piketty's (2014:300) 'U-shaped curve' of income distribution over the 20th century. It compares three figures which are fundamental to Piketty's argument. The first figure is the share of the top income percentile in total income. This means the percent of overall income going to the richest one percent of the population. Piketty uses this figure to describe income inequality. It shows that twice in the 20th century, the figure has a distinct peak of over 24 percent of total income, in the 1920s, before the outbreak of the Great Depression, and in 2008, directly before the Great Recession.

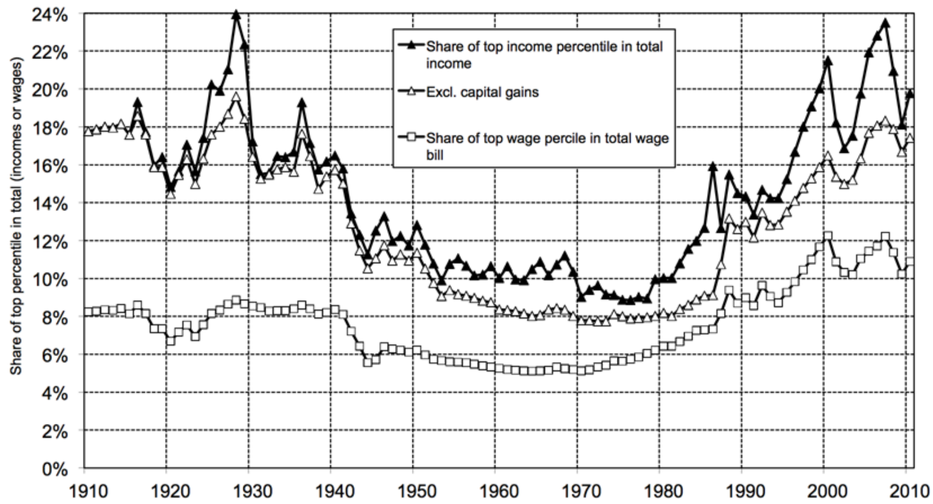

CHART 2.1, TRANSFORMATION OF THE TOP 1 PERCENT IN THE US
SOURCE: PIKETTY (2014:300)

The second figure in the chart is capital gains. These are incomes based not on labour, but on the return of capital investments. It shows that the figure correlates positively with the top one percent share of total income, having a near parallel development. However, it can be seen that since the 1990s, the gap between the two figures has grown due to unmatched peaks in the top one percent income share. The reason for this gap is the third figure, which shows the share of the top wage percentile in the total US national wage bill. Piketty uses this figure to describe wage-income inequality, similar to the first figure. Unlike the previous two figures, the data do not show a distinct U-shape. Between 1910 and 1970, it declined from about 8 to 5 percent, with a median of around 6.5. Since the mid-1970s, however, the figure shows a strong rise, and since 1990, it has risen to unprecedented heights. In this graph, Piketty shows that the high peaks of income inequality in 2000 and 2008 were not only products of high capital gains but were also due to the rise in wage inequality. Hence, Piketty points out that a simplified stylisation of income inequality as a conflict between wage incomes against capital incomes does not adequately describe reality. In fact, the graph shows that besides high capital gains, a rather new phenomenon must be taken accounted for: wage-inequality. Therefore, methodically, the conflation of manager salaries with typical wages (as is done, for example, by Kliman (2012)) potentially obscures their specific developments.

Despite this empirical contribution, Piketty (2014) must also be criticised for his analytical work and, hence, the interpretation of his data. Similar to Stiglitz (2010a) and Quiggin (2010), his analysis is based on the neoclassical economic model. Therefore, he uses the same scientific framework for the basis of his own interpretation which he is intending to criticise (See also Stützle and Kaufmann (2015)). Furthermore, Piketty (2014) uses a peculiar definition of capital which has a significant effect on the potential of his analysis. He chooses to define capital as not being related to production, but equal to wealth. This, however, is not a casual mistake, but is described as a well-thought-out, thorough decision:

> 'To simplify things, I use the words "capital" and "wealth" interchangeably, as if they were perfectly synonymous. By some definition, it would be better to reserve the word "capital" to describe forms of wealth accumulated by human beings (buildings, machinery, infrastructure, etc.) and therefore to exclude land and natural resources, with which humans have been endowed without having to accumulate them' (Piketty 2014:47).

The missing differentiation between wealth and capital has a debilitating effect on Piketty's analysis. While capital fulfils a fundamental role in the production process, putting in motion social processes which define the capitalist mode of production; wealth which is not invested has no such social significance. By conflating wealth and capital, Piketty delinks capital from production and, hence, from its social significance. In the Marxist theoretical framework, capital is linked to the production of commodities and services, giving it a systemic relation to the exchange process, the creation of value of the commodity, and the production of surplus value.

By delinking capital from the production process, Piketty (2014) limits his analysis, preventing it from taking a critical view into the mode of production and the fundamental question of *how is output produced*? This could have opened the door for an analysis concerning the question of allocation of capital and means of production in the mode of capitalist production.

As Piketty (2014) chooses not to differentiate between wealth and capital, he is unable to analyse the question of allocation, but only the question of distribution of the outputs of production. This limitation, in turn, has a strong impact on his overall conclusion, which is a malfunctioning of capitalism due to low growth of income and output (g), alongside a significantly higher rate of return on capital (r). Hence, as Piketty (2014:25) defines it: 'r > g'. This simple formula is the reason for growing inequality according to Piketty (2014:571). His proposed solution, correspondingly, is the introduction of a progressive annual tax on capital, which, he argues, would end the spiral of inequality while preserving the functioning of capitalism (Piketty 2014:572).

Due to the missing analysis of allocative processes and the role of capital in the functioning of the capitalist mode of production, Piketty (2014) cannot investigate whether inequality is a systemic product inherent to the capitalist mode of production – not so much a matter of distribution after the production process than a necessary outcome of the production process. It is mathematically plausible that inequality is rising significantly if capital income is systematically higher than the general output. But this does not answer the questions of where income and wealth inequality actually come from and if their rise has some systemic relevance to the mode of production. Thus, in the end, Piketty's limited approach leads to the conclusion that inequality is a merely unfortunate malfunction of capitalism, overlooking the possibility that inequality could, conversely, be a necessary component of the successful functioning of capitalism.

2.4.2 Financialisation as a major transformative force

In recent years, the discussion of financialisation has been detached from the role it played during the Great Recession. In recent years, financialisation has been analysed as a historical and politico-economic dynamic that has the potential to changing the capitalist mode of production. However, the exact role of financialisation, if it is a means to its own end or to something different, is still subject to ongoing discussions.

Lapavitsas has produced several works about financialisation and its role in late capitalism (2009, 2011, 2012; Lapavitsas et al. 2012), and thus has positioned himself as a Marxist expert in this subject matter. The most exhaustive account is his '*Profiting Without Producing – How Finance Exploits Us All*' (Lapavitsas 2013). There, his core thesis is that financialisation represents a historical, deep transformation of the capitalist mode of production, such as the development of heavy industry, the Great Depression, mass consumption and production and the rise of transnational enterprises. He makes clear that the aim of his analysis is not an abstract and universally valid model of financialisation, but rather an analysis of its underlying tendencies and a contextualisation of its findings (Lapavitsas 2013:39).

> 'To be sure, capitalist economies are continually restructured due to pressure of competition and due to the underlying drive to maintain profitability. However, some transformations have distinct historical significance and financialization is one of those' (Lapavitsas 2013:2).

However, in order to make his understanding of financialisation more concrete, Lapavitsas counts three characteristic and underlying tendencies which represent the structural transformation of capitalism by financialisation. Firstly, financialisation encompasses the tendency of a rising involvement of non-financial enterprises in financial processes, independently acting as players in the financial markets, and, secondly, a shift in the banking industry, with banks moving away from traditional banking business towards new sources of profitability through financial trading and managing individual household finance. Thirdly and finally, it encompasses the tendency of integrating the savings and loans of individuals and households, and, hence, private financial matters, into the financial system.

These general characteristics of financialisation have been described by others before (Onaran/ Stockhammer 2011; Crotty 2009; Duménil/Lévy 2011); however, Lapavitsas (2013) attempts to analyse them within a Marxist theoretical framework. Accordingly, he structures capitalist economy as three separate, but interconnected, spheres of activity: production, circulation and distribution. According to Lapavitsas (2013:4), financialisation constitutes an increasing asymmetry between circulation and production. The capitalist aim of both spheres is profit; however, unlike the sphere of production, circulation does not create value, but rather redistributes the surplus value created by production. According to Lapavitsas, financialisation presents new ways of accruing financial profits, even unrelated to the generation of surplus value through production, which Lapavitsas (2013:4) calls 'financial expropriation'. It seems that for him, financial expropriation is a direct effect of financialisation, which again he describes as a major transformation of capitalism itself. In this way, financialisation appears as a singular and self-evident factor in capitalist transformation. By this, Lapavitsas may be overstating the singular historical role of financialisation as a force of capitalist transformation. Drawing on a Marxist theory of finance, Lapavitsas understands financialisation as a historically specific phenomenon, one embedded in in the context of other transformative forces, such as neoliberalism. However, the relationship between financialisation and neoliberalism remains vague. In critiquing Lapavitsas, it can also be argued that financialisation is merely one of capitalism's pragmatic mains to raise profitability through financial expropriation, and that it is the transformation of capitalism under neoliberalism which drives financialisation, not the other way around.

> 'The three underlying tendencies of financialization have emerged within the historical and political context of neoliberalism, including financial liberalization and labour market deregulation. Moreover, the epochal features if financialization have been conditioned by the historical and institutional specificities of particular countries, reflecting the shifting balance of class forces between capital and labour' (Lapavitsas 2013:39).

Lapavitsas opens a stimulating discussion by claiming that financial profits have been rising throughout financialisation. Notwithstanding that, he claims that it should not be confused with the relatively higher profitability of finance in the production industry. Hence, he argues that historically, financialisation and capitalists' turn towards the financial industry was not a reaction to the sluggish development of profits in production (as supposed to Nachtwey 2016). In order to proceed with this argument, Lapavitsas attempts a deeper analysis of the source of financial profits, using Marxist economics. He asks if, in the Marxist understanding of profits, financial profits can only come from production or from the exchange of commodities. He produces a compelling answer: financial profits can either originate in surplus value as an output of a production process, or it can also originate as a direct expropriation of money stocks and income through the financial system (Lapavitsas 2013:37 and 138ff.).

> 'In financialized capitalism, however, profit-making that is unrelated to surplus value […] stands for the spreading of new and exploitative relations across society as financial markets grow and individuals are increasingly drawn into the formal financial system' (Lapavitsas 2013:146).

Hence, according to Lapavitsas, financial profits do not have to be directly connected to fresh money flows from production surplus value. Financial profits can also be made, for example, by direct expropriation of wage earners' money. This is the case, for example, if a financial company sells financial management services, such as private rent models, to a wage earner household, charging fees. With insights, such as this, Lapavitsas makes very strong contributions to a compelling analysis of financialisation and the understanding of its system. By doing so, he also contributes to the discussion of neoliberalism through the pragmatic development of new ways of exploitation and expropriation in order to further raise profitability.

2.4.3 Neoliberalism as source of political and social transformations

Most recently, the discourse on neoliberalism has moved towards non-economic themes. Authors like Tansel (2017) and Bruff (2014) focus on topics, such as governance and democracy, while Nachtwey (2016) attempts to embed neoliberalism into a study of broader social transformations of capitalist society.

Based on the discussions of why neoliberalism survived the Great Recession, a relatively new strand of study focuses on a political analysis of the processes behind the resilience of neoliberalism and why today it even appears stronger than pre-Great Recession. Tansel (2017) argues that neoliberalism attempted to shield itself against popular opposition, especially after the social fallout of the Great Recession. This was done by increasingly relying on the state to oppress oppositional forces, and by limiting the possibilities to challenge neoliberal policies via the judicial and administrative state apparatuses (Tansel 2017:2). Hence, the term 'authoritarian neoliberalism' Bruff (2014:113) was conceived.

> 'It is for this central role played by the state in entrenching neoliberalism that we affirm that the state is 'a permanent and necessary part of neoliberal ideology, institutionalization and practice' (Bruff 2016:115) and that neoliberalism does not dismantle but thrives upon the institutional infrastructure of the state apparatuses through their remodelling in a competitive orientation an (re)positioning them as custodians od accumulation' (Tansel 2017:10).

As Tansel further remarks, the notion of a beneficial interplay on both sides between neoliberal transformation and authoritarian tendencies has been described by authors like Harvey (2005), Brown (2006) and Klein (2007). Neither is it a new phenomenon; nor is a controversy between democratic and pro-capitalist ideology, a phenomenon exclusive to neoliberalism. But, as Tansel argues, the transformation towards authoritarianism is increasing and has especially intensified since the Great Recession. Like Bruff (2014), Tansel (2017:4) ascribes the capitalist state a pivotal role, as the 'key organizational structure through which the authoritarian enshrinement of neoliberal accumulation regimes is facilitated'. With this argument, he contradicts the narrative that neoliberalism means a withdrawal of state power. Quite on the contrary, he argues that state power has widened in terms of oppressive force, but, at the same time, policymaking has become isolated from popular dissent.

In this way, Tansel (2017) argues that authoritarian neoliberalism has to be understood as a reactive practice to specific problems which the capitalist accumulation regime encounters. It is clear here that Tansel is coming from a Marxist or regulation theory approach to political economy. It also follows the idea of 'actually existing neoliberalism' (Brenner and Theodore 2002; Munck 2005), which distinguishes between neoliberalism as system of thought and real neoliberal practice. In this light, he criticises non-Marxist authors like Mirowski for their misconception of neoliberalism as being based on theory or institutions held together by theory, such as Mirowski's (2013a) concept of the Neoliberal Thought Collective (NTC). Tansel notes that such concepts of neoliberalism which put the theory or non-governmental institutions into focus miss the point because they fail to explain the outreach of neoliberalism outside western nations, where neoliberalism cannot be described as an idea permeating from a system of think-tanks into the sphere of governance. Nor can the western nations and their neoliberalism serve as a useful blueprint for neoliberal transformation in developing countries in the South or East.

Instead, the concept of 'actually existing neoliberalism' explains neoliberalism in developing and underdeveloped capitalist economies as a strategy by state managers to overcome the political and economic crisis posed by capitalism. These state responses, however, follow a distinct pattern, which applies to countries no matter how far developed they are in terms of economy or whether they are a formal democracy or an authoritarian regime. Tansel points out that repressive force can also come from democratically elected governments. The essential components of a really free democracy are much more than just regular representative elections, and include political parties, a parliament, a free press, the possibility of public participation and an independent judiciary. Democracy can be subverted and rolled back already while still remaining a minimalist, formal democratic regime. This process can be well observed in countries such as Poland and Hungary between 2012 and 2020.

The analyses surrounding the subject of 'authoritarian neoliberalism' are useful because they provide a stimulating discussion of the role of the state in neoliberalism as the key instrument for neoliberal transformation, but also as the shield against popular opposition and threats. In this role, it is argued that neoliberalism stands in direct conflict with democracy. As popular criticism of neoliberalism increases so does state power in order to shield and maintain it. The notion of a problematic relationship between neoliberalism and democracy needs further investigation.

While Tansel and Bruff analyse neoliberalism as a major transformative force of contemporary political systems, Nachtwey (2016) looks at a wider range of transformations, alongside with, he attempts to locate neoliberalism. In '*Die Abstiegsgesellschaft'* (*society of descent*), he produces a compelling politico-economic and sociological study of the contemporary state of capitalism. And although Nachtwey's scope exceeds the phenomenon of neoliberalism, he makes several strong contributions to the discussion relevant to this thesis.

Nachtwey's delivers a definition of neoliberalism which is close to that of Harvey. Neoliberalism is at first an ideology of free markets, behind which a modern form of class politics in the interest of capitalists is hidden (Nachtwey 2016:79f.). Nachtwey argues that neoliberal ideology has been successful in managing to make use of the emancipatory critique of what Nachtwey (2016:17) calls the time of 'Soziale Moderne' (social modernity). This time was defined by a general social ascent through all economic classes, steered by tight control and permanent intervention by the state. Neoliberalism made those who wanted to break out of this static society its secret accomplices (Nachtwey 2016:78ff.). This step was crucial to the success of neoliberalism because modern capitalism could not function without the broad, voluntary collaboration of individuals. Hence it must be credited to neoliberalism as an ideology that it was able to gain such broad approval by people. Nachtwey, therefore, re-adjusts the source of reproduction of neoliberalism from elites (Mirowski 2013a; Peck 2010) to the public.

Another relevant aspect of Nachtwey's analysis is the insight that neoliberalism can be regarded as only one facet of a much broader spectrum of mental, social and material transformations of society and the world we live in. Besides neoliberalism, Nachtwey also inspects phenomena like post-democracy (see also Crouch 2005), technical advance, the social segmentation of the population and the formation of a 'society of descent' in a time of 'regressive modernisation' (Nachtwey 2016:71). This insight emphasises the necessity of a clear distinction between neoliberalism and other contemporary political, economic and sociological phenomena while at the same time recognising their interlinkage.

Nachtwey shows, for example, at least on a superficial level, how observations in the field of business administration and management can be connected to his macro-economic and politico-economic findings. He shows that developments at the management levels of businesses, which had implications for the way these firms organised their production, can be put directly into context with the macro-economic discussion of the rate of profit of an entire economy. An analysis of the transformation of management objectives, the implications to the production level of businesses and the implications for macro-economic developments is a theme of Chapter 5.

Finally, Nachtwey also manages to connect the politico-economic discussion to his sociological analysis of the development of German society. He understands neoliberalism as one major transformative force of German society, which changed from a state of 'social modernity' to a 'regressive modernity'. While he depicts the former with the metaphor of an elevator, which lifts all parts of society the same amount, he depicts the latter with the metaphor of an escalator, which was meant to go upwards but has changed direction and now is going downwards. The people who have already reached the upper floor remain there or can go up even further. The people on the escalator are located on different economic levels but collectively move downwards. Individually, they can try to run against the downward trend of the escalator in order to maintain their current level or even to go up relative to others on this escalator, but they cannot halt the overall downward trend. With this, Nachtwey paints a pessimistic picture of the state of German society. In a nutshell, he manages to integrate the phenomenon of neoliberalism into a larger picture of a political, economic and sociological study of the large socio-economic transformations of capitalist society.

The analyses of Tansel, Bruff and Nachtwey are emblematic for new strands of the discourse on neoliberalism, which appear to leave behind the centrality of economic and crisis-related issues. Neoliberalism is not seen any longer as a short and limited phase of capitalist expansion that started in the 1980's and crashed in 2008, but is understood as a transformative force, that shows high resilience and could not just change the face of the capitalist mode of production, but many more aspects of human life.

2.5 Locating neoliberalism in critical literature

The aim of this chapter was to gain an understanding of the current state of the critical discourse on neoliberalism and to locate neoliberalism in the literature. In order to do that, critical approaches to neoliberalism were portrayed and critically discussed. The analysed approaches have been clustered according to their relation to the 2008 financial crisis. The financial crisis and the subsequent Great Recession represent significant events for the literature on neoliberalism because they significantly altered the notion of the subject.

Pre-crisis approaches to neoliberalism were conceived during a period of seemingly successful neoliberal expansion and cementation of its hegemonic status in the capitalist world. The critical literature for this period, hence, focuses on characterising neoliberalism politically and contradicting the narrative of neoliberal success. Chomsky (1999) and Crouch (2005) problematise the contradictory relationship between neoliberal theory and democracy and provide insights into the gap between propagated neoliberal goals and its practice. The pragmatic adaptability of neoliberal theory can appear both as a strength and as a weakness. It is a strength, as neoliberal ideology can flexibly adapt to changing historic circumstances. However, at the same time, this is also a weakness, as it manifests that neoliberal practice can never fulfil its theoretical promises. This argument is further developed by Peck (2010), who shows that neoliberalism is a multi-centric web of relays, relations and routines which is constantly failing, if, however maintaining a foreword momentum. Harvey (2005) has a more linear and concrete understanding of neoliberalism as a class project, with the goal of restoring capitalist hegemony. However, the topic of capitalist class formation is controversial in critical discourse. Harvey identifies the rise of CEOs versus shareholders as the most eye-catching structural change within the capitalist class, arising as an effect of neoliberalism. This finding is shared by several other accounts, especially that of Duménil and Lévy (2018), whose book is dedicated to the formation of '*managerial capitalism*'. It is noteworthy, however, that others, such as Crouch (2005), contradict this notion, arguing that CEOs and shareholders belong to the same class. In any case, it is interesting that up until the emergence of the financial crisis in 2008, major economic accounts appear to be rare compared to political analyses concerned with topics such as democracy and historical analyses of the political formation of neoliberalism. This changed rapidly with the emergence of the financial crisis in 2007 and 2008.

With the ensuing recession, the popularity of the topic of neoliberalism experienced a significant rise. For many, neoliberalism was associated with causing the financial crisis. The accounts, presented in Chapter 2.2, provide a critical discourse of this time. While it is true that the debate of the causes of the financial crisis and the subsequent recession were, and still are, politically embattled, the explanations for the crisis in the critical literature on neoliberalism are far from homogenic. Stiglitz (2010a) presents a popular narrative of the financial and economic crisis, in opposition to right-wing and libertarian narratives of government failure and the need for austerity, while also delivering a detailed critique of specific aspects of the neoliberal economic model by criticising inconsistencies in the neoclassical economic model. Thus, Stiglitz's is far from being a radical, systemic critique, either of neoclassical economics or of capitalism. Gamble (2009) argues that neoliberalism is a product of political struggles which allowed a new phase of capitalist expansion in favour of the capitalist class. This expansion caused the financial crisis, which represents a structural capitalist crisis forcing the neoliberal order to end and being replaced by a new form of capitalist order. Duménil and Levy (2011) present a similar argument, while structuring the capitalist historical trajectory according to recurring cyclical and systemic crises. Like Gamble (2009), they argue that the Great Recession must signify the end of neoliberalism, which they substantiate with extensive empirical analyses of US macro data. Many left-wing authors hoped that the 2008 financial crisis and the subsequent Great Recession would be a turning point, a high water mark for neoliberalism. Quiggin (2010) appears less optimistic about the changing momentum of the financial crisis. He argues that the ideas which comprise neoliberalism (the Great Moderation, Efficient Market Hypothesis, Dynamic Stochastic General Equilibrium, trickle-down economics, privatisation, and austerity) have been proven wrong; however, they have also shown outstanding resilience. This is why Quiggin uses the metaphor of 'zombie economics'. Quiggin's approach is a stimulating case insofar as he makes a big effort to criticise neoclassical economics while, at the same time, showing resilience in abandoning this theoretical framework for a more radical critique.

A similar problem can be identified in Stiglitz's as well as in Piketty's (2014) approach. Their accounts have in common that they seem unable to reach an analytical depth due to their reliance on a limited explanatory framework, which does not allow them to more deeply analyse the systemic political economy of neoliberalism, especially in respect of a systemic critique of the mode of production and its role in the historical trajectory of capitalism. This problem also becomes apparent in Piketty's (2014) approach to income inequality, which overlooks the production process. He points out how the distribution of production outputs (income) has changed over time, to the disadvantage of typical wage earners. However, the very existence of income inequality is axiomatic in his analysis and is not questioned. The neoclassical explanatory framework does not allow him to reach a systemic understanding of where income inequality originates, what role it plays in the mode of production and why it has evolved historically in this particular direction, forming a U-shaped curve. This problematic could be avoided by the application of an explanatory framework which would allow a differentiation between dynamics which are inherent to the capitalist mode of production itself and those which are the direct effects of neoliberalism specifically.

This chapter also looked at authors who conduct their analyses and make their conclusions with the help of an explanatory framework which allows for a radical, systemic critique. However, it showed that they still reach very different, often directly opposing, conclusions about neoliberalism and its function within the capitalist historical trajectory. Additionally, it has been shown in this chapter that radical critiques of neoliberalism still show large variations in their conclusions and in their chosen focuses of analysis. Analytical focuses vary from financialisation (Lapavitsas 2013) to class formation (Duménil and Lévy 2011 and 2018; Harvey 2005) to a broad socio-economic transformation of capitalist society (Nachtwey 2016), and to the failure of capitalist production through a fall in relative profitability (Kliman 2012). Doogan (2009) and Kliman are sceptical of the actual phenomenon of neoliberalism. Doogan argues that many neoliberal narratives, such as de-industrialisation and the decline of trade unions, have been blindly adopted by left-wing and labour organisations but lack statistical substance. While Doogan's analysis focuses on political power, Kliman's focuses strongly on economic data. In his conclusions, he reduces neoliberalism to an ideology which does not manage to have a substantial impact on the distribution of income, investments in production or capital profitability. These claims are highly contested, however.

Despite this heterogeneity in critical discourse, almost all left-wing approaches to neoliberalism, which attempt to locate neoliberalism's role in the financial crisis, seem to share a common defect by arguing that the financial crisis and the Great Recession denoted the end of neoliberalism. However, those who claimed to foresee the end of neoliberalism or even the entire capitalist mode of production were proven wrong, and their lines of argument must be re-assessed. This is the case, for example, with Gamble (2009) and Duménil and Lévy (2011), who constructed models of recurring crisis which attempt to structure the historical trajectory of capitalism. Gamble (2009), for instance, constructed a narrative of recurring structural crises of capitalism, which enforces a change in the way that the capitalist mode of production is organised. However, neoliberalism's survival hollows out this whole narrative. Duménil and Lévy's (2011) models substantiated their argument that the financial crisis would have a systemic character and, thus, would demand a significant change in the capitalist order. That this did not happen challenges these models and their line of argument.

2.5.1 Three indicative problematics in the critique of neoliberalism and their implications

The financial crisis had a big impact on the critical discourse of neoliberalism. However, it also exposed major misconceptions in the way critical literature is dealing with neoliberalism. In this following section, three problematics indicative of underlying misunderstandings of neoliberalism are pointed out and discussed.

Left-wing hopes for an economic mechanism of crisis

Economic studies had a vast amount of significant empirical material to draw upon during the crisis. The economic distortions of the financial crisis allowed graphs to be produced which depicted the abrupt fall in prices in the US housing market and financial products, returns on equity and output production, to name only a few. It was evident that this was a severe financial crisis, and the similarities to other crises and recessions, such as the Great Depression and the 1970s stagflation crisis, seemed evident too. However, it appears that these similarities enticed authors to conclude that the political implications the financial crisis were also likely as well – causing the end of neoliberalism. It is difficult to say why this misinterpretation of empirical data happened. It is plausible that the supposed evidence of the data was intermingled with many critical authors' political hopes for neoliberalism to end. Hence, they saw the end of neoliberalism simply because they wanted to see it.

However, it is also plausible that the political misunderstanding of the financial crisis was based on a misconception of neoliberalism and the politico-economic processes in general. The conclusion was that a structural crisis of capitalism must lead to a change in its economic order, and, hence, that there was some sort of politico-economic automatism in crisis, implies a rather mechanical understanding of history and economic developments.

Gamble (2009:38ff.) serves as a fitting example for this. In '*The Spectre at the Feast*', he describes 'the meaning of crisis', arguing that, as in a medical crisis, there must be a point of change, a turning point, from where recovery starts. Despite claiming that a crisis cannot be described as a natural event, Gamble appears to ascribe natural rules to it. The understanding of the neoliberal historical trajectory as some sort of mechanism due to some natural economic laws is treacherous. Approaches which attempt to prove the end of neoliberalism with the presentation of economic graphs seem to misunderstand neoliberalism as a purely economic phenomenon. Hence, they appear to overlook the underlying political relations, which can have a decisive effect on such events, changing the economic order. The same problematic appears in those Marxist approaches which continuously renew their finding that capitalism is finally at its end by repeatedly presenting low rate of profit figures while referring to Marx's theory of the tendency of the rate of profit to fall.

Revealingly, Gamble (2009) has argued that the rise of neoliberalism to the stage of national politics was never an economic necessity, but a political choice. Hence the change of capitalist order from Keynesianism to neoliberalism as the outcome of the 1970s crisis was not an inevitable economic event, but the product of a political struggle and, as such, subject to underlying power relations. The connection of the development of economic figures with underlying political processes is a core subject of political economy. Nevertheless, it seems that those who argued that the financial crisis would mark the end of neoliberalism did not sufficiently analyse the underlying political power relations which enabled the changes in economic policy made during past crises and blocked them more recently.

Idealist conception of neoliberalism vindicating its theory

Neoliberal theory had been criticised long before the financial crisis. In 1986, Hyman Minsky made the convincing and empirically substantiated case that financial markets were inherently unstable and that political economy in favour of free markets was only 'conditionally coherent' (Minsky (2008 [1986]:117). And as Quiggin (2010) argues, neoliberal ideas, such as the Efficient Market Hypothesis, trickle-down economics and privatisation, should have been considered 'dead' before the crisis. The notion of trickle-down economics was being heavily criticised in the 1980s. The knowledge that the US stock market was vulnerable to financial bubbles was known at least since the bursting of the .com bubble in 2000. Hence, it is difficult to explain why authors thought that the financial crisis would prove neoliberal theory wrong. Because of his explicitness, Gamble (2009:64) can be quoted again. He states: 'After the events of 2007-08 the Efficient Market Hypothesis is in ruins, and the world is due for a new intellectual and political revolution.'

The problem with this argument is that it implies an idealist conception of neoliberalism, that neoliberalism is an efficient market theory (among others) put into practice. This conception is questionable and has been criticised by several authors (Crouch 2011, Mirowski 2013a, Peck 2010). Modern financial markets, as in 2008, are far from the ideal of complete markets. Furthermore, the argument that the financial crisis would prove neoliberal theory wrong has a dilemma, because the reverse of this logic is that neoliberalism's survival must be interpreted as vindicating its theory. In order to prevent such mistaken conclusions, the relation between neoliberal practice and neoliberal theory must be properly analysed, following the question: If it is not neoliberal theory which neoliberal practice is based on, what is it based on?

Neoliberalism as a conceptual 'trash heap'

Blaming the financial crisis on neoliberalism was popular, especially in left-wing discourse. Peck (2010) has shown the rising popularity of the term 'neoliberalism' in the run up and during the crisis. However, as Peck (2010) argues, this popularity has added to the growing fogginess of the meaning of neoliberalism. It led to the practice of subsuming whatever potential causes of the crisis and the problematic phenomenon of capitalism under 'neoliberalism', so that Boas and Gans-Morse (2009:156) called it a 'conceptual trash heap'.

This practice is problematic in two ways. Firstly, by making neoliberalism a clutter of unrelated phenomena, a useful analysis of underlying political and economic processes becomes near impossible. Secondly, by implication, if everything which is wrong with capitalism is neoliberal in form, then the reverse argument could be that neoliberalism is everything that is wrong with capitalism. This, however, is a questionable conclusion, signifying that capitalism could be fixed if neoliberalism was fixed. Hence, the practice of using neoliberalism as an umbrella term has the danger of implying that capitalism can be 'cured' of all its problems, which, assumedly, is not intended by most critical authors. Thus, it is necessary to pay attention to the clear distinction between what phenomena can be related to neoliberalism and what should not be.

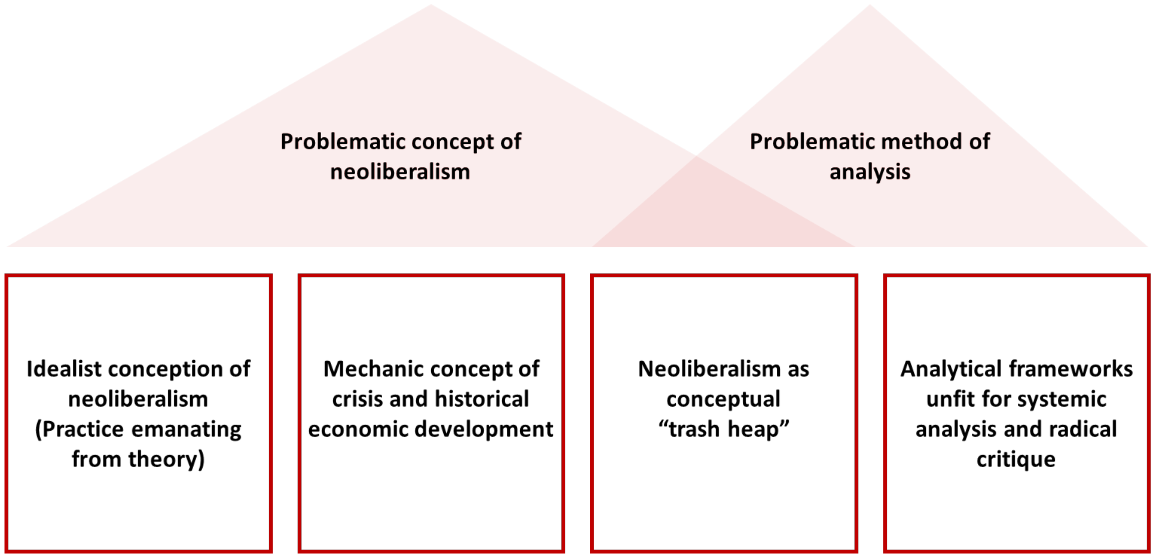

CHART 2.2, 3+1 INDICATIVE PROBLEMATICS IN THE CRITIQUE OF NEOLIBERALISM

A crisis of neoliberalism or a crisis of neoliberal critique?

The survival of neoliberalism has puzzled critical analysts. It appears that it was not neoliberal theory, which was proven wrong by the financial crisis, but those people who predicted the end of neoliberalism. This crisis of neoliberal critique could also be the reason why post-crisis approaches to neoliberal problematics refrained from using the term 'neoliberalism' to such an extent (i.e. Duménil and Lévy 2018, Lapavitsas 2013, Piketty 2014, Streeck 2017). Others who have continued the explicit engagement with neoliberalism have shifted their focus away from crisis and towards other topics, such as the problematic relationship between neoliberalism and democracy. Hence, they draw on the findings of pre-crisis approaches, such as '*Post-democracy*' (Crouch 2005). An example of this is the discourse of authoritarian neoliberalism by Tansel (2017) and Bruff (2014), as well as Brown (2015 and 2019). Those who critically engaged with the reasons for neoliberalism's non-death have found that it was the political power of the neoliberal political and economic hegemony (Crouch 2011) or the superior organisational structure of neoliberal elites (Mirowski 2013a) which played a vital role in neoliberalism's survival. Economic analyses of neoliberalism seem to have become scarce since the financial crisis.

The further analytical work of this thesis is based on the findings of this chapter but also critically engages with the noted indicative problematics of critical discourse. Hence, it, firstly, provides an analysis of the interplay between economic developments and underlying political processes, as well as power relations. Secondly, in order to contrapose an idealist interpretation of neoliberalism, it analyses the relationship between theory and practice, producing a concise model. Thirdly, it clarifies which casually associated phenomena can be systemically related to neoliberalism and which must be separated.

3 Approach and analytical methods

This chapter directly ties in with the findings in Chapter 2 around locating neoliberalism in the critical literature. It has been established that a large range of literature on the topic of neoliberalism already exists. Hence, this thesis builds on already existing findings on this topic. However, by means of critical discussion, it was concluded in Chapter 2 that in the critical literature on neoliberalism, common problematics can be identified.

Common problems in critical literature identified in Chapter 2	**Methodological countermeasures in the approach of this thesis**
The explanatory framework does not allow systemic depth of analysis	Application of an explanatory framework which allows a **systemic** analysis of neoliberalism this thesis, hence, being able to look at the social relations between allocation, production and distribution
Mechanic understanding of historical development of economic phenomena	Economic phenomena must be assessed for underlying political processes. Hence, an analysis of neoliberalism must not exclusively focus on analysing economic data but must be '**politico- economic**'
Idealist approach to neoliberalism, which insinuates a causal relation from theory to practice	Establish a critical understanding of the relationship between theory and practice. In order to do this, the approach must be **systematic**; hence, theory and practice must be at first analysed each in their own respect, so that, thereafter, possible connections and contradictions can be worked out
Neoliberalism as a conceptual 'trash heap' of unrelated phenomena	**Critically analyse and differentiate** which phenomena must be counted as essential parts of neoliberalism, and which are only loosely associated with neoliberalism. Critically question data and the methods behind them

TABLE 3.1 COMMON PROBLEMS IN CRITICAL LITERATURE AND METHODOLOGICAL COUNTERMEASURES

These identified common problematics serve as a foundation of the further analysis in this thesis. On the one hand, they point to explanatory gaps in the critical discourse of neoliberalism. Hence, they indicate areas where further scientific investigation is needed and where original contributions to the discussion of neoliberalism can be made. In order to transparently connect the method of this these to the explanatory gap identified in Chapter 2, methodological countermeasures are derived from these common problematics (see Table 3.1).

It is the goal of this chapter to provide a further analysis of this PhD with a politico-economic approach to neoliberalism and the necessary analytical methods which will enable a deep analysis of how neoliberalism works. Hence, the research question of this PhD is: ***What are the essential politico-economic processes underpinning neoliberalism*?**

This chapter lays out and explains the chosen approach and analytical methods of this thesis. It is concerned with explaining the chosen heterodox explanatory frameworks of this dissertation, enabling a systemic analysis and critique of neoliberalism, but also introducing a systematic approach to neoliberalism.

3.1 Explanatory frameworks for a systemic and politico-economic analysis of neoliberalism

Following the critique presented in Chapter 2, an explanatory framework is developed below, which attempts to address the shortcomings highlighted in the discussed literature. The framework must have the capacity to connect quantitative economic observations to a discussion concerning the question of the distribution of political and economic power within a society. Furthermore, the framework has to enable the analysis to investigate the distribution of production output, especially income and wealth, as Piketty (2014) does, and to expand into the question of the allocation of the means of production and capital and, hence, the political economy of the production process. This means an expansion from the question, *how are products and profits distributed?* to *under what social and political relations are products and profits produced?* This approach is necessary in order to thoroughly investigate the reasons and processes which create inequalities in income and wealth in the first place.

Thus, the framework for the analysis must be capable of producing a systemic understanding of the social dynamics of capitalist society. The framework should be able to describe the social relation between commodity production and commodity exchange, output production and output distribution, capital profitability, and labour exploitation. Furthermore, to enable a politico-economic understanding of neoliberalism, the analytical framework must also provide the possibility of including political processes in the analysis of economic phenomena; hence, it must acknowledge the existence of power relations which have a reciprocal effect on economic developments. In the following, three explanatory frameworks are presented, which provide appropriate approaches and methods for the analysis.

3.1.1 The Marxist theoretical framework

Marxism has undergone turbulent development since its theoretical conception over 150 years ago. It has been a source of controversy in academic and in political discourse ever since. In political discourse, Marxism has been used, misused and distorted by political movements. Historically, it became a leading ideology of workers' movements and socialist parties. As such, it was subject to censorship and bans. After the Russian revolution, the perception of Marxism was heavily distorted by the development of Soviet Marxism and governments allegedly raising it to their state ideology, merely paying lip service to the main axioms. Meanwhile, a heterogeneous and independent Marxist tradition manifested itself in Western Europe and the US, being based in academia rather than in party leadership. After 1968 Marxism grew again in popularity and brought a new dynamic to scientific discourse (Pirker and Stockhammer 2009:68f.).

Taking this heterogeneity into consideration, it is important to set limitations on the understanding of Marxism in this paper. Marxist theories are used as tools for analysis; hence, Marxism is used as an academic discourse and a scientific, analytical toolbox. The understanding of Marxism as a state ideology or as a form of government is beyond the scope of this analysis.

Obviously, Karl Marx did not know the phenomenon of neoliberalism in his time. But his understanding and critique of the capitalist mode of production and the elementary misunderstanding of capitalism by classical political economists of Marx's time is still an essential base for a contemporary discussion, and thus, a useful input for an analysis of neoliberalism. For the sake of clarity, this work differentiates between classical Marxist theory when referring to exclusively original text of Karl Marx himself and the 'Marxist theoretical framework' (MTF), a much broader term, including a nexus of heterogeneous approaches which are founded on the principles of Marxist theory. In this thesis, approaches and methods of the Marxist theoretical framework are used as tools of analysis and a critique of neoliberalism.

The actuality of a Marxist critique of political economy

Classical Marxist theory is relevant to a contemporary discussion of political economy, although neoliberalism came into being more than 100 years after Marx's '*Das Kapital*' was published in 1867. Marx's contribution to political economy and, hence, to the analytical efforts of this PhD are twofold: Firstly, it is a radical critique of the economists in Marx's time and their orthodox understanding of economic mechanisms and capitalism in general. The element of critique plays an essential role in the Marxist theoretical framework. Marx conceived a major part of his work specifically as a critique of political economy. Hence, his famous work '*Capital*' was given the subtitle '*A Critique of Political Economy*' (Marx 1990 [1867]). The Marxist critique of the elementary assumptions of classical political economy provides useful inputs for the analysis of today's neoclassical political economy. Many of the principal assumptions criticised by Marx have been adopted into today's mainstream explanatory frameworks. One example is Smith's idea of the general positive effect of an individual's selfish and rational behaviour, and the deriving concept of the 'economic man' (Smith 1776) or 'homo economicus' (Kirchgässner 1991). Still today, the concept of the person as a self-interested and rationally deciding individual, whose major goal is to maximise his or her utility, is a core assumption of micro-economics. The single place where a person can achieve this goal is the market. The notion of defining a tendency towards markets as human nature thus generates the impression of an ahistorical 'naturalisation of the social relations' (Heinrich 2004:32) within capitalism (see also Foley 2006). This implies that capitalism is the natural expression of some given human instinct to socially organise via market structures, and that capitalism did not develop historically through political and social processes but is a part of human nature. In order to achieve the objective of maximising utility, individuals have to be able to compete against each other in a free market. The core values of individual freedom and self-responsibility are, therefore, directly connected to the availability of a free market. These fundamental concepts of political economy are not only direct parallels between classical liberalism and today's neoliberalism, they are also the very targets of Marx's radical critique of the subject of political economy.

Logically intertwined with the assumption of a naturalness of capitalism, is the academic argument that politics and economics are two distinct scientific subjects, which should be dealt with separately. In the times of Adam Smith, this academic discipline was called 'political economy', semantically and logically connecting politics and economics. However, Smith argued that political interference with the markets was pointless or, at least, undesirable. Political intervention in the economy would interfere with the markets' natural self-regulation and the general output would be inferior to the free interplay of supply and demand. Today's subject of economics has dropped the word *political* but has further developed the concept of efficient markets. The argument remains the same: politics and economics are separate subjects (Foley 2006, Heinrich 2004). The Marxist theoretical framework, as well as many other heterodox approaches, such as post-Keynesians, have a contrasting view to the question of politics and economics. They argue that these subjects cannot be seen as separate, but must be understood as reciprocally interdependent, and, hence, that politics and economics cannot be analysed effectively if they are regarded as separate subjects.

The marginal utility theory of value and the assumption of a 'naturalness' of capitalism as well as an ahistorical understanding of capitalism have in common that they conceal the social character of the mode of production and the social conflicts inherent to it. The notion that there is a general benefit for everybody if all people enter into individual selfish competitions against each other in order to maximise their utility masks the fact that there are groups of individuals, with fundamentally different starting positions in this struggle and have fundamentally opposing interests. This element of conflict in capitalist society, which was noticed even by classical political economists, has been removed from today's economic mainstream. This element of conflict between social classes is what Marx tried to unveil with his analysis.

The tools of Marxist analysis

As well as providing a critique of orthodox political economy, Marx produced important tools for a systemic politico-economic analysis of capitalism and its historical trajectory. He described capitalism as a historically specific mode of production which came to predominance through historical political and social processes. Hence, the trajectory of an economic hegemony cannot be seen independently from a political sphere, including the development of power relations. Moreover, it is not only economic macro-trends which are interwoven with social structures. Marx (1990 [1867]) shows that even on the micro-level, the capitalist production process appears as a social process, creating not only production outputs, but also the social foundations of capitalist society. For a better understanding of this, it is useful to take a closer look at Marx's labour theory of value (LTV).

The general idea of a labour theory of value did not originate with Marx himself. Classical political economists, such as Ricardo (1817) and Smith (1776), also worked with labour theories of value. Basically, a labour theory of value postulates that the creation of value through production is the effect of the application of labour to the production process. But Marx's theory of value is distinct from others insofar as it points out the systemically inherent interconnectedness of social and economic processes within the capitalist mode of production and capitalist society through the application of labour to the production process.

The process of capitalist production starts with a money owner wishing to expand their fortune by making a profit. This notion is crucial because this basic condition of capitalism is only given if investors have the prospect of earning profit. As an input factor into the production process, the money owner buys raw materials and labour power, which are transformed into a new product. Human labour has a special quality, setting it apart from other input factors. It is the only production factor which does not vanish with its application to production but can be reproduced every day. The money owner who provides capital and buys labour power is accordingly called a 'capitalist':

> 'As the conscious bearer [Träger] of this movement, the possessor of money becomes a capitalist. His person, or rather his pocket, is the point from which the money starts, and to which it returns. The objective content of the circulation we have been discussing – the valorization of value – is his subjective purpose, and it is only in so far as the appropriation of ever more wealth in the abstract is the sole driving force behind his operations that he functions as a capitalist, i.e. as capital personified and endowed with consciousness and a will' (Marx 1990 [1867]:254).

In the capitalist mode of production, the capitalist buys labour power from workers in a free labour market. This sets capitalism apart from economic systems where workers were not free but, for example, are enslaved and, hence, mere commodities themselves. In capitalism, however, workers must be free in a double sense. They have to be free in person so that they can freely decide over their labour power. And they have to be free from owning any capital so that they cannot act as capitalists themselves. The only commodity which workers can incorporate into the production process is their labour power (Marx 1962 [1867]:183; Pirker and Stockhammer 2009).

The Marxist LTV maintains that it is the application of labour power to the production process which creates value (Marx 1962[1867]:192ff.). However, noticeably the workers are not paid the value they create in the production process but, instead, are paid the exchange value of their labour power, a wage, which amounts to a fraction of the value they create. Created value, therefore, logically consists of the exchange value for labour which a worker is paid in form of a wage and the so-called 'surplus-value' (Marx (1990 [1867]:293), which goes to the owner of the means of production in the form of profit. The capitalist is in the right of the profit because it has been produced by his means of production, including the right to use labour power, which he purchases from the workers. As the workers are not paid the full value which they create with their labour power, Marx (1990 [1867]:320) calls this process 'exploitation'.

It is important to note, however, that Marx does not intend to make a moral argument by calling the process 'exploitation'. He explains that in terms of the exchange of equivalents, the workers are paid the exchange value of the labour power which the capitalist bought from them. In the logic of the capitalist system, the workers are paid a fair market price. It is a fortunate by-product for the capitalist that the application of labour to the production process is creating value. When this created value exceeds the price of labour power, it produces surplus value for the capitalist (Heinrich, 2004: 94). The Marxist LTV is important to this thesis because it points out that the exploitation of labour and the uneven class dichotomy of capitalists and workers are not a regrettable or unmoral side-effect of capitalism, but a central defining element of the capitalist mode of production. Understanding the production process in the capitalist mode of production as a social process which produces a class system and is based on systematic exploitation is an analytical cornerstone of this thesis. It enables the analysis to systemically connect questions of distribution of income and wealth with the fundamental organisation of the production process.

Today, academic Marxism has vivid strands in several scientific disciplines, such as political economy, sociology and geography. Hence, this thesis can rely on very recently produced Marxist contributions, which are, henceforth, called the 'Marxist theoretical framework' (MTF). The MTF also encompasses recent, mainly empirically based, studies in connection with the financial crisis and Great Recession, which are discussed below.

The relevance of Marxist crisis theory

A discourse on crisis theory within the Marxist theoretical framework (MTF) was sparked and boosted by recent financial crises. As many orthodox economists struggled to make sense of the Great Recession, heterodox voices, among which were Marxist ones, had a chance to be discussed in mainstream media for a short period of time.

Contemporary Marxist crisis theory encompasses several schools of thought. The *underconsumptionist theory* claims that crises arise from the inability of the mass of people to consume mass products because of structural poverty. The lack of demand then stifles capital profitability because produced products cannot be sold on markets. Harvey, Paul Sweezy and Rosa Luxemburg are counted in this school. Also, many post-Keynesians who focus their analytical work on inequality and wage-led economic regimes have a certain proximity to this school of thought. The other side of this coin is *overproductionist theory*, which claims that crises arise from an overheating production, producing output that cannot be met by market demands. Another crisis theory, the theory of *profit squeeze*, has been produced by Andrew Glyn and Bob Sutcliff, as well as Raford Boddy and James Crotty. It contends that the profitability crisis, which mature capitalist economies experienced in the late 1960s and 1970s, was caused by rising wages and bargaining power of the working class after the Second Word War (Pirker and Stockhammer 2009:80ff.; Roberts 2016:18ff.). On a theoretical level, and as an explanation of recurring crises, the profit squeeze theory and the underconsumptionist theory stand in sharp contrast. While the former contends that high working wages are a source of crisis, the latter explains the same through a lack of demand due to low wages. In practice, it shows that both mechanisms could be arguably observed to play a role in different crises in different decades.

A Marxist theory which is of special value for the argument of this thesis, is the theory of the tendency of the rate of profit to fall (TTRPF). It claims that the aggregated rate of profits (ROP), which is defined as the rate of profit of capital invested into the production process, tends to decline over time. It is one of Marx's (1993 [1894]) most substantial theoretical accomplishments, and one of his most passionately discussed in the MTF. A definition of the TTRPF and its integration into the line of argument of this thesis are provided in Chapter 7.2.

Two things concerning Marxism are important to note at this point. Firstly, crisis theory is not the focus point of this thesis. Hence, it is not the intention to contribute to the exhaustive discussion of what ultimately caused the Great Recession. This discussion is fiercely contested in the contemporary literature, but is not central to this this. Instead, the output of this discussion and the multitude of crisis theories – from underconsumptionist, to profit squeeze and profitability – are taken into account because they help to shed light on mechanisms which help explain neoliberalism.

Secondly, this thesis does not intend to engage with a discipline which might be called Marxist bible studies. Marx's writings and theories, as is the case with any other author, must be critically read and analysed. In this thesis, no argument is considered more significant simply because it is closer to Marx's original writings or intentions. This would not produce a useful discussion. Like any other political scientist or political economist, Marx made mistakes, produced conflicting statements over the years and, at some points, even changed his mind about his own theories. Such is the case, for example with his crisis theory. In '*Grundrisse*', Marx (2014) calls his theory of the tendency of the average rate of profit to fall the most important law of political economy. However, in the third part of '*Capital*', Marx (1993 [1894]:615) states: 'The ultimate reason for all real crises always remains the poverty and restricted consumption of masses.', which clearly points towards an underconsumptionist theory. And finally, as contemporary Marxist researcher Michael Heinrich, who studied the vast amount of Marx's unpublished texts has noted, Marx quietly dropped the TTRPF in his later years because he found it logically problematic himself (Roberts 2016:14ff.). Furthermore, as Harvey (2016b) points out, the observation of a falling rate of profit does not automatically vindicate Marx's crisis theories, but could be an effect of other reasons, such as strong organised labour, resource scarcities, increasing monopoly or the increasing rent extraction of industrial capital in the form of rising rentier incomes.

Hence, it must be clearly stated that the intention of this thesis is not to verify the validity of Marx's thesis, but his TTRPF is used as an input for explaining empirical observations. The TTRPF is useful because it explores dynamics which are understood as neither arising from claimed natural laws nor from accidental chaos, but are systemic socio-economic relations produced by the capitalist mode of production. As such an explanatory framework, the TTRPF is a useful tool for analysing the development of capitalism and its latest phase, neoliberalism.

3.1.2 Post-Keynesian politico-economic analysis

The analysis conducted in this thesis has to fulfil two requirements. It has to be systemic, in the sense that it needs to be directed towards interrelation and the contextualisation of different observations and theories. This requirement is met using the Marxist theoretical framework. But it also has to be analytical, in the sense that it must provide a focused view on essential singular factors. This requirement is met by the use of post-Keynesian sources. The following section provides a brief overview of what constitutes post-Keynesianism and how it contributes to this thesis.

Post-Keynesianism is a broad politico-economic school, with many strands in heterodoxy. Some of its analyses have a proximity to Marxism; however, there are significant differences, hence they must be considered a distinct school of thought. The post-Keynesian politico-economic school complements the Marxist theoretical framework as a strong analytical toolbox for the sake of this thesis. Its theoretical roots are in the writings of Keynes, specifically the '*General Theory of Employment, Money and Interest*' (Keynes 1964 [1936]) but have been further developed over time, for example by Hein (2014) and Lavoie (2014).

Post-Keynesians see themselves in the heterodox tradition of Keynes, who provoked a change in economic thinking against the background of the worldwide Great Depression. Keynes argued that liberal market economies have a tendency towards phases of high unemployment and unstable financial markets. This was a far step from the liberal laissez-faire orthodoxy of his time. Since then, Keynesian analyses were unwillingly integrated as special cases into the orthodox models, which they intended to criticise. The term post-Keynesianism was formed alongside the constitution of a distinct politico-economic school in the 1970s. It is built on the theories of Joan Robinson, the monetary economic analyses of Paul Davidson and Hyman Minsky, with his analysis of financial instability in '*Stabilizing an unstable economy*' (Minsky 2008 [1986]), and the macro-economic models of Michal Kalecki (Stockhammer 2009:17ff.).

Similar to Marxism, post-Keynesian theory incorporates classes, institutions and social groups into its explanatory framework. The development of wages, for example, is not defined to be determined by market forces alone, but as the product of bargaining processes between social classes. Hence, economic analyses are not limited by the narrow horizon of orthodox economics, but are understood as part of much broader socio-economic and political processes, including the bargaining power of labour, institutional arrangements, unions, laws which govern labour markets, wages and social security (Palley 2009; Stockhammer 2009: 22). Furthermore, as Lapavitsas (2013:31) points out in his analysis of financialisation, post-Keynesians, similar to Marxists, understand the systematic connection between a declining or stagnating production sector and a prospering financial sector in times of financialisation.

The post-Keynesian literature is especially valuable for this thesis because, in recent years, it has produced numerous empirical studies which have a critical politico-economic focus. Lately, for example, post-Keynesians have produced an impressive amount of useful analyses on the topic of finance capitalism and financialisation. Authors such as Hein and Detzer (2015), Dünhaupt (2012, 2014, 2016), Springler (2009), and Stockhammer (2009, 2010 and 2015) have produced empirical studies and analyses which serve as effective contributions to the discussion of the relationship between economics, political power and social questions. They provide empirical data and, accordingly, analyses which are closely related to the investigatory focus of this thesis.

However, it is necessary to point out significant differences between the Marxist theoretical framework and post-Keynesianism, that have a determining effect on how these schools of thought are used in the analysis and synthesis of this PhD. A central principle that distinguishes post-Keynesianism from other schools of thought within the discipline of political economy is the principle of *effective demand*. Essentially it maintains that aggregate demand is the determining force regarding economic output and employment. This means that capitalist economies are understood as demand-led, in the short run, as well as in the long run (Lavoie 2014:35). This understanding is contrary to the Marxist theory, which, as was discussed above, claims that capitalist circulation is led by investment considerations, especially capital profitability. This becomes apparent, for example, when the 1970's crisis is discussed in Chapter 7, which, examined with Marxist analytical tools manifests itself as a profitability crisis. Whereas from a post-Keynesian perspective, a profitability crisis due to overinvestment in fixed capital is difficult to conceive.

Hence, it is important to clarify that in the following analysis and synthesis of this PhD, the similarities but especially the differences between Marxist and post-Keynesian understanding of capitalist economies are acknowledged. Post-Keynesian sources are used as valuable inputs to the discussion, however in cases of contradicting principles and conclusions, in this PhD, the Marxist approach will be given priority.

3.1.3 Regulation Theory School

The Regulation Theory School is, in its theoretical layout, closely linked to Marxist theory, as well as to post-Keynesianism. For some, it is even debatable, if it should be integrated into Marxism or post-Keynesianism (Lavoie 2014). At about the same time, when post-Keynesians officially constituted their own school of thought in the UK and US of the 1970s, the regulation theory movement was starting in France. It originated with Marxist political economists such as Aglietta (1976) asking why capitalism, despite its inherent contradictions, can achieve stability, even if just temporary. They found answers in the regulation regime, procedures, norms and the processing of contradictions. Structural forms of regulation are conditions of wage, competition and money, as well as the state. The state, however, takes on a central role in regulation because it encompasses a large amount of a society's governance activity by formulating and executing laws. This general understanding remained with the Regulation Theory School even when the Marxist influences were substituted by post-Keynesian strands of theory, which caused a rising interest in an institutionalist point of view (for example: Hübner 1989 and Boyer 2004; Becker 2009:89ff.).

Regulation theory understands the process of accumulation as a monetary process and a circulation based in production. Focus points are the rate of profit, the use of profits and investment. Stabilised forms of accumulation connote an *accumulation regime*, which is characterised by the relation of accumulation to consumption, and capitalist to non-capitalist sectors, as well as the relations of foreign economics. In the 1990s, regulation theory complemented the monetary circulation of the production process with another monetary circulation in financial processes (Becker 2009:96).

Accumulation regimes, so regulation theory claims, require stabilising support from economic and social policy, as well as from legal and social norms, which are fields of political struggle. This struggle arises from several conflicts and contradictions within the socio-economic fabric of capitalist society. Aglietta (1976) claims that capitalists are, on the one hand, in conflict with each other because of competition. But, on the other hand, they are also in conflict with their workers because of conflicting class interests. Becker (2002) adds to this analysis, arguing that not only are capitalists are in competition with each other, but that in capitalism, all social groups are subject to constant competition. Workers compete against each other on the labour market, and different social levels compete for ascent and against extrusion. Putting these forms of conflict into context produces a complex conflict matrix of capitalist society (Becker 2009:100ff.).

In conclusion, regulation theory adds some useful analyses to the toolbox of this thesis. It complements the Marxist theoretical framework and the post-Keynesian politico-economic analysis very well. The general idea of capitalism being organised in different accumulation regimes which demand a certain regulation is compelling as a discussion input. According to this theory, neoliberalism can be understood as a specific accumulation regime with specific modes of regulation. The insights of the regulation school are useful in providing nuance to the understanding of neoliberalism, because they allow to grasp it as one means of accumulation among many overlapping regimes.

3.2 A systematic approach to the analysis

As was concluded in Chapter 2, a common problematic in literature discussing neoliberalism is an idealist understanding of neoliberal practice emanating from neoliberal theory. Hence, it is the aim of this thesis to establish a critical understanding of the relationship between theory and practice. This is necessary because it is plausible that neoliberalism is not coherent, meaning the practice does not appear to follow the theory. But the analysis has to be more nuanced than a simple distinction between theory and practice. What is understood here under the term 'neoliberal theory' is not a monolithic, commonly accepted theory of neoliberalism, but rather an accumulation of political, economic and philosophical theories and claims. In Chapter 4 these theories and claims are outlined and critically discussed, in order to gain a better understanding about what can be understood as 'neoliberal theory', and to point out possible contradictions within.

Conversely, 'neoliberal practice' could encompass a very wide range of fields of analysis. Chapter 5 aims to provide a complementary, practice-based view of neoliberal political economy and, thus, an important input for the discussion of neoliberalism. Neoliberal practice is analysed with an empirical meta-study of socio-economic data from the US and Germany in Chapter 5. A two-country comparison is useful in several ways. At first, only looking at a single country would risk the criticism that the described observations were isolated and country specific. However, this thesis intends to reveal mechanisms which are specific for neoliberalism and, hence, should not be limited by the geography of national borders. Furthermore, Germany and the US, although both mature capitalist economies, differ in terms of numerous political, economic and social factors. Nevertheless, neoliberalism has been rolled out in both of them to a certain degree. Hence, the essential processes underpinning neoliberalism should apply to both.

A comparative study of two very different capitalist economies is also expected to produce conclusions in respect of the question of which phenomena can be described as essential parts of neoliberalism and which appear to be merely associated with it. Hence, in reference to Boas and Gans-Morse (2009), it helps to bring some order to the conceptual 'trash heap' of neoliberalism.

Chapters 4 and 5 are analytical in their approach, in the sense that they aim to break neoliberal theory and practice apart into the elements that compose them; in order to gain a more detailed and nuanced understanding of them. Following thereafter, the approach of Chapters 6 and 7 is a synthesis, in the sense that the analysed elements are contextualised and reconnected into a useful picture. This systematic approach of analysis and synthesis can provide an illumination of the systemic social relations and connecting politico-economic processes connecting such observations and can help reaching a better understanding 'how neoliberalism works'.

4 Analysis of neoliberal theory

In consideration of the systematic approach of this PhD, the following chapter is concerned with an analysis of neoliberal theory, which is superseded by an analysis of neoliberal practice in Chapter 5. The location of neoliberalism in the critical literature in Chapter 2 has shown that many popular and academic misconceptions of neoliberalism are based on the problematic that neoliberal practice does not appear to be in accordance with neoliberal theory. In other words, what is said seems to differ from what is done. Several conflicts between neoliberal theory and practice have already been revealed by academic studies.

The analysis of the critical literature in Chapter 2 also allowed for the conclusion that in the discourse of neoliberalism, the conception of the role of neoliberal theory is unconnected with neoliberal practice and policy. It appears that many authors implicitly build their critique on neoliberalism on an idealist understanding – that neoliberal practice emanates from theory. In order to investigate this, the cohesion between neoliberal theory and practice must be analysed in detail. However, in order to do that, the term 'neoliberal theory' must, first, be clarified. The conceptual conflation of neoclassical economics and other 'neoliberal ideas', as is done by Quiggin (2010), suggests that the neoliberal label is rather feebly used.

Hence, in this chapter, a better understanding of what should be understood as 'neoliberal theory' and what should not, is developed. What can be stated already beforehand about the object of analysis, is that there is no monolithic, commonly accepted theory of neoliberalism in the narrow sense, but rather an accumulation of political, economic and philosophical theories and claims. Furthermore, what is also important in this respect is to note that the following chapter differentiates between neoliberal theory and neoliberal strategy.

These commonly conflated theoretical approaches to neoliberalism must be untangled because they have a different explanatory quality. Neoliberal strategy is understood, henceforth, as purely an instrumental concept.

The aim of this chapter is top produce a concise and critical understanding of neoliberal theory so that, subsequently, in Chapters 6 and 7, the role of neoliberal theory, its performative character in respect to policy, social actors and historical economic developments can be further analysed. Hence, this chapter also contributes to answering the question as to whether an idealist conception of neoliberalism is legitimate and whether neoliberalism's survival of the Great Recession vindicated its theoretical underpinnings, which both were points of critique of key literature on neoliberalism in Chapter 2.

This chapter is organised into several analytical steps. In order to structure it more comprehensively, the analysis follows a rough chronology. This further acknowledges the historical development of neoliberal theory in terms of popularity, internal contradictions and conceptual changes. At first, the term neoliberalism is analysed using etymological considerations. It asks where this term comes from and what it is supposed to signify. Next, the analysis deconstructs neoliberal theory into its constituent parts and considers them separately, including looking at their historical roots in different economic schools of thought. This analysis seeks to generate an understanding what the syllabus '*neo*' in neoliberalism signifies and what these new theoretical characteristics are supposed to be. In the next step, the analysis explores the quality and nature of contemporary neoliberal theory and its relation to neoclassical economics. Finally, the theoretical implications which neoliberalism has for policy and governance in the sphere of corporate management and of national governance are investigated. By doing so, a special focus is given to the question of the relation of neoliberal theory with democracy.

4.1 Etymological considerations

The evolution of the term '*neoliberalism*' is a relevant phenomenon on its own. Even a short etymological analysis of its origin, history, original intent and the development of meaning over time allows one to draw presumptions regarding the evolution of neoliberal theory.

The term 'neoliberalism' was formed by a small group of reactionary, free-market intellectuals. As a result of the Great Depression of the 1920s and 1930s and the abolition of laissez-faire economics, they had lived through years of intellectual opposition and academic neglect. Plehwe (2015:10ff.) and Walpen (2000) find that the first use of the terms in the modern sense dates to 1925 and a book by Swiss economist Hans Honegger titled '*Trends of Economic Ideas*'. Honegger's account, however, was, besides expressing his rejection of upcoming socialist and Bolshevist political economy, still dominated by classical liberalism. In the 1930s, the term started to appear more frequently (see also Nollert 2005).

In the 1930s, a loose international academic network of liberals and reactionaries formed, which, in the eye of the Great Depression, attempted to develop a new kind of liberalism. The network was rather pluralistic in the beginning, discussing not only right-leaning ideas for a new liberal theory, but also some left-leaning ones. This was also reflected in the search for a common name for this intellectual movement. Walpen (2004a:60) and Plehwe (2015:12) list several propositions which were discussed besides neoliberalism, such as liberalism positif, liberalism social, néo-capitalism and liberalism de gauche (liberalism of the left). The term 'neoliberalism' firstly institutionalised itself at the Colloque Walter Lippman, an international convention of liberal intellectuals in Paris in 1938, where it was also introduced by the German economist, Alexander Rüstow, and since had been used by Mises and Hayek as well. Several years later, these efforts of institutionalisation led to the founding of the

Mont Pèlerin Society (MPS) in 1947, which, as many argue, served as a sort of centre of neoliberal thinking and as a central neoliberal intellectual institution until today (Mirowski 2013a, Peck 2010:39ff; Plehwe 2015:10ff.).

During the early decades, which were characterised by intellectual opposition and hegemonic neglect, the concepts of neoliberalism were theoretically parted from the old classical liberalism. In the following years, neoliberals started to understand themselves as a new and distinct intellectual and political movement. Milton Friedman cast a distinct understanding of neoliberalism shortly after the foundation of the MPS, of which he was a member, when he explicitly wrote about neoliberalism and its prospects in 1951:

> '[The] fundamental error in the foundations of 19th century liberalism [was that it] gave the state hardly any other task other than to maintain peace, and to foresee that contracts were kept. It was a naïve ideology. It held that the state could only do harm [and that] laissez-faire must be the rule… A new ideology must … give high priority to limiting the state's ability to intervene in the activities of the individual. At the same time, it is absolutely clear that there are truly positive functions allotted the state. The doctrine that, on and off, has been called neoliberalism and that has developed, more or less simultaneously, in many parts of the world… is precisely such a doctrine… [I]n place of the nineteenth century understanding that laissez-faire is the means to achieve [the goal of individual freedom], neoliberalism proposes that it is competition that will lead the way … The state will police the system, it will establish the conditions favourable to competition and prevent monopoly, it will provide a stable monetary framework, and relieve acute poverty and distress. Citizens will be protected against the state, since there exists a

> free private market, and the competition will protect them from one another' (Friedman 1951a).

In this text, Friedman points out what the syllabus 'neo' is supposed to signify. Neoliberalism was understood as a newly constructed doctrine which, while emphasising its intellectual heritage, differentiates itself from classical liberalism and its historical and theoretical flaws. It was supposed to signify a break with laissez-faire politics and, instead, introduce a better understanding of the economic functions of the state. What neoliberalism never lost between the 1920s and 1950s was the element of understanding itself as a counter-movement or counter-ideology to the prevailing political economy. Most importantly, it understood itself as opposing the ideas of collectivism and socialism, a unifying element the neoliberals never lost. Plehwe (2015:6) argues that this negative distinction from left-wing and collectivist political economy has been a central common denominator of neoliberals. Meanwhile, a common positive denominator is much more difficult to identify in the vast plurality of coexisting neoliberal theories. A mutually formulated definition of neoliberalism was never issued by the MPS.

When neoliberalism finally reached recognition at a government level and found its way into economic policies of the UK and the US in the 1980s, the term itself was barely used. The governments of Ronald Reagan and Margaret Thatcher refrained from officially calling themselves or their policies neoliberal. Instead, terms like *monetarism*, *supply-side economics* and *small government* were used. This changed significantly during the second half of the 1990s, when the term 'neoliberalism' suddenly re-entered the stage of politico-economic discourse. This time, however, neoliberalism was mainly used in a critical sense by academics and political groups in order to criticise and oppose it. Hence, the term neoliberalism made a comeback with a negative connotation.

In today's political discourse, the term 'neoliberalism' is nearly exclusively used in a negative sense and almost exclusively by people who distance themselves from it. The effect of this casual practice is that neoliberalism has become a noxious term in political debate and, as such, has lost much of its specific academic meaning, having the ability to encompass everything from the contemporary capitalist zeitgeist to several politico-economic and social phenomena (Peck 2010: 14ff.). Boas and Gans-Morse (2009:156) fittingly concluded that 'neoliberalism has become a conceptual trash heap capable of accommodating multiple distasteful phenomena without much argument as to whether one or the other component really belongs'.

Further etymological complications arise from the difference in the notion of the word 'liberalism' between Europe and North America. The closest translation of the term 'liberalism' as it is understood in Europe is 'conservatism' in the US, which, to make it even more complicated, is opposed to 'liberalism' in a North American understanding (Plehwe 2015:2f.). Americans also distinguish the term 'libertarianism', which describes a more pure and radical form of classical liberal or neoliberal ideology. In the American sense, 'liberalism' is, in contrast, understood as politically progressive and thus rather left-wing. Nevertheless, the term 'neoliberalism' managed to emerge into the critical academic discourse of contemporary capitalist political economy in the US as well. In American public discourse, however, the terms 'neo-conservatism' and 'libertarianism' are more common.

Besides this trans-Atlantic communication problem, neoliberals have throughout their history frequently attempted to coin new and more positively acclaimed terms for their theories and policies, such as pro-market, market liberalism, monetarism, Soziale Marktwirtschaft (German for social market economy), supply-side economics and trickle-down economics. It is useful to note at this point that the term 'liberal', to which neoliberalism refers, is used in this thesis in its original European understanding, referencing its roots in philosophical liberalism, and is traditionally associated with values such as individualism and personal liberty.

It can be concluded that, in terms of etymology 'neoliberalism' implies two deliberate conceptual dissociations. Firstly, 'liberalism' clearly differentiates itself from forms of statism, collectivism and socialism. The understanding of negatively delimitating any form of socialist ideology remains a defining element of the neoliberal movement ever since. Secondly, 'neo' implies the distinction from classical laissez-faire liberalism. While accepting the philosophical heritage, the neoliberal intellectual movement understood itself as something new and different, but also as an opposition. These two distinctions, which remain meaningful to the present day, have to be considered when analysing neoliberalism.

4.2 Historical roots of neoliberal theory

The following sections set out the composition of different theoretical elements which are defining components of neoliberal theory. The first element of neoliberal theory described here is classical, liberal political economy. It is pointed out that neoliberal theory has a dual relationship of referral and differentiation with its historical heritage.

The intellectual formation of pre-neoliberal theory started in the European inter-war period. Simultaneously, and at the beginning only loosely connected, liberal intellectuals in Austria, Germany, USA, Switzerland and France commenced a discourse for a new kind of liberalism. It became institutionalised with its first convention, the so-called Colloque Lippman in 1938, and finally led to the foundation of an international organisation in 1947, the Mont Pèlerin Society (MPS). The Austrian school, the Chicago school and German ordoliberalism are not only central theoretical strands of neoliberal thinking, but also played a decisive role in organising the Mont Pèlerin Society (Mirowski 2013a; Steiner 2015). Hence, they not only represent theories, but also different groups of people and rivalling factions within neoliberal discourse. However, it is important to note that these three original neoliberal schools of thought given consideration here are not the only strands of neoliberalism.

Power relations between factions in the Mont Pèlerin have changed since 1947. While the Austrian school was of major importance to neoliberal thought – its main protagonist, Friedrich August Hayek, was also the founder of the MPS – it lost its hegemonic status to the Chicago school over time. As Schnyder and Siems (2013:10) show, other strands of neoliberal thought emerged too, such as a 'libertarianism of the Rothbarthian anarcho-capitalist vintage', named after US economist and former PhD student of Mises's, Murray Rothbart. This strand can be described as radical laissez faire, neglecting all institutions from the state to the family. The following historical inquiry into the roots of neoliberal theory is interlocked with the actual history of neoliberal formation and its most important protagonists.

4.2.1 Classical liberal political economy

Classical liberalism emerged as a pluralistic concept of thought through ethics, philosophy and political economy. But it was not until Adam Smith's ground-breaking work that a particular thread of liberal economics was developed. Smith's career started in teaching logic at the University of Glasgow in 1751. He then was appointed to the chair of moral philosophy. In the years to come, Smith increased his interest in the subject of political economy and finally published his economic opus magnum, '*An Inquiry into the Nature of Causes of the Wealth of Nations*' in 1776. Unlike any other politico-economic analyses before that, Smith delivered a holistic approach to the understanding of economic mechanisms in the capitalist mode of production, including providing a theory of the functioning of free markets. Rothschild (2004:25ff.) agrees with Polanyi (2001:116), who asserts that Smith can be described as the founder of the science of economics and thus classical political economy. His ground-breaking work was a major influence on economic and political thinkers in the 18th and 19th century and, arguably, up to the present.

The starting points of Smith's political economy are considerations about human nature. Smith ascribes the natural tendency of humans to trade. It is in the market where humans can follow this nature.

> 'It [the division of labour] is the necessary, though very slow and gradual consequence of a certain propensity in human nature which has in view no such utility; the propensity to tuck, barter, and exchange one thing for another' Smith (1776:12).

Furthermore, Smith (1776:13) describes humans as self-loving, in the sense that every individual follows their own particular interests. However, when humans, with their individual interests meet in a free and competitive market, the effect is an effective distribution of goods and, hence, every participant's satisfaction. This passive effect, which turns individual intentions into public interest, is what Smith (1776:399) famously called the 'invisible hand'. It produces an all-over desirable outcome for everyone, without the need for a plan or governing body (Rothschild 2004:25ff.). Foley (2006) describes this promise by Smith – that humans are actually being good to their fellows indirectly, by behaving selfishly – as 'Adam's Fallacy'. He argues that Smith's claim is fallacious in a logical sense, as well as in a moral sense. Morally, it is fallacious because it guides people to legitimise morally wrong behaviour by claiming that through an abstract and indirect effect, a common good may come from it. But, according to Foley, Smith's concept is logically problematic too because his concept model of a free market with perfect competition is so abstract, it could never be carried out in reality.

Already from the beginning, liberal economics was intertwined with social theory and moral philosophy (Clarke 2005:50ff.), thus, the freedom of the individual has been intrinsically connected to the freedom of markets. Hence, any restrictions on the freedom of markets are logically restrictions on the freedom of humans. Additionally, Smith claims that freedom of exchange is the very ground on which the division of labour and the development of society into industrial modernity is based. Hence, in a society's pursuit of modernity and a nation's pursuit of wealth, free markets are without alternative. He further describes market forces as the most efficient mechanisms of allocation and distribution possible. In this role the market, even takes a moral role, rewarding the hardworking.

When it comes to Smith's critique and concept of the state, one has to remember that he lived in an 18th century authoritarian state, which he opposed through the promotion of bourgeois liberties. He envisioned the ideal state to be a small one, to which he ascribed three central functions. The citizens should be kept safe from foreign powers by a military. But they should also be protected from domestic injustice and repression by law. And finally, the state should make public investments and should take care of several functions that are in the public interest but cannot be done profitably and, hence, exceed the reach of the market. Smith considered infrastructure projects and general education as such functions. He even promoted the idea of a proportional income tax. Still, it can be said that Smith, indeed, promoted a kind of laissez-faire politics in a small state; however, many of today's market-radical ideas clearly overshoot his visions. Smith was not only in favour of public education he also spoke fiercely against monopolies and giant corporations for having the power to distort or control markets. Free markets, according to Smith, were only functional if they were made up of many small and equally powerful businesses. Hence, the market power held by today's transnational corporations (TNCs), which is vindicated by modern neoliberals, clearly contradicts Smith's idea of a free market. This is particularly peculiar, as Smith regularly is held up by neoliberals as their ideological forefather (Rothschild 2004:25ff.).

In his concept of a theory of value, Smith (1776:28) explains that 'Labour […] is alone the ultimate and real standard by which the value of all commodities can be at all times and places be estimated and compared'. Hence, he uses a labour theory of value, recognising that it is the relative labour time of production which is reflected in the relative price of a commodity. However, he also adds in other factors, such as natural wage, land, natural rent and capital into his adding-up theory of value, which is, as Foley (2004:43) argues, not entirely coherent.

Smith's ground-breaking work in classical political economy was further developed by economists such as Thomas Malthus and David Ricardo. Ricardo was a London stockbroker, the founder of the London Political Economy Club and considered an influential economist in his time. Ricardo's (1817) influential work '*Principles of Political Economy and Taxation'* is considered an important milestone in liberal economics. He too developed a labour theory of value, which he understood as the most important foundation of political economy. There he argues that the value of an industrially produced commodity is determined by the amount of labour necessary in order to produce it. Despite acknowledging that there are different qualities and types of labour, Ricardo argues that labour can be reduced to common form of standard labour which reflects all specific forms. On the other hand, when the value of a commodity is realised on a market, it is split between rent, wages and profits. Wages, according to Ricardo, are determined by the costs of reproduction of the workers (Foley 2004:61ff.). Hence, it shows that Ricardo succeeded in developing Smith's labour theory of value further in terms of its social significance.

Neoliberal economic theory has a dual relationship with classical liberal political economy. On the one hand, the classical political economists of the 18th, 19th and early 20th centuries must clearly be understood as the intellectual forefathers of neoliberal theory. Smith's arguments about the merits of markets, the metaphor of an 'invisible hand', turning direct selfish behaviour into an abstract and indirect common good, and the fundamental scepticism of government interventions, are narratives proudly held up by neoliberals today. Smith and his '*Wealth of Nations*' have experienced a renaissance thanks to neoliberals such as Paul Samuelson, Hayek and Friedman, who actively engaged with his theories, promoting his allegedly coherent and realistic theories of the market (Recktenwald 2008:137).

On the other hand, the clear secession from classical liberalism, alongside the abandonment of several of its ideas and concepts, is what arguably constitutes the 'neo' in neoliberalism. However, it must be said that this picture is not entirely clear. While original neoliberals like Hayek (1944) and Friedman (1951b) argued that the secession from classical liberalism meant distancing themselves from laissez-faire politics, it appears peculiar that Smith (1776) promoted ideas such as public education and income tax which would be considered as rather restrictive by many of today's neoliberals. Another concept of the classical liberal economists which was abandoned and is conveniently ignored by neoliberals is their theory of the value of commodities. Smith and Ricardo considered labour as the determining factor in the value of a commodity. The same is true for their findings about social classes and opposing class interests as an outcome of industrial wage labour.

4.2.2 Marginal revolution and neo-classical economics

In the late 19th century, political economy underwent a methodological revolution. The mainstream of Ricardian economics in the western, industrialising countries was displaced by what became known as 'neoclassical economics'. At the heart of this scientific revolution was a new concept of the theory of value. But it implied a change in many other paradigms as well. Other than classical political economy, which was favourably based on inductive methods by the generalisation of different historical and empirical observations, neoclassical economics has a tendency towards deductive methods, formulating theoretical presuppositions in highly mathematicised models and drawing practical conclusions. Other than classical political economy, which acknowledges different social classes and sometimes even admits differing class interests, neoclassical economics allows no other social category than the individual (Foley 2004:155ff.). But, notably, the very scientific subject of political economy developed into economics, dropping not only the political axiom, but also most of its self-understanding as a social science and its bonds to philosophy. Instead, economics moved closer to natural sciences, such as physics and mathematics. This can be observed by the emergence of large quantitative economic models which are supposed to produce exact mathematical outputs, following defined economic laws. It is no surprise that these developments coincided with the foundation of the first explicit seats of economics in Harvard and Yale in 1871 and 1872, the foundation of the Royal Economic Society in London and the opening of the London School of Economics only shortly thereafter (Rothschild 2004:104f.). Using natural sciences as scientific role models, neoclassical economics attempted to describe market processes similarly to physical mechanics, which could be exactly calculated and defined (Rothschild 2004:187).

The reasons for this drastic change are not entirely clear. However, Foley (2004:157) suggests that by the end of the 19th century political considerations might have played a central role. Ricardo's theories, which were predominant in the subject of economic, are founded on a labour theory of value. Furthermore, Ricardo did acknowledge social classes and potential conflicts between them. In this very time, class formation took place in many capitalist industrial nations and left-wing labour parties were on the rise. Ricardo's concepts might have provided too much unwanted revelation about the exploitive functioning of capitalism and could be made use of by organised labour.

> 'The important political conflicts in this period pitted capital against labor over issues like the limitation of work hours, the right to organize and strike, the level of wages, and the stability of employment. Ricardo's language and conceptual framework when applied to these issues look uncomfortably like – well, like Marx' (Foley 2004:157).

Instead of a labour theory of value, neoclassical economics works with a marginal utility theory of value. Marginal utility is determined by the usefulness of the next commodity an individual is willing to consume over the amount he or she is already consuming. Hence, the subjective value of a commodity is not only determined by its quality, but also by the supplied quantity of it. The utility of a commodity thus also defines the market price an individual is willing to pay for it. This theory of value is based on the imagination of the human as a rational and utility-maximising individual. This new notion of the human being is called *homo economicus.* The market is then composed of exclusively such individuals, which are for the sake of the model reduced to a fictitious *representative* or *rational agent*. An early puzzle for marginal economists was the question of where prices would come from because in the initial neoclassical model by William Stanley Jevons, market prices were already given (Foley 2004:155ff., Rothschild 2004:99ff. and 187).

The price puzzle was what Vilfredo Pareto concerned himself with. He produced a model of general equilibrium which abstractly explains the formation of market prices. In this theory, before market prices are established, households and firms sell their commodities (including labour power) at a reservation price – that is the lowest price at which they are choosing to sell. On the other hand, these rational agents also buy commodities at the highest price they are willing to pay. According to theory, as market exchange moves on, the difference between the reservation prices for the same commodity tends to decrease. This goes on until all reservation prices develop into a uniform set of prices. This condition is called *Pareto-optimum* by neoclassical economists. In this state, it is theoretically impossible to make any agent better off at the market without making another agent worse off because all possible surplus has been allocated. As Foley (2004:168) points out, this theory has a fairly ideological side to it. Based on this general equilibrium model, any interference with free exchange automatically depresses the tendency towards optimal equilibrium and the full potential of surplus value. However, a theoretical Pareto

Optimum should not be confused with equal distribution, or with a morally fair distribution. Hence, any government intervention aimed at ensuring a more equal distribution – or, more specifically, any tax on profits aimed at promoting social measures – must be rejected for the sake of maximum surplus value. (Foley 2004:166ff.)

Neoclassical economic theory has had a profound impact on economic thinking. It puts the creation and increase of utility at the top of its goals by, at the same time, neglecting the creative effects of human labour. Hence, it appears that the marginal revolution has played a performative role of how politico-economic processes are understood and analysed ever since. The discursive effect of erasing labour from the debate of value crating is obvious. However, it also suggests a shift in focus from a collective class perspective towards socially unrelated individuals, and from the production process to exchange process. Hence, it deprives the production process of its social relevance. Therefore, in sum, it can be said that the 'marginal revolution' successfully removed the political and social aspects from political economy, which is literally represented by renaming the scientific subject of study as 'economics'.

4.2.3 The Austrian School

The Austrian School of neoliberal thought developed out of a Viennese strand of national economics. Its protagonists, Ludwig Mises and Friedrich Hayek, made landmark contributions in the intellectual transition from classical liberalism to neoliberal theory. In addition, Hayek played a pivotal role in the organisational and institutional establishment of neoliberalism.

Mises and Hayek started their economist careers in inter-war Vienna, which was governed by the Austrian social democratic party (SDAP). It followed a programme of Austro-Marxism. Mises was a neoclassical, liberal economist and a reactionary anti-Marxist, who struggled to get full employment at the university of Vienna. He held the position of finance director at the Vienna Chamber of Commerce, Handicrafts and Industry, a representative institution for businesses, employers and corporations. Due to the lack of a position at the local university, Mises held private seminars in his office at the Chamber of Commerce, teaching classical liberal economics. Mises was a fierce opponent of planned economy, famously arguing that planning economic processes was impossible because of a lack of information about the price building process. He argued that, following the neoclassical model, only markets could passively possess this economic knowledge.

Hayek's scientific biography is a somewhat converse reflection of Adam Smith's. While Smith started as a scholar in moral philosophy and only later developed a major interest in economics, Hayek's started his career with economics, and only later on engaged with problematics in the fields of political and general philosophy (Rothschild 2004:185ff.).

In 1924, the young Hayek was admitted to Mises's elite seminar. Only two years later, after an extensive study trip to the US, Mises helped to install Hayek as founding director of the Austrian Institute for Business Cycle Research. This was the springboard for Hayek's career, elevating him to the University of Vienna in 1929 and the London School of Economics in 1931, where he engaged in fiercely fought economic discourses with Keynesian scholars from the University of Cambridge. Hayek argued that in a national economy, business cycles would naturally appear. However, and contrary to Keynes, he also argued that recessions were solved by market processes solely, and hence government intervention during a crisis was inadequate. In this scientific dispute Keynes managed to remain atop. (Peck 2010:42ff.; Rothschild 2004:191ff.). Mises and Hayek's liberal theories were quite far from the economic mainstream at this time. While Austria became a fascist dictatorship led by the Austrian Christian-social party (CS, official predecessor of today's Austrian people's party) in 1932, and Germany only soon after, the Great Depression was unfolding around the world, proving liberal laissez-faire politics incapable of preventing the disastrous effects. While Keynesian theories were endorsed in order to get a grip on the spreading economic crisis, Hayek and Mises with their non-interventionist doctrines were deprived of attention.

As a result of this defeat in the subject of economics, Hayek turned towards politics and philosophy. '*The Road to Serfdom*' was conceived in 1944. In an instant Hayek, made it back into public debate. His book was celebrated as a radical liberal landmark by conservatives and neoliberals. It was not a narrowly economic book, but an argumentative political pamphlet first, mixing economic and political theory in a polemic for free markets and against centralised planning and everything 'collective'. The main concern of this work is whether a free market economy is necessary if the values of economic efficiency and individual freedom are to be maintained. Any interventions in the free market are to be seen as threats to these values. Hence, the state should fall back on a minimal version of itself, guaranteeing some health, education, environment protection, but above all, the rule of law, so that every individual can act freely in the context of the market (Rothschild 2004:195ff.). These radically liberal ideas were much welcomed by liberals in the post-war decade. However, they do not markedly differ from classical liberal dogmas, already formulated much earlier. Instead, they can be understood as an Adam Smith reboot. Hayek too understands markets as underlying a natural spontaneous order, integrating de-centralised individual actions into a complex economic system. And similar to his teacher, Mises, Hayek concludes that these dynamic mechanics deliver efficient outcomes for the benefit of everyone, something planned economics would never be able to accomplish.

> 'Die ganze Vorstellung, daß der Mensch bereits mit einem Verstand ausgestattet ist, der fähig ist, sich eine Zivilisation auszudenken, und sich daran gemacht hat, diese zu schaffen, ist grundlegend falsch' (The whole idea that the human is already equipped with the mind, which enables him to invent a civilization, and has commenced to create such civilization, is fundamentally wrong. (Hayek 1971) Die Verfassung der Freiheit, quoted in Ptak 2015:45)

The more astonishing argument in '*The Road to Serfdom'* is that all departures from the absolutely free market, even if they are done in favour of a great majority or with the intention to enhance freedom, must lead to a gradual decline of freedom and finally end in slavery. With this, Hayek does not differentiate between social democrats, Christian reformers, Nazis or communists, who, according to him, all pose a similar threat to individual freedom (Hayek 2001 [1944]:26ff.). Biebricher (2012) points out that with this bi-polar conceptualisation, Hayek produced a kind of totalitarianism theory of political economy. This political polemic was welcomed by conservatives and the financial elite after World War Two, as it provocatively argued that the rise of fascism is Germany was not a product of the cooperation between the financial elites, conservatives and the National Socialists, but explicitly blames socialists and social democrats for it (Hayek 2001 [1944]).

With the demonisation of state intervention, Hayek also departs from Mises, who was in favour of political activity in respect of distributional questions (Rothschild 2004:199, 205). But this position can also be seen as very revealing with regard to Hayek's self-understanding as a patron of the free market and opposition to everything else. Apart from his *avant garde* theoretical work in the early development of a new liberal theory, which was distinct from classical liberalism, Hayek played a pivotal role in establishing a transnational network of liberal intellectuals, with hotspots in the UK, Germany, France and the US. In

1947, he and fellow neoliberal Albert Hunold initiated the first gathering and the formation of a neoliberal Internationale – the Mont Pèlerin Society. From 1948 until 1960, Hayek served as the organisation's first president (Plehwe 2015).

Despite being a founding member of the Mont Pèlerin Society (MPS), Mises struggled with most neoliberal transformations of his rather classical liberal ideology. Peck (2010:63) narrates an incident, where Mises stormed out of a session of the MPS being chaired by Milton Friedman, accusing the fellow Mont Pèlerinians of being a bunch of socialists. This, revealingly, says more about Mises's political positions, than those of the other MPS delegates. Mises died in 1973, only one year before Hayek was awarded the Nobel Prize for Economics. He would be the first Mont Pèlerinian to win this prize, although he would be followed by eight more in subsequent years. After all the years existing in a niche of economic science, Hayek and the MPS neoliberals had finally got the mainstream attention they had been seeking.

4.2.4 The Freiburg School and ordoliberalism

The term 'ordoliberalism' itself, was first used in 1950 in order to describe a distinct strand of neoliberal thought which had already started in the European inter-war period and has been popularised thereafter. The early theories and concepts of ordoliberalism were developed between the Great Depression and the end of the Second World War. Sparked by the unfolding world economic crisis in 1929, a group of German liberals commenced a quest for a new kind of economic liberalism. Significantly, Alexander Rüstow, Wilhelm Röpke, Alfred Müller-Armack and Walter Eucken, who are considered most prominent figures in formulating the ordoliberal school of thought, used the crisis to criticise classical liberalism and its misunderstanding of the necessity of an active state for a functioning market economy. Nevertheless, in their early years, before the term 'ordoliberalism' was coined, they commonly called themselves neoliberals. To be sure, it was Rüstow who introduced the term 'neoliberalism' at the 1938 Colloque Lippmann in Paris. Ascribing to the state a more distinct role in the conduct of a functioning market economy was not a particularly ordoliberal thought. Quite the opposite, it was a common neoliberal conclusion, drawn from the Great Depression and the mistakes of laissez-faire liberalism that the neoliberal state should have a more active role in promoting competition. However, two specific features of the ordoliberal school of thought can be enunciated. Firstly, it put a strong emphasis on the question of the positive role of the state on the market economy and society. In contrast to other neoliberals, government was not seen as the problem, but rather as the solution to classical liberal defects. The ordoliberal state should orderly organise the economic system, which had been disregarded by laissez-faire liberalism. Secondly, ordoliberals made very peculiar contributions to the role of the state in relation to the social question, which was, at least in theory, at odds with other neoliberals (Ptak 2015:102; Schnyder and Siems 2013:2ff.)

Ptak (2015) quotes Hans Willgerodt, a professor at the University of Cologne and leading figure of the scientific journal ORDO, thus a leading ordoliberal academic. He states that ordoliberalism and neoliberalism are indeed not opposites, but that 'in reality there exists only a difference in emphasis, and political opportunities for an academic and political division of labour' (Willgerodt 2005:55, quoted in Ptak 2015:99). However, due to its nuanced differences, the ordoliberal school of thought is understood here as a district school of neoliberal thought, and, thus, is discussed here in its own right.

Ordoliberals envisioned a state whose role it is to orderly organise the market economy and form a competitive market system as well as a secure and stable society. In order to being able to fulfil this role, Rüstow and Eucken promoted the idea of a *strong state*. This strong state should stand as an independent and superior authority above party politics and group interests. The ordoliberals criticised the young democratic constitution of the German Weimar Republic.

They did not attempt to hide their open anti-democratic notions and especially the anti-social democratic. For them, the introduction of parliamentary democracy was a historic fallacy because of the destruction of the historical dualism between society and the superior state. A government which was dependent on parties and on democratic elections would undermine the necessary authority of the state. Only a superior and independent state could guarantee a stable capitalist order (Ptak 2015:110f.). It is striking how ordoliberals attempted to frame capitalism and the conduct of a market economy as supposed to be above politics and society, and above the sphere of democratic control. Their vision of an independent and superior state is not that of a democratic state, but of an authoritarian one.

The second peculiarity of German ordoliberalism compared to other neoliberal strands is the theoretical and practical approach to the social question – that is, the question of the social well-being of the German citizens and the embedding of the market economy in a stable and functioning civil society (Schnyder and Siems 2013:4). Anglo-Saxon strands of neoliberal thought, as well as the contenders of the Austrian School, such as Mises or Hayek, would rather have argued that the social question is exhaustively solved by the merits of the markets and trickle-down effects and should absolutely be avoided by state functions. The ordoliberals, in contrast, had the understanding that a strong state has to provide the answer to this question. Hence, the ordoliberal capitalist state not only had the function of actively organising the market economy, but also the function of organising social well-being and, thus, social stability (Ptak 2015:102ff.). Nevertheless, the ordoliberals did not develop this theory in a vacuum. As early as 1883, Reichskanzler Bismarck had introduced the *Sozialgesetzgebung* (social laws) granting German workers basic rudimentary social rights such as some health care and insurance against injuries. By this, he attempted to counter the rising social problems caused by industrialisation and, thus, counter the rising popularity of the German social democratic party. Already a few years earlier, in 1878, Bismarck had introduced the *Sozialistengesetze* (socialists laws) prohibiting all socialist, social democratic and communist organisations in Germany. When Bismarck noticed that the prohibition did not suffice, he attempted to take the winds out of their sails by the introduction of several social laws, what later became the foundation of the German welfare state. Nevertheless, after World War One and World War Two, the German left-wing parties gained much strength. This was the political historical ground which the ordoliberals had to build their models on. Their models and concepts must be understood in this light.

Ordoliberals like Röpke and Rüstow argued that in order to secure a stable market economy, a certain amount of social security for the working class was unavoidable. Rüstow, for example, developed the concept of *Vitalpolitik (vital policy)* (Rüstow 1957a); however, the concrete meaning of this word in German is as obscure as it is in English. Ptak (2015:105f.) points out that this concept reverberated the critique of cold economic thinking and, instead, suggested an idealistic improvement of the subjective feeling of satisfaction of the individual. However, when put into a political historical context, it must be understood that ordoliberal concepts such as Rüstow's *Vitalpolitk* were instruments to counter the more materialistic demands for egalitarian distribution, shorter work times and better working conditions, which were articulated by the German labour movements.

While Rüstow and Röpke emigrated during the Nazi regime, other ordoliberals like Eucken accommodated themselves with them. They had the chance to establish the *Freiburger Schule* (German for Freiburg School) before and during war time. It has to be said, nevertheless, that in economic theory, the ordoliberals were rather at odds with the economic policy of the National Socialists, promoting a more competitive economic order than the government envisioned (Ptak 2015:117ff.) After the Second World War, German ordoliberals had an advantageous position in influencing the establishment of a post-war economic and social order in Germany. Eucken and his Freiburg School were under the few domestic economists who had not emigrated or were eliminated. They could still uphold their international network with other neoliberals who had by then reached influential academic positions abroad. The German ordoliberals also became quickly integrated into the Mont Pèlerin Society (MPS), the international neoliberal think-tank. Röpke became an influential advisor to Ludwig Erhard, Germany's first minister of economics, after the war and the reconstruction of the (West) German state. Rüstow became the chairman of the German *Aktionsgemeinschaft Soziale Marktwirtschaft* (German action committee for social market economy). Röpke, Eucken and Erhard were all members of the MPS by then. For one year, between 1960 and 1961, Röpke even served as the president of the MPS. Lucky for the ordoliberals, the conservative and right-wing parties had a majority in parliament and could form a coalition against the social democrats. The German ordoliberals held in hand the levers of power that could put their concepts into practice. However, because of the historical political circumstances, which included a pluralistic government, formed by party coalitions and an active parliament, many of their pre-war concepts already seemed outdated. It was Müller-Armack who managed to bridge the ordoliberal gap between concept and practice. Together with the conservative government, Soziale Marktwirtschaft (social market economy) was introduced. Ptak (2015) quotes Rüstow (1957b:76), referring to the 'Social Market Economy as the realization of the neoliberal program'. During these early years of the MPS, Rüstow, as with many other neoliberals, did not refrain from openly calling his position neoliberal.

The German social market economy, however, must be understood rather as a vehicle for liberal policy than a clear-cut economic theory. It differed strongly from the early ordoliberal concepts too, but against the historical political background of the newly reconstructed German republic, it appears to be the only possible and, hence, pragmatic way that liberal policies could have been implemented in post-war Germany. This was also acknowledged by the

Austrian neoliberals, Hayek and Mises, despite their refusal of the term 'social'. The introduction of a social market economy managed to preserve the German market economy, dampened social conflicts with social policy and provided the government with important levers in order to promote competition and economic growth. In the following decades, the social market economy became a part of the German identity and historically meshed with the German *Wirtschaftswunder* (economic miracle, the expression of the time of exceptional economic growth after World War Two). However, when the political landscape changed towards a left-wing government, years later, the social democrats and labour unions then knew how to pragmatically make use of the vehicle of the social market economy as well, in order to promote working wages and expand the welfare state, strengthening re-distribution from the top to the bottom (Ptak 2015:124ff.).

Eucken's critique of laissez-faire liberalism in regard to the belief of naturalness of markets not only applies to classical liberals, but also to its contemporary neo-classical descendants. In Eucken's view, competitive markets would not naturally emerge if the state was rolled back. Rather, they had to be actively promoted and protected by a strong, independent state. Other than the neoliberals of the Chicago School, who found the influence of politics and power to economics and market relations negligible, the ordoliberals had a less utopian understanding of the relations of the economy and other parts of the society. However, it is important to note that the ordoliberals and other strands of neoliberalism were engaging in a constant exchange of ideas (Schnyder and Siems 2013:6ff.). As Van Horn (2015) demonstrates, Eucken was strongly influenced by the Chicago neoliberal Henry Simons, with whom he agreed on the danger of monopolies to liberal democracy.

The lines between the different schools of neoliberal thought were never really clear cut and have been blurred even more since. As Müller (2017:19) points out, even within the ordoliberal tradition, opposing ideas and contradicting arguments existed. What can be said is that the arguments in favour of an independent state, which is superior to party politics, promoted by ordoliberals such Rüstow and Eucken, have a striking similarity to the arguments used by neoliberals today claiming that economic policy should not be in the remit of democratic bodies, but is better be organised by independent experts. 'Independent' in this sense has the same meaning as in the 1930s: capitalist and independent from left-wing concepts.

This does not mean that the different strands of neoliberal thought were without conflicts. From the beginning, there was a conflict between the ordoliberals and the Austrians. Rüstow accused Hayek's version of neoliberalism to be merely a resurrection of classical laissez-faire liberalism in new dresses. However, the ordoliberals did not come out on top from this dispute. In the end, it showed that the Austrians, and especially the Chicago strand of neoliberalism succeeded (Nollert 2005:44f.). In 1960, the dispute between Hayek and the Germans escalated, which led to Rüstow, Röpke and Albert Hunolt (who was besides Hayek a co-initiator of the first MPS meeting in 1947) leaving the MPS in protest (Müller 2017:102f.).

So what is left of ordoliberalism today? It must be understood as a specific strand of neoliberal thought. Nearly all influential ordoliberals, if economists of politicians were members of the MPS; thus, they were part of the neoliberal discourse. The ordoliberal strand must not be misinterpreted as more social or even as a more left-wing variant of neoliberal thought just because of the term 'social market economy'. The theoretical and practical opposition to any left-wing theories, social democratic, socialist or unionist movements have remained a defining momentum of the ordoliberals from the early 1930s until today. To be sure, concepts, such as Vitalpolitik but also social market economy were originally intended as market-conform social measures, with the aim to stabilise social strata. Hence, they were deliberate counter measures against the egalitarian efforts of the political left. Over the decades, the ordoliberal school of thought has been increasingly pushed aside by the ascent of the Chicago School of economics and the Anglo-Saxon strand of neoliberal thought, which have come to dominate neoliberalism (Schnyder and Siems 2013:5ff.).

4.2.5 The Chicago School

In 1947 four conservative intellectuals travelled from Chicago to the small Swiss village of Vevey. They were taking part in the first meeting of the MPS. Milton Friedman, Aaron Director, Frank Knight and George Stigler had been building an economics department at the University of Chicago for several years. As Mirowski and Van Horn (2015) show, the establishment of the Chicago School of economics and the MPS were connected processes. Friedrich Hayek and the Chicago economists, including Henry Simons, who died in 1946, had been in a continual dialogue about the creation of a university department in Chicago during the 1940s. Simons, author of the 1934 pro-market pamphlet '*A positive Program for Laissez-faire*', however, was a classical liberal rather than a neoliberal (Peck 2010:54), but he contributed strongly to the creation of the Chicago School. In fact, its creation has to be understood in the context of a broader international neoliberal project.

Mirowski and Van Horn (2015) argue that Hayek played a central role intellectually as well as through his organisational skills in the establishment of the Chicago School in 1946. They provide evidence that it was Hayek who persuaded Aaron Director to take a five-year post at the University of Chicago. Furthermore, it was Hayek's proposal to the conservative Volker Fund which guaranteed funding for Director's salary and the Free Market Study, which had the aim of building a new economic kind of liberalism for which Director served as head. On the other hand, it was Director who persuaded the University of

Chicago to publish Hayek's (1944) book '*The Road to Serfdom*' after it was turned down by commercial publishers in many countries because of its right-wing political leaning (Mirowski and Van Horn 2015:147; Peck 2010:54). Both the MPS and the Chicago School created to forge a new liberalism, which came to be known as neoliberalism. However, it is important to note that neither Hayek nor Director were fully aware or had straightforwardly planned the rise of neoliberalism in the following years. It was only in 1950, three years after the establishment of the MPS, that Hayek would move to Chicago to fill a position in the (also Volker funded) '*Committee of Social Thought*'. Several US universities had turned down Hayek's applications. Ironically, so had the Law School, the Business School and the Economics Department in Chicago. Officially, this refusal was argued with it being a political text rather than a scientific one (Mirowski and Van Horn 2015:164f.).

Historically, Director and his supervised project, the Free Market Study, failed to produce its promised outcomes – the '*American Road*', a US version of Hayek's (1944) '*Road to Serfdom*'. However, the Volker Fund continued the financing of the Chicago School. In 1962, Milton Friedman, a proponent who had not played a pivotal role in the establishment of the Chicago School yet produced the book which the Volker Fund had been waiting for. '*Capitalism and Freedom*' (Friedman 2002 [1962]) was a corporate neoliberal successor to '*The Road to Serfdom*' (Mirowski and Van Horn 2015:166f.). There, Friedman's assertions, which became influential, proved that neoliberalism had finally evolved into something distinctly new.

Since the 1950s, the Chicago School has developed into a distinct strand of neoliberal thought. Despite neoliberalism's original founding principle, that the state had to play a positive role in the conduct of economics, US neoliberals became increasingly anti-state. This was not only at odds with the ordoliberal strand of neoliberal thought, but also with what US neoliberals (often the same people) had said just a decade before. During the 1950s, Chicago school economists, most famously Friedman, started to adopt a very optimistic understanding of the functioning of markets. This went hand in hand with the endorsement of neoclassical economics, which claims the self-correcting nature of markets (Schnyder and Siems 2013:11f.). This arguable relapse to laissez-faire economics had substantial effects on the position in questions of the state and on questions of anti-trust.

Firstly, while ordoliberals understood the problematic tendencies of markets, and, hence, promoted the idea of an active state organising the economy, Chicago style neoliberals increasingly saw the state as problematic, harming the natural order of the markets. Historically, the anti-welfare state rhetoric of the Chicago School coincided with right-wing fears of collectivism and socialism within the US. It also coincided with right-wing eruptions, such as McCarthyism (Schnyder and Siems 2013:13). Anti-state rhetoric was and is not limited to right-wing economists. Schnyder and Siems (2013:12) quote US president Ronald Reagan saying, 'Government is not the solution to our problems, government *is* the problem'. This shows that laissez-faire had made its way back to neoliberalism, not only to the economists, but to neoliberal politicians.

In the influential book '*Capitalism and Freedom',* Friedman (2002 [1962]) asserted that markets would be better suited in conducting much of the state's responsibilities. Instead of political and democratic processes, the market forces would produce more efficient outcomes and generate a higher level of individual freedom. He, for example, proposed to privatise the education industry, including state universities.

> 'The wider the range of activities covered by the market, the fewer are the issues on which explicitly political discussions are required […]' (Friedman 2002 [1962]:24).

Furthermore, all political processes could be understood as market processes by reference to neoclassical economics. Politicians, as well as voters, would just seek to maximise their individual utilities. Decision-finding processes, thus, would be nothing more than simple market processes. The implication of this theory, however, is that these processes should be situated in actual markets because the state was an inferior means of producing outcomes which reflected the market of political opinions. In this logic, markets could provide these outcomes more efficiently (Mirowski and Van Horn 2015:162).

Secondly, concentrating their oppositional efforts to the welfare state and Roosevelt's New Deal policy, the Chicago School increasingly accepted market dominating, giant corporations as compliant with their neoliberal theory. During the 1940s, all neoliberal strands, including proponents of ordoliberalism and the Chicago School, had openly opposed market-dominating power of corporations and especially the formation of monopolies (Steiner 2015:209ff.). Accordingly, Aaron Director's presidential address to the MPS in 1947 states:

> 'The unlimited power of corporations must be removed. Excessive size can be challenged through the prohibition of corporate ownership of other corporations, through the elimination of interlocking directorates, through a limitation of scope of activity of corporations, through increased control of enterprise by property owners and perhaps too through a direct limitation of the size of corporate enterprise' (Aaron

> Director in the records of the 1947 Mont Pèlerin meeting, Liberal Archives, Ghent, quoted in Van Horn 2015:212).

A similar statement by Milton Friedman from 1951 emphasises the importance of competition as a pivotal value of neoliberalism, which has to be enforced by the state, a position that Friedman would turn his back on only eleven years later:

> 'Neoliberalism would accept the nineteenth century liberal emphasis on the fundamental importance of the individual, but it would substitute for the nineteenth century goal of laissez-faire as a means to this end, the goal of the competitive order […]. The state would police the system, establish conditions favourable to competition and prevent monopoly, provide a stable monetary framework, and relieve acute misery and distress' (Friedman 1951b:91ff. quoted by Van Horn 2015:217).

During the 1950s, the early neoliberal position that competition had to be regulated by government in order to prevent the formation of monopolies faded away. While Friedman still endorsed this ideal in 1951, Director, whose sister had married Friedman, already chose a different approach in his 1950 book '*Unions and Capitalism*'. There he argued that market forces would naturally corrode and destroy monopolies. Hence, the interventions of governments in order to guarantee competitive markets was obsolete (Van Horn 2015:217). In 1962, Friedman went a big step further and asserted that private monopolies were not only more favourable than public monopolies, but also more favourable than government intervention against them. He argued that a monopoly's power over a market was rather benign and that monopoly power must be regarded as a reward for higher efficiency. Hence, the original neoliberal understanding that entirely free markets would produce an undesirable tendency towards monopolisation was finally overruled by the belief that markets could not have undesirable tendencies or outcomes. Government intervention, therefore, even to guarantee competition, was not desirable. Friedman argued that if monopolies persevered, this could only be because of government interference because otherwise the market forces would degrade them naturally (Mirowski and Van Horn 2015; see also Crouch 2011:55; Schnyder and Siems 2013:10f.).

In its first ten years, the Chicago School had gone through a remarkable ideological shift. It went from regarding monopolies as a threat to democracy to endorsing monopolies and big corporate structures, while being suspicious of political (hence also democratic) processes. Thus, the Chicago School not only departed from its own roots, but also from the ordoliberal and Austrian strand of neoliberal thought. This ideological transformation made the Chicago School the most corporate friendly strand. It can be assumed that it is no coincidence that the Chicago School, as well as its protagonists, were well financed by conservative big money from the US. Private, right-leaning financiers like the Volker Fund were crucial enablers for the development of the distinct Chicago neoliberalism, which in the following years, grew into politico-economic hegemony in the US.

4.2.6 Conclusions of the analysis of historical roots

In conclusion, it can be said that the difference between different neoliberal strands and individuals clearly show that there is no general pensée-unique in neoliberalism. Meetings of the MPS often saw fierce debates over conflicts and controversies. Apart from a toothless six-point document, which pointed to some washed-down areas of need for further research, the MPS never managed to produce any official documents – certainly not a manifesto or a common definition of neoliberalism. In 1960 the German ordoliberal Röpke even left the MPS over a dispute with Hayek. This shows that historically neoliberal theory was never been generated in a straightforward fashion following a common theory, a distinct economic model or a definitive programme. Quite to the opposite, the intellectual advance of neoliberal theory appears as polycentric process, ridden by inner conflicts and rather chaotic.

Despite the inner conflicts, the historical neoliberal strands appear to be united on several points, which have to be pointed out here. First and foremost, all early neoliberals in the 1930s and 1940s understood their historical mission to safeguard capitalism and rescue the market economy, which had crashed in 1929 and caused the Great Depression. Whatever the strand of thought and whatever the differing historical and political circumstances, the perseverance of the market economy was a neoliberal maxim. As much as the neoliberals were in conflict over the strategy to reach their goals, they were unified in the rhetoric of the superiority of the market economy.

Second, upon deeper analysis, the theoretical conflict around the topic of the state between the ordoliberals and the Chicago School neoliberals appears to be superficial. It is true that they were in conflict over the abstract role of the state towards markets, whether a strong state should organise markets or should be rolled back in order to give way to self-regulating, spontaneous market forces (Biebricher 2012:60; Müller 2917:24). The apparent phobia against state power, as expressed by Hayek and Friedman, is in stark contrast to the ordoliberal concept of a strong and independent German state (Müller 2017:27). Furthermore, the ordoliberals were in favour of equality of chances. They thought that all agents in the market should have equal starting conditions. Hayek and the Chicagoans rejected this, calling it obsolete or even totalitarian (Nollert 2005:45).

Putting this abstract consideration aside and looking at these positions from a practical and political point of view, they appear to be rather coherent. In the inter-war period, the ordoliberals criticised the Weimar Republic because of its weakness, which was inflicted by parliamentary democracy. Ordoliberals preferred a strong state independent from party politics or group interests, and, hence, from democracy. This seems peculiar for politico-economic thinkers who claimed to argue in the interest of every citizen. In fact, ordoliberals shared the common neoliberal self-understanding as anti-socialist and anti-unionist, and, hence, anti-labour. So, what ordoliberals were afraid of was not merely weak government which could have difficulties organising the market economy, but a left-wing government which would be critical of the capitalism of the market economy.

After the Second World War, German ordoliberals had to work within the historical and political context they were dealt with. After the end of the Nazi dictatorship, they had to engage in nation building. At this time, the establishing of the (West) German state and economy around the concept of *Soziale Marktwirtschaft* was the closest possible realisation of their ambitions. The Chicago neoliberals operated in a very different historical, political context. For them, the Roosevelt government and the *New Deal* already represented the rumblings of US-style socialism. For them, the state was already left-wing, and the New Deal was socialist policy. In hindsight, it appears as social-democratic policy. To put it in a nutshell, the conflict around the role of the state between different schools of neoliberal thought can be practically dissolved by the conclusion that either way, their political economy was commonly directed against left-wing and labour organisations. Hence, this fundamental opposition to labour and the left in general appears to be, at least in this historical analysis of the roots of neoliberal theory, a uniting neoliberal ideal.

Third, neoliberal theory proved already in its very early years to be very flexible and pragmatic. Within just a few years, the Chicago School neoliberals had upended some of their ideals and developed a corporate friendly capitalist ideology which was highly acclaimed, not only by conservatives, but by large corporations and the wealthy elite. The pro-big business ideology paved the way for the US merger movement, shareholder-oriented corporate management and the formation of gigantic transnational corporations.

4.3 Contemporary neoliberal concepts and theories

As has been pointed out, the historical roots of neoliberal theory bear numerous theoretical contradictions as well as political conflicts and are far from a coherent and holistic economic theory. Contemporary neoliberal theory has inherited this conflicting nature, and, instead of creating coherence, the new positions added up over time, not entirely superseding original theories, but existing side by side, created greater incongruity. After the formation of the Chicago School of neoliberal thought in the late 1950s and 1960s, the importance of this strand of thought grew within the neoliberal intellectual community. It represented a shift towards a positive notion of big business and giant corporations with market power and a turn towards a more laissez-faire policy. During the 1970s and onwards, neoliberalism was transformed from the doctrine of a small right-wing liberal opposition into the new mainstream of economic policy. This had a massive impact on the way neoliberal theory was discussed. Until then the neoliberal discourse was mainly theoretical, but with the rise of monetarism as an actual attempt on economic policy, employed by the US and the UK, neoliberal theory had to stand the proof of practice.

The critical discussion of contemporary neoliberal theory clearly has to deal with the difficulty that no contemporary scientific theory explicitly uses this label. A university textbook on neoliberal political economy simply does not exist. Instead, neoliberal political economy appears like a patchwork of different theories and models connected by references and academic discourse. Therefore, it makes sense that in this subchapter, the most relevant theories and models are presented and discussed in relation to a meaningful historical context.

4.3.1 Rational choice and public choice

A neoliberal, academic innovation was produced by Gary S. Becker and later James Buchanan by extending theuir principles of markets to all social and political processes. Becker, who was awarded the Nobel Prize for Economics in 1992, declared that all human behaviour could be explained by market logic, thereby making his economic approach universal.

Public choice theory and *constitutional economics* explicitly emphasise the political aspect of political economy, which went missing in neoclassical economics. Its central proponent is James Buchanan, who obtained his doctorate in Chicago and served as president of the MPS from 1984 until 1986 (Plehwe 2015). Hence, he was well connected with the leading neoliberals. His field of study was the constitution of politics and its interrelation with economic questions, which connects him with the heritage of original ordoliberalism. Buchanan founds his analyses on the axioms of methodological and normative individualism, which means that all social phenomena can be related to voluntary, individual action, hence, ruling out structural command and ideological delusions. According to Buchanan, the actions of social actors represent their rational preferences (Biebricher 2012:49ff.).

This means that political processes are constituted similarly to the neoclassical conception of value creation. As the realised price for a commodity, which is based on a rational decision, represents its actual utility value, the value of political measures is finally constituted in the voluntary agreement by voters. Hence, public choice theory argues that individuals rationally opt for political choices, which maximise their individual utility. Biebricher (2012) plausibly connects this theory to the concept of homo economicus.

But public choice theory argues that not only voters, but also governments represent rational agents, who seek individual maximisation of utility. In order to do so, governments and voters enter exchange relations, that is, a market situation. Hence public choice theory represents an application of the marginalism theory to political processes, claiming the existence and the superiority of market logic in political decision making. Non-surprisingly, the conclusion drawn from such a theory is that real markets are systematically a better fit to solve political problems than political markets or political decision making (Biebricher 2012:51; Quiggin 2010:182).

What is more, Buchanan's arguments necessarily clash with the concept of democracy. In '*Limits of Liberty – Between Anarchy and Leviathan*', Buchanan (2000 [1975]:205) states: 'Democracy may become its own Leviathan unless constitutional limits are imposed and enforced'. Hence, democracy must be limited because it poses a threat to individual freedom (which is meant by reference to Thomas Hobbes's metaphor of the state as '*Leviathan*'). This problematic relationship of public choice theory to democracy is analysed in greater depth in Chapter 4.7.

Buchanan's Public Choice theory shows that neoliberal theory is not limited to pure economics. It is as much a political theory as it is an economic one. This clearly sets it apart from the fundamental academic presumptions of neoclassical economics, which maintains a strict distinction between these academic subjects.

4.3.2 Trickle-down and supply-side economics

The central concept of trickle-down is the argument of an economic mechanic between profit expectations, and generation and the distribution of general economic wealth. The argument is that economic policy which directly enables higher profit gains for capital investors and high managers leads to more investment, and, thus, an increase in economic activity, which after an undefined period of time passively leads to beneficial outputs for all parts of society, including lower income groups. Hence, the metaphorical picture of wealth trickling down through the income strata. Another metaphorical slogan which is used in the same sense is: A rising tide raises all boats (Harvey 2005:64).

As Quiggin (2010) points out, trickle-down theory is at odds with the logic of neo-classical economics. Those persons and organisations who can increase their savings and thereby increase investment are also the financial beneficiaries of these investments. So, what this theory suggests, is that by cutting taxes for the wealthy, the wealthy have the possibility of increasing their investments, which will make them richer. So trickle-down appears not to be supported even by orthodox economic theory. Hence, it is reduced to a purely rhetorical idea, which is frequently used by right-wing politicians to rationalise policy in favour of the wealthy and to counter the argument for redistributive economic policies, such as progressive tax regimes.

A problematic for neoliberal apologists of trickle-down theory is that virtually all studies on income distribution show a widening gap between the rich and the poor in all neoliberal countries. While the analysis of such studies is the subject matter of Chapter 5, it is worth pointing out what the theoretical response of neoliberals to such devastating empirical data is. A reoccurring neoliberal argument is that actual wealth should be measured by the supply of consumer goods which is available to wage earners today. Such an argument is led for example by Cox and Alm (2000) in their book '*Myths of Rich and Poor – Why We're Better Off than We Think*' on the ground that poor households in the 1990s had better access to items such as televisions, PCs and kitchen electronics. Quiggin, however, points out that the common feature of all these consumer goods is that their prices have fallen drastically in the past decades.

The argument that they represent a valid indicator for increased income is entirely spurious. Furthermore, there are other expenditure items which have dramatically risen in price since the 1970s. Examples for that are health care and pharmaceutical products, as well as college education. Therefore, it is justified to conclude that trickle-down theory cannot hold up to the most basic criticism. Its theoretical value is marginal. This verdict is a problem for neoliberal theory, because trickle down is a central promise of neoliberal theory in terms of the benefits of neoliberal capitalism for wage earners.

Historically, the argument of trickle-down is closely related to the doctrine of so-called 'supply-side economics'. Proponents who coined this term, such as Jude Wanniski and Arthur Laffer, who were members of Reagan's economic advisory board in his first administration, argued that cutting taxes for the wealthy would has a positive effect on government revenue. Because of lower income taxes, it is argued, capitalists would increase production output and this way increase the taxable income so much that for the national budget, the corresponding tax incomes outweigh the initial cost of the tax cut. Such assertions found support in the politics of Reagan, George W. Bush and numerous right-wing and neoliberal think-tanks, such as the Heritage Foundation.

A central model of supply-side economics is the Laffer curve, which contends that the reduction of income taxes to an undefined optimum generates a rise in tax-income for the state budget. Hence, it claims that tax breaks directly finance themselves (Biebricher 2012:113f.; Quiggin 2010:143f.). This view, however, is strongly contradicted even by mainstream economists and several empirical studies (Pierson 1994:24ff.).

4.3.3 Relation of neoliberal theory to neoclassical economics

Since the marginal revolution (see Chapter 4.2.2), neoclassical economics has become the contemporary orthodox approach to economics. Neoliberals have an ambiguous relationship with it. On the one hand, they positively refer to definitive aspects of it, such as the rejection of a labour theory of value, and the foundation of macro-economics in micro-economics, to name two of them. On the other hand, neoliberalism also stands in contradiction to neoclassical economics in at least two ways. Firstly, neoliberals do not follow the strict differentiation between economics and other social sciences. Their subject of study is not limited to economic theories, but includes theories of the state, government, social theory and philosophy. Hayek (1944) and Friedman (2002 [1962]) are clear that their works exceed the narrow boundaries of economics. James Buchanan's public choice theory is an attempt to apply market logic to political processes, thereby explicitly breaking the fences between politics and economics in 'The Calculus of Consent' (Buchanan and Tullock 1962). Secondly, the entirely technical understanding of efficient markets contradicts the neoliberal socio-philosophical understanding of markets as value-oriented and ethical. For them, the market is not just a function of efficient distribution, but is a fundamental of individual freedom (Ptak 2017:28ff.).

Hence, as Mirowski (2013a) plausibly points out, critiques of neoliberal theory should not be mixed with a critical examination of neoclassical economics. The two are not synonymous. Economists who refer to the neoclassical model are not exclusively found in the lines of neoliberals. Indeed, as has been pointed out in Chapter 2, several critical and left-leaning economists, such as Piketty, Stiglitz and Krugman must be counted among the neoclassicals.

Despite the theoretical contradiction with neoclassical economics, neoliberals repeatedly make use of neoclassical models and concepts. However, this is done in a pragmatically selective fashion, similar to the way that classical liberals like Adam Smith are referred to. According to Ptak (2017:67), this signifies that neoliberalism is more than just an academic discipline. In contrast with neoclassical economics, which is purely abstract and scientific, leaving conclusions to policymakers, neoliberals have a transformative ambition to realise policy goals aimed at fulfilling their vison of markets, states and society.

4.3.4 Consolidation of liberal economics: the DSGE

The dynamic stochastic general equilibrium model (DSGE) is the contemporary standard method of macro-economic analysis. It is an incorporation of neoclassical economics, neoliberal concepts and some rudimentary Keynesian methods. The analysis of its theoretical components is directly connected with a portrayal of the historical development of the discourse of liberal economics in the second half of the 20th century.

DSGE has its theoretical roots in the beginnings of the marginal revolution of the subject of economics. It represents a merger of different macro-economic schools, which base their theories on the neo-classical model. DSGE is based on micro-economic theories, such as 'Say's Law', which basically argues that demand is created by supply, and, hence, recessions are theoretically impossible. If excess supply can be observed in one market, there must be excess demand in another one, equalising the effect. A first formal theory of general equilibrium was conceived by Leon Walras, who understood himself to be affiliated to socialist ideas despite his research in neo-classical economics in the late 19th century. His conceived that theories must be understood as highly abstract and fictional, working with ideas such as a 'fictional auctioneer' calling prices, assessing and adjusting prices until they reflect the equilibrium market price (Fine and Dimakou 2016:6f.). It was not until the1950s that a fully developed and more practical theory was introduced by Arrow and Debreu (Quiggin 2010:85).

Efficient Market Hypothesis

Building on the theory of general equilibrium, the Efficient Market Hypothesis, was conceived by Fama (1965 and 1970). It asserts that market prices for whatever traded commodity are also the best possible estimate for its actual value (Quiggin 2010:43). Accordingly, the hypothesis suggests that price bubbles in stock or asset markets are theoretically impossible. The Efficient Market Hypothesis implies that prices for shares and assets on financial markets do already efficiently incorporate all possible market information. Speculation profits can only be temporary because any financial investor who learns that an asset is over- or undervalued would instantly trade that asset in order to cash in on the possibility of arbitrage and thus the market would move back towards equilibrium (Fine and Dimakou 2016:3). Any economic historian who has studied the mechanics of speculation on bull markets would certainly contradict this theory. However, surprisingly, according to Quiggin (2010), this theory was at the foundation of the optimistic laissez-faire attitude of governments towards financial markets since the 1980s.

Minsky (2008 [1986]) has criticised this fundamental building block of neoclassical economics in the 1980s and points out that following this theory, a proper functioning of markets requires markets to be free from any externalities, such as the influence of institutions. However paradoxically, institutions are absolutely vital to markets. Institutions create markets and sustain their function by enforcing essential rules and laws. The functioning of markets in the neoclassical economic model is, therefore, based upon the activeness of institutions and at the same time their absence. This is logically incoherent. This deficiency becomes even more apparent when it is supposed to be put into practice (Minsky 2008 [1986]):117f). In reality, there are no markets, not even artificially created ones, which are entirely free from institutional interference. It shows that the elementary requirements of the pristine neoclassical economic model are not met in practice and thus are proven to be highly questionable if the model and the Efficient Market Hypothesis have much relevance for practical application. Still, a large amount of business literature maintains that financial markets are sufficiently close to complete competition for the Efficient Market Hypothesis to remain valid (Quiggin 2010:179ff.).

Adaptive, rational expectations and the Lucas Critique

Another crucial ingredient of the DSGE is the theory of 'rational expectations'. Its development is a peculiarity, but it displays rather well how neoliberal theory is conceived. As several accounts, such as Crouch's (2011), Mirowski's (2013a) and Peck's (2010), have pointed out, neoliberal theory proved in its historical development to be highly flexible and pragmatic. Instead of producing a coherent and sound theory, neoliberals conceived numerous different concepts and models which have an experimental nature to them. The outstanding accomplishment of neoliberal theories and models is not just their applicability to reality and practical use – as the following section shows, they have a string of failures – but their ability to constantly 'fail forward', as Peck (2010) puts it.

Friedman formulated the theory of 'adaptive expectations' as a critique of the so-called Phillips curve. The Phillips curve is a Keynesian theory that was said to be claiming a stable trade-off between the unemployment rate and changes in wages. Bill Philips, after whom the theory was named, never endorsed this very mechanical understanding of his curve. But for Friedman, when this mechanical trade-off did not occur in the 1970's stagflation crisis, it provided a sufficient basis for a fundamental critique of Keynesian economics. His adaptive expectations theory claims that labour organisation would integrate their expectations of rising inflation into the wage bargaining process. In turn, business would raise prices by the same percentage to compensate for the anticipated rise in wage costs. Hence, inflation would always catch up with wages.

What was at stake here, historically, was not so much the question of who understood the theoretical functioning of the economy better. But Keynesian macro-economic policy traditionally endorsed the direct re-distribution of income and wealth from the top to the bottom and rather tight controls on crucial markets, such as financial and labour markets. Keynesian macro-economic policy, therefore, played a crucial role in the way states and economies were run in the time after World War Two, when social democracy and organised labour were rather strong. So, when neoliberals finally managed to slam a crowbar into a weak spot of Keynesianism, the possible implications or economic policy could not have been greater.

But Friedman's theory of adaptive expectations had an academic weakness as well. It was founded on the practical experience of the stagflation crisis, but not on neoclassical micro-economic theory. In 1974, another member of the MPS, and Chicago economist, Robert Barro, attempted to close this gap and published the theory of 'rational expectations'. Barro's influential article was a theoretical endeavour with classical Ricardian political economy, claiming that household savings could completely offset borrowing by governments. Even though this specific claim was widely refuted, Barro managed to break the ice on the use of rational expectations in economic discourse (Fine and Dimakou 2016, Quiggin 2010).

Only a few years later, Robert Lucas, yet another economist from the University of Chicago, combined Friedman's critique of the Phillips curve using adaptive expectations and Barro's idea of rational expectations into this own new theory. He suggested that all macro-economics had to be based on the micro-economic foundations of market equilibrium and rational choice, in what is known as the 'Lucas critique'. Before that, Keynesian macro-economics was based on empirically observable aggregate relationships, rather than neo-classical theoretical assumptions of market mechanisms and rational behaviour (Quiggin 2010:94ff.). For this theoretical achievement, Lucas was awarded the Nobel award of Economics in 1995. As Fine and Dimakou (2016:113ff.) argue, the introduction of rational expectations to macro-economic models contains a logical problem.

While adaptive expectations can be modified according to changing circumstances, rational expectations are based on a theoretical model on which the rational agent bases his/her action upon. But in this way, the agent's model is a variable in the model of the market and vice versa, making both models recursive.

Never mind the theoretical problems of the model, chaining macro-economics to neo-classical micro-economics was nothing short of a historic success for the cause of the marginal revolution of economic science, which had begun in the late 19th century. Lucas's theoretical breakthrough for liberal economics gave rise to many economic models aimed at developing a *Real Business Cycle* theory and attempts to develop the theory of general equilibrium further.

The foundation of new Keynesianism and DSGE

As a reaction to the destructive critique by Chicago economists, a new Keynesian school of thought took form. 'New Keynesianism' accepted most of the neo-classical assumptions, such as the foundation of macro-economics on neo-classical micro-economics, complete with the assumptions of general equilibrium (Quiggin 2010:69ff.). This acceptance not only set it apart from traditional Keynesianism, but also from the emerging post-Keynesian school, which is referred to in Chapter 3.

The introduction of dynamic stochastic general equilibrium modelling was formed by a theoretical and methodological merger between neoliberal rational choice models, new classical economics, their Real Business Cycle school and new Keynesianism. DSGE models vary depending on the subject matter which is studied. However, the name of the discipline already makes clear that all DSGE models are based on the basic general equilibrium models of the 1950s and, thus, on the presumption of general equilibrium. DSGE models try to fix the basic problematics of these early models by introducing more variables and allowing complications such as not-perfectly rational agents, incomplete information and imperfect competition (Quiggin 2010:103f.).

> 'A macroeconomic article today often follows strict, haiku-like, rules: It starts from a general equilibrium structure, in which individuals maximize the expected present value of utility, firms maximize their value, and markets clear. Then, it introduces a twist, be it an imperfection or the closing of a particular set of markets, and works out the general equilibrium implications. It then performs a numerical simulation, based on calibration, showing that the model performs well. It ends with a welfare assessment' (Blanchard 2008:27).

DSGE modelling experienced a rising popularity in economics throughout the 1990s. The process seemed right for the new understanding of the profession of an economist. The models were complicated to set up but altogether manageable and, in the end, they produced some quotable outcomes within the parameters of neo-classical assumptions (Quiggin 2010:105). While this scientific practice allowed for numerous studies of different cases within the DSGE parameters, it hindered scientific progression away from general equilibrium theory. The neo-classical presumptions and the methodological limitations on the models supported the optimistic economic zeitgeist that recessions were a matter of the past. It is no surprise, therefore, that DSGE models failed to predict the 2008 recession and its global extend.

However, DSGE displayed some serious deficiencies and inadequacies, such as problematic conclusions on aggregate demand patterns, as has been demonstrated by the Sonnenschein-Mantel-Debreu theorem, and misleading statistical findings because of high-level aggregation.

These theoretical problems, as well as the methodically limited horizon, have led to a central problematic for DSGE. It can have some misleading implications for economic policy. According to Quiggin (2010:110f.), DSGE modelling endorses a conduct of macro-economic policy, which is limited to monetary and interest rate policy. This is broadly the same policy approach recommended by Friedman and Hayek to Ronald Reagan and Margaret Thatcher in the 1980s. Hence, it can be concluded that the neoliberals appear to have been rather successful in influencing the thematic and methodical shift of economic orthodoxy in the second half of the 20th century. This is even more amazing as during this time, neoliberals remained a minority in the economist profession.

The consolidation of liberal economics in the second half of the 20th century also displays the pragmatism of neoliberals when it comes to their theories. Neoliberal elements were merged with some Keynesian methodology, despite their academic rivalry, as well as with neoclassical economics, despite their academic differences. This allows for the conclusion that for neoliberals, the impact on discourse of their theories is valued higher than their pristineness.

4.3.5 Performative role of neoliberal theory

Neoliberals managed to generate a significant impact on academic economic discourse. But there is more to it than a merely theoretical and academic conflict between Keynesianism, neoclassical economics and neoliberal models. The changes in economic science, the subjects of analysis of economic models and the quality of their findings has had an effect that transcends the academic theoretical discourse. In this sense, theory plays a performative role. This means that the general discourse of such theories already effects how political actors make sense of the world, instructing and inspiring their actions by providing a framework to make sense of their actions.

The seemingly abstract discussion of the DSGE has very real direct and indirect implications, which transcend into political decision-making and policy. For the working population of a country, the significance of the debate around the critique of the Phillips curve is not so much the theoretical implications of a direct trade-off between growth in inflation and the unemployment rate. When a government, using these theories, changes its economic policy, abandoning the goal of full employment for the sake of money stability, this might have real-life consequences for the entire working population. This relation has to be further scrutinised:

The inflation rate and the unemployment rate are very distinct with regard to whom they mostly effect. The danger of unemployment is a phenomenon exclusively experienced by wage earners. Other than the unemployment rate, inflation is a phenomenon which mostly affects holders of capital and large sums of money. For workers, who live on monthly wages and have zero to low money savings, changes in the inflation rate have relatively small direct effects. As long as their wages rise at the same rate as inflation, they do not experience a loss of purchasing power.

Upon these insights about which people, and more specifically, which social classes are most likely affected by unemployment and by inflation, it shows that the policy implications, that were put forward during the 1970s by neoliberal economists can be described as being class biased. Policies based on these implications would be advantageous to the financially wealthy.

4.4 Financial markets in neoliberal theory

Neoliberals assert the superiority of markets, both in creating individual freedom of choice and in satisfying demands if they are left to free competition and not obstructed by government intervention. The role played by financial markets for neoliberal theory is twofold. Firstly, the financial markets by their nature have some features which are sought after by neoliberal theory. Other than labour markets and industrial markets, financial markets are more autonomous than others. Labour markets depend on actual human beings and their ability to perform labour at a defined time and space in a defined quality. The human being, who is at centre stage of this market, must actually exist. The same is true for industrial markets, or the so-called real economy as a whole. Investments in raw materials, factories and machineries are to a high degree bound in these assets. Hence, it is nearly impossible to flexibly move this capital around the globe. If capital investors decide to invest in a developing country by building a factory, they are at first confronted with costs. A large part of these costs are transition costs, such as permits, fees and taxes, which have to be paid in order to be able to build a factory in a foreign country. The investment can only become profitable over time, when accumulated profits exceed the investment costs and running costs during that time. In this time span, it is difficult to simply pull out the invested capital without generating sunken costs. Financial products, which are traded on financial markets, do not necessarily have to be based on real existing substances. Hence, financial products can be traded much more flexibly and quickly.

Secondly, because of this flexible, abstract nature, financial markets were sought out as the best possible testing ground for abstract neoliberal theories. Quiggin (2010:152f.) argues that the set-up of the US financial sector as close as possible to neoliberal ideal can be understood as a test for trickle-down theory. Besides the case for trickle-down, the agility of financial markets raised high hopes among neoliberals that the neoclassical theory of a general tendency towards equilibrium could be demonstrated. Following the efficient markets hypothesis, neoliberals argue that the prices of financial products or real assets reflected in financial markets represent the actual real value of this product or asset. This assertion is not only pivotal to the neoclassical theory of value but implies that prices on financial markets per definition reflect real value, which makes it theoretically impossible that a product or asset is over- or undervalued on financial markets.

Despite the harsh critique by neoliberal of Keynesians such as Hyman Minsky, who attested to liberal financial markets having a systematic tendency towards instability, the financial sector was understood to be a factor of economic stability. Accordingly, governments who followed the neoliberal tune engaged in a transformation of financial markets to the neoliberal ideal. This process is commonly described as 'financial deregulation'. However, this terminology can be somewhat misleading. As Mirowski (2013a; see also MacEwan 2005:173f.) points out, financial markets have never been an unregulated sphere. Quite to the contrary, after neoliberal transformation, they remain one of the most densely regulated markets in the world. Deregulation, thus, generates a notion of a free market, where pure market forces are left alone to freely interplay. This is far from the truth. Stock markets, for example, which still represent one of the most important financial markets, are highly regulated in terms of who, where and how trading of stock is allowed.

This misunderstanding of deregulation directly leads to another, even more problematic, misunderstanding. Several critical authors (for example, Gamble 2009; Stiglitz 2010a) endorse the idea of the re-regulation of the financial sector. This, however, would only make sense if finance was ever deregulated in the first place. What is called deregulation should better be understood as an actual change in regulation, reorienting the financial sector towards a new set of economic functions and political aims. Hence, it is proposed here that 'reorientation of the financial' sector might be a more fitting term than deregulation for describing these transformations.

The notion of freely operating markets which simply have to be freed is in the end nothing but a neoliberal narrative. By subjecting to the debate about the organisation of an economy to the question of (de- and re-) regulation, one runs the risk of accepting this neoliberal narrative of freely operating markets. Instead, it is necessary to understand markets and their mode of regulation and organisation as politico-economic processes, which are subject to economic and political interests within which the contemporary organisation of financial markets lies.

4.5 The state in neoliberal theory

A very common confusion in critical discourse on neoliberalism is the position of neoliberalism on the role of the state. There are two main causes of this confusion: Firstly, there is no single neoliberal position on the role of the state. However, in this subchapter, it will be shown that at least a small common denominator exists. Secondly, as Biebricher (2018) finds, the ambivalence also derives from the state simultaneously being the central instrument in creating the aspired market society while, at the same time, posing as its biggest antagonist.

The position of the state towards the market

As has been pointed out above, in its formation process, neoliberal theory, as formulated, for example, by Hayek (2001 [1944]), has departed from classical liberalism and laissez-faire economics. Classical liberals had claimed that free markets and, thus, a free society would be generated if only the state was rolled back to an entirely passive role. Neoliberals such as Hayek (2001 [1944]: 37) who criticise this classical liberal position see the state as having a more active role. They understand that the formation of their utopia cannot be left to passively emerge on its own but must be actively created (see also Munck 2005).

> 'It is important not to confuse opposition against this kind of [centralised] planning with a dogmatic *laissez-faire* attitude. The liberal argument is in favour of making the best possible use of forces of competition as means of co-ordinating human efforts, not an argument for leaving things just as they are. It is based on the conviction that where effective competition can be created, it is a better way of guiding individual efforts than any other. It does not deny, but even emphasises, that, in order that competition should work beneficially, a carefully thought-out legal

framework is required, and that neither the existing not the past legal rules are free from grave defects' (Hayek 2001 [1944]:37; emphasis in the original)

This quote shows that neoliberals such as Hayek understand that the conditions for effective competition have to be actively created and will not arise by themselves. It is questionable how much this understanding contradicts the neoliberal notion of a naturalness of market economy. Anyway, the quote also shows that neoliberals such as Hayek understand the state and its legal system as transformative tools for creating these economic and social conditions they envision. Ordoliberals such as Rüstow and Eucken went further than that, arguing that only a strong and independent state could create a market economy under its wings. One of the most striking examples of the creative role of states is the creation of the international financial market system, which is discussed in Chapter 4.4.

However, at the same time, other central neoliberal figures, such as Friedman (2002 [1962]), have also openly promoted the ideal of small state, returning towards a more laissez faire kind of liberal thinking. According to Friedman, the state (although he mostly speaks of 'the government') should not engage into any creative activities but should leave that to the markets.

This theoretical conflict over the role of the state was also at centre of the theoretical dispute between leading ordoliberals, who were in a favour of an active and creative role for the state, and Hayek, supported by the Chicago School strand, who was in favour of a minimal role for the state. The dispute escalated in the 1960s and led to several ordoliberals (Rüstow, Röpke and Hunolt) leaving the MPS (Müller 2017:102f.; Nollert 2005:44ff.). Since then, the anti-state rhetoric of neoliberals has increased and new, more radical strands of liberal thinking, such as anarcho-liberalism, have evolved.

Possibly the smallest common denominator which neoliberals can agree on in reference to the state in its role as an 'umpire' or referee (see Friedman 2002 [1962]:25; Buchanan 2000 [1975]; Eucken 1949). Hence, its minimal role is to enforce the rules of the game (the market) without taking part in it (Biebricher 2018:33ff.).

> '[…] we need an umpire. These then are the basic roles of government in a free society: to provide the means whereby we can modify the rules, to mediate differences among us on the meaning of the rules, and to enforce compliance with the rules on the part of those few who would otherwise not play the game' (Friedman 2002 [1962]:25)

Still, if the understanding of the state as a referee represents the neoliberal smallest common denominator, two conclusions can be drawn from it that point out how problematic it is. Firstly, if the ultimate function of the state is to provide conditions of competitive market capitalism, it itself becomes a mere function of capitalism. Secondly, the notion of a referee state implies an authoritative function of the state towards its people. The role of a referee is not to make the rules of a game, but to 'interpret and enforce them' (Friedman 2002 [1962]:25). Hence, even if people had the possibility to elect their 'referee' (which is rather uncommon in sports), they could never interfere with the given social rules, which the referee is supposed to enforce. In this way, the referee state manifests itself as a separating instance between the will of the people and the given social order (You can argue with the referee, but not with the rules), or as Buchanan (1997:118) puts it, the 'distinction between choices among rules and choices within rules'. Friedman's version of promoting individual freedom is, in reality, an endorsement of the authoritarian state, which forces people to play by social rules that they are not allowed to take a vote on. A broader analysis of the problematic relationship between neoliberal theory and democracy is undertaken in Chapter 4.7.

Neoliberal critique of the state

Despite the central function of the state to create competitive markets, neoliberals have continuously warned of the threats of a state which grows too powerful, calling it, among others, 'Leviathan' (Buchanan 1975). Lösch (2017:210) finds that, the neoliberal critique of the state alternates between two fundamental opposites, the negative characterisation of a too powerful, tyrannical state, but also a too weak state, which is subject to interest groups, especially unions.

Hence, the neoliberal opposition against the state appears to be less fundamental than conditional. It has been shown that neoliberals, even in their smallest common denominator, ascribe to states a positive role. This is what theoretically sets them apart from the laissez-faire stands of liberal thought. It has also been shown that neoliberals favour a certain political direction of the state, which must enforce competitive capitalism. Therefore, it is not far-fetched to argue that the condition on which the neoliberal position towards the state alternates is political. As has been concluded in Chapter 4.2, a rare unifying element of the different neoliberal strand of thought has been its political opposition towards the political left and organised labour. Hayek (2001 [1944]) warns of socialists, Marxism and labour unions while Friedman (2002 [1962]), more concretely, adds fiscal policy, social welfare and egalitarianism. Thus, in combining these findings, the neoliberal critique of the state appears to be conditional on the quality and direction of its government's politics. This conclusion only underlines the apparent political nature of neoliberal theory.

4.6 The production sphere in neoliberal theory

Neoliberal economic theory is not exclusively directed at the sphere of national government and international institutions. It also still plays an important role in the sphere of production. In order to gain an understanding of neoliberal theory and the changes it has provoked it is helpful to look at three levels separately: Firstly, the operational level determines how the production process is organised in the narrow sense. Secondly, the strategic level, which is commonly associated with corporate management, has the function of leading a business and making strategic decisions, which are thus separate from the operational level. And thirdly, the ownership level determines who owns the business and how ownership power is executed and, thus, how the produced surplus value is going to be used.

For some reason, the changes in management thinking and resulting transformation in the organisation and conduct of the sphere of production are heavily underrepresented in the critical literature (Williams (2000) makes a similar argument). Only a few authors have engaged with the changes and transformations which were brought on their way by the spreading influence of the shareholder value orientation of businesses. Furthermore, some critical left-wing authors, especially classical Marxists, seem to have a methodological problem when analysing changes in the organisation and conduct of business. The simplified notion of a clear-cut class dichotomy, of capitalists and the proletariat may have led to a fallacious understanding of a homogenous and stable discourse of ideas on the business side. In reality, the business side is rather heterogeneous, forming the understanding of how businesses should be organised and run according to a broad mass of diverse theories. Additionally, the standard of business theory has substantially changed over time. Neoliberal theory, as well as the optimistic belief in financial markets by some neoliberals such as Friedman, has had a strong impact on management theory and corporate governance at all three levels of the production sphere. In the following section, an overview of these changes is given.

4.6.1 Ownership level

The stance on anti-trust and mergers of influential neoliberals such as Friedman changed considerably in the 1960s. Neoliberal theory was now promoting the idea that mergers and acquisitions (M&A) must be understood as favourable processes because the formation of giant corporations allowed for greater efficiency in production due to scale economies and, hence, even more competitive advantages and lower product prices, and, therefore, greater consumer welfare (Schnyder and Siems 2013:14ff.; see also Crouch 2011).

Based on the neoliberal endorsement of mergers for the sake of efficiency and on Eugene Fama's Efficient Markey Hypothesis, the concept of shareholder value was conceived by business theorists. Froud et al. (2000:81) point out that shareholder value does not represent a precisely defined concept but rather a rhetorical device. For a consultancy firm, however, shareholder value and value-based management are a product which is sold to managers in order to get ahead of stock market expectations. The quasi-academic foundation was laid by Alfred Rappaport's (1998) '*Creating Shareholder Value*' and Bennet Stewart's (1991) '*The Quest for Value*' and is supported by several business intellectuals, such as Michael Jensen, who unsurprisingly completed his PhD at the neoliberal intellectual centre, at the University of Chicago.

> 'The market for corporate control is creating large benefits for shareholders and for the economy as a whole by loosening control over vast amounts of resources and enabling them to move more quickly to their highest-valued use. This is a healthy market in operation, on both the takeover side and the divestiture side, and it is playing an important role in helping the American economy adjust to major changes in competition and regulation of the past decade' (Jensen 1988:23).

The argument in favour of shareholder value orientation (SVO) is based on the Efficient Market Hypothesis (see also Chapter 4.3.4), which claims that asset prices on stock markets reflect the true value of these assets. Morck (2014) shows that this hypothesis concerning financial markets, especially stock markets, has been repeatedly contested, most famously by Kindleberger (2011), showing that financial booms and crashes are more likely to be the results of the irrational sentiment of investors than of fundamental rational laws, and by Tobin (1984), who argues that the pressure of shareholders on corporate management to artificially push up share prices results in the inefficient operation of related assets.

Similar to Jensen, Rappaport (1998:11) argues that SVO would have wide-spread benefits to the US population because 40 percent of people are holding some sort of stock or mutual funds (Froud et.al. 2000:86f.). Despite these efforts to making the case for a universal benefit by aligning business management with shareholder interest, it is clear that SVO is first and foremost in the interest of capital investors, who aim to raise shareholder power and capital profitability.

4.6.2 Strategic level

SVO profoundly changes the theory of how a business is valued. Through the history of management theory, numerous ways to measure the value of a business have been proposed, some with more and some with less success. But the centricity of shareholder value creation raised two central concepts: Economic value added (EVA) is the difference between the net operating profits after tax (NOPAT) and the rate of return for the capital employed (ROCE). Hence, EVA is a measure of the profitability of the employed capital of a company, whereas, market value added (MVA) is defined as the current market value (of shares) of a company minus the sum of invested capital. It depends on the development of share prices. Besides these two central measures, many other ways to calculate the value of a company based on capital profitability have been introduced with regard to SVO (Froud et.al. 2000:83).

Only a few years before SVO theory was conceived, Peters and Waterman (1982 [2015]:279), in their bestseller '*In Search for Excellence*', used the expression 'value driven' to describe the positive notion of a business, which is driven by the beliefs and convictions of their employees.

> 'Consider any great organisation – one that has lasted over years – I think you will find that it owes its resiliency not to its form of organization or administrative skills, but to the power of what we call *beliefs* and the appeal these beliefs have for its people' (Peters and Waterman 1982 [2015]:280, emphasis in the original text).

SVO, however, redefined 'value' as a purely formal and financial figure. Putting capital profitability-based measures such as EVA and MVA at the centre of how businesses are valued and run has a big impact on corporate governance and the workforce. Accordingly, management is redirected to organise and run the company from top to bottom on formalised, financial key performance indicator (KPI) systems, which reflect the SVO objective. Since the 1980s, especially large, publicly traded corporations have employed KPIs, such as ROI (return on investment) and ROCE, to reorganise their business according to SVO. Besides the differences in detail, they all have in common that the financial return on invested capital is put at the centre of business conduct.

Finally, as has been pointed out by Frank (2000) and Doogan (2009), the re-orientation of corporate management from its former roots in so-called scientific management to a more formalised, capital market orientation brought to an end a problematic theoretical contradiction. If managers could run a corporation based on expertise and detailed planning, why would this kind of corporatism and economic planning be constantly rendered so negative for national economies? (see also Braverman (1998) and Hanlon (2016) for a detailed analysis of scientific management).

> 'Scientific management underpinned the hierarchical control of all aspects of production and the professionalization of management. This idea rested uneasily with the free market ideologues, for if company activities could be planned and controlled it did not require a huge leap of imagination to see that economic forces could be planned and controlled for the society as a whole' (Doogan 2009:37).

4.6.3 Operational level

Neoliberal corporate management, with the central objective of shareholder´s interest maximisation, understands the operational level of the production sphere as functional. Hence, it does not play an important theoretical role for the creation of value anymore. Two transformative, formal financial targets have to be met here. Firstly, the increase of profitability at any cost and, secondly, the reduction of capital requirements. Both measures have a positive effect on the EVA calculation. Logically, in most industries, labour cost is the largest single cost block of production inputs. Hence, numerous ways to reduce labour cost and raise work efficiency have been introduced to management theory and business administration since the 1980s and have spread through popular management literature to many other sectors which are not even governed by SVO. Only a selection can be discussed here; however, it will suffice to make the point out the important processes.

Market logic is applied to the production process. Business units and departments can be divided into cost- and profit centres. This division allows the creation of simulated market conditions and competition between units and within the enterprise. But even single employees and workers can be encouraged to act more competitively, focusing on their own efficiency using self-responsibility (Nachtwey 2016:84f.). Positive and negative incentives can support these procedures. In order to monitor these efforts, formalised, financial KPIs have been developed which reach down to the individual worker/employee. If business units cannot keep up with market standards, top management can make strategic decisions over the possible 'out-sourcing' of units. In most cases, this means that they are being sold off to another company or simply discontinued. Another similar practice is called 'in-sourcing'. A business unit is organisationally carved out of the main company and placed into a service centre. It suffices, however, if this carving-out happens on paper only. In large corporations, redundant business unites can be clustered into so-called shared service centres, where synergy effects can be realised by cutting personnel. Another advantage for many industrial companies is that such insourced business units can be separated from the mother company just enough in legal terms so that bargained industrial sector wages may not apply anymore. In this way, a company can keep their business units under corporate control but can save on wage costs.

Furthermore, as Lazonick and O'Sullivan (2000) argue, management theory under SVO promotes the idea of simply reducing the workforce for the reasons of cost saving and flexibility. Similarly, Nachtwey (2016:99) argues that neoliberal management theory advises reducing the workforce to the necessary minimum. All jobs above this minimum, according to the theory, can be filled on a temporary and precarious basis. Clearly, these measures represent cuts which were not simply tolerated by unions. Indeed, the conflict with unions caused by new management practices and the transformation and change of corporate organisation are well documented. The fundamental critique and negation of unions by neoliberals has been discussed above (see also Braverman 1998; Clua-Losada and Ribera-Almandoz 2017; Harvey 2005; and Yves Steiner 2015).

For the sake of this analysis, it is important to point out that the results for wage earners are not only of an economic nature. The described theories of management and business administration must also be understood from a political perspective, changing the collective bargaining power of labour, depressing wage growth and rising unemployment, but also marginalising the role of the working individual within the production process. Hanlon (2016) argues that neoliberal management is an entirely political project, with the objective of depressing labour power in the production process. This is, on the one hand, done by fragmentising work and promoting competition between individuals, and, on the other, by standardising work processes, in which the specific input of labour becomes increasingly formalised as a function of financial KPIs. Important knowledge, cognitive work and decision-making about production are transferred to and kept within the realm of management. Workers or employees becomes more easily exchangeable. Thus, they lose power also at the smallest, individual level of the production process.

Clearly the drive for capital profitability by shareholders raises the pressure on the workers and employees in production. The changes that SVO advises seem to be an almost entirely favourable to shareholders and top management and, at the same time, at large to the cost of labour, not only in terms of economic losses, but also in terms of losses of political power over the production process.

4.7 Neoliberal theory and democracy

The discussions of neoliberal theory in reference to the state and to the sphere of production point towards a deeper theoretical problematic of neoliberalism. In the sphere of production, neoliberal theory contests all participatory efforts of workers and employees which would allow collective actions. Since its beginnings in the late 1920s, neoliberal theory was clear about its fundamental opposition against collectivism and labour unions. This specific feature of neoliberal theory remained unchanged through history. Neoliberal theory fundamentally rejects collective, democratic structures at any level in the sphere of production, but especially at the level of ownership because this would imply a publicly, organised enterprise. In the sphere of the state, neoliberal theory seems to allow democracy. Even better, capitalism and democracy are often named as conditional on each other. Friedman (2002 [1962] argues that the economic freedom of competitive capitalism is a necessary condition for politically free societies. However, he also makes clear that this condition is not reversable.

A core value of neoliberal theory is individual freedom (see Buchanan and Tullock 1962; Friedman 2002 [1962], Hayek 2001[1944]). Per se, individual freedom does not appear to be in theoretical conflict with democratic values. However, in a controversial quote, Friedman juxtaposes democracy and individual freedom as conflicting principles.

> 'Let's be clear, I don't believe in democracy in one sense. You don't believe in democracy. Nobody believes in democracy. You will find it hard to find anybody who will say that if, that is democracy interpreted as majority rule. You will find it hard to find anybody who will say that at 55% of people believe the other 45% of the people should be shot. That's an appropriate exercise of democracy… What I believe is not a democracy but an individual freedom in a society in which individuals

> cooperate with one another' (Milton Friedman quoted in Mirowski 2013a:86).

Here, Friedman points out that individual freedom and democracy are distinct things. While democracy is majority rule, individual freedom is something else. In order to investigate the neoliberal understanding of individual freedom and its tension with democracy, the following section is divided into three parts, analysing the neoliberal theory of, respectfully, the individual, freedom and democracy.

4.7.1 Neoliberal theory and individual freedom: an ambivalent relationship

The concept of individualism certainly is not a neoliberal invention; it was already served up as a central value of classical liberals. But, as Ptak (2017) shows, by drawing on the concept of 'methodological individualism', neoliberals claim that all actions by groups, including class action, are fundamentally based on individual action. Hence, following this logic, there can be no collective action, but only temporary cooperation by individuals. At the same time, neoliberals argue that individuals are in need of free markets in order to act freely. Therefore, free markets have such a central social function for neoliberals. However, this conditional relation between the availability of free markets and an individual's freedom implies, conversely, that an individual's freedom is also limited to markets.

Crouch (2011) makes a similar argument, indicating that neoliberalism stands in logical conflict with democratic governance. He points out it is practically impossible that markets can sufficiently satisfy the totality of human objectives and needs. This means that there must be some human objectives which cannot be satisfied by the market. A full market society which allows needs only to be satisfied by markets is therefore inherently limiting to personal freedom, as it denies individuals the freedom to pursue their objectives apart from the market.

Understanding a market society as a limitation on human objectives points towards a narrow understanding of individual freedom. The free decision of an individual to break out of this corset and unionise or to ask for more equal distribution of commodities is not permitted within this concept. On the contrary, Ptak (2017:54) argues that for neoliberals like Hayek, individualism means adaption and submission of the individual to capitalist social processes. In 1948, Hayek published an article in the central German neoliberal journal *ORDO*, where he distinguished 'true individualism' (in the original: Wahrer Individualismus) from 'false individualism' (Hayek 1948). In his positive vision of true individualism, Hayek ascribes to the individual human a passive role towards historical political and social processes. Hence, humans should not actively interfere or create historical processes, but submit to the logic of the market, which passively and unconsciously steers the evolution of history. Hayek (1948) argues that humans successively understand less and less of the advancing complexity of modern society. Hence, the human should submit to social processes even if they directly appear irrational and not understandable. This notion of accepting occurrences and circumstances even if they have a direct negative effect with the promise that something beneficial will come from it indirectly and in an abstract way reminds one of Adam Smith's metaphor of an invisible hand. In sum, it can be said that Hayek's notion of the true individual is based on a deep pessimism of human nature and people's intellectual capacity (Ptak 2017:55).

Hayek's deeply pessimistic notions of the overstrained human individual and the resulting imperative of passiveness towards social and political processes stands in opposition to the notion of the politically informed, active and forward-looking human, who wishes to participate in the creation of social processes, which democratic society is supposed to be based on. The conceptualisation of the neoliberal individual seems to have a problematic relationship with the human foundations of democracy.

4.7.2 The antagonistic relationship between freedom and equality in neoliberal theory

Besides individualism, freedom is a core value of neoliberal social theory. It is often held up against the left-wing value of equality. As an input for the discussion of the relationship of neoliberalism and democracy, it is useful to take a deeper look at the neoliberal conception of freedom.

> 'A society that puts equality before freedom will get neither. A society that puts freedom before equality will get a high degree of both' (Friedman 1980 in *Created Equal)*

This well-known quote by Milton Friedman points towards two striking problematics. At first, according to neoliberal thought, equality is a phenomenon which passively arises from de-prioritising it. This reflects a somewhat peculiar distortion of what Foley (2006) calls Adam Smith's fallacy: The promise of an abstract, passive good which may arise from the endurance of a direct evil. Secondly, Friedman seemingly positions freedom and equality as antagonist values. By this, he hints that in his understanding, freedom itself is distributed unequally. This reveals a deeper misconception of freedom as a formalised concept, which ignores the real spectrum of possibilities a human can choose from. The possibilities of humans in capitalist societies are determined by their monetary potential. In neoliberal theory, individual freedom is seen even more narrowly as a function of the free market. Hence, logically the exercise of such freedom is dependent on purchasing power, that is, money. Money, however, is distributed very unequally in capitalist market economies and, it follows, so is freedom. In summary, when Friedman talks about freedom in a capitalist economy as a value antagonist to equality, he only talks about the freedom of the financial elite. Hence, it shows that the logic of trickle-down (see also Chapter 4.3.2) is not only applicable to income and wealth in neoliberal thinking, but also to one of its core values, individual freedom.

The neoliberals do not hide their aggressive anti-egalitarianism (Ptak 2017:67). In 1981, Hayek gave an interview to the German newspaper '*Wirtschaftswoche*' (*Business Week*), which was introduced by his statement that 'Inequality is not pitiful, but most joyful. It is simply necessary' (author's translation). Then he continued with the neoliberal answer to the poor countries' of the South demand for a more equal global economic order:

> 'For a world that is founded on egalitarian ideas, the problem of over population is not solvable. If we guarantee that everyone who, once born, is kept alive, then very soon we shall no longer be able to keep this promise. Against overpopulation there is only the one brake, namely that only those populations can prevail and grow that can also feed themselves' (Hayek 1981, 'Für eine Welt, die auf egalitäre Ideen gegründet ist, ist das Problem der Überbevölkerung […] unlösbar. Wenn wir garantieren, dass jeder am Leben erhalten wird, der erst einmal geboren ist, werden wir wohl sehr bald nicht mehr in der Lage sein, dieses Versprechen zu erfüllen. Gegen die Überbevölkerung gibt es nur die eine Bremse, nämlich, daß sich nur die Völker erhalten und vermehren, die sich auch selbst ernähren können.'; author's translation)

This quote by Hayek not only shows his hardball anti-egalitarianism, but his implicit assertion that famine is a problem, which is rooted in a population's inability to feed itself. This is a negation of the functioning of international trade and global food markets and also implies a common, collective fallacy, which contradicts his strict methodological individualism. Instead, famine often is an effect liberalized and open transnational commodity markets, so that it is more profitable to export food resources to Western industrialized nations than to sell them on local markets, and the politico-economic power of imperialist activities lead to extortions on food markets in poor countries. Thus, Hayek's assertions seem delusional and absurd. The decision to give birth is an individual decision and not a decision at all by the person who is born. In Hayek's eyes, it seems the freedom of the individual in poor countries of the South is the freedom to die for the benefit of the prevalence of an exploitative global market. It can only be described as cynical that Hayek, in the same interview, calls inequality joyful ('erfreulich') and then goes on to say that not everyone born in a poor nation of the South should be guaranteed to be kept alive. Hayek is a key proponent of neoliberalism and liberal moral philosophy, too. In this way, his response not only reveals the absurdity of his conception of freedom, but also his apparent cynicism.

4.7.3 The negative relationship between neoliberal theory and democracy

As has been pointed out in Chapter 2, several critics of neoliberalism, especially authors on the subject of 'authoritarian liberalism' (Bruff 2014; Tansel 2017, Clua-Losada and Ribera-Almandoz 2017), argue that neoliberal practice has repeatedly and increasingly shown a positive correlation with authoritarian practice via various governments. But the literature on authoritarian neoliberalism is, per its self-definition, based on 'actually existing neoliberalism' (Tansel 2017). The main issues which are investigated in the following section are the neoliberal critique of democracy and neoliberals' idea of how a government and democracy should be organised.

Already in the 1930s, neoliberals had made clear that there is a hierarchy of their own goals of liberalism and market economy, and democracy, in which democracy comes last. This basic understanding of the relationship between market order and democracy never changed in the eyes of neoliberals. In 1933, the German neoliberal Wilhelm Röpke wrote:

> 'If liberalism therefore calls for democracy, it is only on condition that it is provided with limitations and safeguards that ensure that liberalism is not swallowed up by democracy' (Röpke 1933:124 'Wenn der Liberalismus daher die Demokratie fordert, so nur unter der Voraussetzung, daß sie mit Begrenzungen und Sicherungen ausgestattet wird, die dafür sorgen, daß der Liberalismus nicht von der Demokratie verschlungen wird.'; author's translation)

Neoliberals today commonly follow a modern form of the 'economic theory of democracy'. Lösch (2017) explains that the methodological foundation of this theory of democracy is both in rational choice theory and in methodological individualism (see Chapter 4.3.1). Rational choice theory is one of the most important theoretical concepts in neoliberal thinking since the rise of the Chicago School to the mainstream in neoliberal intellectual discourse. This theory was invented by Chicago School economist Gary Becker, who was an important figure in intellectual discourse of neoliberal theories and also served as president of the MPS for two years from 1990 to 1992. In '*Human Capital*', Becker (1993 [1964]) makes the case for the rationality of investing in a person's education and the effects on later employment and earnings. By this, he concludes that all social processes which were thought to be habitual and irrational could actually be described by market rationality. Becker described his concept with the term 'economic imperialism', which depicts the expansion of market logic, including the micro-economic presumption of utility-maximising rational agents on the entirety of all social processes (Ptak 2017:28).

Becker was awarded the Nobel award of Economics in 1992 for this theoretical contribution. The theory of economic imperialism implies that public and state-led actions and interventions have, by definition, a depressing effect on the freedom of markets and economic growth. In this theory, democracy is constructed as a market model (Lösch 2017).

A major theoretical 'innovation' of neoliberal thinking was the formulation of public choice theory by two MPS members, James Buchanan (who served as president of the MPS from 1984 to 1986) and Gordon Tullock. The groundwork for this theory was conceived years earlier by a non-neoliberal, Anthony Downs. He introduced the concept of '*An Economic Theory of Democracy*' (Downs 1957), which represents the notion of a democracy as a market. Like markets, democracies are driven by the supply and demand of individuals who seek to maximise their utility. The major difference from a commodity market is that in this political market, political parties offer political services to voters, who are their customers. A voter votes for the party which offers him the highest utility, so parties offer the most popular political services so that they succeed in elections (Lösch 2017:206ff.). Downs' notion of political processes represents a flawed misunderstanding of how democratic processes happen in reality. Nor is there such a clear distinction between voters and politicians as there is in markets between producing businesses and customers. In a free and developed democracy, every person can decide to become politically active themselves, which confuses this basic model. Furthermore, the highest goal of political parties, not at least if they take themselves seriously, is not the maximisation of votes in an election, but the pursuit of their political programmes. Elections are subordinate means to follow political programmes, which normally are destined for timeframes larger than the period before the next election day. Finally, much political action and political movement do not take place in general elections, which again cannot be described by this problematic model.

Still, Buchanan and Tullock (1962) used much of this fallacious notion of democratic processes as the foundation for their conception of public choice theory. But other than the economic theory of democracy, which understands itself as demand-driven, public choice theory is a supply-side theory of the political market. It attests that as with every rational individual in neoliberal logic, bureaucracy and interest groups follow their own interests within states and governments. The result is a bureaucratic apparatus and an inefficient welfare state, controlled by interest groups (especially unions), which depresses free competition and individual freedom (Lösch 2017:210). Hence, it is impossible for politicians to act for a common good. Instead, they are merely driven by their own utility maximisation and the interests of other groups. In '*Limits to Liberty: Between Anarchy and Leviathan*' Buchanan (1975:205) contends that democracy can become its own leviathan, if it is not limited.

Neoliberals have provided numerour models of democracy, all of which follow the principle of the hierarchical superiority of liberalism and the market order, and thus limit democracy. Erich Hoppmann, who was besides Hayek one of the successors of Eucken in Freiburg (Ptak 2017:64), makes this concept clear:

> 'The ones in power must be restrained from taking specific, discriminating measures. Personal freedom and economic efficiency necessarily demand the evolution of an order in the sense of a limited democracy. It is a continuous exercise to analyse the kind of its limitation' (Hoppmann 1998, 'Die Machthaber müssen gehindert sein, spezifische, diskriminierende Maßnahmen zu ergreifen. Persönliche Freiheit und ökonomische Effizienz erfordern notwendigerweise die Evolution einer Ordnung im Sinne einer beschränkten Demokratie. Eine immerwährende Aufgabe ist es, die Art ihrer Beschränkung zu analysieren; author's translation)

Similarly, Hayek (1977) envisioned a reduction of parliamentary democracy, which he describes as unlimited, totalitarian and subject to the interests of the masses and uninformed voters. Instead, he proposed a two-chamber system, consisting, on the one hand, of a council of the wise formed by an elderly elite, which is concerned with legislative work. On the other hand, a government convention is concerned with executive work. The implication of such ambitions by Hayek is clear: the abolition of the parliamentary democracy (Lösch 2017:213). It is striking, however, how close these propositions are connected to the ordoliberal vision of a strong independent German state, as proposed by ordoliberals such as Rüstow and Eucken (see also Chapter 4.2.4). This is underlined by a quote by Hayek (1977):

> 'And even if there are good reasons to prefer a limited democratic government over a non-democratic government, I have to admit that I prefer a limited non-democratic government to an unlimited and hence borderless one' (Hayek 1977:19 'Und wenn es auch gute Gründe gibt, eine beschränkte demokratische Regierung einer nicht demokratischen Regierung vorzuziehen, so muss ich doch gestehen, dass ich eine beschränkte nicht-demokratische Regierung einer uneingeschränkten und daher in Grunde grenzenlosen vorziehe.'; author's translation)

In his book '*Limits to Liberty: Between Anarchy and Leviathan*' (1975), James Buchanan's vision of democracy went in a different direction. He dismisses all central creative functions of government and, instead, substitutes them with de-centralised acts of exchange. Democratic processes, along with all political and social processes, are subordinate functions of the logic of the market (Lösch 2017:213f.). Hence, they are reduced to reacting to market signals.

Hence, it shows that like freedom, democracy is reduced to a function of the market by neoliberals. But unlike freedom, which can theoretically be similar to money – distributed arbitrarily and unequally in society – this cannot be done with democracy. There is a fundamental conceptive discrepancy. A defining element of democracy is that democratic rights are distributed equally and held personally by voters (one head, one vote). This defining element of democracy represents an egalitarian distribution of voting rights, which Hayek (1977) contradicts:

> 'Democracy is in itself not egalitarianism, but unlimited democracy necessarily degenerates into egalitarianism' (Hayek 1977 – 'Demokratie ist an sich nicht Egalitarismus, aber unbeschränkte Demokratie artet notwendig zum Egalitarismus aus'; author's translation).

The egalitarian distribution of voting rights, however, stands in contrast to the neoliberal concept of efficient distribution, which is often announced by neoliberals as the opposite of egalitarianism. In this way, it follows that democratic rule and market rule over the same social process or function cannot be combined. It follows further that the neoliberal concept of public choice, which suggests organising democracy according to market processes and, hence, the subordination of democratic processes under a market logic, is antidemocratic.

Lösch (2017:218) plausibly argue that neoliberals entirely negate the social and material prerequisites for democracy. They also neglect to ask what people need in order to participate in democracy; they reduce democracy to a formal, passive act. This, however, does not seem to be a mistake, but a deliberate feature of the design of neoliberal theory of democracy. Probably neoliberals understand that neoliberal politics and its social implications in many cases tend to be not very popular for the majority of people. In a democracy, it is possible that the majority of people could decide to abolish capitalism and the rule of the market economy. In this light, the neoliberal theory of democracy appears, above all, as protective of capitalism. All neoliberal conceptions of democracy have in common that they try hard to avoid the theoretical possibility of a formation of a government which could have tendencies critical of capitalism and the market economy.

Streeck (2015:133) points out that the neoliberal scepticism of democracy stems from a simple analysis of class conflict, where capitalists have always feared democratic majority rule. Due to the proportions in the voting population, where, in capitalist nations, wage earners are systematically in the majority, the government, they fear, could only be a pro-labour one. Hence, capitalists fear coming under labour rule, which could cost them their fortunes and possibly the abolition of capitalism altogether. In any case, the class perspective enlightens the neoliberal theory of democracy. Like many other elements of neoliberal theory, its concept of democracy shows a class bias in favour of capitalists and financial elites. In this light, the quote by Friedman, at the beginning of this section, makes more sense. Friedman gave a similar statement in 1993, in his speech at the opening of the Cato Institute's headquarters in Washington, DC:

> 'I don't believe in democracy. Nobody believes in democracy. Nobody believes that if 51 percent of the people vote to kill the other 49 percent, that's appropriate. And pre-majoritarian rule would say it is. But what we do believe, is in giving everybody the opportunity to use his own resources as effectively as he can to promote his own values so long as he doesn't affect anybody else' (Friedman 1993).

Friedman's negation of democracy is simply based on the fear of a democratic majority rule which could hold political tendencies critical of capitalism. An anti-capitalist democratic majority could theoretically challenge the capitalist market order. This is the reason why neoliberals are sceptical of and even openly hostile to democracy (see also Ptak 2002:87ff.).

4.8 Analysis of neoliberal theory: conclusions

This chapter has discussed the different historical roots of neoliberal thought, as well as the development of contemporary politico-economic discourse. It has been shown that from its very beginnings in the 1920s until today, neoliberals have not managed to produce a concise and holistic theory. Instead, the neoliberal discourse remains laden with conflicting stands of thought and theoretical contradictions. Only in negative differentiations from other traditions of political economy do neoliberals find broad accommodation. The distinction from classical laissez-faire liberalism, as well as the fundamental opposition to scientific socialism and Marxism, can be regarded as identity-establishing for neoliberal theory.

Neoliberal theory has been produced in a discursive process between multiple academic protagonists located in, among others, Austria, Germany, Switzerland, the UK, France and the US. Hence, the notion of neoliberalism as a form of academic thinking specific to the Anglosphere cannot be substantiated. Neither is neoliberal theory limited to economic theory. Key proponents have referred to sociology, moral philosophy and, especially, political science.

Setting itself apart from neoclassical economics, which strictly differentiates the academic disciplines of economics and politics, neoliberal theory has explicit and implicit political aspects to it. On the one hand, key neoliberal authors (Hayek 2001 [1944], Friedman 2002 [1962]; Rüstow 1957a; Buchanan and Tullock 1962) explicitly state the political nature of their work. Hence, it would be wrong to squeeze neoliberal theory into the narrow boundaries of economics. On the other hand, neoliberal theory appears to carry an implicit transformative intention. Neoliberals only represent a minority in the academic discourse of political economy. Nevertheless, this minority managed to be so influential that they have succeeded in changing the discourse significantly.

By doing so they have also redefined the explanatory framework of economics that is commonly used by policymakers and governments. This is what is described here, as the performative role of neoliberal theory. It is a significant element of neoliberal transformation.

The transformative ambition of neoliberals has been shown to work in the sphere of the state and the sphere of production. Hence, in this chapter, special attention has been paid to the different spheres which neoliberal theory is applying itself to. It has been shown that neoliberal theory not only advocates the transformation of the role of the state, but also the substantial changes to corporate governance and under which maxim businesses operate. Therefore, it is useful to draw on this conclusion in further discussions of neoliberalism in the following chapters. For instance, in Chapter 5, the analysis of neoliberal practice is divided into sections, where the sphere of the state and the sphere of production are analysed separately.

Neoliberal theory merged with Keynesian methods and neoclassical models, reflecting how neoliberal theories have lost their pristineness. Neoliberals have proven high levels of pragmatism, accepting compromises and theoretical contradictions. In the cases of anti-trust and monetarism, they have even shown high flexibility in reversing their opinions. This allows for the conclusion that for neoliberals, the impact on discourse of their theories is valued higher than their pristineness.

It is this specific political quality which allows neoliberal theory to make political as well as economic promises. Neoliberals have made numerous utopian promises of what a free market economy would generate if society was accordingly transformed. The promises include freedom and prosperity for the individual, efficient commodity distribution and more efficient organisation of all social processes through markets. More concretely, via trickle-down theory, neoliberals assert positive wealth effects for all income strata if higher capitalists and higher top managers are allowed to increase their profits. These promises are tested against empirical data in Chapter 5 to draw further conclusions.

However, neoliberal theory seems to be much clearer in its political vision than in its economic one. The analysis of the application of neoliberal theory to different spheres of political economy has brought to light how neoliberalism seems to have a conceptual and theoretical problem with democracy. The strictly egalitarian principle of the distribution of voting rights (one person, one vote) logically contradicts the neoliberal maxim of efficient distribution. It has been shown that according to neoliberal theory, not only individual freedom but also democratic processes and the state itself are understood as formalised functions of the market.

In context with the policy advice from neoliberal theory, another facet can be added. It has been shown that neoliberal economic theory has a clear tendency to produce outcomes favour the financial elite. The promise of individual freedom as a function of markets is a promise to those who have relatively higher market powers, which is determined by access to capital or at least money. Neoliberals have made it clear that their concept of efficient distribution is the opposite of egalitarian distribution. The only theory which provides hope for benefits from the neoliberal concept of economic growth is the thin theory of 'trickle down'. However, it has been shown that trickle-down economics is problematic, even in theoretical terms (see Chapter 4.3.2). Instead, the picture of the neoliberal growth model is relatively clear. In all politico-economic spheres, neoliberal economics is aimed at increasing the exploitative freedoms of capital in order to generate higher capital profitability. In context with the clear political position of neoliberals, it can be concluded that neoliberal theory is a theory in favour of capitalists and the financial elite while politically opposing left-wing ideas and organisations.

Hence, the production of neoliberal theory must be understood as a political phenomenon too. As the analysis has shown, neoliberal theory is strongly class biased in favour of capitalists and a financial elite. Neoliberals have won many confrontations in recent decades. However, that did not happen because their arguments and theories were so practical and beneficial to the majority of the people. Neoliberals, like right-wing politicians and capital investors alike, have understood that theories such as monetarism could be used as a metaphorical crowbar in order to break open the Keynesian hegemony and the social welfare state. By this, they were able to damage the macro-economic theory which social democrats and other left-leaning reformers had based their policies on. In this way, neoliberals and right wing-politicians and capital investors entered into a reciprocally beneficial relationship with each other.

In this light the formation of new Keynesianism must also be understood in the context of new labour and new democrats, often clustered under the umbrella term of the Third Way of social democracy (Quiggin 2010:121). All these transformations of left-leaning concepts and organisations towards something 'new' were really adjustments to the right and a theoretical mash-up with neoliberal theory. The success of neoliberal theory was not only a joint ascent with right-wing politics, but also an abiding transformation of left-leaning concepts (see also Arestis and Sawyer 2005). A central function in this transformation must be credited to the performative role of neoliberal theory. The neoliberals were successful in sustainably changing the academic hegemony of political economy and, thus, providing key influence on the explanatory frameworks of political and economic decision makers. This is further discussed in Chapter 7.

In summary, the analysis has shown that the nexus of neoliberal theories does not provide theoretical coherence. Instead, neoliberal theories encompass several significant contradictions, even in their basic concepts. Thus, neoliberal theory does not suffice as an explanation for its apparent success and rise to politico-economic hegemony. To solve this puzzle, it is necessary to perform an analysis of neoliberal practice. The conclusions of the analysis of neoliberal practice must then be contextualised with the conclusions of the analysis of neoliberal theory in order to point out their relation. As Friedman (interview on The Open Mind 1975) put it: 'One of the great mistakes is to judge policies and programs by their intentions rather than their results.'

5 Analysis of neoliberal politico-economic practice

This chapter is concerned with neoliberalism in practice. Relevant politico-economic transformation processes are portrayed, and social-economic data is used to analyse the preconditions and outcomes of such transformations. For the sake of a systemic analysis of politico-economic processes which underpin neoliberalism, the interconnection of economic, as well as political factors, must be acknowledged. When investigating neoliberal practice, it makes sense to specify two fields of focus where neoliberal transformations can be observed and analysed: this chapter looks into neoliberal transformations in the spheres of the state and of production or 'actually existing neoliberalism' as it is sometimes called in the literature (Brenner and Theodore 2002; Munck 2005; Tansel 2017). In order to do so, this chapter combines a historical view of the political and economic actions which promoted neoliberal politico-economic transformation with an analysis of related socio-economic data, which allows for a discussion of the empirical outcomes of these actions. The aim of the analysis is to produce a comprehensive understanding of neoliberal practices in terms of their transforming politico-economic processes and their empirical effects. The conclusions serve as the foundation of the synthesis presented in the subsequent chapters.

Aim, approach and methodological considerations

Chapter 5 aims to provide a complementary, practice-based view of neoliberalism and, thus, an important input for the discussion of neoliberalism. It investigates how neoliberalism has been put into practice. In order to do so, sets of socio-economic data are provided. This is useful because it allows for a quantifiable analysis of the prerequisites and outcomes of neoliberal practice, which can be measured against the self-proclaimed outcomes of neoliberalism. This is a pertinent input for the discussion on the relationship between neoliberal theory and practice in the subsequent chapters.

Beforehand, anyway, methodological limitations of the scope of such an analysis have to be made. Firstly, the generation of own models and calculations, based only on raw data, would exceed the limits of this this. For this reason, the analysis relies on pre-processed data. This method requires a high level of caution around interpreting such data. Secondly, for the sake of feasibility, the analysis used is a two-country approach. A comparison of two relevant countries is sensible in several ways. Only looking at a single country would be tenuous for a critique of a multi-country phenomenon. In the literature, it appears that many critical studies of neoliberalism have a single-country focus, especially on the US. There are two good reasons for this.

Firstly, the US provides the richest pool of reliable socio-economic data of all developed economies. And, secondly, it often, next to the UK, poses as the neoliberal role model, where neoliberal policy has been rolled out in its purest form. The unwanted effect of this US centricity of critical analyses is that neoliberalism is often misunderstood as a phenomenon which is somewhat limited to the anglosphere, especially the US. In order to debunk this misunderstanding, this PhD juxtaposes neoliberal transformation in the US with neoliberal transformation in Germany. Germany is an apt reference point because it differs from the US in many cultural, economic, political and historical factors. Hall and Soskice, who developed an influential perspective in their '*Varieties of Capitalism*' (Hall and Soskice 2001) understand the US and Germany as having two distinct forms of capitalism.

Still, Germany and the US have features in common, which are crucial for the analysis of neoliberalism. Both economies underlie the order of the capitalist mode of production. This is crucial, because, in this way, neoliberalism can be assessed on its systemic connection to the mode of production despite country-specific differences. Furthermore, in a broad historical-economic context, the US and Germany have passed through immense structural changes, such as industrialisation at a similar time, and, thus, both can be considered mature capitalist economies. It is further helpful that each country has a similarly large population and large economy. Finally, and probably most importantly, both countries are parliamentary democracies. This is crucial because it strongly determines the processes by which neoliberal policies are put into practice. The precondition of a functioning parliamentary democracy means that neoliberal agendas are, at least to some extent, subject to public opinion and voting decisions.

This analysis distinguishes two spheres of neoliberal transformation, which are investigated separately: the sphere of the state and the sphere of production. This differentiation is useful because these spheres are organised differently with respect to their governance. This is also in accordance with the conclusions of Chapter 4, where the governance of the state and of production were identified as the main levers of transformation by neoliberals. In the case of the US and Germany, both states are organised as democratic parliamentary republics. The sphere of the state also includes policy towards the population and their private and public life, as well as the state's international engagements. The sphere of production, on the other hand, is governed and organised by so-called corporate governance. National laws do of course permeate this sphere as well, but not at a specific level, but only at a general level. To give an example: the wages of a worker are directly subject to the production sphere. Indirectly, they can also be subject to the sphere of the state if the government passes a law which regulates wages. Hence, the demarcation line between the two spheres is blurred because of overlapping reach-through towards individuals.

5.1 Neoliberal politico-economic transformations in the sphere of the state

This section analyses neoliberal policy in the sphere of the state in the cases of Germany and the US. Policy must be understood in a historical and politico-economic context, as it is put into practice through political action. The outcome of policy is reflected in socio-economic empirical data. Hence, in order to produce a useful picture, the ensuing analysis combines a historical view of transformative political actions with their presentation as seen in empirical data.

It has been argued by others (e.g. Biebricher 2018) that neoliberals understand the sphere of the state as the main lever of neoliberal transformation. The governance of the state reaches far into international realm, as well as into the organisation of day-to-day life of every inhabitant (rather than citizen, because not every inhabitant is considered a full citizen) and exceeds the subject of political economy. Hence, this analysis, which is limited to political economy, can only represent a particular angle of view on neoliberal transformation.

5.1.1 Neoliberal transformation in the sphere of the state in the US

The era of neoliberal policy at the US federate level is commonly considered to have started with the election of Ronald Reagan in 1981, and the implementation of so-called *Reaganomics* and the *Reagan Revolution*. But while it is true that the Reagan administration was openly neoliberal, underpinning their economic policy with a narrative of monetarist and supply side theories, relevant processes of neoliberalisation had already commenced several years prior.

The US experienced a stagflation crisis in the 1970s (Duménil/ Lévy 2011). Stagflation is an economic phenomenon, where the stagnation of economic growth coincides with high inflation rates. The crisis grew out of historical developments. The era of historically unique economic growth from post-World War Two was coming to an end, and at the same time, cost-push inflation was rising. This kind of inflation, as opposed to demand-pull, represents the devaluation of money by rising costs of means of production, which then cause higher prices of consumer goods. This development was in train for several years but escalated when two oil price shocks hit the US economy in the 1970s. In 1973, triggered by the Yom Kippur war and the Arab Oil embargo oil prices on international markets, oil increased fourfold, from $2.90 per barrel to $11.65 per barrel within four months. In 1979, oil prices surged again, from $13 per barrel to $34 a barrel. This was about a tenfold increase in the price of oil since the beginning of the 1970s (Parra 2013 [2004]; Yergin 2009 [1991]:777). These price shocks had an immediate large-scale cost-push effect because of the central role of oil in the production and supply chain of almost every commodity. The effect was rising prices, and hence a depreciation in the value of money against these commodities. Chart 5.1 shows the change in the annual US inflation rate. The extreme distortions between 1973 and 1981 can be clearly seen.

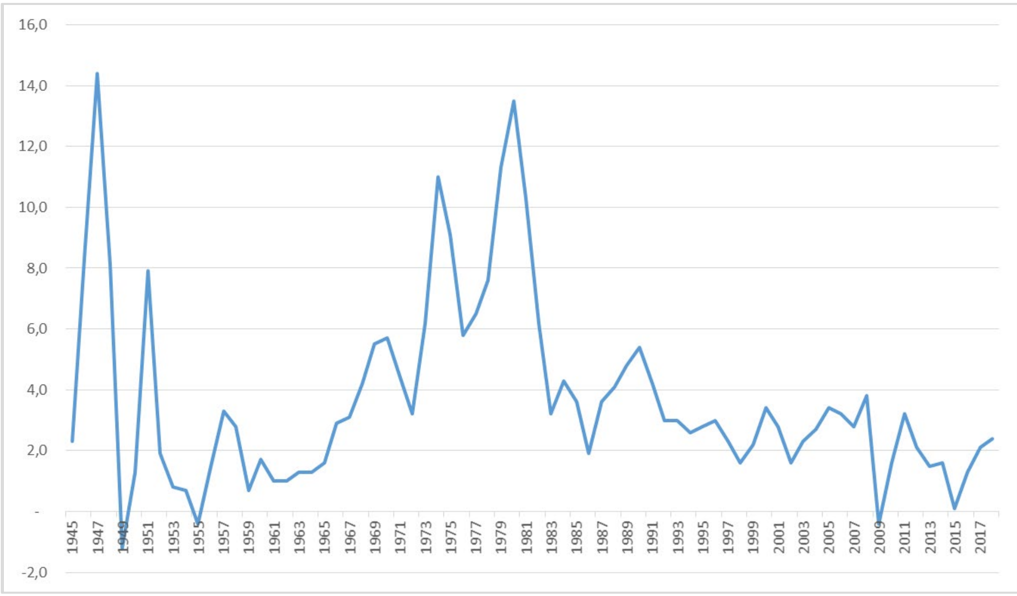

CHART 5.1 US INFLATION RATE, 1945-2017
SOURCE: USINFLATIONCALCULATOR.COM, AUTHOR'S INTERPRETATION

As has been discussed in Chapter 4, structurally, inflation appears primarily as a problem for money owners and lenders. Typical wage earners do not experience a strong wealth effect as long as wages were regularly readjusted to inflation. Thus, Doogan (2009) argues that stagflation hit the upper class hardest. Additionally, security holders and financial institutions were under severe pressure as the inflation of money meant a transfer of value from lenders to borrowers, leading to a wealth crash for the top 1 percent of American earners.

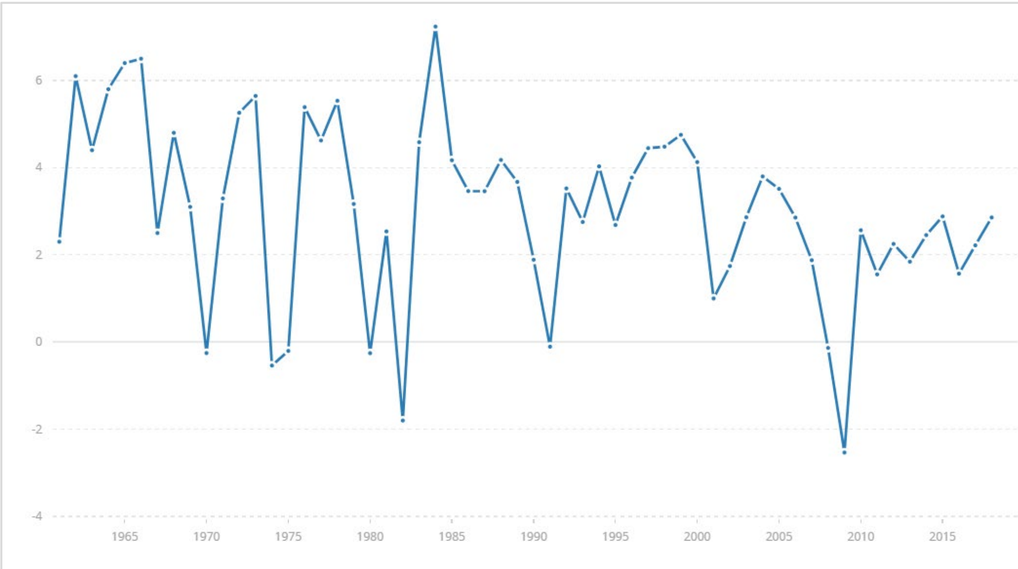

CHART 5.2 US GDP GROWTH, ANNUAL %, 1960-2018
SOURCE: WORLDBANK.ORG,
HTTPS://DATA.WORLDBANK.ORG/INDICATOR/NY.GDP.MKTP.KD.ZG?CONTEXTUAL=DEFAULT&END=2018&LOCATIONS=US&START=1961&VIEW=CHART

The second defining element of a stagflation crisis, logically, is the stagnation of economic growth. Since the 1960s, the US was engaged in fierce competition for export markets with economies such as Germany and Japan, which, however, successively out competed the US in industrial production and related innovation. The comparative economic power of the US was decreasing. Chart 5.2 depicts US GDP growth between 1960 and 2018. One can clearly observe the average negative trend of US economic growth from the 1960s until the mid-1980s.

The US government struggled to get these economic developments under control with an economic policy, which until the late 1970s, was mainly Keynesian (see Chapter 4.3.4). But during the 1970s, the political climate and academic discourse in political economy in the US changed drastically. As Harvey (2005) shows, the US experienced the growth of business-oriented political organisations, such as the Business Roundtable, as well as the formation of several neoliberal think tanks, such as the Heritage Foundation, the Hoover Institute, the Center of the Study of American Business and the American Enterprise Institute. At the same time the US Republican Party started to develop alliances with conservatives, pro-business individuals, neoliberals and the Christian right.

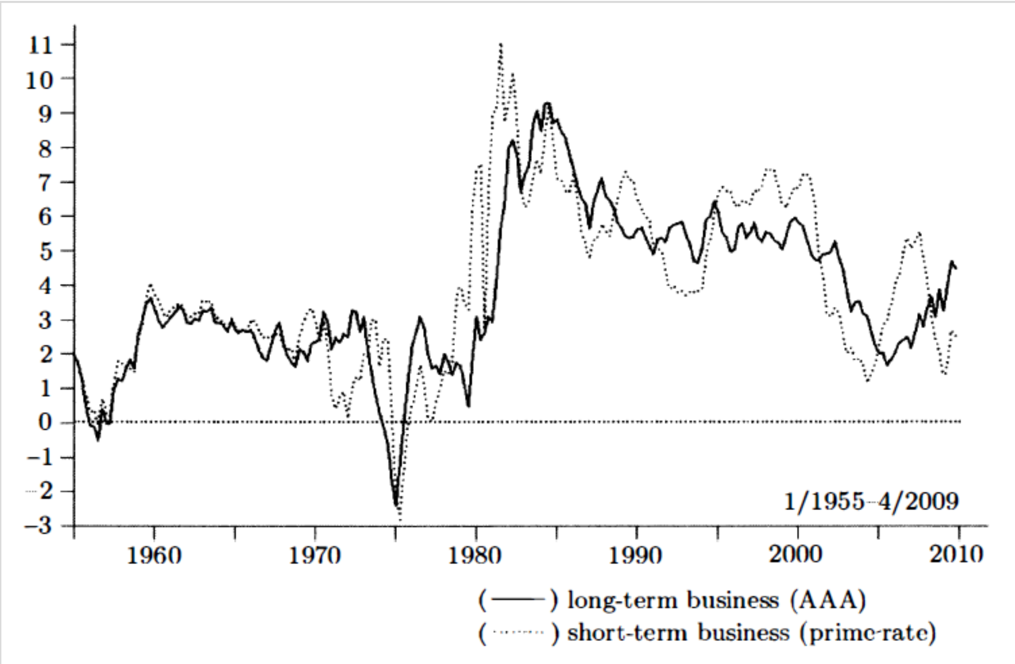

CHART 5.3 THE US INTEREST RATE, 1958-2008
REAL INTEREST RATES: US BUSINESS (PERCENT QUARTERLY) REAL RATES ARE NOMINAL RATES MINUS THE INFLATION RATE
SOURCE: DUMÉNIL AND LÉVY (2011:61)

Already in 1971, the Richard Nixon administration decided to abandon the fixed gold convertibility of the US dollar, and hence the Bretton Woods system, and in 1974, capital flows were liberalised (Duménil and Lévy 2004). In 1971, political action committees (PACs), which allowed pooled private and corporate funds for money contributions to political parties, were legalised

(Harvey 2005:42ff.). This gave the financial elite a vehicle to openly sponsor parties and candidates and, thus, influence the outcome of elections.

In the final years of their mandate, the Jimmy Carter administration of switched to a monetarist economic policy. In 1979, still a year away from Reagan's election, Paul Volcker, who had been appointed as chairman of the FED by Carter, instigated a huge shift in US economic policy from Keynesianism to monetarism. During the inflationary years of the 1970s, the real rate of interest was very low, sometimes even negative. Within a very short time span, the rate was raised and finally stood at 20 percent in mid-1981. Chart 5.3 shows this extreme rise of the real interest rate. The argued aim was to gain control of inflation at any price. The effect was a recession in the US and the beginning of a lasting debt crisis for debtor countries, especially to the south of the US. This is what Duménil and Lévy (2011:60) call 'the 1979 Coup'.

In this politico-economic context, Ronald Reagan was elected president. His first term started with several remarkable policies and reforms. Reagan, as well as Volcker and David Stockman, who was the director of the influential Office of Management and Budget (OMB), were intrigued by neoliberal theories but, at first, especially by the idea of monetarism (Biebricher 2012:120). This theory of economic policy, conceived by Friedman at the University of Chicago, presented itself as a useful counter-concept to Keynesianism (see Chapter 4.3). The implications for economic policy were big. Instead of fiscal policy, which followed the superordinate aims of full employment and demand-led economic growth, monetarism dropped the aim of full employment for the sake of bringing down inflation and establishing a sound money supply.

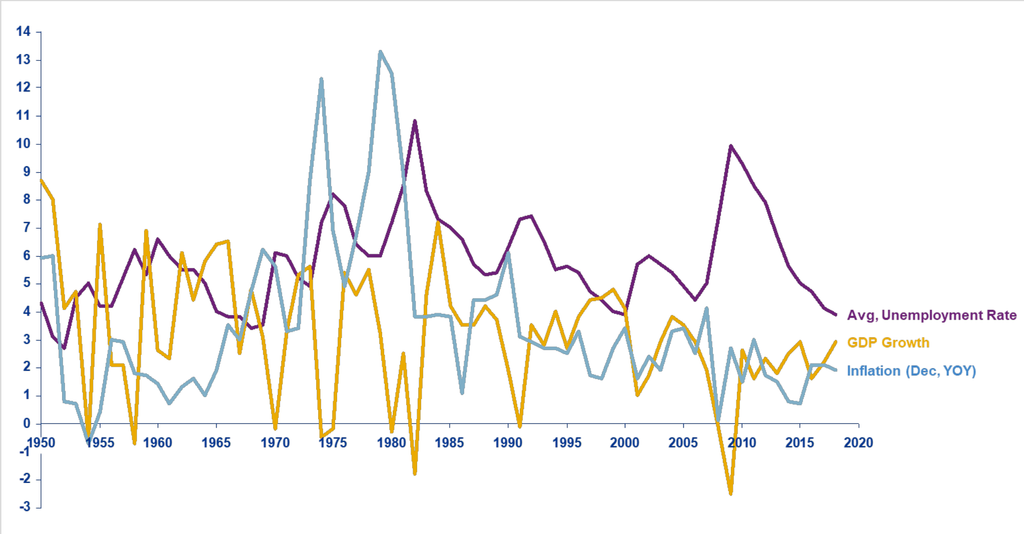

CHART 5.4 AVERAGE UNEMPLOYMENT RATE, GDP GROWTH, INFLATION RATE (YEAR ON YEAR), USA, 1950-2018
SOURCE: AMADEO 2019D, US BUREAU OF LABOR STATISTICS

Chart 5.4 shows the developments of the average unemployment rate, GDP growth and the year-on-year inflation rate. One can clearly observe the interplay between these three key economic figures. The unemployment rate and GDP growth seem to have an inverse relationship. It is noticeable that after the high volatility of the 1970s, the unemployment rate appears to have a higher average level than in the decades before. Conversely, GDP growth can be observed to be structurally lower after 1980 than before. Furthermore, one can see the falling tendency of GDP growth between 1980 and 2018. But Chart 5.4 also shows the effect of the Volcker Shock, starting in 1979. One can see that with the deliberate rise in the interest rate, a sharp recession was triggered and, thus, a sharp rise in unemployment in the early 1980s. Until the 1990s, inflation remained at a rather high level, but far from the outstanding distortions which followed the oil price shocks.

5.1.1.1 Policy in the face of monetarism and supply-side economics

Friedman's monetarist critique of Keynesian fiscal policy also includes the argument that wage growth plays a key role in propelling inflation by incorporating expected inflation into the wage bargaining process. Thus, it is argued that in order to gain control over inflation, the government has to first gain control over wage growth. This argument represents a fundamental swing in US economic policy. While Keynesians argue that working incomes are the foundation of demand and, hence, the foundation of demand-led economic growth, the neoliberals switched to a concept of supply-led growth.

The role of monetarism as a policy concept should not be overstated though. In a historical perspective, it soon showed that its theoretical value for better understanding the stagflation crisis was rather limited. However, for the Reagan administration, it was a useful tool for justifying the abandoning of Keynesian fiscal policy with all its pro-labour implications. For the neoliberal intellectuals, who already were highly honoured academically, not only with the two Nobel awards, for Hayek and Friedman, monetarism was a golden ticket to national government. It has to be noted, therefore, that monetarism did not play such a central and lasting role in US economic policy as it did for the Thatcher government in the UK at the same time. Reagan was more intrigued by the theory of supply-side economics and the infamous Laffer curve, both of which fit seamlessly into the new constitution of US economic policy. Following the abandoning of demand-led growth, proponents of supply-side economics argued that economic growth would be encouraged mainly by capital investment. Hence, capital investment and the establishment of a good investment climate became superordinate aims of US economic policy, which were held by full employment and demand before. Proponents of supply-side economics argued that capital owners should be liberated from taxes and other financial burdens as much as possible (see Chapter 4). In this light, the Volcker Shock – the harsh rise of the interest rate – had two direct advantages. It effectively fought inflation and it quickly increased the income of creditors (Duménil and Lévy 2005:12).

In large part, the policies of supply-side economics are based on the conceptualisation of the Laffer curve, which argues for an optimal level of taxation for maximising revenue. If taxes are lowered to a certain, but fictional optimal point, economic activity will increase, and thus taxable income will rise. The rightful scepticism of this was even shared by sections of the US Republican Party. George Bush (senior) called supply-side economics 'Voodoo economics' in 1979. Nevertheless, supply-side economics and the Laffer curve were powerful arguments in favour of tax cuts on high incomes not only through Reagan's two terms, but during the terms of George W. Bush.

5.1.1.2 Neoliberal tax and budgetary policy

Following this neoliberal argument of supply-side economics, the Reagan administration brought in several laws shortly after taking office. With these laws, they acted as a trailblazer for neoliberal tax policies which have strongly influenced US tax policy up to the present. A tax reform which was introduced in the very beginning of Ragan's first term, the Economic Recovery Tax Act (ERTA) of 1981, reduced the income tax on income and corporation taxes. It was brought through Congress together with the Omnibus Budget Reconciliation Act (OBRA) of 1981, which meant large-scale cuts to social services and thus a rolling back of the social welfare state. Due to these two reforms, the tax on top incomes sank by more than 50 percent (Biebricher 2012:112). In Reagan's second term, the Tax Reform Act (TRA) of 1986 and OBRA 1987 were passed. In several ways, the TRA fitted the advice of Milton Friedman. The reform simplified and reduced the number of tax classes to six, although it has to be noted that Friedman promoted the idea of a total flat tax, with only one common tax class. Still, the effect of the reform was huge, especially on those with high incomes. Their tax burdens were brought down to the proximity of people with regular working income and corporate taxes were cut by 60 percent. TRA represents a clear abandoning of a progressive tax regime and, therefore, follows neoliberal policy advice (Biebricher 2012:113f.; Amadeo 2019a). Chart 5.5 shows the development of tax rates for the highest and lowest income brackets. One can clearly observe two different tendencies. While the tax rate for the lowest bracket has remained roughly at the same level throughout the second half of the 20th century, albeit with a slight negative tendency, the tax rate for the highest bracket shows a sharp fall from about 90 percent in the 1950s to just under 40 percent in 2000.

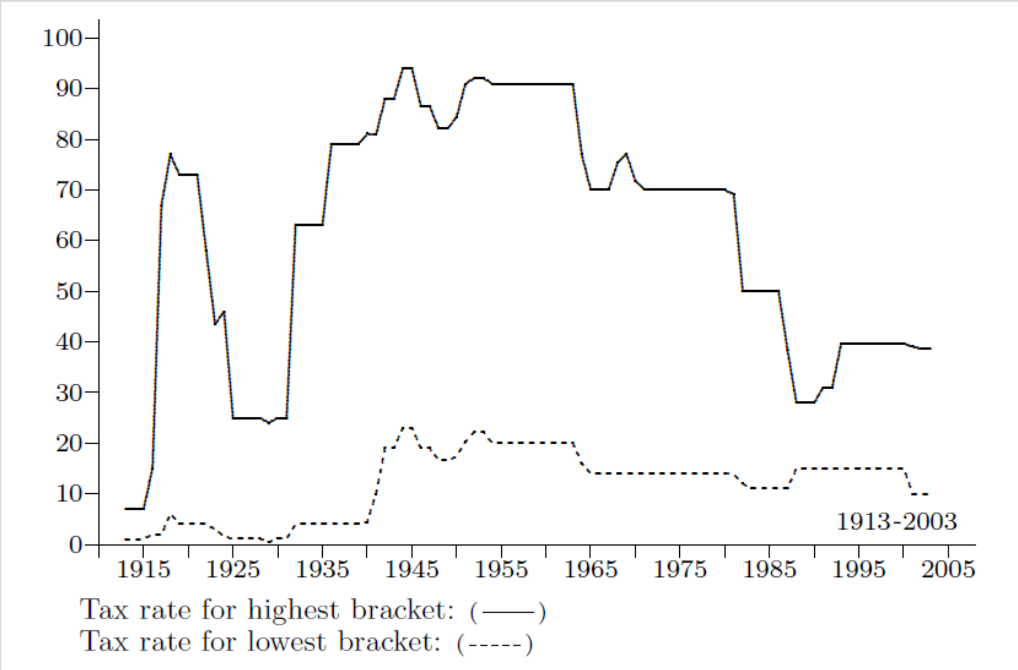

CHART 5.5 TAX RATES FOR HIGHER AND LOWER INCOME BRACKETS, 1913-2003
SOURCE: DUMÉNIL AND LÉVY (2004)

The administrations of George Bush (senior) and Bill Clinton did not strictly follow supply-side economics, and OBRA 1990 and OBRA 1993 raised taxes again. OBRA 1993, which was Clinton's first budget, raised the top income tax rate on earnings greater than $250,000 from 28 to 39.6 percent, and the corporate income tax rate from 34 percent to 36 percent for corporations with revenues greater than $10 million (Amdeo 2019a). For these acts, the Clinton and Bush administrations were heavily criticised by neoliberals such as Friedman (see, for example: Friedman 1993). However, the abandoning of strict supply-side economics does not signify an abolishment of neoliberal policy and the use of neoliberal theory to promote such policy. Also, the tax policies of both administrations were far from reversing Reaganomics, but rather adapted to the policy paths set out by Reagan. Both Bush and Clinton had to handle the severe public debt burden created by Reagan. Hence, Clinton's OBRA 1993 was also called the Deficit Reduction Act. In any case, George W. Bush reintroduced supply-side economics after his election in 2001 and started cutting high income taxes again. The Economic Growth and Tax Relief Reconciliation Act (EGTRRA) of 2001 cut personal income tax and to a large extent reversed Clinton's tax increases, while the Jobs and Growth Tax Relief Reconciliation Act (JGTRRA) of 2003 reduced tax burdens on capital investors by cutting taxes on capital gains and dividends. As a result, shareholders gained an additional $9.2 billion in 2003, and companies were encouraged to increase dividend payments. Large US companies announced an increase in dividends. Between 2003 and 2012, total US dividend payments were raised by 20 percent.

Although the JGTRRA should have expired in 2010, the Obama administration extended it in 2012 with no further expiration date (Amadeo 2019c). Obama was not an outspoken follower of supply-side economics and the trickle-down narrative. In his election campaign, he promised 'bottom-up economics'. But assessments of his economic policy in the eye of the Great Recession are mixed. The 2009 American Recovery and Reinvestment Act (ARRA) was large in size only at first glance. A total of 37 percent of the package went on tax cuts and 18 percent on fiscal relief, but it also included some severe cuts in subnational spending. Although the act was clearly aimed at being a politico-economic compromise, the Republican Party unanimously denied their consent. Only three Republican senators and no member of Congress voted for it (Peck 2010:246). Some left-wing commentators were intrigued by ARRA and Obamanomics in the beginning, such as Robert Reich (2009), interpreting it as the renunciation of neoliberalism – marking 'a reversal of the economic philosophy that has dominated America since 1981'. But Susan Watkins (2010) noted that Obamanomics represented a mere contemporary reformation of the neoliberal order, continuing the path of neoliberalism in 'a turn to neo-Reaganomics' (also Peck 2010:262).

5.1.1.3 Tightening the budget

The tax policies of Reagan and George W. Bush were substantial factors in the immense increase in public debt during their terms. Reagan's expansion of the EITC generated a threefold rise in public expenses and, accordingly, lost income (Biebricher 2012:114). It is noteworthy that Reagan and George W. Bush also greatly increased the military budget during their terms. For Reagan, the justification was the threat posed by the Soviet Union, which he called 'The Evil Empire', and, for Bush, it was the so-called 'Axis of Evil'. They were only exceeded by Roosevelt, who had to handle the Great Depression as well as Wold War Two, and Woodrow Wilson, who paid for the US engagement in World War One.

Therefore, it seems paradoxical that those US presidents who seem neoliberal in the most obvious way, Reagan and Bush, were also those who failed the most in tightening the budget, although austerity measures seem such an important neoliberal theoretical factor. As Biebricher (2012:120) points out, there is a political historical debate over several statements made by Stockman (1986), who served as director of the OMB during the Reagan era, which suggest a deliberate strategy of the Reagan administration to raise public debt to such an extent that the succeeding governments had no choice but to further roll back the welfare state and social spending. In hindsight, these assertions seem plausible because, the succeeding presidents were left with the necessity of imposing fiscal discipline, which in large parts determined the economic policy of the Clinton presidency and to some extent the presidency of Obama, which, however, was largely overshadowed by the Great Recession and his ambitions to overcome it, including the American Recovery and Reinvestment Act (ARRA) of 2009, which was broadly influenced by new-Keynesianism and is a throw-back to some elements of demand-side economics.

5.1.1.4 Bringing down wages and attacking labour

The stagflation crisis of the 1970s was mostly understood as the product of cost-push inflation, which is characterised by rising prices of production inputs and supply chain, causing an increase in consumer good prices. Besides the massive price surge caused by the oil price shocks in 1973 and 1979, not only neoliberals, but also the Carter administration argued that it was primarily labour costs which caused the inflation (Campbell 2005). Friedman's critique of Keynesian fiscal policy included the argument that high wages and wage growth were the ultimate reason for inflation. For the sake of getting stagflation under control, neoliberals argued that it was of the utmost importance to gain control and ultimately break the wage growth cycle. Depressing wage growth logically cannot be exclusively achieved through government measures alone but in the interplay of changes in governance in the sphere of the state and in the sphere of production.

The Reagan administration, however, endorsed this neoliberal analysis, starting an attack on wage growth. Firstly, the Volcker Shock, which had commenced already under Carter's administration, had resulted in a sharp recession, putting thousands of US workers out of work. The recession of 1981 and 1982 was the deepest recession in the US since the Great Depression, with output decreasing by 2.2 percent and the unemployment rate increasing to a high of 9.7 percent. The abandoning of the old Keynesian aim of full employment and its substitution with the theory of NAIRU supported an economic policy which accepted unemployment as a necessary evil. But it was more than that. Rising unemployment effectively lowered the bargaining power of labour and also broke the back of the unions (Harvey 2005).

Secondly, Reagan played hardball with unions and other labour organisations. In 1981, at the height of the Volcker Shock recession, he faced down a strike of the air traffic controllers' union, PATCO. The strike was long and bitter, and in the end, 11,000 air traffic controllers lost their jobs and were replaced by lower paid professionals (Biebricher 2010:117f.) As Harvey (2005:25) points out, the significance of Reagan's victory over the union cannot be understated. PATCO represents white-collar professionals, being rather middle-class than working class. Even in the US, where unions density is rather low and union power is limited, this 'union busting' (Campbell 2005:197) was a clear political signal to all labour organisations. The direct confrontation with unions happened on a smaller scale in the US than in the UK and Thatcher's struggle with the miners. The reason for this is that in the US, the unions played a smaller role at the national governance level and their ability to affect federal politics was somewhat limited from the beginning (Biebricher 2012:118).

But the Reagan administration also attacked the bargaining power of labour in more indirect and structural ways, by supporting changes in governance and the organisation of the sphere of production (this is discussed in detail in the following subchapter). One example of this is the introduction of a two-tier wage system in the sphere of production, which Reagan endorsed by introducing this system to the US postal service. Following this policy, employees were not paid the same amount of money for the same kind of work, but according to their time of entrance and length of employment. Another example is the decline of the minimum wage, which was allowed by the Reagan administration. Furthermore, he appointed right-wing anti-labour figures to the National Labour Relations Board (NLRB), who curbed the right to form new unions and to bargain with employees, as well as the right to strike. In the same move, the Reagan administration started to interpret labour law more in the favour of capitalists and capital investors (Campbell 2005:197).

In the same light, the Reagan administration supported structural transformations of the industrial sector, such as the successive moving of factories and production sights from relatively well unionised areas to regions with low union density like the American southwest, where unions practically played no role, or even outside the country altogether. In terms of class relations, labour organisations were historically strong in the 1970s, both in their influence in the sphere of state government and in the sphere of production (Moody 1997:117); this fundamentally changed in the course of the 1980s during the Reagan era.

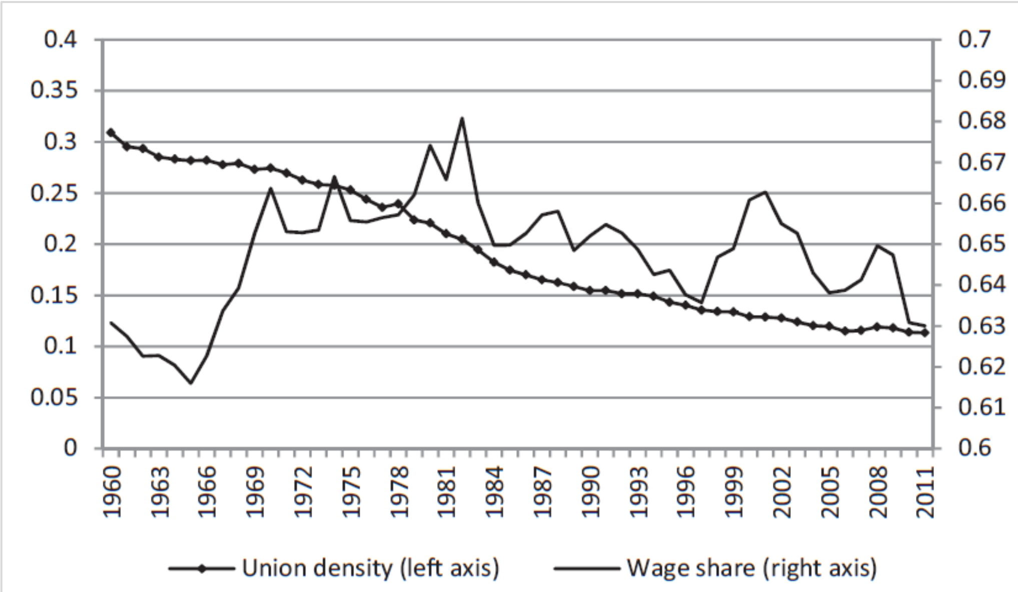

CHART 5.6 UNION DENSITY AND LABOUR'S SHARE OF NATIONAL INCOME, USA, 1960-2011
SOURCE: VIDAL (2013:463), OECD STATEXTRACTS, AMECO DATABASE, EUROPEAN COMMISSION

Chart 5.6 depicts the development of US union density and US wage share between 1960 and 2011. It shows a correlating negative trend after the mid-1980s. The chart also allows the assertion that a relative high union density rate, above 20 percent, as was the case until 1982, appears to have had a positive effect on the wage share of income, which shows a positive trend until 1982. The correlation of reduced union density and a decline in the wage share of income is logically connected through the factor of bargaining power. Numerous studies attest to the idea that the less labour is organised, the weaker is their position in wage bargaining processes (Vidal 2013; Hein 2015).

Thirdly, in consideration of stagnating wage growth, the Reagan administration massively expanded the Earned Income Tax Credit (EITC). EITC was signed in as a package with the TRA 1986. It is a tax allowance which reduced the tax burden on low-income households and, in cases of very low income, generates a tax payback. In the subsequent four years, the number of families receiving EITC grew from 7.4 to 12.5 million and the maximum pay-back amount was doubled. The historical reception of this policy is mixed. While Reagan supporters argue that the extension of EITC represents support to wage earners as part of Reagan's ambition to balance his otherwise pro-capital efforts, critics point out that it represents a massive subsidy of the widening low-income sector. The policy of expanding EITC was prolonged by the Clinton administration in its first budget (Biebricher 2012:114f. and 125).

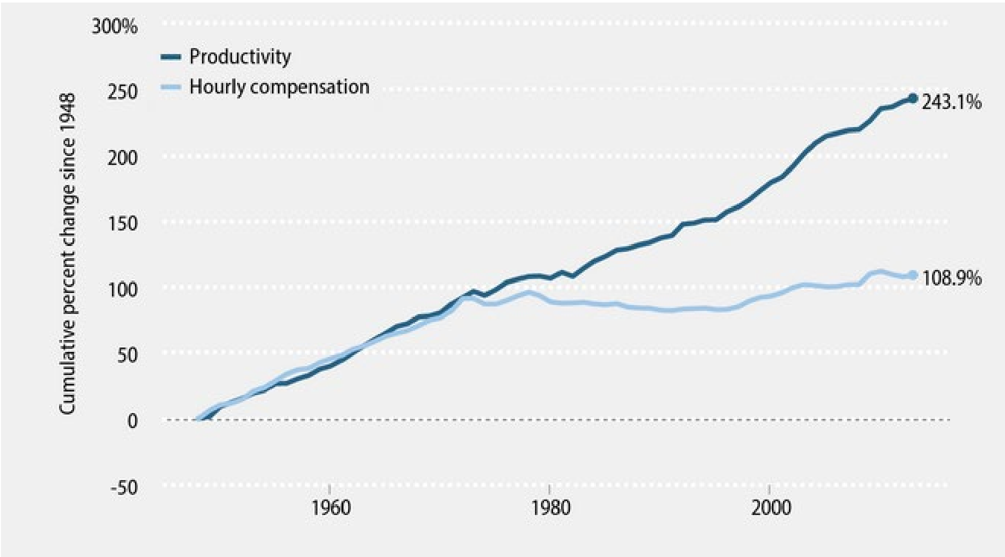

Chart 5.7, Disconnect between Productivity and Typical Real Workers' Compensation
Source: EPI analysis, In: (Gould 2014)

Resnick and Wolff (2010) argue that the wages for a typical US worker stagnated from 1980 onwards. In Chart 5.7, one can see the constant growth of wages over time, correlating strongly with increases in labour productivity up to 1980. The growing gap of continuously rising labour productivity and stagnating hourly compensation is what is also empirically connected to as the development of US labour income share (see also: Bengtsson/ Ryner 2014; Hein 2011:37).

Several studies refer to the bifurcation of labour productivity and hourly wage compensation as a result of neoliberal efforts to depress wage growth (Barba/Pivetty 2009, Foster/ Magdoff 2008, Harvey 2005, Resnick/ Wolff 2010). Chart 5.7 shows this effect in the case of the US. It is important to note that this is the typical worker's compensation as supposed to the average worker's compensation. Typical worker's compensation is cleared of exceptionally high management wages, which would distort the figure, despite accounting for less than 20 percent of the total US workforce.

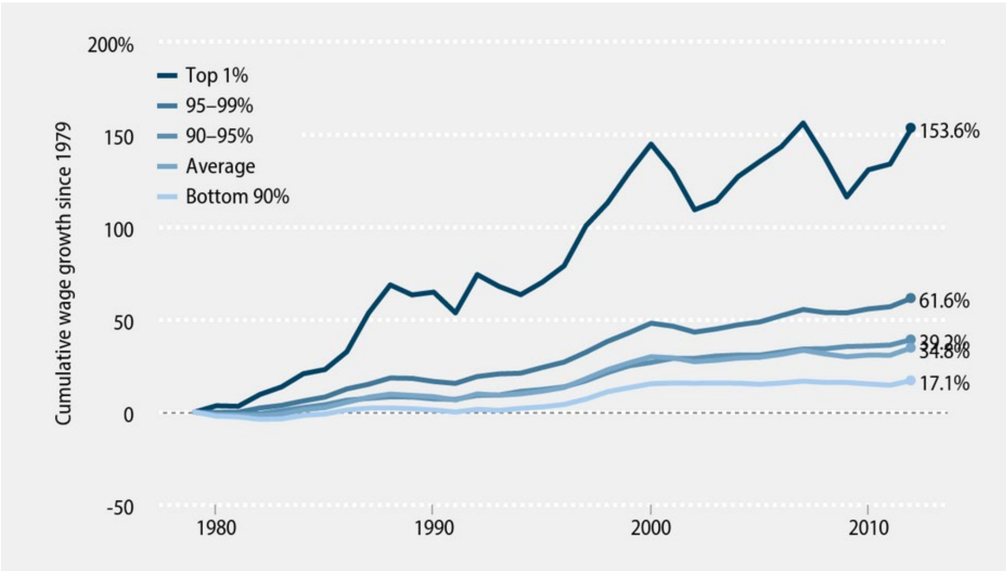

CHART 5.8, CUMULATIVE CHANGE IN REAL ANNUAL WAGES, BY WAGE GROUP, CUMULATIVE GROWTH SINCE 1979 (1979=0)
SOURCE: EPI ANALYSIS IN: (GOULD 2014)

Analysing the development of US wage levels involves some difficulties, which have to be borne in mind. Wage income comprises a wide variety of income levels. Hence, wage income cannot be set equal to labour income. It is necessary to differentiate between typical workers' wages and management wages because wages are not distributed equally. Chart 5.8 depicts the cumulative change in US real wages, differentiated by wage group between 1979 and 2013. It shows that the positive development of 'average wages' is dominated by the exceptionally positive development of the very highest wage strata, which, compared to the bottom 90 percent, cannot be described as representative.

5.1.1.5 Dismantling the welfare state

The dismantling of the welfare state appears as a challenge to democratically elected neoliberal governments. This realisation was made in the UK by the Thatcher government, as well as by the Carter and Reagan administrations. The problem is that dismantling the welfare state, cutting programmes and social spending is not popular with the electorate. Other than rather indirect and abstract seeming economic policy, anti-welfare state policies can be blamed on the government directly. Hence, the dismantling had to be done peu à peu – in small steps. Additionally, Reagan followed a federalisation strategy, which structurally transferred the implementation of unpopular welfare cuts to the state governments.

Already under Carter, unemployment insurance benefits had been reduced, Reagan deepened this policy. Furthermore, 309,000 jobs in public service employment had already been eradicated in Reagan's first year. A good example of the step-by-step elimination of US social welfare is the federal assistance programme Aid to Families with Dependent Children (AFDC). It was targeted at children of low-income households. It was created in 1935 as part of the New Deal by the Roosevelt administration and had been the target of libertarian criticism ever since. Under Carter, the real value of benefits to the children was first dropped. Under Reagan, the decline continued: changes to the rules of eligibility removed half a million families from the programme (Campbell 2005:197). However, the biggest cut to AFDC happened under Clinton, who reformed the programme under the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) in 1996, which foresaw the replacement of AFDC with Temporary Assistance for Needy Families (TANF). TANF decentralised the programme, leaving the specificities to the state governments. Following the welfare-to-work principle, it linked the eligibility for transfer payments to 'clients' to their successful ambition to find work. The term 'temporary' in its name is understood very strictly – TANF is limited to two consecutive years and a total of five years per lifetime. Recipients of the programme, even if they are single parents, must find at last 30 hours per week work within two years in order not to lose eligibility. Due to these conditions, millions of families were removed from the programme and the statistics (Biebricher 2012: 129; Center of Budget and Policy Priorities 2018). But the dismantling of TANF did not stop in 1996. Since then, the TANF block grant to states has been fixed at $16.5 billion. Taking inflation into account, this means that its real value has declined by almost 40 percent up to 2018. As a result of social pressure, tighter rules of eligibility and the decline in real value, TANF has been passively rolled back over time. While in 1996, 68 percent of families in poverty received TANF, this quota dropped to only 23 percent in 2016. The percentage of children in deep poverty has accordingly increased since 1996. While AFDC had lifted over 2 million children out of deep poverty before its discontinuation in 1995, TANF in 2010, only managed to lift 635,000 children out of deep poverty (Center of Budget and Policy Priorities 2018). But initially, it was under Reagan that the poverty rate exploded. Between 1979 and 1989, the number of people classified as poor rose by six million (Biebricher 2012: 115; Faux 1989:19).

5.1.1.6 Regulation and liberalisation

The Carter administration had started with a deregulation offensive, which was continued by Reagan. In his first month in office, Reagan signed an executive order which stipulated that any planned regulation had to be checked if it produced a financial benefit. With this, the aim was to introduce the practice of financial business rationality to policy.

As part of the policy offensive under so-called supply-side economics, Reagan promoted 'regulatory relief' to free markets and capitalists from regulation. However, it must be stressed again that the notion of a naturally self-organising market which does not need any organisation or regulation is per se a neoliberal narrative, which is not substantiated by practice. Hence, the term 'deregulation' must be used with care. It is true that neoliberal governments made efforts to some extent to reduce economic regulations. By the end of his first term, Reagan achieved a reduction in the number of regulations from around 90,000 to about 76,000 (Biebricher 2012:115). However, especially in the financial sector, it would be more correct to speak of reorientation, as regulation was transformed in order to better fit the new neoliberal hegemony of political economy. The same is true for Reagan's stance on international trade. While he introduced many international trade agreements, such as the Uruguay Round, which led to the formation of the WTO, he also followed a protectionist trade policy for the US, contradicting the free trade propositions of neoliberal theorists (Biebricher 2012: 116).

The Reagan administration rolled back the anti-trust regulations, allowing large-scale mergers and acquisitions. This policy was in accordance with the prevailing leading opinions of neoliberals of that time, especially those of the Chicago School of Economics (see Chapter 4). Accordingly, the regulation of the financial sector was changed, so that large banks could merge their business. These transformations of the financial sector were done under the flag of supply-side economics and, thus, the creation of a better climate for capital investment. As the analysis of the neoliberal transformation of the sphere of production shows, this policy was the springboard for the large-scale merger movement, including practices such as leveraged buy-outs, which again substantially boosted the role of shareholder orientation in corporate governance.

The transformation of the US economy in the interests of capital investors and finance capital took off during the Reagan terms, but was advanced and consolidated under Clinton and the two Bush presidencies. The Financial Modernisation Act (FMA) of 1999 (under Clinton) reshaped the US financial regulatory system from the ground. One of the key architects of the policy was

Larry Summers, who served as Treasury Secretary under Clinton and again as economic advisor to Obama. The influence of neoliberal theory in this transformation is apparent. Summers stated his admiration for leading neoliberals. In 1999, he made clear that he had become a fan of neoliberal narratives, such as the invisible hand of the market (Peck 2010:239), stating:

> 'As for Milton Friedman, he was the devil figure in my youth. Only with time have I come to have large amounts of grudging respect. And with time, increasingly ungrudging respect' (Larry Summers (1999), cited in Cassidy (2009:84)).

The FMA of 1999 revoked the Glass-Steagall Act of 1933, which prohibited the merger of commercial and investment banking. This gave way to the ground-breaking transformation of the business models of banks and, thus, generated huge opportunities for the profitability of financial capital. In the 1990s, the deregulation efforts of the US government also included telecommunications and the energy business. In 1997, capital income tax had been reduced, promoting the goals of SVO in the sphere of production. The IMF-driven neoliberal transformations of South American, African and Eastern European countries provided numerous, newly created, relatively open capital markets, which promised high risk and high profitability. All these policies led to a financial 'gold rush' (Stiglitz 2003:109 and 115) of US financial capital, and to an outstanding economic optimism.

Finally, the changing role of regulation agencies has to be considered. As part of Reagan's 'Regulatory Relief', public regulation agencies, such as the Occupational Safety and Health Agency (OSHA), responsible for workplace safety, and the Environmental Protection Agency (EPA), were weakened. This was the fate of many public US regulation agencies. In their place, the concept of private regulation agencies (PRA), such as Standard and Poor's and Moody's were introduced. In this sense, even the regulation agencies, which were responsible for the regulation and the organisation of markets, were successively surrendered to private capital interests.

5.1.2 Neoliberal transformation in the sphere of the state in Germany

Which time period one has to look at when analysing the neoliberal transformation of Germany is disputed. Three different springboard moments of neoliberal transformation are considered in the literature. Biebricher (2012:137ff.) argues that Germany experienced a delayed neoliberalisation, beginning with the election of the left-wing coalition between the social democrats (SPD) and the green party, which was strongly characterised by supply-side economics and the political economy of Third Way social democracy. This was also promoted by Tony Blair in the UK and Bill Clinton. Müller (2016) argues that the neoliberal transformation of Germany took its course similarly to the US in solving the stagflation crisis of the 1970s. Lastly, it has to be noted that neoliberal intellectuals played pivotal roles in the reconstruction of the West German state and its capitalist economy after World War Two. The formation of Germany's social market economy and strong social institutions was strongly influenced by ordoliberals and members of the MPS, such as Ludwig Erhard and Alexander Rüstow. In order to set feasible limitations on the analysis only former West Germany, the Bundesrepublik Deutschland (BRD) is scrutinised here. This is sensible because the political economy and economic policy of the German Democratic Republic (GDR) differed significantly from its Western equivalent and was abruptly discontinued after their unification.

5.1.2.1 Ordoliberal reconstruction of West Germany after World War Two?

Ordoliberals and the Freiburg School were not just an intellectual strand in the early neoliberal theoretical discourse. Many of them also played important political roles in the reconstruction of West Germany and the first governments after 1945. The ordoliberals had the advantage in that, while some of them had fled the Nazi regime, such as Rüstow and Röpke, others such as Eucken arranged themselves in Germany and kept the Freiburg School going (Ptak 2015:119). The emigrated ordo- and neoliberals used the time to grow into honourable academic positions and stood as examples for the general opposition of neoliberals towards Nazi Germany. That some of them had stayed and accommodated themselves with the regime does not seem to have played a relevant role (see Chapter 4).

The engagement of ordoliberals in the reconstruction of Germany after World War Two guaranteed the preservation of the capitalist mode of production, organised through a liberal market economy and the establishment of several ordoliberal advisory institutions, which the neoliberals thought necessary for a functioning government (see Chapter 4.7). However, the historical political circumstances of the military occupation and the rising political power of labour in the first decades after the war limited the possibilities of putting into practice any form of pure neoliberal programme. Instead, the social market economy, which the ordoliberals implemented, was merely a vehicle for economic policy and political agendas. When the tide changed in Germany towards a social democratic majority, labour understood to use this vehicle in favour as well. Despite the engagements of neoliberals in the reconstruction of the state and the economy, Germany did not become a neoliberal role model in the first decades after World War Two, but, instead, proved that the successful implantation of neoliberalism was dependent on historical, politico-economic circumstances. The basic goal of the social market economy shows that the ordoliberals were well aware of their historically specific situation, in which they guaranteed the preservation of a capitalist, liberal market economy, a capitalist hegemony and the pacification of social struggles and class warfare in Germany, as had been the case before the war.

5.1.2.2 Stagflation crisis, the beginning of the neoliberal transformation of Germany and the introduction of supply-side economics

Already during the early 1960s, the conservative-led government had successively introduced Keynesian elements to its fiscal economic policy, and demand-side economics since 1966. The steering of the economy by demand-side policies directly contradicted the ordoliberal dogma. In 1967, the government signed a Stability Law (original name: *Gesetz zur Förderung der Stabilität und des Wachstums der Wirtschaft*). Its aim was a balanced economy between the four fields of price stability, full employment, an even balance of payments and economic growth (Müller 2017). By 1969, Germany was at the height of a continuous trajectory of exceptional economic growth rates, in what is commonly called the '*Wirtschaftwunder*' (German for economic miracle). The miracle, however, was mostly fuelled by the necessary reconstruction of Germany and large parts of the rest of its industrialised sector as a result of the destruction of World War Two. In 1969, the inflation rate stood at 2 percent, while real economic growth was at 7.5 percent. The unemployment rate was at 0.8 percent, so that one could attest to a slight overemployment of the population, and the German public budget was producing a strong surplus. When the social democratic party formed a left-leaning government in 1969, it started with investment in education and the social welfare state (Müller 2017:40).

Chart 5.9 depicts the development of the German inflation rate between 1951 and 2014. One can see that similarly to the US, Germany experienced two high peaks of inflation at the beginning and the end of the 1970s. However, it was much less dramatic than in the US. The third peak in 1993 was an effect of the reunification, after which the volatility of inflation was much lower. Although the distortions of the stagflation crisis in the 1970s appear to be much milder in Germany than in the US, neoliberals called for drastic action and for a change towards supply-side economics.

In 1973, in the wake of the first oil price shock and a recession, the German national bank (Deutsche Bundesbank) swiftly switched to a restrictive monetary policy, and thus signalled an end to the continuous economic boom. The Deutsche Bundesbank was established after 1945 as an institution independent of government policy. It is statutorily focused on monetary policy, with the primary goals of maintaining stable prices and the money supply. In this way, the bundesbank is much closer to the articulated neoliberal ideal than the US Federal Reserve (Leaman 2009:xvi).

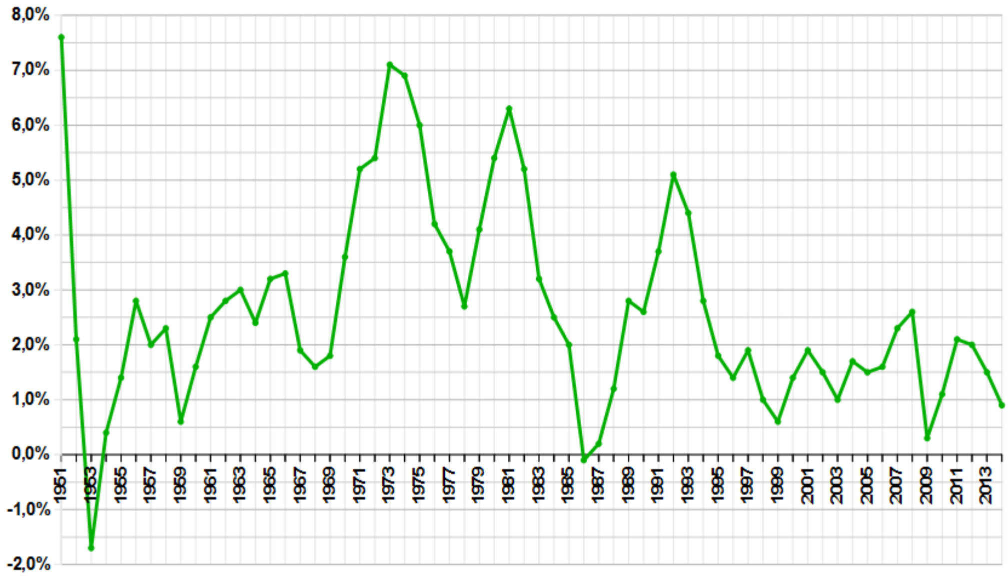

CHART 5.9 GERMAN INFLATION RATE, 1951-2014, SOURCE: INFLATION-DEUTSCHLAND.DEZ, HTTPS://WWW.INFLATION-DEUTSCHLAND.DE/INFLATION-HISTORISCH.HTML (LAST VIEWED 20.08.2020)

With its change in policy towards monetarism, the Deutsche Bundesbank also started to openly undercut the government's ambition to counter the unfolding recession with an expansionary fiscal policy. Nevertheless, in 1977, in the wake of the economic crisis, the German government signed the *Zukunftsinvestitionsprogramm* (also ZIP, German for Future Investment Programme), which included a demand boosting policy, such as public investment in infrastructure and tax breaks. Until 1980 this programme was able to re-accelerate GDP growth and shrink unemployment rates to under four percent (Müller 2017:49f.).

The change towards supply-side economics in Germany was not such a distinct quick move, as was the case with the Volcker Shock in the US. Instead, neoliberal voices in academia and in economic policy, in the national and local governments, in the *Sachverständigenrat* (German Council of Economic Experts) and especially in the Bundesbank grew increasingly louder during the 1970s (Müller 2017:53). When the Bundesbank switched to monetarism in 1973, it also abandoned the fixed currency exchange rates system of Bretton Woods for the sake of a free-floating currency system, which had been tirelessly promoted by neoliberals since the establishment of the MPS. However, as Müller (2017:56) notes, the neoliberals' narrative of stability and growth through liberalised international capital markets was misleading. Germany for most of the time of the *Wirtschaftswunder* had kept its currency (Deutsche Mark or DM) undervalued, which logically supported their export efforts. When the DM suddenly gained value on the international market, German corporations started to struggle with exports (Müller 2017).

Apart from a short and mild recession in 1966 and 1967, the German economy had been growing since the end of the war. In the 1970s, this historically exceptional growth finally came to an end. It was not the oil price crisis of 1973 and the following recession which put an end to Germany's growth. The factors were to be found in the economic fabric of the German '*Wirtschaftswuder*'. By the end of the war, Germany was lagging behind other industrialised economies in several ways. Its markets and transnational trade were underdeveloped, the Germans desired long-time and short-time consumer goods, such as home electronics, the development of public and business infrastructure had been ignored for several years, and the destruction of the war had to be made good. New markets such as tourism, the entertainment industry and household appliances were developed, as well as new industrial branches, such as the automotive, aerospace and petrochemicals industries (Müller 2017:72).

By the 1970s, however, historically exceptional demands had levelled out. A modern infrastructure was built, the damage of the war was repaired, new and transnational markets were developed, and the market for consumer goods was saturated. An additional problem was posed by the opening of capital and currency markets in 1973. Instead of the aspired economic growth, the rising value of the DM led to cost pressure in the exporting industries. This was a serious economic problem because Germany had engaged into a global competition over global commodity markets with other industrial exporting nations, such as Japan. The growing competitive pressure led German industries to heavily invest in production, successively not in Germany but at production sites outside the country. This led to an outflow of capital and jobs. The investment in domestic industries were targeted to make production more effective, which again raised rather than lowered unemployment. It was these structural effects which led to a slow decrease of effective demand in Germany (Müller 2017:72f.).

The explosion in oil prices in 1973 and 1979 caused a sudden and steep rise in energy costs. Germany was affected similarly to the US at this time, both being oil importing countries. In Germany too, the rise in prices (thus, currency inflation) was met by unions bargaining for wages which incorporated the expected inflation rate. German corporations struggled with the higher input costs and profits shrank. In this light, German capitalists, as well as conservative and liberal politicians, welcomed the neoliberals and their rhetoric of overpowered labour unions and an excessive social welfare state (Hockerts 2011:196).

In 1982, the decade-long majority rule of the German social democratic party came to an end and the conservatives formed a government with the liberals (Müller 2017:67). The timely coincidence of the political swing from labour (or social democracy) to conservative governments around 1980 is significant. In 1979, Margaret Thatcher was elected prime minister of the UK, in 1980 Ronald Reagan was elected president of the US and in 1982 Helmut Kohl was elected as German chancellor and began his reign as the head of a 16-year long conservative-led government.

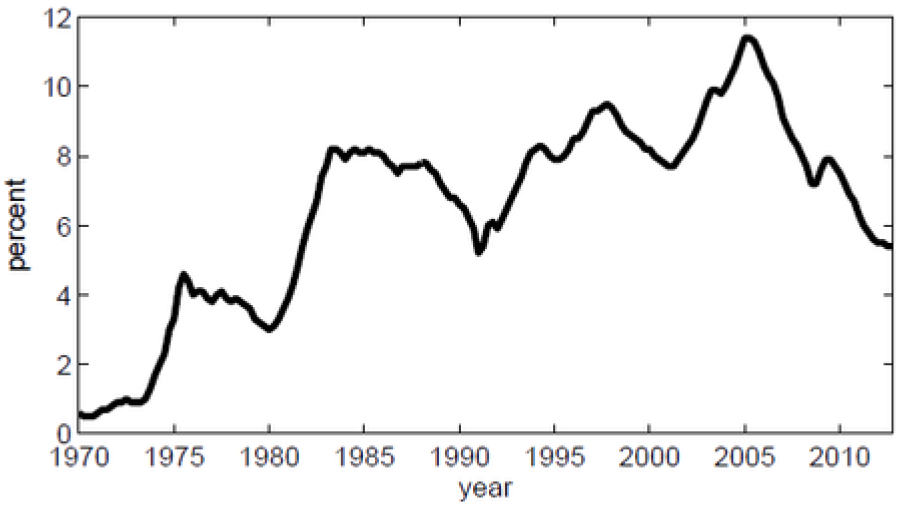

CHART 5.10 GERMAN UNEMPLOYMENT RATE (1970-2013)
SOURCE: ROBERTS (2013), OECD: 1970-1990, QUARTERLY UNEMPLOYMENT RATE FOR WEST GERMANY; 1991-2012, QUARTERLY HARMONISED UNEMPLOYMENT RATE FOR GERMANY.

The newly formed government abandoned the political goal of full employment (Lantzsch 2003), and, instead, switched to a quasi-supply-side economics. Due to the stagflation crisis and the oil price shock in 1973, the German unemployment rate had risen to over 4 percent. The economic policy of ZIP had managed to reduce it to under 4 percent until 1980. However, as Müller (2017:67) argues, the structurally higher unemployment was not seen as a disadvantage by German capitalists. They had understood that a growing 'reserve army' of workers increased the pressure on the labour market and, hence, their bargaining power towards labour. It was in their class interest to maintain an unemployment rate which was far from full employment. In their support came Friedman's theory of a natural rate of unemployment (NAIRU, see Chapter 4), which already had been taken up by the Reagan government, claiming that at some fictional point, the unemployment rate would have a stabilising effect on the economy. Chart 5.10 displays the German unemployment rate between 1970 and 2013. It shows a dramatic rise in unemployment throughout the period, until 2005, when it reached a peak of nearly 12 percent. The steepest rise can be observed in the early 1980s, when the macroeconomic goal of full employment was dropped for the goal of price stability. After the recession in 1982, which can be seen in Chart 5.11, the unemployment rate rose to a new plateau of over 8 percent, rising to 9.7 percent and dropping again until there was another steep rise during the recession in 2003 and 2004 to over 11 percent in 2005. From 2005 onwards, the German unemployment rate shows a strong decline. The reason for this is the Hartz reforms (part of the so-called Agenda 2010) which were introduced by the social democrats-green party government under Schröder. As much as these reforms appear successful in tackling the unemployment rate, this was accomplished in large part by the creation of a giant low-wage sector, increased social and financial pressure on the unemployed, and the large-scale liberalisation of the German labour market.

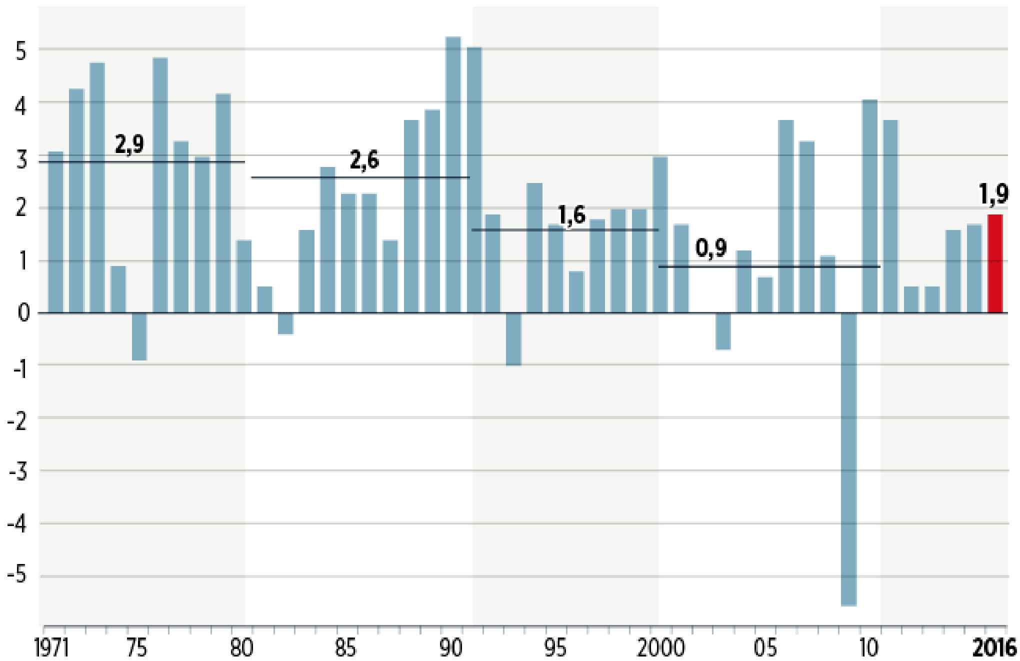

Chart 5.11 German yearly GDP growth rates, 1971-2016, decade-wise averages 1971-80, 1980-91, 1991-2000, 2000-10
Source: Bild.de, destatis.de- Statisitsches Bundesamt, https://www.bild.de/geld/wirtschaft/aufschwung/eilmeldung-wirtschaftswachstum-49740650.bild.html (last viewed: 06.08.2020)

Similar to the case of the US, it is impossible to fix on one specific point in time when Germany started the neoliberal transformation process. A tendential change towards a neoliberal ideology in the German political and economic elites is noticeable (Müller 2017:142). The Bundesbank had already switched to a monetarist ideology in the early 1970s, pushing forward the agenda to abandon Bretton Woods and counteracting the social democratic government's macroeconomic ambitions. The German *Sachverständigenrat* also experienced d switch from Keynesian to neoliberal policies during the 1970s.

It is noteworthy that this change in ideology also happened with the same economists. Herbert Giersch had been a member of the *Sachverständigenrat* since 1964 and had been a central figure of German Keynesian macroeconomics. He, however, abandoned Keynesianism and became a neoliberal, joining the MPS, where he even served as its president, in 1986. Franz Joseph Strauß, a conservative German politician of the CSU part, had served as finance minister between 1966 and 1969, where he was a proponent of anti-cyclical economic policy. When he attempted to return as candidate for chancellor in the German general election in 1980, he had already changed to a neoliberal ideology, demanding a switch of national economic policy to supply-side economics (Müller 2017:134). He lost the elections in 1980, but when the elected government under the leadership of social democrats fell apart in 1982, his party fellow, Helmut Kohl, took over as chancellor, and he too promoted supply-side economics. Since 1978, the German conservatives have tightened their relations with the Central Office of the UK Conservative party, and circles around Ronald Reagan (Müller 2017:134). This also shows that the successful rise of neoliberal ideology to politico-economic hegemony was not exclusively a rise of originally neoliberal personnel, but in many cases, constitutes an ideological change within the same people who had held Keynesian convictions before.

5.1.2.3 Neoliberal tax and budgetary policy and financial market liberalisation

A central document which starkly illustrates the German swing towards neoliberal hegemony in politico-economic discourse is the so-called 'Lambsdorff-Papier' (Butterwegge 2007; 'papier' means paper in English), a neoliberal political programme by a member of Germany's liberal party (FDP), aimed at a complete reconfiguration of the Germany's economic policy towards neoliberalism, which was presented in 1982. It led to the liberal party's leaving of the coalition with the social democrats and forming a new coalition with the conservatives, making Kohl the new chancellor, and positioning the Lambsdorff-Papier as a central document of the coalition's political agenda. The paper demanded a rise in capital profitability and a cheapening of human labour as means of production. In order to get control of rising unemployment, costs for social security, which had to be paid by the employer, had to decline. Furthermore, a central role in economic policy was given to generate favourable circumstances for capital investment (Butterwegge 2007; Müller 2017:68ff.). The Kohl government introduced supply-side economics, based on the Lambsdorff-Papier. With the arguable aim of the strengthening of capital investment and decreasing demand for public capital (Zöllner 1989:385), the government undertook measures to distribute more income to the capitalist and financial elite. However, in contrast to the UK and the US, the conservative-liberal Kohl government in Germany did not commence with radical shock treatments and direct attacks on organised labour, in the way Thatcher and Reagan would. Instead, the Kohl government, despite promoting a spiritual and moral change, was also eager to show continuity. Also, during the 1980s, the GDR started to show signs of political disintegration, which played a major role in political economy until well after the reunification of the two states in the early 1990s.

The Kohl government pushed forward the neoliberal agenda by reducing taxes and consolidating the national budget. Between 1979 and 1989, public spending decreased by 4 percent and public debt only rose moderately, by

3.5 percent. However, the reunification process meant a strong rise in public spending and the integration of the GDR's population into the German welfare state inflated the budget considerably (Biebricher 2012:139). However, in 1992, due to Germany's efforts, the Maastricht Treaty and the European stability and growth pact, were signed into effect, setting a limit to European states' public debt. In the following years, this treaty was frequently used as justification for austerity and privatisation efforts (Engartner 2017:96).

However, in contrast to the Reagan administration, the Kohl government did not tackle top income tax rates. Chart 5.12 shows that the top marginal income tax rates figure for Germany remained stable between 1980 and 2000. This is because Germany had already radically reduced these taxes in the ordoliberal post-war period between 1950 and 1955 to a much lower level than the US at that time. It was not until after 1980 that the Reagan administration lowered the top income tax rates well below German levels. This chart displays how, during the 1980s and 1990s, the Kohl government, although following a supply-side, neoliberal agenda, refrained from some neoliberal transformations, leaving them to successor governments. The strongest reduction of Germany's top-income tax happened after 2000 as a result of the acceleration of the neoliberal transformation under Schröder. This example shows neoliberal transformative processes, although following the same direction – a reduction of in the tax burden of top income earners – do not necessarily have to happen at the same time in different places.

A peculiarity of the German case is that neoliberal transformation seems to have been postponed by the low transformative will of the Kohl government. Instead, the neoliberal transformation picked up speed, when, in 1998, the social democrats formed a left-wing coalition with the Green Party under Chancellor Schröder. After a short inner-party intermezzo, the social democrats positioned themselves as supply-side economics neoliberals. The first budget put harsh austerity measures at centre stage. These efforts were even aggravated by the EU's demands for a break in public debt growth (Biebricher 2012:140f.).

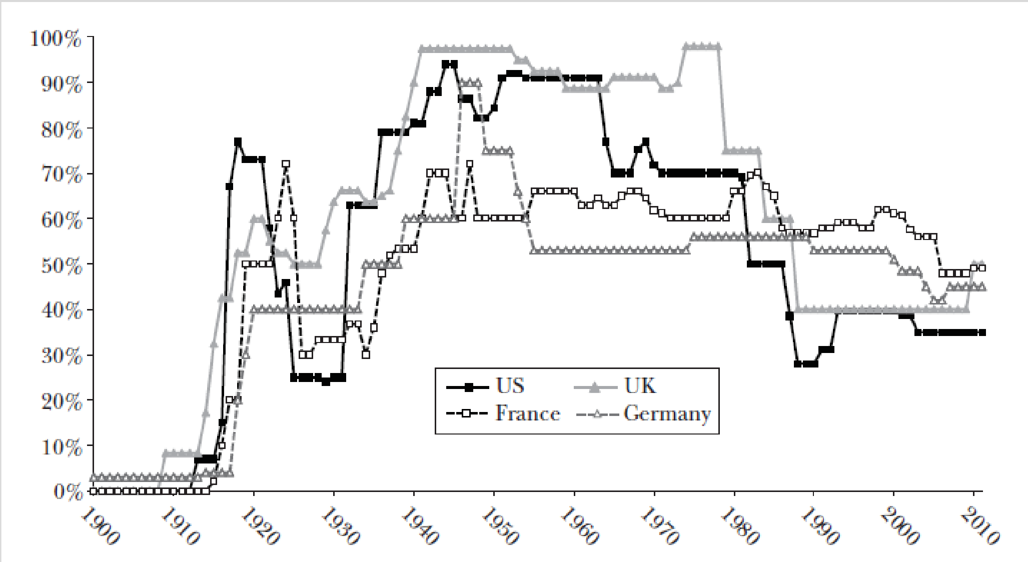

CHART 5.12 TOP MARGINAL INCOME TAX RATES, US, FRANCE, UK, GERMANY, 1900-2012
SOURCE: ALVAREDO ET AL. (2013)

The German financial sector in the 1960s was not a market in the narrow sense. It provided *patient capital* through financial institutions, which was the foundation of long-term investments and planning security. Hence, it functioned like a financial infrastructure, both for the state and the economy. After the end of Bretton Woods, from 1973 onwards, competitive pressure between national economies increased and a fundamental structural change in the German and international financial sector started. At the centre was the expansion of capital markets as sources of finance, but also places of investment (Lütz 2005:295). In 1999, the Schröder government signed a tax reform decreasing the top income tax from 53 percent to 42 percent. Corporate income tax and the tax on capital income were reduced to 25 percent and the tax on profits from selling shares were completely repealed. This reform package had massive implications for the organisation of German industries, and the capitalist mode of production in Germany (as is analysed in 5.2). It represented a deliberate transformation of the national economy to the ideal of the Anglo-American model of financialised capitalism. The effect on the national budget however was dramatic. Budgetary income from taxes plummeted, and while corporate profits (after taxes) rose, economic growth was sluggish (Biebricher 2012:141ff.). For the German economy, this signalled a rising dependence on international financial markets and a total change in management objectives form revenue to profits (Lütz 2005:295).

Germany's integration into the European Monetary System (EMS) and the Exchange Rate Mechanism (ERM) was strongly influenced by the agenda of the independent and, hence, not democratically elected, Bundesbank. After the collapse of the Bretton Woods system, it had strongly grown in political power so that it overruled the design for a European monetary system proposed by then Chancellor Schmidt. Between 1979 and 1999, the Bundesbank virtually managed the ERM and EMS, positioning Germany as the strongest trading economy with the strongest currency of Europe (Leaman 2009:4f.).

5.1.2.4 Privatisation

Following neoliberal policy recommendations, the governments under Kohl and the two Schröder governments pursued privatisations. Although, it has to be mentioned that Germany, in contrast to the UK and France, did not nationalise key industries after World War Two and, therefore, never had a very high ratio of publicly held industries – only 3.9 percent in 1978. Only in the infrastructure sector was the German state strongly involved (Engartner 2017:94). Municipalities held a higher share in power production and energy distribution. Under the Kohl government, a wave of privatisations was put into motion. Since the beginning of the 1980s, numerous large industrial and manufacturing companies, housing companies, banks and infrastructure companies were privatised. After the privatisation of the German postal services, which was projected to liberate the company from political influence, the company started to reduce its local branches (from 29,000 in 1983 to 13,000 in 2005) and has cut over 200,000 jobs since 1990 (Engartner 2017:98f.). As a result, today, the postal delivery sector is one of the most precarious low-pay sectors of Germany. Between 1982 and 2015, the number of public holdings at the federal level plummeted from 985 to less than 100. However, more than half of privatisations happened not in the Kohl era, but after 1999 (Engartner 2017: 98). In their last budget, in 2005, the coalition of social democrats and green party foresaw a budgetary income of €15 billion from privatisations, which included the remaining holdings of formerly public postal services and telecommunications (Biebricher 2012:143).

Privatisations also played a major role in the German reunification process. Instead of integrating the GDR's publicly held entities into the holdings of West Germany or handing them over to the workers in the form of coops, it was decided to sell them off to private capital. But privatisations in the course of neoliberal transformation were not a phenomenon exclusive to the federal level. On A communal level too, privatisations were pursued by the end of the 1990s. However, there, they mostly concerned communal infrastructural companies, such as municipal utilities, water industries, communal energy companies, garbage collection services and public housing. However, due to problems with falling quality and rising prices, many communes started to buy back or re-communalise selected services, such as garbage collection and recycling (Engartner 2017:99ff.; Biebricher 2012).

5.1.2.5 Lower wages, attacks on labour and labour market liberalisations

In the same time period as in the US, organised labour was politically strong in Germany in the 1960s and 1970s. The prevailing full employment created high bargaining power on the labour side and unions were strong too, frequently using strikes as leverage for their causes. Unions, as the institutionalised representatives of the labour side, were an incremental part of Germany's system of *corporatism* (Müller 2017:138ff.). As an effect of the strong bargaining power of labour, the wage share of national income reached a peak in 1975, as can be seen in Chart 5.13.

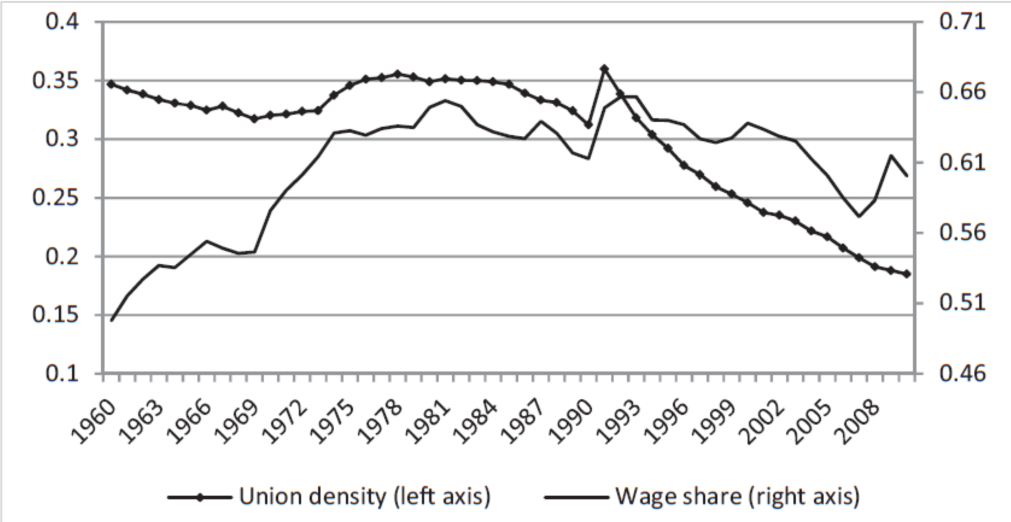

CHART 5.13 UNION DENSITY AND LABOUR'S SHARE OF NATIONAL INCOME, GERMANY, 1960-2011
SOURCE: VIDAL (2013:463), OECD STATEXTRACTS, AMECO DATABASE, EUROPEAN COMMISSION

However, compared to the development of union density and wage share in the US, as shown in Chart 5.6, one can see that in Germany, union density remained at a comparatively high plateau until the late 1980s, although, the negative tendency can be observed from the mid-1980s onwards. The sharp distortion after 1990 was an effect of Germany's re-unification, of course. After 1990, one can see that, similarly to the case of the US, the falling union density correlates with a falling wage share. Higher unions density is likely to be another factor to explain the relative slowness of the German neoliberal transformations, compared with the US.

Similarly, to the US, the reason for the correlation between wage share and union density is not coincidence, but the outcome of a deliberate political agenda in the sphere of the state. The German neoliberals understood that tackling wages also meant tackling the welfare state in order to lower the bargaining power of labour and to raise competition between workers. The Lambsdorff-Papier of 1982 foresaw radical changes to the role of the German welfare state. Social service systems should be understood as investments, and, with regard to their customers (citizens), they should endorse private initiatives, individual provision and economic growth. Unemployment, so states the paper, can only be tackled by endorsing economic growth, which, in respect of the social welfare state, means cuts in social services (Butterwegge 2007).

Carlin and Soskice (2009:77) show that since the mid-1990s, Germany has expanded its low-paid work sector, so that '[b]y 2003,17.3 [percent] of full-time employees in the West and nearly one-fifth in the East received less than two-thirds of median earnings in their respective regions'. A comparative study of six OECD countries, comparing the incidence of low pay showed that Germany (22 percent) and the US (25 percent) came out at the top (Mason et at. 2008).

Probably the most central element of the German neoliberal transformation of the Schröder government, and also the most controversially discussed, is Agenda 2010, which was developed between 2003 and 2005. Its major goal was, as Schröder announced, the flexibility of labour markets and labour itself. This neoliberal turn of social democratic policy had already been reflected already years earlier, in the joint political programme of German and British social democrats 'Schröder-Blair-Papier' (Schröder and Blair 1999), which stated that flexible markets would be a goal of modern social democracy (Biebricher 2012:145f.).

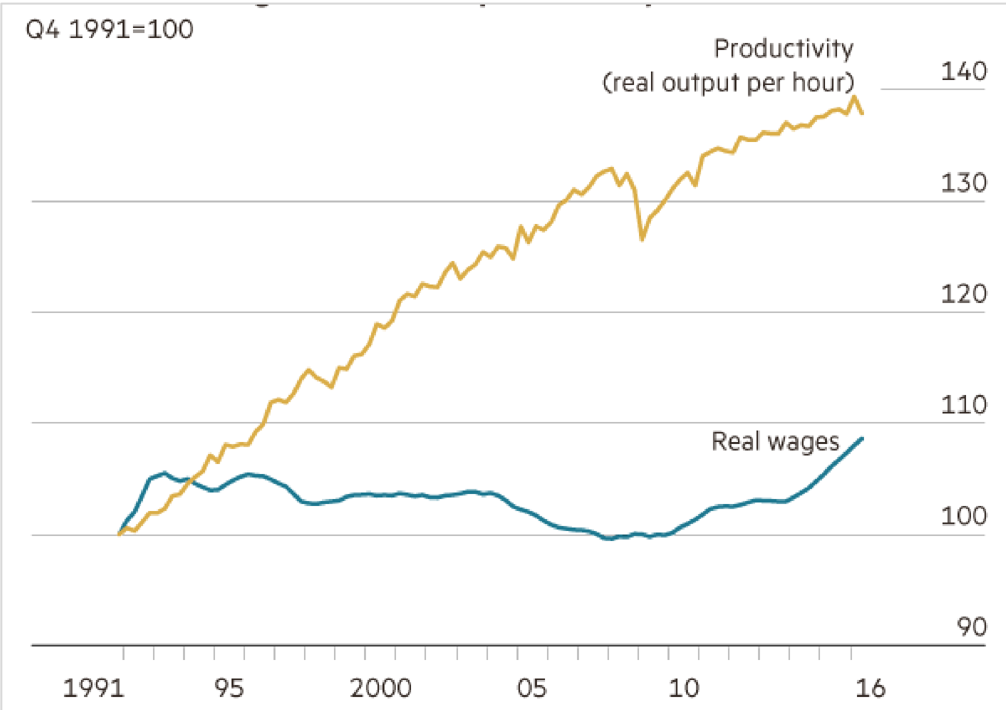

Chart 5.14 development of German real wages and labour productivity, 1991-2016, Q4 1991=100
Source: Jones 2016, Haver Analytics

The German Hartz laws further promoted the German low-wage sector by endorsing precarious and atypical jobs, such as mini-jobs ('1-Euro-Jobs'), part-time jobs and the self-employment of wage earners. The similarity between these laws and US workfare programmes under the slogan 'welfare-to-work' are striking. Accordingly, the German Hartz laws also included harsh financial sanctions if the applicant showed an unwillingness to do educational programmes or to take a proposed job. Finally, the Hartz laws also subsumed and lowered unemployment payments to the level of minimum social security. The slightly higher Arbeitslosengeld I. (unemployment money I.) was only payable to under 55s-year olds, and only for a maximum of one year.

Chart 5.14 shows the relation of German work productivity and real wages after the reunification. Similar to the case of the US (shown in Chart 5.7), one can observe a bifurcation of real output per hour and the related hourly wages. While productivity shows a strong, roughly linear rise between 1992 and 2007, real wages stagnated and even fell in the same period. Just after the Great Recession, they seem to show a continuous positive trend. This development has been pointed out by several recent empirical studies (see also Schneemelcher and Ständer 2018).

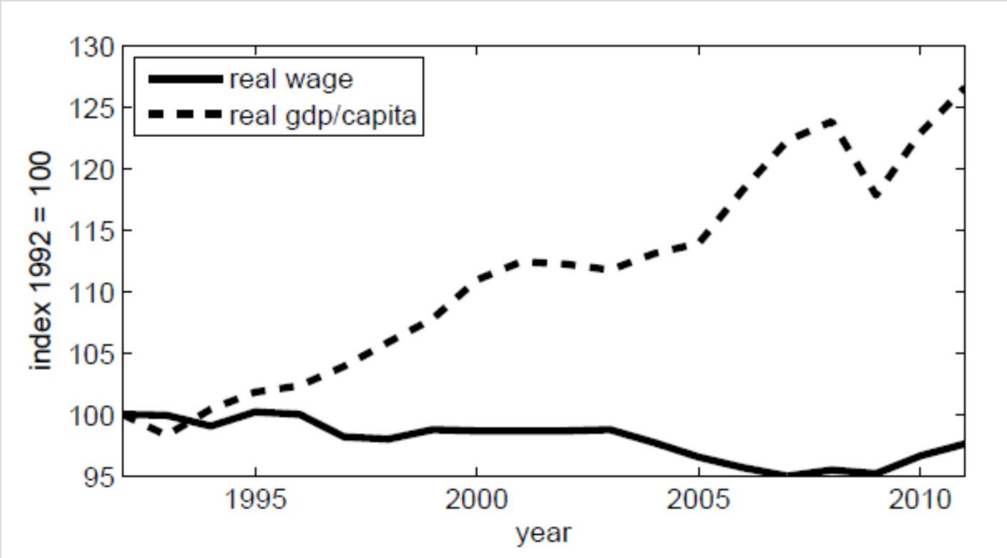

CHART 5.15 REAL WAGE AND REAL GDP PER CAPITA, GERMANY, 1992-2011, NORMALIZED TO 1992, 1992=100
SOURCE: KREBS AND SCHEFFEL (2013), STATISTISCHES BUNDESAMT: ANNUAL REAL WAGE INDEX (SERIES: REALLOHNINDEX) AND ANNUAL REAL GDP PER CAPITA (SERIES: BRUTTOINLANDSPRODUKT)

If the figure of real wages is compared to a real GDP per capital figure, as is done in Chart 5.15, one sees a strikingly similar picture. Real GDP per capita in Germany experienced a strong rise between reunification and the Great Recession in 2007, after which it rose again. The positive correlation between real output per hour (Chart 5.14) and real GDP per capita appears only logical. But the bifurcation of GDP per capita and real wages points towards another finding. GDP per capita is an average figure, which can produce a statistical fluke. It mathematically spreads welfare equally across all citizens. But when one considers the negative development of wages, which constitute the major income source for a large majority of citizens, it allows the conclusion that economic welfare effects are very unevenly allocated.

5.2 Neoliberalisation in the production sphere in Germany and the US – a comparative study

After analysing what neoliberal transformation means in the sphere of the state, this section is concerned with the sphere of production. The transformative processes in the two case-study countries, the US and Germany, are compared systematically.

5.2.1 The 1970s crisis from a business perspective

After the Second World War, many industrialised economies experienced a long period of exceptional economic growth. However, as markets started to show signs of saturation, competition increased between the national manufacturing sectors of export-oriented nations in particular, such as Germany and the US, but also Asian economies, such as Japan. This competition led to rising investments into production, which structurally changed the composition of invested capital towards fixed assets (see Harman 2010). The result of this structural development is that the ratio of operating surplus to stock capital decreased over time. This negative trend can be observed in Chart 5.16 for the US, and in Chart 5.17 for Germany, up until about 1980.

The changing composition of capital and the falling rate of capital profitability seem to be rather minor problems in relation to the problematic of stagflation, which dominated politico-economic discourse in the 1970s. Furthermore, it has to be said that both figures are only usefully observable at the aggregate national or sectoral level, which makes them appear quite abstract. But, in fact, capital profitability is a central element of the capitalist mode of production at the firm level (micro level). At the firm level, this means that if there is no prospect of capital profitability, investments will not happen. As a consequence, production can stall.

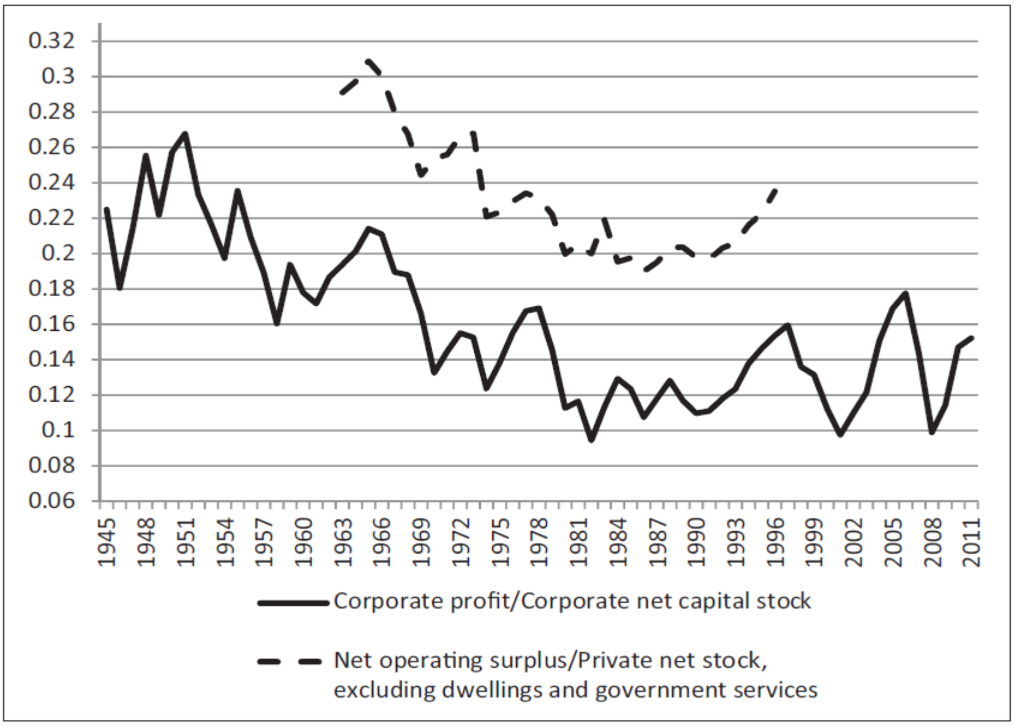

CHART 5.16, PROFIT RATES, USA
SOURCE: VIDAL (2013:460)

The neoliberal narrative of a stagflation crisis, which has been promoted by monetarists since the late 1960s, accepted even by the Carter administration and then used as basis for supply-side economics, states that it was labour cost, especially wages, which caused stagflation. This, however, does not seem likely, considering the empirical data. From a firm perspective, it shows that the wage component of profits did not rise substantially. Instead, it appears that the deeper problem lay with the composition of capital as a result of harsh international competition and companies' focus on increasing output and sales at the cost of profitability (still today, this can be observed as a typical outcome of competitive markets). Nevertheless, the stagnation of economic growth and high inflation further aggravated the profitability crisis in the sphere of production.

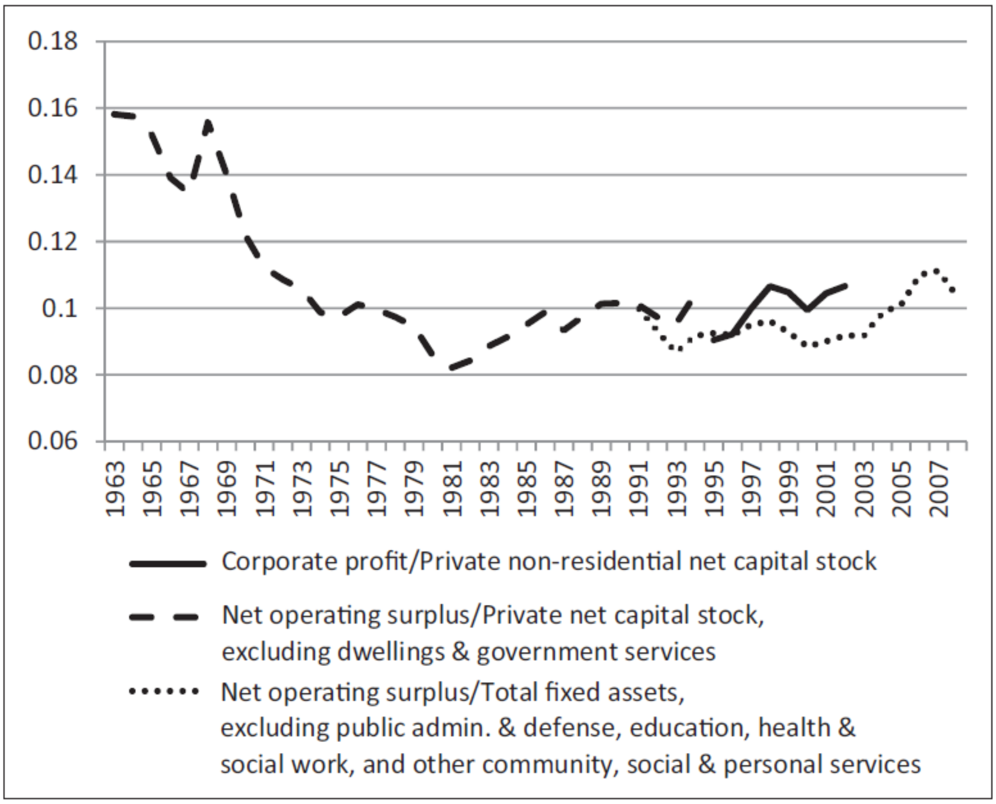

CHART 5.17, PROFIT RATES, GERMANY
SOURCE: VIDAL (2013:463)

The profitability crisis was met in the sphere of production by three distinguishable means, which represent three different, but systemically interconnected, transformation processes. The first is a change in corporate governance and organisation of business administration towards Shareholder Value Orientation (SVO), the second is to raise efficiency and reduce costs – at any cost – and the third is the reclamation and cultivation of new sources of profitability. They did not operate in chronological order or at the exact same speed in different sectors and countries. Despite SVO's outstanding role in respect of neoliberal transformation in the sphere of production, the topic seems to have been widely overlooked in the literature of the Marxist theoretical framework. This is an interesting and thought-provoking gap: the connection of SVO to the change in capital accumulation and modes of production during the neoliberal transformation requires further investigation.

5.2.2 Transforming corporate governance and SVO

The first means to counter the profitability crisis has been a fundamental change in the school of management objectives and corporate governance from the ownership level to the strategic level to the operational level. The concept of shareholder value orientation (SVO) was first conceived in the US in the 1980s and has since spread to all countries and sectors as the new gold standard of capitalist management. As Froud et al. (2000) note, SVO is not a specifically outlined agenda, but rather a movement for shifting the general focus of business management towards shareholder interests exclusively. It proposes that a company's wellbeing can best be displayed by using financial performance indicators which relate the company's performance through metrics to the interests of the capital investors.

In terms of its historical roots, the foundation of SVO is strongly connected to the rising importance of financial markets and their liberalisation, which had already started under the Carter administration in the late 1970s. Neoliberal intellectuals, especially those of the Chicago School endorsed the idea that businesses should as much as possible be opened up to financial markets in order to gain access to cheap capital, on the one hand, and to find new ways to profitably invest their own capital, on the other hand. Simultaneously, the pressure was raised on business owners to move their businesses to publicly traded stock markets. Rising financial markets (bull markets) during most of the 1980s and 1990s made the initial public offerings (IPOs) of businesses seem a useful tool for raising capital.

Stock markets and the new shareholders of company stocks naturally have profit expectations. In a capitalist logic, as was mentioned above, no investor puts money into a product which does not promise capital profitability in some way. On stock markets, there are generally two ways to cash in on such profits. The first is via the payment of dividends, which is a surplus value paid out to shareholders. And the second is by reselling company shares at a higher price than they have been bought. Logically, both are connected, because shares which promise high dividends or exceptional growth of market share have a good chance of being traded at higher price levels.

However, investors do not only buy company shares for investment profits. M&A theory distinguishes the financial investor from the strategic investor. While the former is primarily interested in capital profitability, the latter is more interested in taking control of the business for strategic reasons, for example with regard to market positioning. The rationale behind such efforts can range from a common understanding of combining businesses in a friendly merger to a hostile takeover of a company. Müller-Stewens and Lechner (2011:300) describe the case of the pharmaceutical industry where capital providers and shareholders have become accustomed to double-digit revenue growth. If the product pipeline and R&D of the own company does not promise such growth rates, it has become the usual practice to simply add new product to the portfolio by buying them together with the entire production company. There are many examples of such M&A activities. This is still partly going on today and mergers have become bigger over the years. In 2016, the German pharmaceutical company Bayer offered a staggering aggregate US$66 billion to 44 percent of the shareholders of US-based Monsanto (Hopkins 2016).

Due to rising market capitalisation, mature capitalist economies, which had loosened their anti-trust laws, have witnessed a hostile takeover movement in the 1980s, causing substantial market consolidation. On the other hand, junk bond financed management buyouts, broken-up companies and highly indebted companies have been left behind by the process. In any case, the imminent threat of such practices promoted the idea of putting more weight on shareholders' interests. Shareholders who were happy with the company they had shares in would not sell their interest in the event of a hostile take-over attempt, so the argument goes (Froud et.al. 2000:87; Lazonick and O'Sullivan 2000:17).

Since the 1970s, the neoliberal narrative of the relative efficiency of big business has supported the justification of large-scale mergers. The rising influence of neoliberal ideology in national governments, especially since the stagflation crisis, made it possible in the 1970s and 1980s to commence the liberalisation of US financial markets and the banking sector. Highly capitalised institutional investors, such as pension funds and insurance companies, have been allowed to invest in corporate equities since 1978. These changes in market regulation gave way to a large-scale hostile takeover movement in the Anglo-Saxon economies (Lazonick and O'Sullivan 2000:17). These developments had substantial effects on the corporate governance of firms, that is, on the control of capitalist firms (Pitelis 2004).

In this spirit, the concept of SVO was conceived by US studies of management theory (see Chapter 4.6) and has since become the new academic standard of business administration and corporate management, not only in the US, but globally. It represents a fundamental change in corporate governance and management objectives towards the ultimate goals of financial profits and the maximisation of value gains for shareholders. Hence, SVO means that the firm is re-oriented towards these ultimate goals, also overriding traditional strategic goals, such as growth of output and revenue (see also Lütz 2004). As Lazonick and O'Sullivan (2000) argue, the introduction of SVO fundamentally transformed corporate strategy in the US from the standard principle of 'retain and reinvest' that is, reinvestment of earnings into corporate growth in the form of R&D (research and development), physical capital and skilled people, towards a new principle characterised by a reduction of employees and raising the pay-out ratio for shareholders. At the same time, the concept of capital-based management incentives was conceived. The idea simply is to let top managers have a share in the capital profitability which they generate. The effect was an even stronger acceleration of transformation towards SVO, but also an exorbitant rise in pay for c-level management (Lazonick and O'Sullivan 2000). Finally, as has been discussed in Chapter 4.6, the triumph of SVO as the new standard of corporate governance and business administration represents a massive power grab of finance capital, especially shareholders. It is no less than a total transformation of the economy from serving numerous stakeholders, if not society as a whole, to being submitted to the financial interest of capital. In reference to the introduction of neoliberal economic policy in the sphere of the state, it shows that in both spheres the transformations are likely to be mayorly to the benefit of capital and investors.

The effects of this transformation in the sphere of production are multiple. Aglietta and Breton (2001) have pointed towards some striking examples and problematic developments. The constant threat of hostile takeovers leads corporate management to artificially boost the price of their company's shares by different means, such as buying back their own shares in order to guarantee shareholders high profits. This leads to an increasing share of corporate profits being paid out as dividends or being used for share buy-backs. A study of S&P 500 companies by Lazonick (2010, 2011) shows that between 2000 and 2009, they invested 41 percent of their net income in dividends and 58 percent in share buy-backs. This is not an isolated US phenomenon; it can also be found in European corporations (ECB 2007). Several studies relate these structural changes in the use of operating surplus to further effects, such as a depressing effect on reinvestment and the company's growth rate and a decline in capital accumulation (Bakir 2014; Dünhaupt 2012; Vidal 2013).

Chart 5.18 shows that retained profits declined in a negative correlation with rising profits in the case of the US. The widening difference between those two figures is the profits paid out as capital income. Correspondingly, the ratio of profits paid out (also called pay-out ratio) has risen during the neoliberalism period.

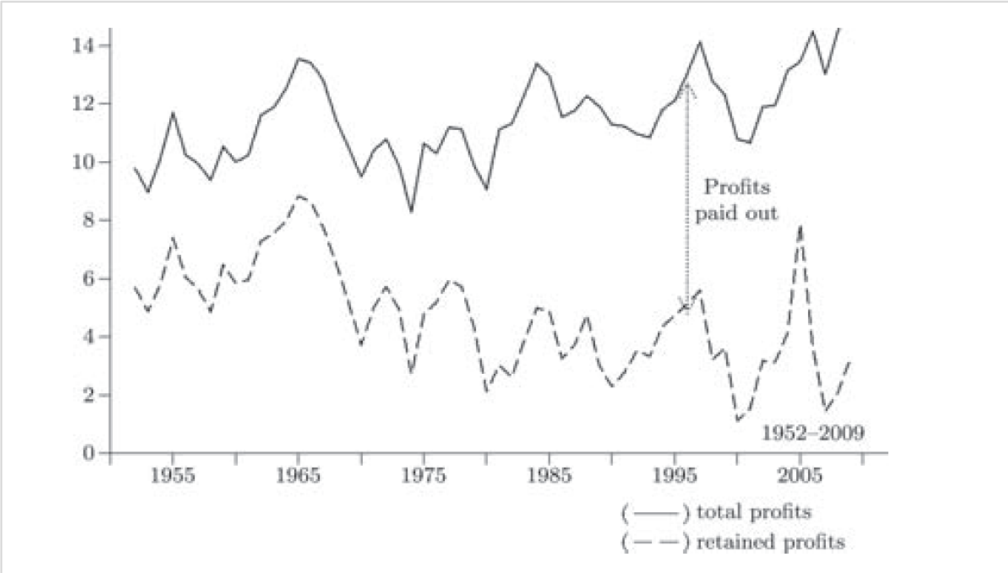

CHART 5.18: SHARES OF TOTAL AFTER-TAX PROFITS AND RETAINED PROFITS IN TOTAL INCOME: US CORPORATE SECTOR (PERCENT, YEARLY). TOTAL PROFITS ARE PROFITS AFTER ALL TAXES AND PRIOR TO THE PAYMENT OF INTEREST AND DIVIDENDS.
SOURCE: DUMÉNIL/ LÉVY (2011:51)

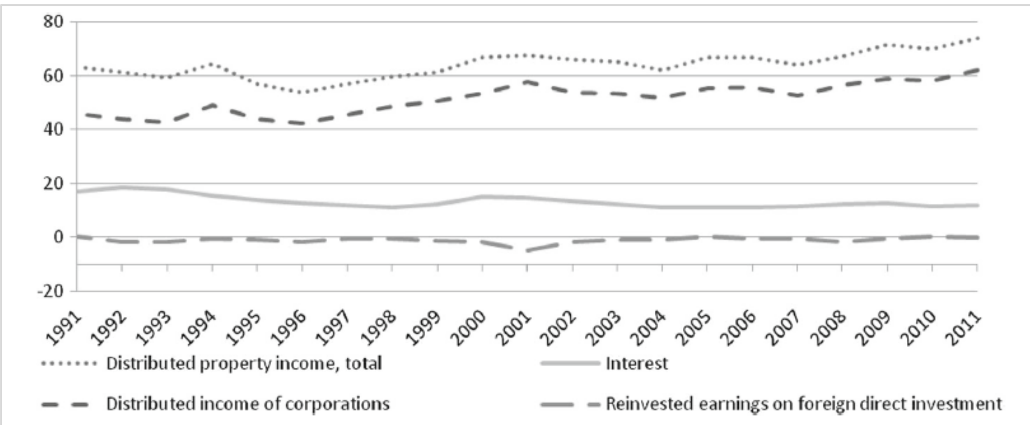

CHART 5.19: USES OF OPERATING SURPLUS OF NON-FINANCIAL CORPORATIONS, GERMANY, 1991-2011, (PERCENT OF SECTOR GROSS OPERATING SURPLUS). TOTAL PROPERTY INCOME INCLUDES ADDITIONAL RENTS.
SOURCE: HEIN AND DETZER (2015:187), STATISTISCHES BUNDESAMT

The case of Germany shows that in the gross operating surplus of non-financial corporations, the share of distributed property income – the portion of profits are paid out to investors in the form of capital income – has risen significantly since the 1990s. As can be observed in Chart 5.19, this rise was almost entirely an effect of increasing dividend payments (distributed income of corporations) to shareholders (Hein and Detzer 2015:187). In the case of the US, a similar structural development can be observed in Chart 5.20. Since the 1980s, the share of dividends payments of the net operating surplus of non-financial corporations has structurally risen. Since the mid-1990s, they have exceeded the share of interest payments, which demonstrates a relative negative long-term trend. The chart shows the trend of corporations increasingly distributing their profits to shareholders via dividend payments. Between the 1980s and the 2000s, the share of dividends doubled from around 20 percent to around 40 percent (Dünhaupt 2016:6).

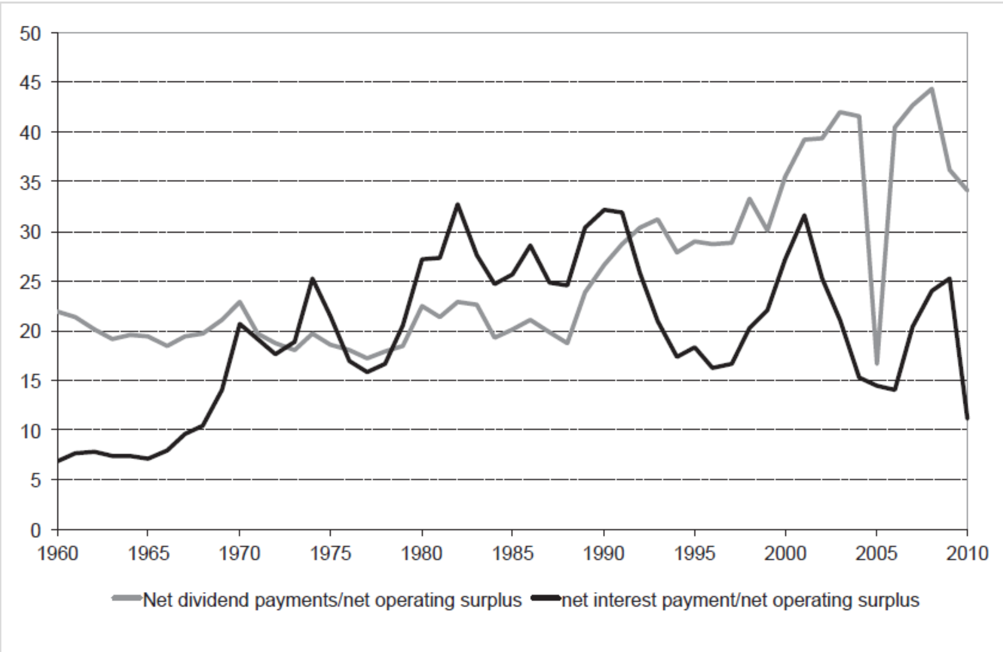

CHART 5.20: NET DIVIDEND AND NET INTEREST PAYMENTS AS A SHARE OF NET OPERATING SURPLUS, NON-FINANCIAL CORPORATIONS, USA (1960-2010)
SOURCE: DÜNHAUPT (2016:6), BEA, NIPA TABLES

Hence, it can be pointed out that an increasing orientation towards shareholder value and a rise in shareholder power has produced a significant rise in financial pay-outs from operating surpluses to shareholders.

Due to decreasing retained earnings, the capital accumulation rate in the US corporate sector also started to decline in the 1980s. Duménil and Lévy

(2011:152) show that the US accumulation rate, defined as investment into fixed capital, of non-financial corporations had an overall negative trend throughout the 1980s and was systematically lower than the average of the preceding two decades (1952-1979). The single exception is a peak in 2000, which was due to exceptionally high investment during the inflation of the '*.com bubble*' and was immediately followed by a sharp decline when the bubble burst (See also Bakir/ Campbell 2010).

5.2.3 Increasing efficiency and reducing costs

In the logic of business administration, within the context of a capitalist mode of production, the profitability crisis of the 1970s prompted firms to increase efficiency. In the standard business administration calculation, a company's profit is the bottom line of a long calculation. Most elements between sales income and the bottom line are some sort of fixed or variable costs (C-fix and C-var). Hence, the most basic method to boost profit if output and sales do not show enough growth is to increase capital efficiency by cutting costs. This general finding is also in accordance with the shift in corporate governance away from output growth and towards 'downsize and distribute'. In most economic sectors and firms, the largest cost factor of production is human labour. Hence, in terms of business administration, it seems logical that businesses started to strongly reduce the cost of labour. Aglietta (2000) points out that the transformation of corporate management from 'retain and reinvest' to 'downsize and distribute', which was conducted under the banner of increasing the return on equity, has caused giant waves of job losses in formerly stable industries since the 1990s. In effect, it caused a structural rise in unemployment during boom years (Aglietta 2000; Lazonick and O'Sullivan 2000). However, by such measures, capital cost could be reduced and, hence, capital efficiency could be raised.

However, costs for labour could not just be swiftly reduced by businesses. As described above, there were significant political, institutional and legal obstacles which needed to be tackled first, especially the bargaining power of organised labour and their institutional strength through labour unions. Not coincidently, the climate of political economy underwent substantial changes in the 1970s. The economic policy of supply-side economics became de rigueur in the US and in Germany through the formation of Reagan's and Kohl's governments in 1981 and 1982 respectively. The neoliberal transformation in the sphere of the state was complemented by the neoliberal transformation of the sphere of production in the common understanding that wages had to come down.

While in the case of the US, it was the federal government which directly attacked organised labour by, for example, playing hard-ball with the flight attendants' union PATCO, in the case of Germany, due to the corporatist system of institutionalised bargaining, it was the employer organisations which openly attacked the unions. In timely fashion, an MPS meeting in Munich, which focused on the question of how the notion of employers and capitalism could be better branded against the positive notion of labour unions, the national roof organisation of German employers (BDA) started a broad campaign which accused labour unions of totalitarianism and intending a national power grab (Müller 2017: 130ff.). As described in Chapter 5.1, the pressure on organised labour, their bargaining power and, therefore, the development of wages was also subject to more structural and passive developments, such as rising unemployment during stagflation periods.

In any case, in the sphere of production, the power of organised labour declined with the decline in union membership, both in the US and in Germany. US union membership as a proportion of the workforce decreased from 25 percent in 1980 to 15.8 percent in 1994 (Moody 1997:183). The effect was a decline in bargaining power and involvement in decision-making processes, which affected production. Unlike in many European states, US workers were traditionally not organised in workers' parties but in trade unions. As such, breaking the influence of trade unions was a significant blow to the power of labour in the US. Similarly, union membership also fell significantly in Germany, from 32.7 percent in 1990-1994, to 18.3 in 2010-2013 (Hein and Detzer 2015:185; see Chart 5.6 and Chart 5.13).

So, while both in the US and Germany, work productivity kept rising rather steadily in recent decades, the real compensation of wage labour has declined since the early 1980s in the US and since the early 1990s in Germany. These trends can be seen in Chart 5.7 and 5.14. The result is a higher cost efficiency of the factor of labour, which logically is the same as a higher rate of exploitation of the factor labour, or a higher rate of surplus value (rate of surplus value produced by a labour unit). A continuous rise in the rate of exploitation, (depicted as the rate of surplus value), only briefly interrupted by German unification, can be observed in Chart 5.21. The chart also shows the rate of exploitation in relation to the rate of profit in order to point out their remarkable positive correlation. This correlation allows for the conclusion that the ambitions of Germany's corporations to raise capital efficiency by raising the rate of exploitation for human labour appear to have been highly successful. Put in relation with the depicted rise in the pay-out ratio from profits (especially in the form of rising dividends) as a result of rising SVO in the same time period, the result is general re-direction of money from typical wage earners towards shareholders.

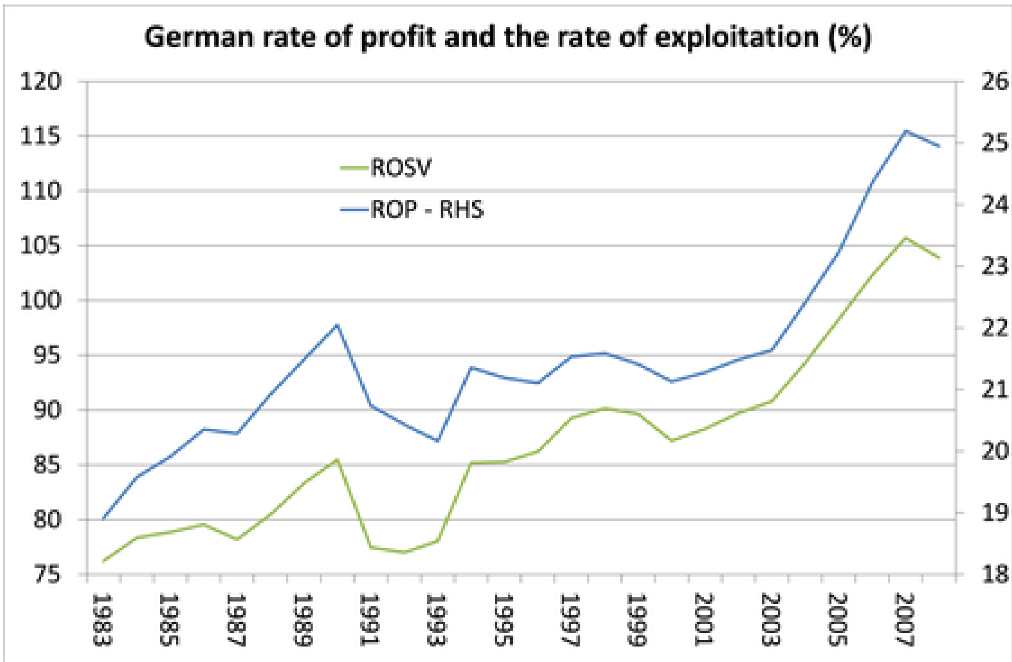

Chart 5.21: Development of German rate of profit (ROP-RHS) and rate of exploitation (or Rate of Surplus Value – ROSV) in %
Source: Roberts (2016b:154), AMECO

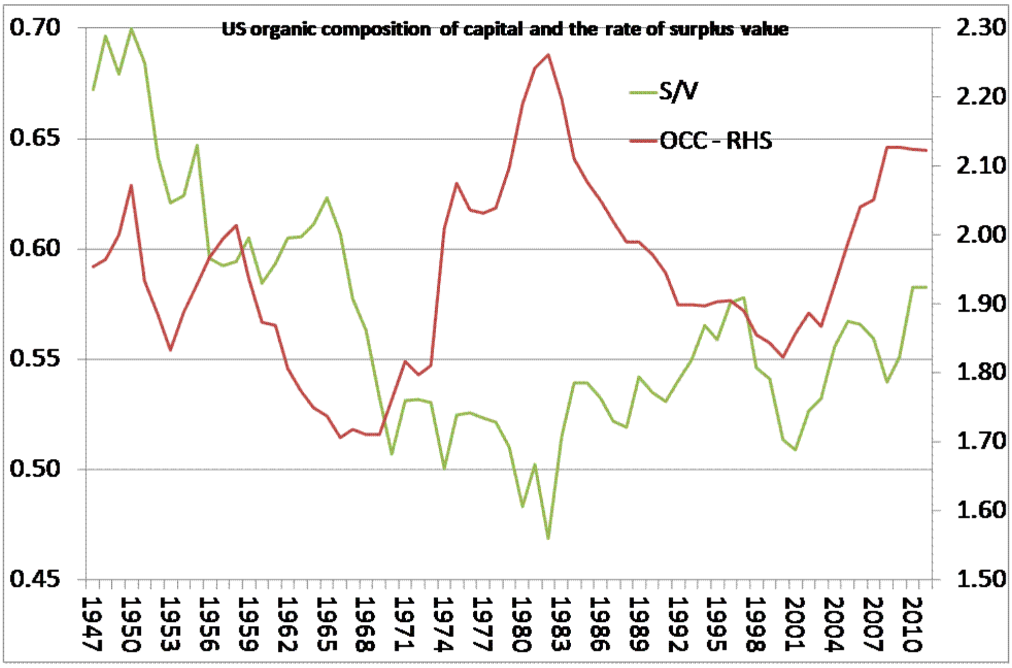

Chart 5.22: Development of US rate of exploitation (rate of surplus value, S/V) and US organic composition of capital
Source: Roberts (2012)

In the case of the US, a rising rate of exploitation (ROE) can be observed as well. Chart 5.22 shows the ROE and its average positive trend since 1982, albeit including interruptions, especially in times of financial crises. Other studies have produced the same finding (Carchedi 2016). The graph also shows a figure for the organic composition of capital (share of fixed capital), which led to the structural profitability crisis in the 1970s (see Chapter 5.2.1). From the peak in 1982, the organic composition declined sharply until 2001. The reasons for this decline can be found in a general reduction of input factor costs in the early 1980s as a result of the US recession and a cheapening effect of technological innovations (Roberts 2012), but it could also be a result of corporate managements' efforts at cost reduction and downsizing because of the rise of SVO. Both the rising rate of exploitation and the falling organic composition of capital have had a positive effect on capital profitability. Hence, it is likely that the US rate of profits shows a positive trend until 2000. Since 2000, the organic composition of capital has reversed its trend and is rising again, which elevates the importance of the rate of exploitation as a driving factor of profitability.

5.2.4 Pursuing new sources of profitability

In their search for new sources of profitability, the US and Germany have many things in common, but there are also large differences. Also, it has to be noted that in creating new sources of profitability, the sphere of production is dependent on collaboration from the state. This is displayed in the example of the privatisations of state-owned entities. A publicly held corporation and its corporate governance are part of the sphere of production; however, often they are not properly subject to the logic of the capitalist mode of production, mainly because they are not guided by the ultimate goal of profitability and, therefore, maximising shareholder value. The privatisation of such corporations thus means actively generating a new source of profitability for private capital. But, as has been described in Chapter 5.1.1 and 5.1.2, the act of privatisation must happen within the sphere of the state. The same is true for the construction of new markets, which require creative political will, such as moving to the creation of artificial carbon trading markets in the EU. Such an interplay of the sphere of the state and the sphere of production is also highly apparent in the two different paths of economic growth which the US and Germany turned to at the beginning of the 1980s and in response to the profitability crisis.

5.2.4.1 The US economy as a trailblazer for financialisation

In the 1970s, it seemed as if the US could not keep up with economies such as Germany and Japan in the competitive race for domination in exporting industrialised goods. In search for new sources of profitability, a new path of growth was found in the financial industry, which led to a broad neoliberal transformation affecting the role of finance in the capitalist mode of production, first in the US and then in the UK. But since the late 1990s, most other industrialised capitalist economies have followed suit, including Germany. In the literature, this is commonly associated with the term 'financialisation'. It is yet another term which is politically laden, similarly to neoliberalism. Krippner (2004:14) defines financialisation as a 'pattern of accumulation, in which profit making occurs increasingly through financial channels rather than through trade and commodity production'. With this definition, she comes close to the methodology of regulation theory, which analyses the transformations of accumulation regimes and the according regulation. Epstein (2005:3) attempts a broader definition, where 'financialization means the increasing role of financial motives, financial markets, financial actors and financial institutions in the operation of the domestic and international economies'. Similarly to Krippner, Lapavitsas (2013:2ff.) understands financialisation as a period of deep transformation of the economy and society. The most important feature of this period, he argues, is the unprecedented rise in finance, which results from three particular changes in the capitalist accumulation. In the US sphere of production, a major transformation happened in the commercial relationship between firms and banks. Firstly, non-financial enterprises have increased their involvement into financial business. Non-financial enterprises took the opportunities of liberalised financial markets in order to self-finance, independently through issuing commercial papers or corporate bonds.

Secondly, these transformations of non-financial business caused a problem to the traditional banking business model (Callinicos 2010:25ff). Banks reacted by the creation of new sources of profitability themselves, which shifted their business models towards an 'originate and distribute' model (Onaran/ Stockhammer 2011:1; Crotty 2009:568). Originate and distribute describes the practice of collecting debt obligations, and then recommission and reselling them as financial investment products. At the same time, they also increased their engagement in financial trading on open financial markets.

Furthermore, US banks and other financial organisations have found the finance of individuals and regular households as new profitable market. The *originate and distribute model* also opened the gates for new profits via fees and commissions, while also opening up opportunities to lend to lower income households. As mentioned previously, the growth of real wages in the US had stagnated since the early 1980s, and in order to maintain private consumption levels, the backbone of the US demand economy, working class households were encouraged to take on increasing levels of debt (Onaran/ Stockhammer 2011, Stockhammer/Wildauer 2015, Wisman 2013). When the US Federal Reserve drastically dropped interest rates in reaction to the recession following the bursting of the '.com bubble' in 2000, banks and other financial institutions took the opportunity to offer cheap credit to low-income households. This proved to be very profitable as long as money was cheap. The higher the risk of default, the higher the profit margin when the debts were securitised and resold with a good rating from a PRA. Additionally, the higher the risk of default, the higher the service fees to the debtor, further compounding the problem for working class households. Lapavitsas (2009:4) describes this financialisation of workers' incomes as a major transformation of the modern finance industry. High demand for consumer goods and increasing profitability in the financial sector was achieved therefore in large part through indebting wage earners. As a result, US household debt rose strongly, doubling from 48 percent in relation to GDP in 1985 to over 100 percent in 2008 (Crotty 2009:576). It is important to point out that the rising indebtedness of wage earner households is, nevertheless, not a regrettable side effect of neoliberalism, but benefits the system by solving three structural issues. First, it solves the demand problem of US industry occurring from wage stagnation. In reference to the US national account system, the US economy has been highly dependent on domestic demand since the 1990s. Without credit financing domestic demand, the American sales market would not have been able to grow. Second, the indebtedness of wage earner households provided the financial industry with new sources of profitability (Barba/ Pivetty 2009:127). The financialisation of wage earners households, through selling financial services to private households, expended the potential customer base of financial institutions. Third, it is arguable that debt can have a deferring effect on social conflict, especially in respect to conflict over wage developments.

Upon analysis it becomes clear that such broad and deep transformations could not be possible without active transformative efforts by the state. The originate and distribute business model was not possible in the US until 1999, because it was formally forbidden by law through the Glass-Steagall Act. Just after the repeal, which was considered a huge political effort, could the banks access these new sources of profitability. Just after the repeal, were US banks allowed to resell the debt obligations of their customers in the form of collateralised debt obligations (CDOs) or collateralised mortgage obligations (CMOs) (Arestis/Karakitsos 2011:66f).

The removal of regulatory laws, such as the Glass-Steagall Act, meant that risk had to be dealt with in another way. Following the neoliberal narrative of the self-regulating forces of markets, private rating agencies (PRAs) were put in place to guarantee risk awareness. The idea was that markets would regulate risk themselves when risk was reflected in the prices of an asset. PRAs are obliged to rate assets according to their risk of default. Hence, their role is to provide market information rather than regulation. That PRAs were at the same time paid by banks to rate their securities, a clear conflict of interest according to Hellreiner (2011:70), was not taken into account by the authorities.

Apart from the short stock market crash in 1987, the US economy and especially the financial markets experienced a long-time financial boom and stable bull market until the recession after 2000. Arguably, value-based management and the maxim of shareholder value maximisation were substantial drivers. However, it has to be noted that the effect of SVO is arguably stronger in the US and the UK than in other capitalist economies. The reasons for this, as Williams (2000) argues, is that countries like Germany had a long-standing scepticism of finance-led capitalism and, hence, German markets were late to the boom and the acquisition movement.

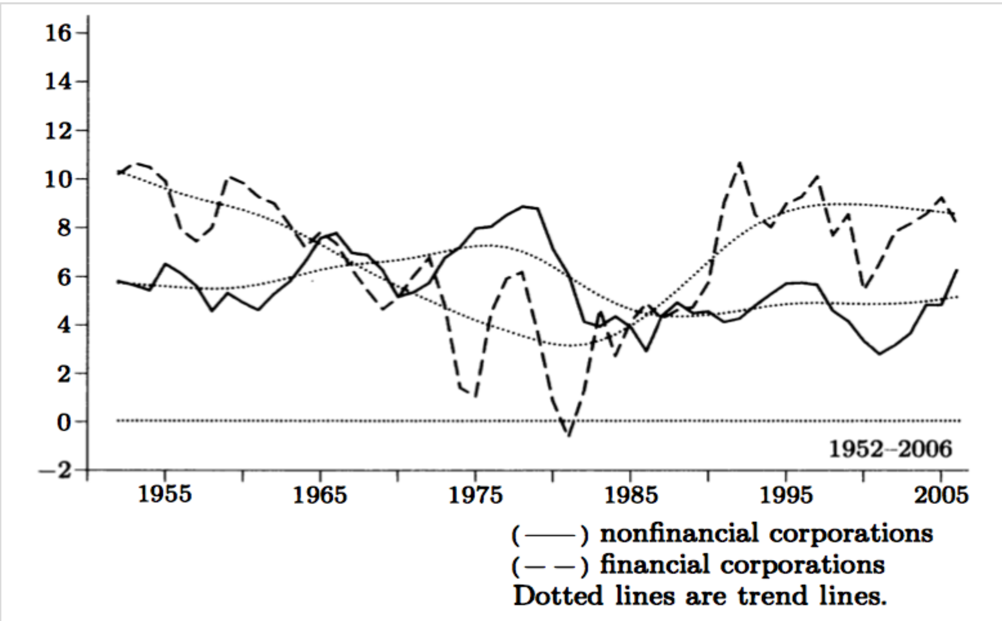

CHART 5.23, PROFIT RATES: US FINANCIAL AND NON-FINANCIAL CORPORATIONS (PERCENT YEARLY, AFTER INTEREST AND TAXES)
SOURCE: DUMÉNIL/LÉVY (2011:67)

Financialisation in the US has had the effect since 1985 of the profit rates of financial corporations systematically exceeding those of non-financial corporations. Chart 5.23 depicts this sectoral shift which happened during the 1980s. Another significant conclusion to be drawn from this chart is that the profitability crisis of the 1970s appears to have been at first a crisis of financial corporations. Only by the end of the 1970s do both figures show a similarly sharp fall. However, these figures also have to be used with some caution. As pointed out above, the SVO of corporate management meant an increase in capital being paid out to shareholders and other financial investors in the form of financial income. This created a statistical fluke: due to re-distribution, profits are not realised where they are physically produced (in production), but in the financial industry, where they are transferred into financial income as a result of investment. This possibility, however, represents a problematic on its own, because profits are being systematically pulled from the real economy, which can lead to an effect of 'bleeding out' production. This effect is empirically supported by several studies (such as Stockhammer 2005).

5.2.4.2 Germany coming late to the financialisation-party

While in the US, its capital rather quickly turned towards financial markets early in the 1980s, German capital remained in the race for domination of export markets. This path of growth turned out to be relatively successful up to the present. Ultimately, it also managed to solve one of neoliberalism's greatest puzzles: If one depresses wage growth, how can growth in demand for domestic products be guaranteed? While the financialised US economy found a solution to this problem by rigorously lending to wage earners so that they could debt-finance their consumption, Germany does not depend on domestic sales. By founding their path of economic growth on exports, that is, sales markets outside the country, Germany has circumvented this problem and was able to avoid high levels of private debt, unlike the US. In the case of Germany, the hope for profitability was, and still is, placed in exports, and, therefore, the urge to financialise the economy was not as great as in the US. Indeed, it shows that the share of net value added by non-financial corporations in Germany remained stable, with a small positive trend from the 1970s until 2008. Chart 5.24, shows that, in the US, the share of net value added of non-financial corporations has greatly decreased since the early 1980s. The comparison of these two figures allows for the conclusion that financialisation did not lead to a crowding out effect in the non-financial sector in Germany. However, it would be far-fetched to conclude that financialisation did not happen in Germany at all.

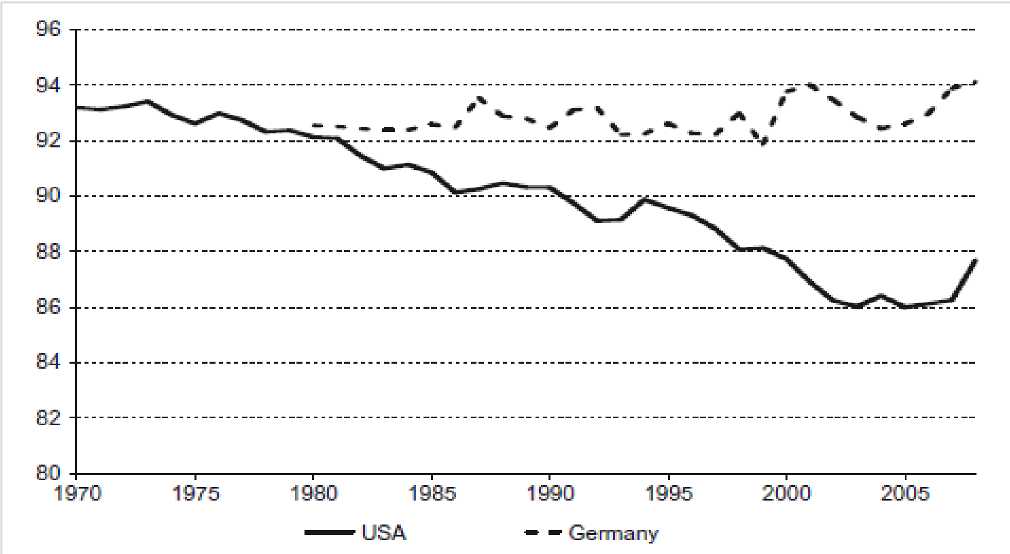

CHART 5.24, NET VALUE ADDED OF NON-FINANCIAL CORPORATIONS AS A SHARE OF NET VALUE ADDED OF CORPORATIONS: US AND GERMANY, 1970-2008
SOURCE: DÜNHAUPT (2012:482)

Despite following a successful path of export orientation, German financialisation was stifled by the peculiarly German institutionalised political economy. After World War Two, the German economy refined a special kind of banking system, which was defined by long-lasting, intimate partnering relationships between banks and businesses. This system did not just build on laboriously built trust, but also reciprocal appointments to supervising boards, as well as reciprocal shareholding. This system, the so-called 'Deutschland-AG' was for a long time elevated as one of the prime factors of the German 'Wirtschaftswunder' (German for economic miracle, describing the 30 years of economic boom after World War Two). But it also represented the enmeshed hegemony of German industrial capitalists. Helmut Kohl and his conservative-liberal government did pursue Germany's neoliberal transformation, but they were cautious not to endanger the status of industrial capital. Speculative financial products, such as futures and options, were only legalised in 1989, and structural liberalisations of financial markets only followed in the 1990s (Passarge

2010:57, see Chapter 5.1.2). This changed radically with the social democrats-green party government under Schröder, who liberalised German financial markets in the late 1990s. The German tax reform of 1999 prompted a large-scale transformation of the German economy towards financialisation (Biebricher 2012:142). At this time, this liberalisation, which represented a broad swing towards the financial growth model of the US and the UK, was acclaimed by German capitalists. The booming financial markets in the 1990s promised a higher capital profitability in a shorter time, than the real economy.

This ultimately led to the erosion of the traditional German banking system and disentanglement of the Deutschland-AG. Since the 1980s, German businesses have become more dependent on financial markets and, thus, short term-interests. Especially large businesses were swiftly transformed towards SVO and the aim of maximising their value on stock markets (Nachtwey 2016:58). On the lookout for capital investments which promised high profitability, company managers (also of non-financial corporations) discovered the possibility of investing in financial products rather than in real production. The advantages were various, from greater flexibility to the promise of higher yields due to booming financial markets. Several production companies made efforts to build their own financial businesses. Giant German production corporations, such as VW and Porsche, tried to become active directly on financial markets (Porsche Bank) to boost their profitability. Profits from production were successively transferred to financial markets (Nachtwey 2016:61). This effect can be observed in Chart 5.25, which shows the rising share of property income – that is income from financial investments – in relation to total gross operating surplus. This shows the rising importance of financial investments to non-financial corporations since the late 1990s compared to investments in production capital. Furthermore, as can be seen, the rise is primarily an effect of rising interest payments and dividend payments (distributed income of corporations).

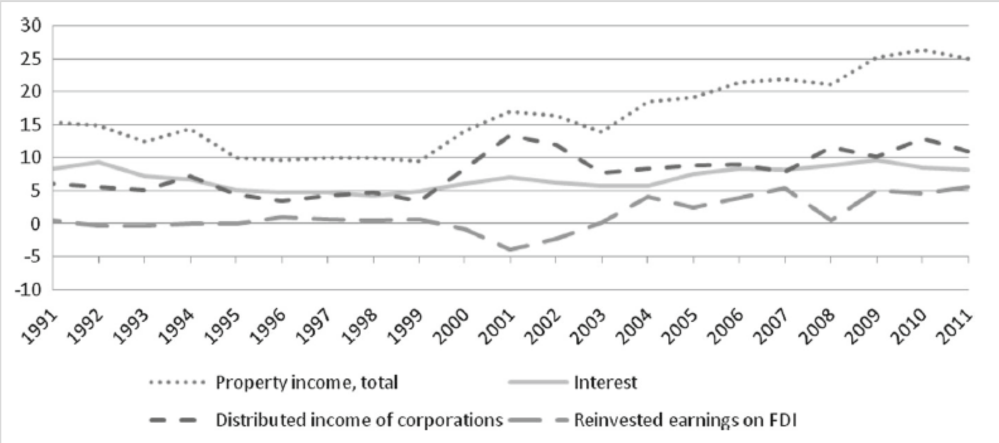

CHART 5.25: SOURCES OF OPERATING SURPLUS OF NON-FINANCIAL CORPORATIONS, GERMANY, 1991-2011 (PERCENT OF SECTOR GROSS OPERATING SURPLUS). TOTAL PROPERTY INCOME ATTRIBUTED TO INSURANCE POLICY AND RENTS. SOURCE: HEIN AND DETZER (2015:187), STATISTISCHES BUNDESAMT

The findings of Dünhaupt (2012) show that financialisation happened in Germany, but about a decade later than the US and not to the same extent. In the US, financialisation, as well as a rise in rentier income, started in the early 1980s. In Germany, these trends started later, in the mid-1990s, and had a more gradual impact, not causing a decline of the non-financial sector. A useful indicator of these claims is market capitalisation as a share of GDP. Chart 5.26 shows that between 1980 and 1995, stock market capitalisation had already doubled to 80 percent, while in Germany, it struggled to exceed 20 percent. This, however, has also be attributed to the incomparable effect of German unification at the beginning of the 1990s. By the end of the 1990s, stock market capitalisation picked up speed considerably in both countries, probably due to the international stock market boom and the inflating .com bubble. However, the US reached a peak of 160 percent in 2000, whereas Germany climbed to just above 60 percent. After that, the US and Germany experienced a rather similar pattern of growth and decline of stock market capitalisation – although the US was still at a much higher level than Germany. In accordance with the pattern of international financial crises since 2000, Germany's financial accumulation has continued to lag behind that of the US (see also Lapavitsas 2013:207).

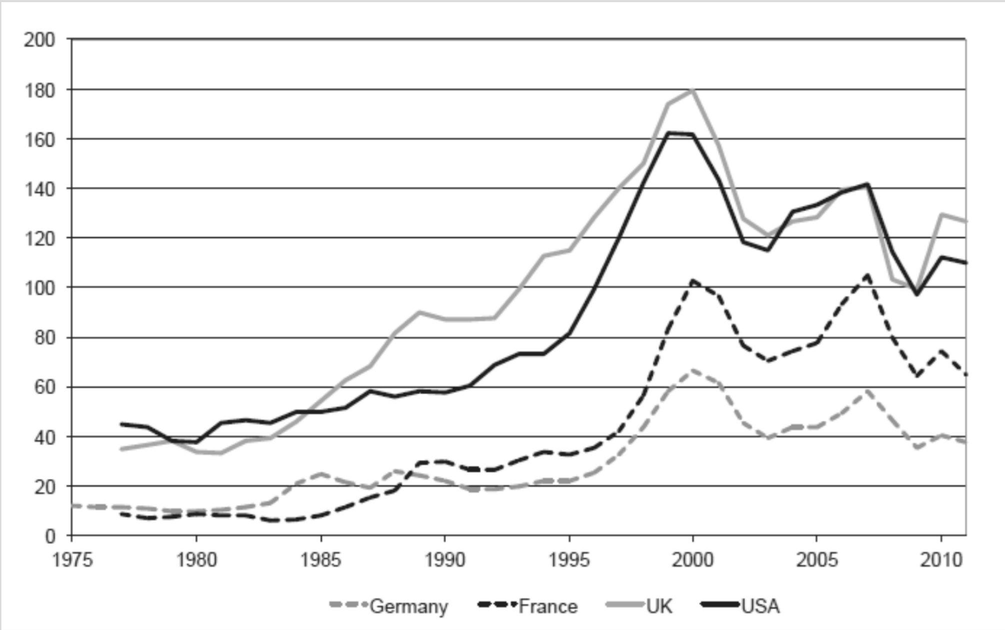

CHART 5.26, STOCK MARKET CAPITALIZATION AS A SHARE OF GDP; GERMANY, FRANCE UK AND USA; 1975-2011
SOURCE: DÜNHAUPT (2016:4)

5.2.5 Restoring capital profitability in Germany and the US

Charts 5.27 and 5.28 depict the development of the rate of profit – capital profitability – of Germany and the US. They show that the general negative trend of the rate of profit could be successfully reversed in both cases in the early 1980s. Hence, the profitability crisis, which had posed a structural problem to the fundamental circulation of capital in the sphere of production, seems to have been successfully overcome, at least until 2000. It has to be noted that national rates of profit are aggregated figures. They can only be influenced passively because they depict the summed-up profits of all economic activity. However, as an aggregate figure, the rate of profit allows conclusions to be drawn about broad developments in the sphere of production.

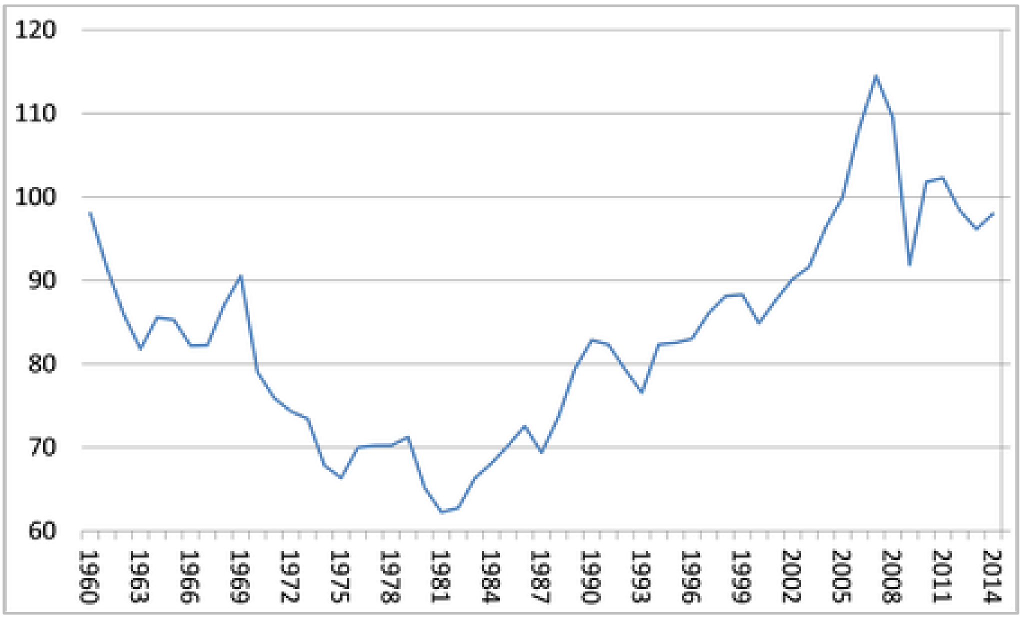

Chart 5.27, German Rate of profit (net return on capital, 2005=100)
Source: Roberts (2013)

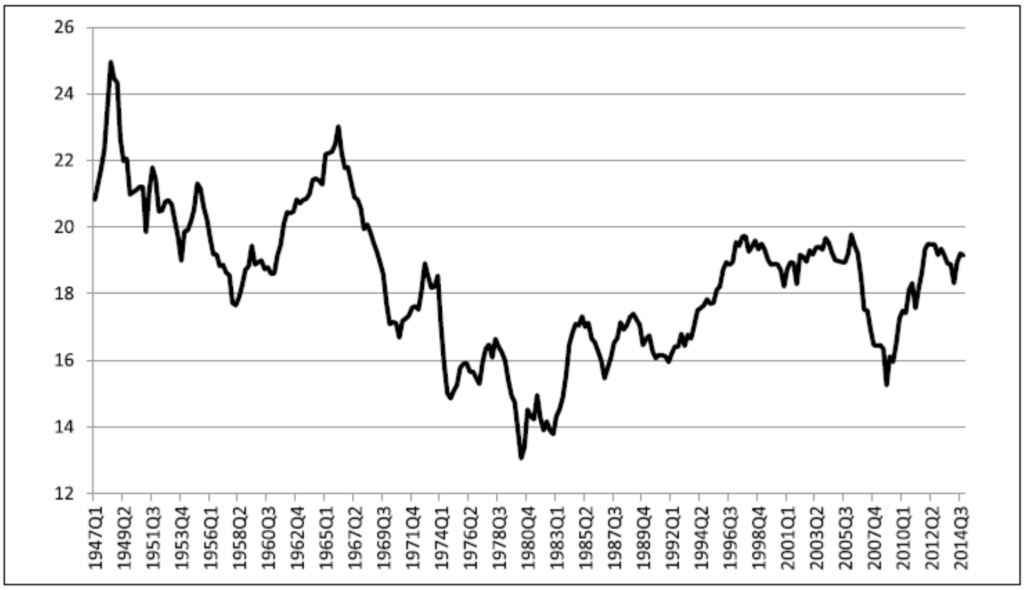

Chart 5.28: After-Tax Rate of Profit in the US Domestic Private Sector (%).
Source: Bakir and Campbell (2016)

Two major conclusions can be drawn from the study of neoliberal transformation in the sphere of production when held up to the development of the rates of profit of the US and Germany. Firstly, it shows that despite different competitive circumstances in the 1970s, the profitability crisis posed similar problems to the US and Germany. In both economies, solutions to the problem were sought in raising the rate of exploitation of the factor of labour and in creating new sources of profitability. While the US created profitability by boosting financial markets, and also in doing so solved the ensuing demand problem by compensating wage earners' stagnating incomes with cheap credit, resulting in massive private indebtedness. German corporations sought demand outside the country's borders, becoming the world's strongest exporters until capitalists too in Germany wanted to participate in international financial markets. Then the German economy started to financialise too, also adopting the SVO model. Secondly, by including the economic and political role played by SVO, it can be concluded that the neoliberal transformation of the sphere of production represents a major shift, both politically, in terms of corporate governance, and financially, in the way the financial output of the production process is reallocated from typical wage earners to shareholders. This appears also as the common element of neoliberal transformations in the sphere of production, from endorsing SVO as the new standard of business administration and corporate management to raising the rate of exploitation to financialisation. This conclusion ultimately raises questions in relation to the income and wealth effects of neoliberal transformation. Thus, this is the topic of the next section.

5.3 Socio-economic outcomes

Many critical accounts describe neoliberalism first in reference to distributional inequality (Duménil and Lévy 2011, 2018; Harvey 2005, Biebricher 2012). The question of the distributional effects of neoliberal transformations also arises from the empirical analysis of neoliberal practice in the sphere of the state and the sphere of production. Additionally, the inquiry of distributional effects is also passively endorsed by the promise of the trickle-down effects of neoliberal theory. A comparative analysis of the empirical data of the development of income and wealth distribution in the US and Germany is, therefore, feasible.

5.3.1 Comparative analysis of US and German income distribution

Several empirical studies (Duménil and Lévy 2011, and 2019; Dünhaupt 2012, 2014, 2017; Hein and Detzer 2015; Hein 2015; Piketty 2014) provide empirical data showing substantial changes in the distribution of income and wealth in the US and Germany since neoliberal transformation reached the sphere of the state. The following chapter discusses empirical data from the World Inequality Database (WID) for the US and Germany.

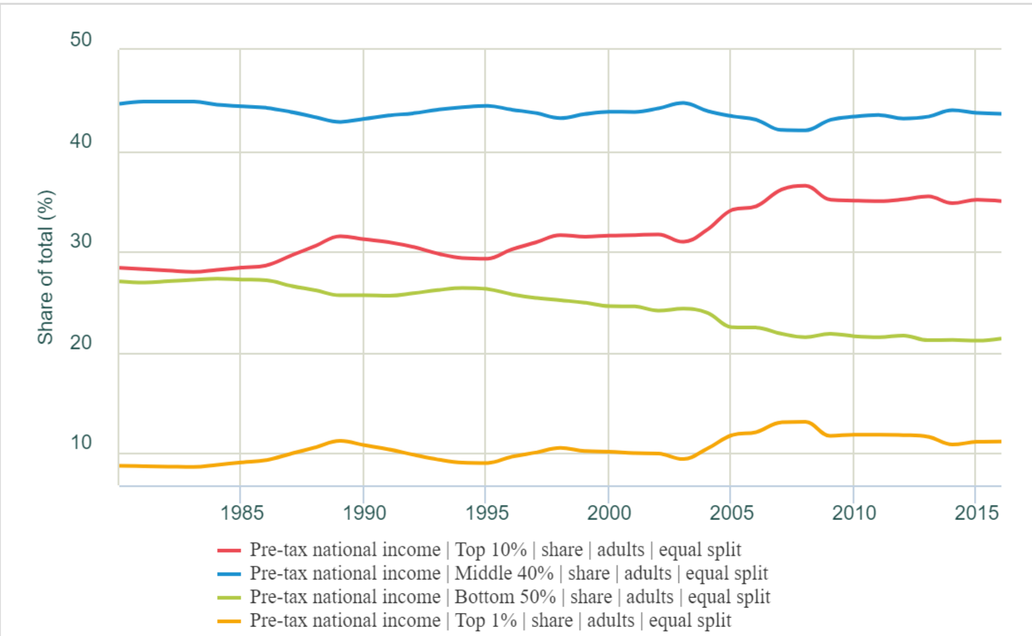

Chart 5.29 pre-tax Income Distribution, Germany 1980-2016
Source: Income inequality, Germany 1980-2016, www.wid.world

A useful way to depict changes in income distribution is to compare developments of different income strata over time. This is done in charts 5.29 and 5.30, which show the development of the top one percent, top ten percent and bottom 90 percent of the income strata of Germany and the US. The bottom 90 percent is split again between the bottom 50 percent and the middle 40 percent. In Chart 5.29, the figures for the German case show a widening income gap since the mid-1980s. The bottom 50 percent and the middle 40 percent show a negative trend. This is contrasted by the positive trend of the top 10 percent and the top 1 percent. The high-income brackets show a very strong increase from 2000 up to the run-up to the financial crisis of 2008 as a result of Germany's late financialisation. Nachtwey (2016:132ff.) argues that in Germany, the neoliberal transformation on the production level started as early as in the US, but the strong German social welfare state, with its many laws to protect workers' rights, proved to be a stronger and more enduring obstacle to these transformations than the US. Hence the neoliberalisation in Germany could not accelerate as quickly as in the US and also delayed income effects in the 1990s and 2000s.

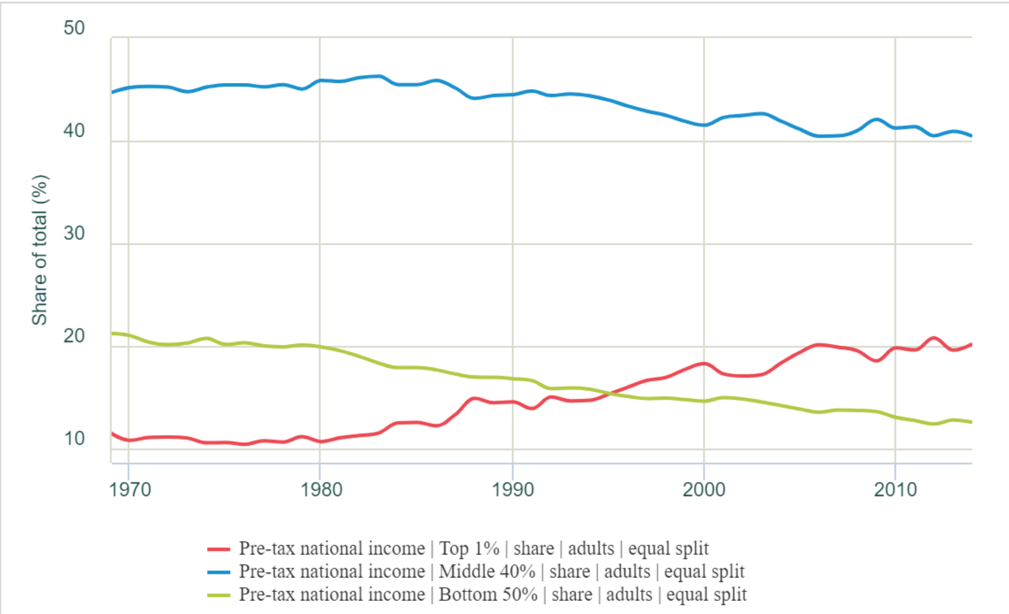

Chart 5.30 Pre-tax Income Distribution, US 1970-2014 (Income Data top 10% not available)
Source: Income inequality, US 1980-2016, www.wid.world

Similarly, to the German case, the US also shows a widening income gap. But the re-distributional effects appear to be even more pronounced. While in the German case, the decline of the middle 40% income share is rather mild, in the US, it is nearly five times as strong. This is also reflected in the much steeper rise of the top 1 percent income share in the US, which in 2014 had risen to 20 percent in the US and to 11 percent in Germany. In the US, the top 1 percent overtook the bottom 50 percent in 1995 and has been pulling ahead ever since.

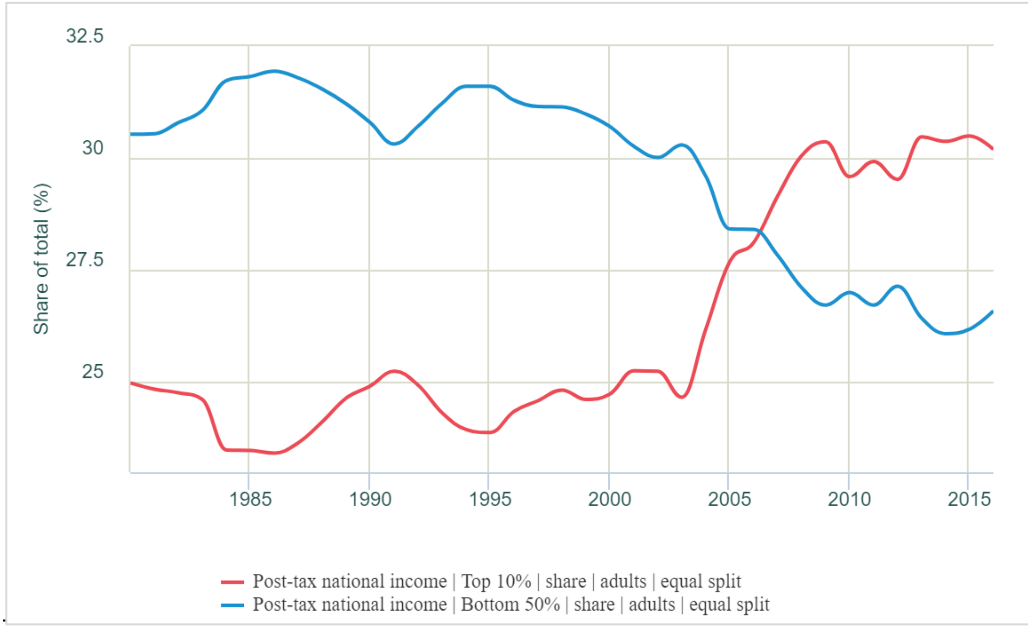

CHART 5.31 POST-TAX INCOME DISTRIBUTION, GERMANY 1980-2016
SOURCE: INCOME INEQUALITY, GERMANY, WWW.WID.WORLD

The data are based on pre-tax income figures. The neoliberal changes in the tax regimes of the US and Germany, under the umbrella of supply-side economics, systematically favoured high incomes and stifled re-distribution from the top to the bottom. Hence, neoliberal tax policy only accelerated the widening of the income gap. The effect is depicted in Chart 5.31 for Germany. It compares the post-tax national income of the top ten percent and the bottom 50 percent since 1980. As can clearly be observed, the two figures show inverse trends, so that in 2006, the top 10 percent even overtook the bottom 50 percent in a spectacular rise in the run-up to the financial crisis of 2008. The reason for this increase is the late financialisation of the German economy combined with the Social Democratic-Green government's tax breaks for financial profits and capital income (e.g. lowering corporate income tax and repealing the tax on share sales).

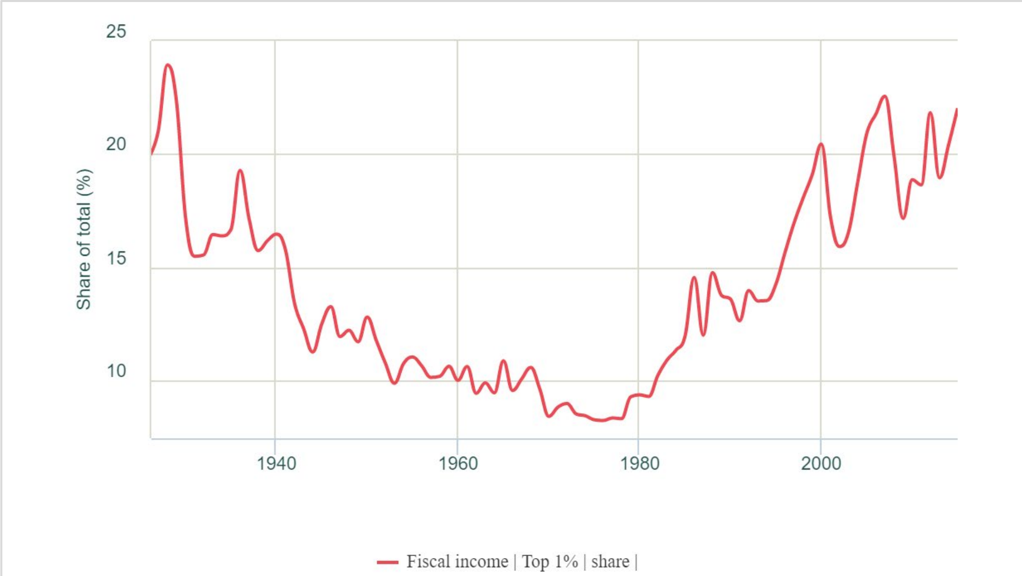

CHART 5.32 TOP 1% FISCAL INCOME SHARE, USA, 1927-2016
SOURCE: INCOME INEQUALITY, USA, WWW.WID.WORLD

Another way to depict income distribution is by analysing the shares of fiscal income. Fiscal income is the sum total of all income items before any deduction and is reported on income tax returns. It encompasses capital income, labour income and mixed forms of income. The figure varies between countries because of differing national tax laws; hence, an inter-state comparison is difficult. Fiscal income has to be regarded carefully because it only accounts for reported incomes. Excluding unreported incomes, fiscal income considerably understates the real income figures of the top 1 percent. In any case, what is striking is the similarity in general development, as can be observed in charts 5.32 and 5.33. The charts depict the top 1 percent share of fiscal income between 1927, before the Great Depression, and 2016. Both figures in the charts show a distinct U-shape. However, admittedly, the U-shape with the bottom in the 1970s is much better pronounced in the US (Chart 5.32). This is due to country-specific historical reasons. Besides the decline in the 1970s, the figure for Germany in Chart 5.33 shows three further troughs for the top 1 percent of fiscal income share as results of the two lost world wars and the German reunification process. However, both the US and the German figures show a clear, positive, if volatile, trend since the early 1980s.

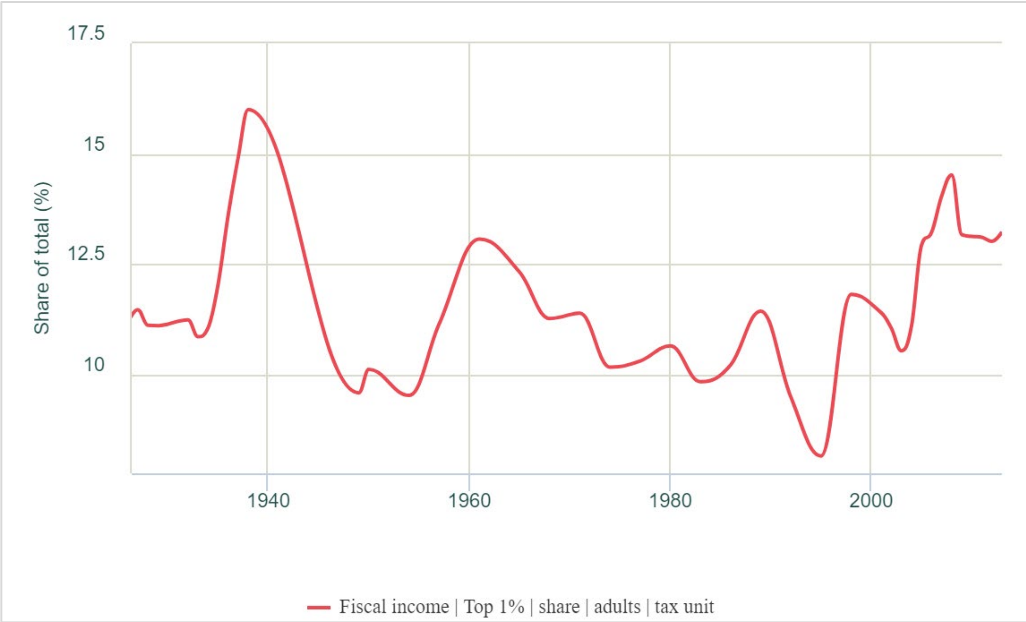

CHART 5.33 TOP 1% FISCAL INCOME SHARE, GERMANY, 1927-2016
SOURCE: INCOME INEQUALITY, GERMANY, WWW.WID.WORLD

It shows that in the time span between the late 1970s and today, which is markedly distinguished as the era of neoliberal transformation, a remarkable rise in income inequality in the US and Germany was produced. This income inequality is likely to be the result of the rising shares of income (pre-tax, post-tax and fiscal) of the small top 10 and top 1 percent brackets at the cost of the entire bottom 90 percent. Several recent studies have provided solid empirical data (Hein 2015; Piketty 2014), which show that these distributional trends are not isolated phenomena, but occur throughout most capitalist economies, especially those which have undergone neoliberal transformation. In this scenario, the only possibility – in a mathematical sense - for the middle 40 percent and the bottom 50 percent to still having rising real incomes is, if the total amount of produced incomes has systematically risen more, than their relative share of income has declined. If the fall in share of income of the bottom 90 percent is not compensated by an absolute rise in income, the findings of a widening income gap point towards an income re-distribution from the bottom to the top of the income strata.

The observation of an upward re-distribution of income and wealth since the 1970's has been made by several authors before (e.g. Harvey 2005; Duménil and Lévy 2004 and 2011; Piketty 2014). For the purposes of this PhD it is necessary to establish that this socio-economic process has taken place in the two case countries, the US and Germany. Furthermore, it can be argued that, in both cases, there seems to be a positive correlation between income re-distribution, rising share of income in the top brackets, and the rise of capital profitability. This positive correlation between the neoliberal transformative efforts in the sphere of the state, the sphere of production and re-distribution must be further analysed. The central question arising from this correlation, is if there are causal relationships between the analysed phenomena, and what these relationships are.

In the literature, the role of re-distribution is located differently by authors (see Chapter 2). Harvey (2005:159) for example describes upward re-distribution as 'accumulation by dispossession' and the 'main substantive achievement of neoliberalization'. For him re-distribution is a deliberate agenda of neoliberals. In contrast, Piketty (2014) understands re-distribution as an unwanted side-effect of economic liberation, that has arisen by mistake. However, both agree, that this re-distribution poses a threat to the capitalist mode of production. Furthermore, they agree that in order to save capitalism, the upward re-distribution must be stopped and at best reversed. Hence, for both authors, re-distribution is not systemically necessary for generating the economic foundations of income profitability, vital for the capitalist mode of production. In Chapter 6 the relationship between re-distribution, capital profitability and other politico-economic processes are further investigated.

5.4 Analysis of neoliberal practice: conclusions

Chapter 5 investigated neoliberal political economy in practice. This was done by analysing the political and economic transformation processes between 1970 and today in a two-country study. The goal of this chapter was to provide a complementary, practice-based view of neoliberal political economy and, thus, an important input for the discussion of neoliberalism. The conclusions of this analysis are a foundation for the critical discussion and contextualisation, which are the subjects of Chapter 6. For the sake of a systematic approach, the analysis of neoliberal practice was organised in three parts; firstly, the transformations in the sphere of the state, which gave and insight into political programmes and policy that was put into practice between 1970 and today; secondly, the transformations in the sphere of production, which described economic issues which capitalist businesses had to face during the time of neoliberalism and how neoliberalisation helped to overcome them; and thirdly, an insight into relevant socio-economic data related to neoliberal practice.

Both the sphere of the state and the sphere of production inherit a form of governance which was deliberately changed by neoliberalism. Neoliberal transformation does not appear as a linear process, but, instead, is represented by a pattern of actions which are dependent on specific historical circumstances. In order to produce a concise picture of neoliberal practice, these transformative actions and their historical context were analysed in the cases of the US and Germany.

In the sphere of the state, both countries underwent a political swing to the right in terms of national government at the beginning of the 1980s. These governments, Kohl in Germany and Reagan in the US, introduced supply-side economics and thus a neoliberal ideology as the antithesis to social democratic Keynesianism to the national government level. In both countries, the stagflation crisis was used as a momentum for this political and economic swing to the right.

The ensuing neoliberal transformation of Germany and the US in the sphere of the state shows some remarkable similarities. Nevertheless, the timing and intensity of such policies differ considerably between the US and Germany. While in the US, the Reagan administration started early with big-scale transformations, Kohl appeared less keen about taking such large steps and engaging in direct confrontations. Instead, it was left to the Social Democratic-Green coalition in the late 1990s to accelerate the neoliberal transformation. Still, both governments abandoned an agenda of macroeconomic balance and the goal of full employment. Thus, they accepted higher unemployment rates. In their politico-economic analyses, both governments seem to have understood that structurally higher unemployment levels helped to depress the bargaining power of labour. Hence, it helped to depress wage growth, which, it was argued by neoliberals such as Milton Friedman, was a major reason for the stagflation crisis. The direct attacks on organised labour, which in the case of the US played out more at the government level than in the case of Germany, must be understood in the same vein. It can be said, then, that neoliberal practice in the US and Germany seems to have had the agenda of depressing wage growth by accepting unemployment, probably as a means to guarantee stable and low inflation rates.

On the other hand, each country has shown ambitions to create favourable private investment climates, both by making capital investment more profitable and by creating more profitable investment possibilities. This was done through several measures: changing tax regimes to be more depressive and giving tax breaks to corporate and high incomes. In order to create investment possibilities, market regulations were changed and economic sectors, especially the financial sector, were liberalised. Furthermore, both countries privatised much of the formerly state-owned entities, thus enabling private profitability. In this light, the dismantling of the welfare state played a double role. By rolling back public social services and welfare, new possibilities for private business initiatives were created. But rolling back the social safety net also increased the pressure on labour and, hence, on their bargaining power.

Nevertheless, in conclusion, the neoliberal transformation of the sphere of the state in Germany was slower and at first not as much driven by the narrative of Chicago School neoliberalism as in the US. Janssen (2006:62) argues that this is due to the late reception of Keynesianism as well as a strong German capitalist order as an alternative to a Friedman-style neoliberalism. Leaman (2009:xvi), in contrast, states, that the German Keynesian experiment was short-lived between 1967 and 1972 because it was 'ill-starred and self-defeating'. The cards seem to have been stacked against Keynesianism from the start. The large German conservative party, the CDU, had incorporated the neoliberal ideology since 1949. The extreme federalism of the reconstitution of West Germany and the establishment of an independent central bank stifled the Keynesian ambitions to actively steer the economy.

The change ('Wende') which Kohl's government proclaimed in 1982, however, did not bring about radical neoliberal transformations, as was the case in the US and the UK. But it represents a more gradual shift towards neoliberal ideology as guiding principle of economic policy and, thus, a departure from the goal to create a balance between employers and employees, and between capital and labour. With the change to supply-side economics, the Kohl government gradually raised capital interests over the interests of organised labour.

The reasons for financialisation happening over a decade later in Germany than in the US can be found in the politico-economic structure of the German economy. German capitalists, who were centralised in their engineering and chemical industries, reacted rather cautiously and thus conservatively to the rise of financialisation. As much as it provided new sources of profitability for German capitalists, it also bore huge risks, especially of an increasing dependence on uncontrollable international financial markets and rising international competitive pressures. The early rise of financialisation and the change to SVO was accompanied by a giant merger movement in the US economy. Large-scale hostile takeovers, which were often financed by borrowed money, might have caused wariness among German capitalists. It is likely that they, though unknowingly, shared Harvey's (2005) understanding that neoliberalism would result in a restoration of capital hegemony, although not of the same capitalist variety, and not even the same kind of capital. Hence, a big part of neoliberal reforms was delayed until the Schröder government, which started in the late 1990s. The government could make use of socio-economic circumstances favourable to neoliberal transformation, such as a very high unemployment and not being able to fulfil the Maastricht Treaty of public debt caps. Both were used as arguments for liberalising the labour market and further dismantling the welfare state.

A particular common element of neoliberalism in the two analysed countries is that the process of neoliberal transformation appears as a long-time project, which does not follow a linear trajectory. Hence, the process of neoliberalisation cannot be reduced to one single historical moment and a figurative neoliberal bullet-point agenda. As the analysis of neoliberal theories have revealed, they are not coherent but encompass several contradictions in the breadth of their scope. But it has also shown, at least in respect to majority opinions in the MPS and in the case of the neoliberals' notion of monopolies, that their views changed over time.

The comparative study of neoliberal transformation processes in the sphere of the state in Germany and the US shows that neither Germany nor the US can be clearly pointed to as an example of an ideal type of neoliberalism (see also Leaman 2009:xiv; Streeck and Yamamura 2001). In both countries, neoliberal transformation processes were attempted when possible. However the success of neoliberal politics appears to be highly dependent on historical circumstances (Leaman 2009:xv; see also Harvey 2005). This is the reason why the establishment of a neoliberal role model in Germany after 1945 failed (see Chapter 5.1.2.1), and why neoliberals had to wait several decades in order to get back on the stage of national governments.

The comparative study of neoliberal transformations in the sphere of production shows that the aggregate economic developments of the US and Germany have clear differences, but also some significant similarities. Both economies experienced a profitability crisis during the 1970s. While in the sphere of the state, politico-economic discourse was dominated by stagflation, the sphere of production struggled with a decade-long fall in capital profitability. The study also shows that in their ambition to overcome the crisis, the US and Germany used some very similar means to boost profitability. In both countries, corporate governance saw a shareholder revolution – shareholders taking over as the political and financial focal point of economic activity. In the US, shareholder value orientation (SVO) became the standard of corporate governance and business administration in the course of the 1980s. Germany followed about a decade later. Both in the US and Germany, corporations reacted to the profitability shock by raising capital efficiency. Corporate management engaged in a broad struggle to reduce input factor costs, especially labour costs, labour being the most important input factor for most economic sectors, but also the largest block of factor cost.

In the quest for new sources of profitability, the cases of the US and Germany also show differences and significant similarities. This creative ambition depends greatly on the cooperation between the sphere of the state and the sphere of production, as is the case with privatisations. The systematic privatisation of formerly state-owned entities is also a clear parallel between the politico-economic development of the US and Germany. Due to different positions within the competitive international markets for industrialised export goods, the US and Germany chose very different paths for creating profitability. Whereas Germany concentrated on reaching international dominance in the export of industrialised goods, the US focused on a financial growth model early on. New neoliberal sources of profitability were found in the case of the US in the financial industry. Gamble (2009:78) calls financialisation the driver of the US neoliberal growth model.

Although having found rather different path of growth, German capitalists in the late 1990s were keen to participate in the internationally growing and booming financial markets, and, hence, German corporations started to catch up with financialisation as well. For non-financial corporations, financialisation generated a further flow of money towards profits, one that is rather similar to the increased rate of labour exploitation (ROE). Empirical studies (Dünhaupt 2012, 2013, 2014 and 2016; Epstein and Jayadev 2005) show that the financialisation of the non-financial industry increased the rentier income share of profits and further decreased that of wage earners in the US and Germany (see also Hein et al 2018a). Charts 5.18, 5.19 and 5.20 additionally show that the increase in rentier income correlates negatively with retained corporate earnings. Both observations lead to the conclusion that the rise in profits paid out as capital income to investors (rentiers) appears to be at the expense of wage earners and to the cost of reinvestment into production. These figures, on the other hand, seem to have had a positive effect on the aggregate rates of profit in the US and Germany since the early 1980s.

The empirical analysis also suggests that the long-term positive trend of the rate of profit is mostly an effect of the rising rate of exploitation in the US and Germany, as a very close positive correlation between both figures is discernible. Whereas the organic composition of capital does not suffice as an explanation of the trend of the rate of profit because it only showed a negative trend until 2000, when it reversed its trend again and kept rising, having a negative effect on the rate of profit ever since.

In conclusion, it can be said that the neoliberal transformations in the sphere of the state and in the sphere of production appear to be outstandingly in the favour of capital investors and members of the financial elite. In both spheres, this social group expanded their political power by reaching into formerly publicly controlled industries and services, and by the introduction of SVO as the new standard of business administration and corporate governance. Furthermore, they expanded their economic possibilities by favourable changes in tax regimes and market regulations, especially those of financial and labour markets. However, as much as this social group appears as a major beneficiary of neoliberal transformation, it was conservative and social democratic politicians who pursued neoliberal politics and put it into practice. That it was the governments of Schröder and Clinton which, drawing on workers as their largest voter base, followed the neoliberal path and, in many respects, accelerated neoliberalisation, appears as a conundrum. It is addressed, and an explanation is offered in Chapter 7.

Finally, in this chapter, the comparative study of the development of relative income strata shows more significant parallels between the US and Germany. Both countries show a widening income gap between the top 10 percent and the bottom 90 percent of income share, although, in the US, the bifurcation appears more pronounced than in Germany. Furthermore, it has been shown that in both countries, the top 1 percent of fiscal income share experienced a remarkable rise since the beginning of the 1980s. These conclusions directly contradict the neoliberal narrative of the trickle-down effect of neoliberal practice. What is more, if the falling share of income of the bottom 90 percent is not economically compensated by a total rise of income figures, these findings signify a general trickle-up effect, and, hence, a re-distribution of income from the bottom to the top. The data presented in Chapter 5 suggest that such an effect actually takes place in the US and Germany, causing a significant and historic re-distribution of income and wealth from the bottom 90 percent of income strata to the 10% at the very top.

This chapter covered a large amount of analysis. Hence, it is useful to condense the three subchapters into a consolidated conclusion, on which the subsequent discussion in the following chapters is based: The analysis of neoliberal practice in the US and Germany has shown a significant positive correlation between several politico-economic processes and phenomena. Both countries have experienced a political swing to the right in their governments in the beginning of the 1980's, which introduced neoliberal policy to the national government. At the same time throughout the 1970's, businesses experienced a profitability crisis, which determined that the issue of falling capital profitability had to be addressed economically in the sphere of production, but also in the sphere of the state, to prevent a breakdown of capitalist investment. This chapter shows that both economies have successfully managed to turn around the negative trend and restore capital profitability since 1980, however on unstable grounds, as several financial crises and the Great Recession have shown. The similarity between the developments of the US and German rates of profit is significant. Furthermore, both economies show a significant similarity in the development of distribution of income and wealth between the very top fractiles and the bottom 90 percent.

From these conclusions in Chapter 5, the question arises: how are the transformations in the sphere of the state, the sphere of production and the observed distributional effects connected? In all these areas, the element of capital profitability appears to play a central role. In the sphere of the state, transformations under the flag of supply-side economics systematically endorsed the capital incomes of corporations and private elites by, at the same time, attempting policies to depress wage growth. In the sphere of production, capital profitability was put at the centre of interest by the economic determinations of the profitability crisis in the 1970s. Finally, capital incomes and their outstanding rise seem to have played a pivotal role in the development of income distribution. In order to answer the question about connecting mechanisms, in Chapter 6, the conclusions of the analyses of the sphere of the state, the sphere of production and distributional questions in the cases of Germany and the US will be contextualised and critically discussed.

6 Contextualising and interpreting our conclusions

The analysis in Chapter 4 has shown that the nexus of neoliberal theories and claims do not provide coherency. What is called 'neoliberal theory', encompasses several political, economic and philosophical theories and claims with significant contradictions between each other, even between basic concepts. Furthermore, it was concluded in Chapter 4 that neoliberal theory also plays a performative role: The formulation of neoliberal theories and their propagation influence and change explanatory frameworks, on which policy makers and politicians rely, when they make decisions.

In the following chapters, the umbrella term 'neoliberal theory' is used in order to refer to the diverse nexus of neoliberal theories and claims, and in order to distinguish it from the practical transformations in the sphere of the state and sphere of production, analysed in Chapter 5, which are referred to as 'neoliberal practice' in the following. The using of these terms does not intend to suggest the interpretation that there is one monolithic neoliberal practice and one monolithic neoliberal theory. The conclusions drawn from Chapters 4 and 5 would contradict this interpretation.

While Chapters 4 and 5 were observational and analytical, the aim of this chapter is to synthesise the systemic connections between the findings of the analyses of neoliberal theory and practice. Hence, a focal point of this chapter is the question of the relation between what was analysed as "neoliberal theory" and "neoliberal practice". As discussed in Chapter 2, several critical authors have argued that neoliberal practice deviates from its theory, and therefore contradicts it. In this chapter, a different approach is offered; it is argued that neoliberal theory and practice might be well aligned.

However, prior to that, it is useful to put into context and discuss some conclusions and raised questions from Chapter 5. It was concluded that, in both analysed countries, a significant positive correlation can be found between the restoration of the rate of profit (ROP) and the upward re-distribution of income and wealth. It is useful to discuss the relationship between these phenomena and how to make sense of this correlation. Harvey (2005) and Piketty (2014) who have discussed re-distribution extensively, argue that it is the product of neoliberalism, but has a distorting and eventually destructive effect on the capitalist mode of production. Both suggest strategies to counter re-distribution in order to avert its destructive effects. Hence, for both, the neoliberal re-distribution does not fulfil a systemic necessity for the capitalist mode of production but even runs against it. In the following chapter, this claim is examined, and an alternative line of argument is proposed.

6.1 Capital profitability, economic growth, and income distribution

In Chapter 5, several remarkable economic developments were described. For example, it has been shown that in the neoliberal era, from the late 1970s to today, both case countries, the US and Germany, experienced a rise in income inequality. The shared income of the top 10 percent (the top 1 percent even more so) has risen significantly compared to the remaining 90 percent, which have experienced falling shares of income. This is pronounced in the bottom 50 percent but is also apparent in the middle 40 percent. The only way, mathematically speaking, that the middle 40 percent and the bottom 50 percent could have rising real incomes would be if the total amount of produced incomes systematically rose more than their relative share of income declined (this would relate to the neoliberal 'a rising tide raises all boats' narrative). But if the fall in the share of the income of the bottom 90 percent is not compensated by an absolute rise in income, the widening income gap will point towards an income re-distribution from the bottom to the top of the income strata – a trickle-up effect.

Given the conclusions of the analysis of neoliberal transformations in the sphere of the state and in the sphere of production, it seems unlikely that the falling income share of the bottom 90 percent has been compensated by high growth rates of total incomes in that period. In both case countries, neoliberal policy, as a reaction to the profitability squeeze of the 1970s, aimed to stifle wage growth in order to control the inflation rate. In Chapter 5, graphs have been presented which display the outstanding success of this policy in both case countries since 1980. Huge political efforts were undertaken to systematically depress wage growth by the Reagan administration, as well as by the Kohl government, which were followed by the fierce resistance of organised labour.

In the sphere of production, in order to counter the profitability squeeze, the rate of exploitation of human labour power has been successfully raised since 1980. However, as has been shown in Chapter 5, this was not only the effect of wage control, but went hand in hand with a general downsizing of the workforce and the raising of financial efficiency by schemes which saved on labour cost, such as transfers to shared service centres, outsourcing and insourcing. Due to the success of these neoliberal measures, it is not surprising that wage incomes have not been mathematically compensated for by an upward re-distribution of income. Hence, the figurative neoliberal saying of a rising tide lifting all boats appears to be incorrect. However, this saying is implausible in a further aspect.

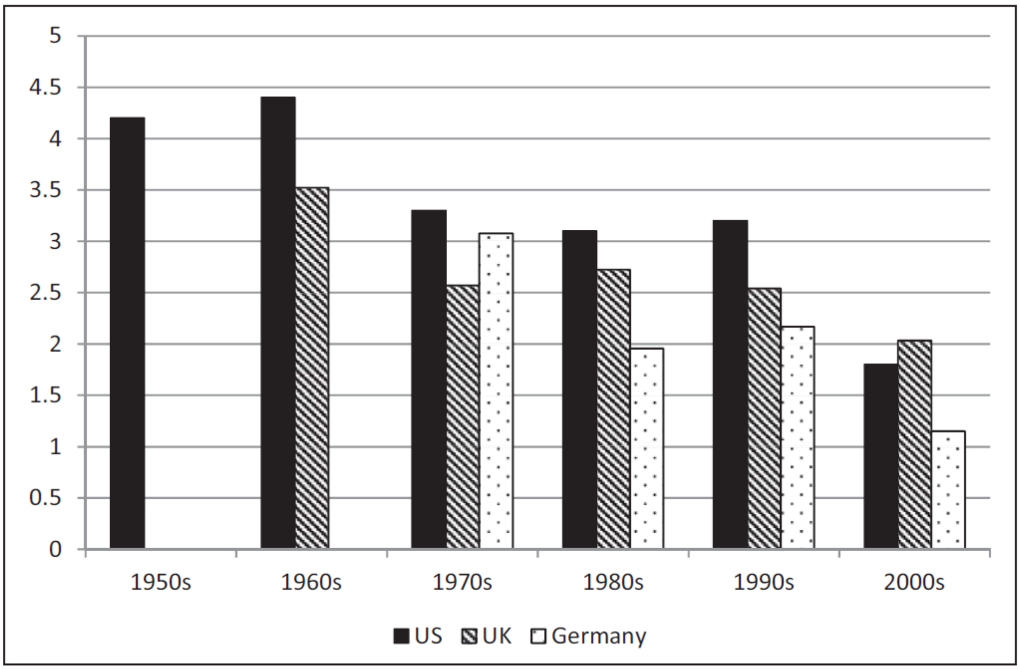

CHART 6.01: AVERAGE DECENNIAL GDP GROWTH.
SOURCE: VIDAL (2013:465); BEA NATIONAL ECONOMIC ACCOUNTS (US), ONS QUARTERLY NATIONAL ACCOUNTS TIME SERIES DATASETS (UK), WORLD BANK: GDP GROWTH (GERMANY)

As numerous studies (e.g. Piketty 2014; Vidal 2013) have shown, economic growth rates during the neoliberal era are considerably lower than in the 'Keynesian era' in the decades before, and appear to be in a falling trend (see Chart 6.1 for a comparison of the US, UK and Germany). This finding, however, needs to be viewed in the appropriate context. As Piketty (2014:97) points out, in a broader historical perspective, the growth rates seen between 1950 and 1979 were indeed historic and exceptionally high. Hence, the neoliberal claim that there would be a return to the growth rates seen prior to the stagflation crisis has been simply unrealistic. In any case, the low economic growth rates have led to a situation where capital income has superseded economic growth (Piketty 2014). In economic terms, this means that the historically outstanding rise in capital incomes in the US and Germany could not have been financed from simultaneously rising economic growth and must, therefore, be the result of a systematic expropriation of those who only have wage incomes.

These conclusions must be further put into context with another economic finding in Chapter 5. It was shown that in both countries, the crisis of falling capital profitability could be resolved through reversing the trend during the 1980s due to neoliberal measures in the sphere of the state and in the sphere of production. With the introduction of monetarism and other neoliberal policies, the Reagan administration in the US and the Kohl government in Germany turned towards the open promotion of capital profitability. In both countries, this direction in policy has continued until today and the aggregated rate of profit figures, in turn, showed a positive trend until the financial crisis in 2008 and again thereafter.

Hence, it can be said that neoliberalism in the sphere of the state and the sphere of production, systematically boosting capital profitability and at the same time depressing wage growth, has led to a situation in which, due to a lack of economic growth rates, the growth of capital profitability and the growth of top incomes must be generated by a systematic transfer of capital expropriated from wage earners.

This means the successful restoration of the aggregated rates of profit in the US and Germany are systemically connected with the shown structural dispossession of the bottom 90 percent of the income strata. That the development of the aggregated rates of profit in both case countries appear to be in close correlation with the development of the rate of exploitation underlines this finding. The significant similarities of the described economic developments (development of rates of profits, profitability crises, depression of wage growth, promotion of capital income, re-distribution of income and wealth) in the US and Germany despite all regional, political and economic differences point towards the conclusion that the interlocking of these politico-economic processes should be regarded as basic neoliberal traits.

This conclusion allows for two major deductions. At first the question of income distribution and the concentration of wealth at the very top of the income strata appear to be direct effects of neoliberal transformations in the sphere of production and the sphere of the state, and are the results of a decades-long, continuous process of expropriation. Hence, it is unlikely that they are accidental or unwanted side effects. Instead, considering the apparent bias of neoliberal practice towards capital profitability, the systematic upward re-distribution of income appears as the deliberate outcome of such practice. Secondly, the distributional effects of the neoliberal era cannot be understood in isolation from the transformations in the two spheres. Instead, the rising gap between top incomes and the remainder must be understood in the systemic context of the way production processes are organised, especially in the context of the rise of shareholder value orientation (SVO) in corporate governance and other significant changes in business administration, in order to boost capital profitability. In this light, the question of allocations of the means of production, that is, if a corporation is organised privately or publicly, also plays an important role. The neoliberal transformations in the sphere of production and submitting business activity to the end of shareholder value maximisation must be understood as major drivers of the described income re-distribution.

What is at work here is an interplay between the micro-economic considerations of capital circulation in the sphere of production and the distributional effects at the macro level. It is a capital investor's financial rationale to keep the cost of production input factors, such as wages for labour power, as low as possible in order to maximise her profits. This argument is not only understood by Marxists but is a simple principle of business administration. But what it means for the argument in this chapter is that the systematic depression of wage growth, as was successfully done by neoliberal transformative efforts in the sphere of the state and the sphere of production, was a central means of actively promoting capital profitability at the micro-economic level, which is observable as a restoration of the aggregated rate of profit at the macro-economic level.

6.2 Financialisation, the rate of profit and income distribution

Financialisation appears as a major neoliberal transformation, encompassing a plethora of changes in the sphere of production and the sphere of the state. However, the comparative study of Germany and the US has revealed that financialisation follows some significantly different patterns in the two case countries (see Chapter 5.2.4). The US started early, in the 1980s, to liberalise financial markets, especially with the perspective of having indebted borrowing states, which were desperately on the lookout for investments after the Volcker Shock. In the US, financialisation transformed the financial sourcing and investment practices of non-financial corporations, but also the business models of financial corporations, especially banks. New sources of profitability were found in the continuous boom of the financial markets, which lasted until 2000. A new source of profitability was also found in selling credit to low income wage households. This practice also solved a structural problem of the US economy: Since typical wages had roughly stagnated, due to other neoliberal transformations, the US economy was running into a problem of stagnating demand. This shows that demand levels could be kept up and could increase through the debt financing consumption of low-income households via easy credit(Barba and Pivetty 2009; Vidal 2013). Therefore, neoliberalism is closely connected to exploding private debt levels in the US. By pulling wage earners' households into the financialised system, another re-allocation of wage earners' income towards finance capital was established outside the actual production process (Duménil and Lévy 2011).

In Germany, though, the search for further sources of profitability as well as an answer to the upcoming demand problem was found mainly in the extreme export orientation of the economy. This was also more to the fitting of the traditional German capitalist class, which is founded on the engineering and chemical industries, and, hence, was cautious about liberating financial markets, which could pose a potential threat to them, not as a class but personally. The Kohl governments during the 1980s appeared reluctant about accepting the Anglo-Saxon model of financialisation-driven, neoliberal transformations of the economy because it bore the risk of opening the doors to international capitalist competition. Considering the close affiliation between the German capitalist elites and the then ruling conservative party (CDU) and liberal party (FDP), this protective economic policy also makes sense as a matter of clientele politics. Hence, it appears that under the conservative party's rule, neoliberalisation in Germany concentrated on restoring capital profitability within the logic of industrial capitalism. It was only when the Social Democrats and the Green Party came to power that financialisation really started. These two parties were much less affiliated with the traditional German capitalist elites, and therefore were not as obliged to retain protective policies. The reasons why this left-leaning government continued on the neoliberal path are discussed in Chapter 7.

For now, it is crucial to maintain that Germany has not only started financialisation over a decade later than the US, but also on a much smaller scale. Due to the continual strength of the production sector, financialisation has not caused a sectoral shift from non-financial to financial corporations, as was the case in the US. Neither did Germany experience a comparable increase in the private debt levels of low-income households in combination with a steep rise in private consumption, as has been the case in the US. In Germany, debt ratios have remained relatively stable and consumption ratios have even declined since 1980 (Stockhammer 2010). In the US, the rise in household debt is directly connected to the rise in private consumption, while wage incomes have stagnated (Barba/Pivetty 2009; Stockhammer 2010).

In reference to neoliberalism, financialisation offers solutions to specific neoliberal problems. Firstly, it can provide new sources of profitability to capital investors, as described in Chapter 5. But investors not only find new sources of profitability in liberalised financial markets, but also financial products, which promise higher and faster profits than investment in the real economy. Financialisation must also be seen in the context of SVO and financial management. In the pursuit of maximising shareholder value, it is reasonable for corporate management to use corporate funds to invest in financial markets instead of their own production if yields are higher and can be realised earlier. The empirical analysis in Chapter 5 has shown that today, in the US and Germany, non-financial corporations too are increasingly investment in financial products instead of reinvesting into production. At the same time, as an outcome of expanding SVO, corporations increasingly use a rising proportion of their profits as pay-outs to shareholders (capital investors), especially in the form of dividends and share price manipulation in the form of share buy-backs.

Hence, financialisation boosts capital profitability by re-directing money flows from the production process, especially retained earnings and re-investment, to profits and the capital income of investors. Numerous studies have shown that financialisation, structurally, has a negative relationship with capital accumulation (Bakir and Campbell 2010; Duménil and Lévy 2011; Orhangazi 2008; Stockhammer 2004). Furthermore, they have found that financialisation structurally leads to an orientation towards financial short-termism and the greater exposure of non-financial corporations to distortions in the financial markets. Hence, this neoliberal transformative process can be directly related to the reluctant development of the rate of accumulation of non-financial corporations. These developments can be interpreted as the successive financial bleeding out of the real economy. Secondly, in the case of the US, financialisation has provided a solution to the neoliberal demand dilemma by providing a system of cheap credit for wage earners. This, however, cannot be substantiated by the data from Germany.

In conclusion it can be said that financialisation is specific to neoliberalism for two reasons. Firstly, it follows the common goal of all neoliberal transformative efforts, which is the promotion of capital profitability. Secondly it offers solutions to specifically neoliberal problems, such as the demand problem. However, as the case of Germany shows, alternative solutions exist. Unlike the US, Germany did not rely on financialisation to resolve the profitability crisis of the 1970s; nor did it rely on it to solve the demand problem. This is also underlined by the considerable time lag between the start of financialisation in the US and Germany (Dünhaupt 2016:4). Hence, it can be concluded that financialisation can be described as a means of neoliberalism to achieve the goal of raising capital profitability, but not as an end in itself.

6.3 The attainment of neoliberal goals as set out by neoliberal theory

Proponents of neoliberalism have made many claims of positive effects of neoliberal political economy, as laid out in Chapter 4. The inconsistencies, contradictions and basic defects in the underlying theories suggest that most of these claims were very unlikely to be substantiated. In respect of the diversity and contradictions within neoliberal theory, it is difficult to determine which exact theory and claim should be held up to the observations of neoliberal practice in the cases of the US and Germany. In the following, central neoliberal theories and claims, which have already been discussed in Chapter 4, are compared to the outcome of neoliberal practice, as reflected in empirical data, in order to reveal whether neoliberalism has been successful or a failure.

6.3.1 Neoliberal economic goals

Neoliberals claimed that their economic policy would generate a more stable economy – be it through the self-healing mechanisms of efficient markets, according to the Efficient Market Hypothesis (EMH) or through adequate, minimalistic economic policy, according to monetarism. However, in practice it shows that the increased role of liberalised financial markets and the rolling-back of public control mechanisms have raised the volatility of the economy. Together with several financial bubbles, most notably the .com-bubble in 2001 and the US-housing market bubble in 2007, followed by the Great Recession, which marked a significant economic crisis in the US and Germany, the neoliberal narrative of economic stability through market mechanisms appears refutable.

Proponents of neoliberalism repeatedly have made the claim of a general rise in income. This is the essence of the theory of trickle-down economics and the narrative of 'a rising tide lifts all boats' (Quiggin 2010:138), the idea being everyone, especially regular wage earners, benefits from political and economic agendas liberalising markets, reorganising institutions in the interest of capital, and changing tax regimes in favour of high incomes. Hence, this promise was at the core of justifying supply-side economics. However, as numerous studies of the historical development of growth of typical wages, and the distribution of income (see Chapter 5) have shown, a systematic trickle-down effect is not substantiated by the data. On the contrary, as has been discussed in this chapter, the direction of financial trickling is upwards.

Finally, neoliberal economists claimed that neoliberal economic policy would outperform Keynesianism in terms of generating economic growth. As described in Chapter 5, in the post-World War Two era, German Keynesians attempted to steer the economy via four broad goals: high employment, stable prices, continuous and high economic growth, and a balanced foreign trade balance. If these four goals are used as a reference, the analysis of empirical data in Chapter 5 reveals that neoliberalism failed to outperform Keynesianism in three of the four categories. In the US and in Germany, unemployment rates were structurally higher in times of neoliberalism than in times of Keynesianism. This, however, does not come as a surprise, as the macroeconomic goal of full employment was dropped from the agendas of the Kohl government, as well as the Reagan government. Economic growth has been considerably slower and has followed a negative trend since the 1970s (see Chart 6.01). Finally, the US and Germany appear as outstanding, if not entirely representative, examples of extremely unbalanced foreign trade balances. While Germany has a very positive current account in its balance of payments (Deutsche Bundesbank 2020), the US's current account has not been positive since 1991 (World Bank 2020). Only in the aspect of stable prices can neoliberalism achieve its promised outcome. As shown in Chapter 5 (Chart 5.01 and Chart 5.09), the US and Germany have experienced relatively low and stable inflation rates since 1981. The only exception to this is the rise in inflation of the Deutsche Mark in 1992, which, however, must be related to the unique historical event of German unification. Hence, in sum, neoliberal practice appears to have failed to fulfil these economic goals. However, neoliberal theory not only suggests economic goals, but also political ones, which are more difficult to quantify. This is analysed in the following section.

6.3.2 Neoliberal political goals

Neoliberal theory, as analysed in Chapter 4, inherited an inner conflict about its position on the role of the state. It appears to be at the same time both in favour of a minimal, passive state, which keeps interference with the economy and markets at a minimum, arguably promoting individual freedom, and a strong state, which plays an active role in steering the economy and society towards neoliberal ideals (see Chapter 4.5). This theoretical conflict within the neoliberal intellectual movement has produced disputes, leading to central members leaving the MPS in protest. It can be said that multiple, partially contradicting neoliberal positions towards the state exist. However, in the critical discourse of neoliberalism, this ambiguity still causes confusion. In order to contribute to solving this puzzle, the conclusions of the analyses in Chapter 4 and Chapter 5 must be critically discussed in context with each other.

6.3.2.1 The strong neoliberal state

The ideal of a small state has been held up by intellectual neoliberals such as Friedman as much as by neoliberal politicians up to the present. An analysis of the neoliberal theory of the state was attempted in Chapter 4.5. However, the slogan 'mehr Markt, weniger Staat' (more market, less state, as stated by German economic minister Altmaier 2018 in reference to what Germany needs today) remains popular.

Despite this rhetoric, governments which follow neoliberal agendas do not seem to refrain from utilising state force to follow their political and economic agendas. The number of examples is vast, ranging from direct attacks on organised labour, such as using armed police forces to control and break strikes, to introducing legislation to curb the power of trade unions, to implementing more indirect measures, such as the privatisation of state-owned industries and liberalisation of labour markets. With all of these, it is noteworthy that most of the actions were taken in the face of fierce opposition from workers and organised labour and, thus, could only be undertaken by a strong state which was capable of hard economic and political interventions. As several authors have shown, neoliberalism has led to a rise in executive force, which is counter-intuitive to the rhetoric of a small state.

Furthermore, neoliberalism did not lead to a retreat of the state in economic terms either. The public expenditure quota of the US and Germany did not decrease during the era of neoliberalism (Biebricher 2012). The governments of Reagan in the US and Thatcher in the UK were held up as prime examples of neoliberal policy and small state rhetoric in the 1980s. However, in terms of public expenditure, at the end of their terms, both governments had massively expanded their budgets. The short-term budgetary rollbacks by the Social Democratic-Green coalition in Germany backfired by producing exceeding long-term costs, which forced them to revoke theses rollbacks shortly afterwards (Biebricher 2012). Hence, it shows that neoliberalism was not successful in the creation of a small state, either in political or in economic terms.

Some authors have argued that privatisation must also be seen in the light of moving borders between the political realm and the realm of the market (McEwan 2005:172f.). Whereas in the political realm, there is a possibility of democratic processes, this possibility does not arise in the realm of the market. When a formerly state-run enterprise is privatised, it is moved into the orbit of private business interests and, hence, profitability. However, the notion of the realm of the market which is free from political processes does not seem to make sense considering the political nature of power conflicts between labour and capital, and between different capitals in the realm of the market. The notion of pure markets exclusively governed by natural market processes in which political power plays no role and, therefore, represent the antithesis of politics is, per se, a neoliberal narrative and, as such, should be handled with care. Instead, the realm of the market eradicates the possibility of democratic rule. Democratic organisation diametrically contradicts the logic of the market (as pointed out in Chapter 4). Handing over the ownership of publicly organised enterprises to private business interests (organised by SVO) does exclude them from democratic processes. As Nachtwey (2016) argues, the expansion of market logics into former (pseudo) democratic structures does not mean a spread of real free markets with low entry barriers. Nor is a flat hierarchy for many small businesses created; but large oligopolistic corporations are created under the rule of the new elite. In this power shift, Germany differs from the US. In the US, power goes to large financial corporations, whereas industrial production is downsized, while in Germany, large global industrial corporations are still at the core of business power (for example, the automotive industry).

However, as the analysis of neoliberal practice in Chapter 5 shows, the privatisation of publicly held entities did not, as the neoliberals argue, lead to a disentanglement and clear separation between private and public actors. The narration that private business is naturally free from political processes must be regarded as naïve at best if not as wilfully untrue. Furthermore, the modern literature on management and business administration does not seem to refrain from including political processes within companies in questions of management, corporate governance and leadership. But the political power of companies and their management cannot be denied. The cases of the US and Germany show that the privatisation of important industrial branches often led to an even closer entanglement between public and private sector, and not to a retreat of the state. The formation of giant transnational corporations (TNCs) and industrial monopolies logically means a rise in the political power that these bodies wield. However, if neoliberalism, following its theoretical claims, really is aimed at rolling back the state, including public spending and economic interventions, neoliberal practice in the US and in Germany must be regarded as having failed (see also Biebricher 2012:150f.).

Hence, instead of generating a passive, minimal state, neoliberal practice in the US and Germany has created and made use of a strong state which actively engages in far reaching transformations. Furthermore, neoliberal practice has not led to a de-politicisation of the economy but, rather, has helped to entangle the public and private sector even more. Instead of diffusing power concentrations in the sphere of the state, neoliberals have reshaped the role of the state to their ideal, which in many functions can mean a reshaping of its economic role and strengthening of its regal aspect. This is especially the case with the state's function of guaranteeing the functioning of the market economy and, if necessary, of shielding it against those who have become critical of it. Hence, the state not only manages labour in an economic sense, as Radice (2005) claims, but also makes efforts to politically contain it (Bruff 2014:113; Tansel 2017). In sum, it can be said that the neoliberal transformations of the sphere of the state are at odds with the rhetoric of a small state, which was used by Milton Friedman and has been repeated by neoliberals ever since. In Chapter 4.5 it was analysed, that besides the small state rhetoric, other neoliberal theories and claims concerning the role of the state exist, but it remains dominant and is still frequently used today (as the example of Altmaier 2018 shows).

The possible explanation that neoliberalism has simply failed to generate a smaller state can be dismissed because the change of the role of the state is not a passive outcome of neoliberal practice but rather a deliberate part of neoliberal transformation. Hence, it is unlikely that the neoliberal transformations of the sphere of the state do actually follow the claimed agenda of creating a small state. This conclusion should raise the question, which agenda neoliberal practice follows instead.

6.3.2.2 The neoliberal state as transformative lever

The conclusions of the comparative study of the cases of Germany and the US in reference to the state underline that in neoliberal practice, the state plays a key role as transformative lever. Neoliberal governments have made use of state power in order to actively transform the sphere of the state and support the transformation of the sphere of production. In some fields, this has meant rolling back public, formally democratic influence, for example, the privatisation of state-owned industry. The tendency of neoliberal politics to shift decision making about social processes on a national level from democratic institutions to market forces and private interests is not only systematically anti-democratic, but also has a class bias favouring the upper classes, who possess more capital. Minsky (2008 [1986]:112) suggests that allowing market mechanisms to make decisions on important social matters can lead to a 'distasteful distribution of wealth and power'.

In other fields, it has meant actively steering the distribution of incomes on economic macro-levels by deliberate changes in the income tax regime, making it more degressive, allowing exemptions of minimum wage or allowing tax exemptions for capital income. Finally, neoliberal practice has also meant actively creating new sources of capital profitability by creating markets and changing the regulation of existing ones. Finally, the state also has played a major role in confronting political power and, hence, the bargaining power of organised labour, especially labour unions (however, this is more apparent in the US than in Germany, where open attacks on unions were mostly directed by employer organisations). In Chapter 5, it has also been pointed out that the transformation of the sphere of production, especially the raising of the rate of exploitation, which demanded lower wage growth, and the creation of new sources of capital profitability could not have been realised without the cooperation of the governments in the sphere of the state.

It has been established that the proclaimed goal of a small state does not correspond with neoliberal practice. Instead, neoliberal governments have used state powers as a lever to actively transform the sphere of the state and the sphere of production. This substantiates the argument that neoliberal practice appears to be detached from its promoted goals, both politically and economically. As was pointed out in Chapter 2, gaps between neoliberal theories and neoliberal practices were already argued by authors like Chomsky (1999) and Crouch (2005 and 2009). However, the conclusion of this chapter goes further than that, pointing out that neoliberal narratives, such as small state, trickle-down effects, higher economic growth and economic stability, seem to be the opposite of the outcomes that one would expect of the neoliberal transformative efforts, discussed in Chapter 5. To be sure, the above discussed, alleged outcomes of neoliberalism, endorsed by their theories, are not unrelated to the discussed outcomes of neoliberal practice, but they appear to be negatively related, by posing as opposites.

Two critical questions immediately arise from this conclusion. What is the reason for neoliberal practice to suggest outcomes that are the opposite of what is claimed by theory? And, why are neoliberal transformations pursued in practice, if they empirically do not produce the outcomes, that are claimed by neoliberal theory?

6.4 Neoliberal theory as part of neoliberal practice

It has been pointed out above that the outcomes of neoliberal practice, when held against the macroeconomic claims articulated in neoliberal theory, appear at first glance to be at odds with each other. Furthermore, in reference to the role of the state, neoliberal theory and neoliberal practice seem to be counteracting.

It was concluded in Chapter 2, that a common problematic of the analysed literature, is an idealist conception of neoliberalism, asserting that practice must emanate from theory. Following this conception, neoliberal practice, and the conclusion of its divergence from theory can only be regarded as failure. This approach to the relationship between theory and practice appears questionable in the light of the conclusions of Chapter 5. Neoliberal practice, whatever its specific form, appears to successfully "fail" in significantly similar directions, producing the same socio-economic outcomes.

Hence, in the following, an alternative approach is proposed, arguing that a neoliberal agenda should be deducted from its major practical accomplishments, which can be observed in the two case countries, the US and Germany. In looking at the two case countries, the empirical analysis in Chapter 5 has pointed to several successful transformations which were accomplished by neoliberal practice in the sphere of the state and in the sphere of production.

6.4.1 A neoliberal agenda deduced from practice and empirical outcomes

In the sphere of production, neoliberal transformation has produced an increase in capital profitability, which can be seen in the positive trend of the aggregated rates of profit of both countries. Similarly to the sphere of the state, neoliberal transformation in the sphere of production generated a power shift, which is reflected in the rise of SVO to the new standard in business administration and corporate governance. The reorganisation of business activity under the maxim of shareholder value maximisation is also a major driver of the increasing rate of exploitation of human labour for the sake of increasing capital profitability (see Chapter 5).

Firstly, in the sphere of the state, a depression in wage growth was accomplished by a mix of direct and indirect means. This refers to, among others, dropping the macroeconomic aim of full employment and, hence, accepting a structurally higher rate of unemployment, as well as the liberalisation and flexibility of labour markets, removal of social safety nets and attacking labour unions. This has gone hand-in-hand with a decline in power of organised labour since the 1970s in the US and since the 1990s in Germany. Secondly, new sources of capital profitability were actively created, including the creation and liberalisation of markets (especially financial- and labour markets), but also handing over formerly publicly organised industries and social services to private capital interests (such as public pension systems). Thirdly, in order to protect the owners of financial capital and lenders, a monetary regime for sound money has been prioritised. Fourthly, these politics have led to an immense upward re-distribution of income and wealth in both countries. This re-distribution was further supported by continuous changes in tax regimes, structurally favouring the incomes of the financial elite. Finally, despite these apparent disadvantages for the large part of the population, neoliberal politics managed to guarantee a continuation of this kind of politics over four decades without endangering the neoliberal hegemony. Conversely to the decline in political power of organised labour, the expansion of private interests into formerly publicly controlled sectors logically represents an increase in political power of those controlling these businesses. Hence, in sum the neoliberal transformation in the sphere of the state also generated a power shift from labour to capital. When viewed together, the political and economic analyses of neoliberalism in the US suggest a connection between the upward re-distribution of political power, on the one hand, and the re-distribution of income and wealth, on the other. This connection allows for the conclusion that the decline in power of organised labour, especially trade unions, has enabled the increase in the rate of exploitation of labour in the sphere of production, which has been pointed to as being the main lever of restoring the aggregated rates of profit in the US and Germany. It shows that the neoliberal transformations in both spheres are reciprocal. Furthermore, they appear to be strongly interdependent, but with a certain hierarchy.

The combined outcome of the neoliberal transformations in both spheres is a systematic re-distribution of income and wealth, but also of political power, to a small financial and capitalist elite at the top. This appears to be the central accomplishment of neoliberal practice, to which all political efforts of neoliberal practice that were discussed in Chapter 5, seem to contribute. Hence, it can be concluded that the massive re-distribution of income and power, which was produced by neoliberalism, is not by mistake but, instead, is neoliberalism's central agenda. By following this agenda, neoliberals managed to, at least temporarily, resolve the systemic profitability crisis which firms had run into in the 1970s due to the changing composition of accumulated capital.

6.4.2 Proposing a new understanding of the role of neoliberal theory

It is interesting that neither the systematic upward re-distribution of income and political power nor the restoration of capital profitability appear as the propagated goal of neoliberalism. The reason for this is that a re-distribution of shared income from the bottom 90 percent to the top 10 or top 1 percent is to the disadvantage of the majority of the population. Thus, if this was communicated publicly in democratic settings, it would be unlikely to be politically supported by a majority of the electorate. To be sure, the politico-economic agenda to provide tax breaks for corporate and high financial incomes while, at the same time, undertaking measures to depress wage growth, as was discussed in Chapter 5, clearly conflicts with the economic interests of wage-earning workers, who represent the majority of the population in all capitalist economies. Hence, it is dependent on political prerequisites. These political prerequisites are aimed at being influential by creating a favourable narrative supported by neoliberal, politico-economic theory.

This is where the function of neoliberal theory becomes apparent. The open contradictions between neoliberal theory and neoliberal practice should not be interpreted as a total failure of either of the two sides. But neoliberal theory can be better understood as fulfilling an essential function in support of neoliberal practice by providing a politically favourable narrative. This can be seen by the example of the trickle-down narrative. As has been pointed out in Chapter 4, the actual theoretical base of trickle-down economics is very narrow. Fundamental support for theoretical concepts, such as the Laffer curve was quickly lost after it was proven wrong. Empirical studies have contradicted the narrative again and again. Even conservative politicians such as George Bush (senior) have called it 'Voodoo economics', denying it a factual basis. Nevertheless, the narrative of abstract, indirect welfare effects accruing to typical wage earners if tax burdens are lowered for high incomes is used to politically sell such a policy to the population.

High wages are the reason for cost-push inflation in the neoliberal narrative, which focuses on blaming economic crises on labour, especially the labour unions and their wage bargaining. Instead, the data from the sphere of production suggest that wage growth does not function as an adequate explanation for crisis. In Germany, for example, real wages were rather low in relation to the wage ratios in other European economies. Also, Germany appears to have experienced substantially lower inflation rates than the US.

Instead, the data suggest that the capitalist production industry had gone into more systemic crises concerning their mode of accumulation, and capital profitability.

This, as a consequence, appears to be the actual function of neoliberal theory. It provides a narrative which promises favourable outcomes to everyone. This is the case with the narrative of trickle-down, but also with economic stability through self-regulation and efficient markets, and with freedom as a function of the market (see Chapter 4). The understanding of neoliberal theory functioning as a means of political communication and narrative also solves the puzzle of why neoliberal theory appears so pragmatic in the way that theories and models are developed, changed and swiftly buried again. The political utility of monetarism and NAIRU are further analysed in Chapter 7.

Furthermore, it solves the puzzle of the superficial contradiction of neoliberal theory and practice in reference to the state. In Chapter 5, it was pointed out that neoliberal practice, in order to bring about transformations in the sphere of the state and of production, requires an active and strong state. This also accounts for the rising demand of law enforcement to maintain order, despite rising socio-economic tensions. The narrative of the ideal of a small state, on the other hand, is almost exclusively used in relation to privatisations, dismantling the welfare state and curbing public social services, which, as argued above, does not limit political interests, but only structurally changes political influence for the benefit of private capital. Hence, the narrative of the ideal of a small state must also be understood as functioning as a means of political communication rather than a real politico-economic theory.

However, this should not be understood in the sense of an absolute linear process from practice to theory. Instead, as is the case with most social and politico-economic processes, it is better understood as a feedback loop. The production of neoliberal theory is likely to produce grounds on which neoliberal practice can be conceived. In Chapter 7, the production of neoliberal science and ideology are scrutinised. Narratives like trickle-down and individual freedom through market liberalisation have become powerful economic and social dogmas, making it possible for neoliberal agendas to be followed passively and unconsciously. Furthermore, as was already argued in Chapter 4, the formulation and spreading of neoliberal theory, both in academic and in public discourse played a performative role by sustainably influencing explanatory frameworks, which political and economic decision makers rely on. By reaching a hegemonic status in economics, hence becoming politico-economic orthodoxy, neoliberal theories and narratives are able to affect also those, who would not consider themselves explicitly neoliberal.

The conceptualisation of a feedback loop also fits the conclusions of Chapter 4, which determined that neoliberal theory had changed over time, according to changing political and economic circumstances. Such was the case, for example with the neoliberal stance on trusts and monopolies, which changed diametrically from anti to pro. Furthermore, it explains the adaptive pragmatism of neoliberals when it comes to state interference in relation to bailing out banks or providing cheap credit, subsidies and other financial support to businesses when needed. In the light of this evidence, an idealist conception of neoliberalism seems refutable.

6.5 Contextualisation and conclusions

The aim of this chapter was to contextualise and synthesise the conclusions of the analysis of neoliberal practice in Chapter 5 with the conclusions of the analysis of neoliberal theory in Chapter 4. It has been shown that neoliberal transformations in the sphere of the state and in the sphere of production and the socio-economic transformations are systemically connected. They appear to go hand-in-hand in the sense of the interdependence of their reciprocal support. Furthermore, put into a wholesome context, neoliberal transformations can be directly connected to a common socio-economic outcome: The systematic re-distribution of income, wealth and political power towards a small social group of financial elites.

Financialisation has, especially in the US, played an important part in this redistributive model. It was shown that financialisation is a phenomenon specific to neoliberalism because it provides solutions to systemic economic problems which arise from it and appears to have an accelerating effect on the upward re-distribution. However, the considerable differences between the trajectory of financialisation in the US and in Germany point towards an interpretation of financialisation as not being essential to neoliberalism because it shows that Germany has found alternative approaches to the same problems (i.e. the creation of growing demand and the creation of sources of capital profitability) with an alternative model, the extreme export orientation of the economy.

In the next step of synthesis, the conclusions of the analysis of neoliberal practice of Chapter 5 were put into context with the conclusions of the analysis of neoliberal theory of Chapter 4. This inquiry is complicated by the incoherence of different neoliberal theories and claims. In any case, when neoliberalism is measured with its own most commonly articulated set macroeconomic goals and aspirations, it may, at first glance, appear as a broad failure. Neoliberalism did not produce high economic growth or increasing growth rates. Instead, economic growth was relatively weak. Secondly, the growth was not stable, but, rather, was interrupted by an increasing economic volatility and increasingly narrower business cycles. The neoliberal claim that liberalised financial markets which were successively brought closer to the articulated neoliberal ideal of free markets would regulate themselves and would support economic stability is not substantiated. Finally, the neoliberal claim of a trickle-down effect of supply side economics is empirically contradicted by rising inequality in income and wealth. Neoliberalism did not produce prosperity and rising wealth for all economic strata, as it was claimed by neoliberal economists and politicians alike. Instead, it led to the stagnation of typical wages and an explosion of very high wages and capital incomes, which had the effect of concentrating wealth at the top of the income scale.

However, the appearance of neoliberal practice as a broad failure in the perspective of neoliberal theory is misleading. This would only be the case if neoliberal transformations in the sphere of the state and the sphere of production were to follow the dictates of neoliberal theory, that is, if neoliberal theory was also to serve as the agenda for the described neoliberal transformations. Instead, it is unlikely that neoliberal theory, as analysed in Chapter 4, actually serves as an agenda for neoliberal action. It was pointed out in Chapter 5, that in both case countries, neoliberal transformations in the sphere of the state and the sphere of production, although following different paths, produce significantly similar socio-economic and macro-economic outcomes. Two central outcomes, which seem to be supported by all neoliberal transformative efforts, were identified: The re-distribution of income and wealth towards a small financial elite at the top of the income strata, and the increase of capital profitability. Thus, it is argued here that these two central, common outcomes of neoliberal practice should be understood as the central neoliberal agenda. Hence, an idealist conception of neoliberalism, asserting that practice emanates from theory, is concluded to be a pitfall. It leads to a false interpretation of the departure of neoliberal practice from its theoretical goals as failure.

Instead, it is argued that, as per its practice, the common agenda behind neoliberal transformations appears to be, firstly, a re-distribution of income and wealth to financial elites to guarantee increasing profitability for capital investors. Secondly, this agenda also provided a solution to the profitability crisis in the sphere of production, which had grown into an existential threat for businesses in the 1970s. However, the appeal of neoliberalism for capital investors was not so much the macroeconomic claims in neoliberal theory, but the implications for business administration. In the sphere of production, neoliberal transformation succeeded in delivering the promise of higher capital profitability. What is more, neoliberal theory managed to causally connect the agenda of rising profits with the macroeconomic promises of growth and prosperity for all through a narrative of trickle-down effects, thus helping to legitimise such a policy. What this suggests, however, is that different social actors, who worked towards the common neoliberal agenda did not necessarily share a common understanding of doing so. Two questions arise from this conclusion: Who are these social actors, and in what form do they interact in order to follow, consciously or not, a common neoliberal agenda? In Chapter 7 an investigation of these questions is conducted.

If neoliberal theory does not serve as the agenda, upon which the neoliberal transformational efforts in the sphere of the state and the sphere of production is based, it must be asked, what other role it fulfils in underpinning neoliberalism. It was argued in Chapter 6, that neoliberal theory is an essential part of neoliberal practice by fulfilling the function of selling neoliberal politics to the public, for whom the actual neoliberal agenda would appear not to be in their political interest. In this fashion, the theory of trickle-down economics, for example, enabled to sell the economic policy of lowering the tax burden for top incomes as being favourable to wage earners.

Neoliberal theory is integrated into neoliberal practice, in a way that they form a feedback loop, where theory is adapted according to the changing needs and circumstances of neoliberal practice. This also explains the outstanding adaptability of neoliberal theories, which was pointed out by authors, like Peck (2010) and Crouch (2011) and was discussed in Chapter 4. In return, through its performative role, the formulation of neoliberal theory can have an influence on politico-economic explanatory frameworks, on which politicians and other decision makers rely. Hence, it can feed back into practice, creating new circumstances.

7 Politico-economic processes underpinning neoliberal practice

So far, the critical discussion, contextualisation and interpretation of the analyses of neoliberal theory and practice in Chapter 6 have generated the conclusion that neoliberal theory, as it was analysed in Chapter 4 does not fulfil the role of an actionable agenda, on which neoliberal practice, as was analysed in Chapter 5, could be based upon. Instead, the systematic upward re-distribution of income and wealth, and the increase of capital profitability, were concluded to be the actual agenda of the analysed neoliberal transformations in the sphere of the state and the sphere of production.

This following chapter attempts to locate politico-economic processes which underpin the working of neoliberalism. In order to do so, the findings of the previous chapters are synthesised into an explanatory model. Figuratively speaking, this means putting together the pieces which were taken apart and examined by the analyses in Chapters 4 and 5, in a meaningful way.

Neoliberalism is the sum product of actions by social actors, who appear to follow the common goal of the upward re-distribution of income and wealth and increasing capital profitability. It has been shown in the previous chapters that neoliberal transformations in the sphere of the state and the sphere of production have been promoted by right-wing parties and shareholder interests alike. However, this does not solve the puzzle of how this agenda, which appears to be to the exclusive benefit of a small financial elite, has seen such continuous success since the 1970s and why even relatively left-wing parties have followed the neoliberal trajectory. The systematic upward re-distribution of income neither correlates with the political self-understanding of the German Social Democratic Party nor the American Democratic Party; nor does it typically correlate with the interests of their mostly wage-earning voters.

It appears that different politico-economic processes are at work, which, however, make different agendas coalesce into a common neoliberal agency.

In order to make sense of this, the proposed model differentiates between two distinct, but inter-related, politico-economic effects. The analysis of the first effect is an inquiry into neoliberal agency. Neoliberalism cannot act on its own but is the product of actions by social actors. They consciously push forward the neoliberal agenda by following their own agencies. Hence, this effect is called the 'push effect'. Conversely, it will be shown that these actors, nevertheless, are, limited in their corridor of action by some determinations by the micro-economics of the capitalist mode of production. This effect builds on the conclusions from the analysis of the sphere of production in Chapter 5. It has been pointed out that, at the micro level, capitalist investment is dependent on the outlook of capital profitability. Without the expectation of capital profits, an investment is not made in the logic of business administration. The investment of capital, however, is an essential condition for the basic economic functioning of the capitalist mode of production (see Chapter 5.2.1). Hence it is the micro-economics of the sphere of production, which has a steering effect of capitalist political economy, which, in the following is called the pull effect. The goal of the proposed model in the following chapter is to add a useful contribution to the discussion of why neoliberalism is put into practice by different groups of social actors, and how it can be so successful in its trajectory.

7.1 The 'push effect'

Neither neoliberalism nor capitalism nor any other economic order possess agency on their own. Neoliberalism, instead, is constructed, conducted and operated by social actors through their own separate agencies. Like all political agendas, neoliberalism serves the interest of specific social actors and was actively pursued. The following section is an enquiry into the question of who these neoliberal actors are and how their social interaction produces politico-economic processes that underpin neoliberalism. By doing so, the question of whether politics was conquered by neoliberalism or whether politicians have used neoliberal narratives to justify their politics is also discussed. (e.g., was Reagan anti-union because he was neoliberal, or was he neoliberal because he needed a justification to be anti-union?)

7.1.1 Neoliberal ideology and strategy

It has been concluded in Chapter 6 that neoliberal practice does not emanate from neoliberal theory. Thus, an idealist conception of neoliberalism is contradicted here. Instead, it was concluded that the upward re-distribution of income and wealth, and the increase of capital profitability can be deducted from neoliberal practice as a neoliberal agenda.

However, an agenda does not sufficiently describe how neoliberalism is conducted, nor does it explain its apparent politico-economic success. In order to examine these questions, it is useful to critically discuss what several authors describe as "neoliberal strategy" (Mirowski 2013; Peck 2010; Ptak 2017). This examination can also help the developing of a better understanding of the social actors who put neoliberalism into action.

According to Ptak (2017:68ff.), the neoliberal strategy for implementation is built on four pillars. First is the creation of a superordinate ideology which presents neoliberalism as a project of modernity and liberation. Second is the continuous 'fight for minds' through permanent propaganda. Third is the systematic influence of politics through institutions which endorse the neoliberal ideology. And fourth is the effort to secure and push forward neoliberal reforms through institutions. The crucial role of neoliberal institutions for the latter two strategic pillars is apparent. These four strategies are helpful in structuring the approach to the neoliberal strategy.

7.1.1.1 The reciprocal dependence of neoliberal strategy and ideology

The analysis shows that neoliberalism can be understood as an ideology which is shared by numerous critical authors (such as Doogan 2009; Gamble 2009; Harvey 2005; and Nachtwey 2016). Furthermore, it is proposed here that neoliberal ideology has two principal themes. The first is the positive formulation of a utopian idea and the second is the demarcation and critique of other ideologies. The utopian theme is something neoliberals have broadly taken over from classical liberals. It carries the idea of perfect free markets, individual freedom, the satisfying of all demands by effective distribution through market forces, economic stability through self-regulating markets and success through investment. The need for the re-formulation of such a utopia in the form of liberal radicalism was articulated by Hayek in 1949:

> 'What we lack of today […] is a liberal utopia, a programme, which is neither a mere defence of the existing, nor appears as a simple, watered down socialism, a *liberal radicalism*, which neither spares the sensitivities of existing interest groups, nor believes that it has to be so 'practical' that it limits itself to the things that are publicly possible today' (Hayek 1949:53, 'Was uns heute mangelt […] ist eine liberale Utopie, ein Programm, das weder eine bloße Verteidigung des Bestehenden ist, noch einfach als verwässerter Sozialismus erscheint, ein *liberaler Radikalismus*, der weder die Empfindlichkeiten der bestehenden Interessensgruppen schont,

> noch glaubt, so ‚praktisch' sein zu müssen, daß er sich auf Dinge beschränkt, die heute politisch möglich erscheinen'; author's translation, emphasis in the original)

Besides the positive, utopian theme, neoliberal ideology also has a theme of demarcation and critique. Neoliberal ideology is historically distinguished from classical liberalism and laissez faire capitalism. However, as much as this demarcation was crucial to neoliberals in their early days of political formation, it stopped playing an important role in the decades after World War Two. When the Chicago School strand of neoliberal thought started to determine the tonality of intellectual neoliberal discourse, classical liberalism was no longer a vital political movement and numerous elements, such as Smith's concept of the invisible hand, were swiftly and opportunistically integrated into the neoliberal canon whenever it was considered useful. Nevertheless, the defining arch enemy of neoliberals – socialism – has remained as the central recipient of neoliberal critiques until today. To be sure, it is not only socialism in a narrow sense which is understood by neoliberals as antagonistic to their utopia, but also social democrats, their institutions of the social welfare state, the social democratic variant of Keynesianism and, more broadly, all forms of collectivism and political organisation of labour (see Chapter 4).

In the 1970s, these somewhat timeless neoliberal criticisms were expanded by a historically specific critique of the sociology of 'social modernity' (Nachtwey 2016). With a special focus on Germany, Nachtwey shows that the era of exceptional economic growth between the end of World War Two and the crises of the 1970s was carried by a paternalistic, socially regulated society. Social mobility was a given when one regards the growth of wage incomes during this period. However, Nachtwey (2016:30f.) also points out that this mobility was limited by class boundaries, meaning that workers could regularly climb up the economic ladder within the working class, but not outside of it.

Through the years, the era of social modernity saw an increase in social contradictions. The state increasingly used interventions to protect society from the eroding effects of markets, thus, producing legitimation problems. Social security demanded social control, re-distribution helped to enshrine systematic inequality, the social welfare state caused the emergence of bureaucracy (Dahrendorf 1992:197). The German system of corporatism – the institutionalised collective wage bargaining between labour unions and employer organisations – left little space for political debate at the individual level (Dahrendorf 1991:166ff.). Additionally, this system was in large part a patriarchal system, which was put under pressure by women pushing onto the labour markets. The same was true of immigrant workers, who were not regularly represented by unions and, thus, were excluded from the collective social and economic processes. In this light, it has to be noted that neoliberalism delivered a kind of emancipatory critique of the 'social modernity' (the paternalistic Keynesian regulation state) by criticising its bureaucracy, the entrenchment of classes and gender, the asserted submission under the collective, and the overarching social regulation. This might also be the reason why neoliberal ideology fitted so well with many of the demands for freedom of expression of the 1968 cultural movements (see Boltanski and Chiapello 2007; Neumann 2008).

However, when described as a vital part of the neoliberal strategy, ideology is not an autonomous canon, passively existing and passively used by political movements. Quite to the contrary, being part of a strategy, neoliberal ideology must be understood as actively formulated and promoted in order to fulfil its strategic function. Nachtwey (2016:79) makes clear that behind neoliberalism's guise as an ideology of 'liberal radicalism' (as Hayek formulated it), a modern form of blatant class politics is hidden. This notion is shared by Mirowski (2013:68), who sums it up under the term of 'neoliberal double truth'. It is characterised by an endogenous truth held by insiders of the 'neoliberal thought collective' (Mirowski 2013:69), knowing about its true class politics, and an exogenous truth, which is presented to the outsiders, who need to be deceived for the sake of neoliberal class politics. In this sense, neoliberal strategy and neoliberal ideology have a reciprocal relationship. The formulation of a useful ideology is a part of neoliberal strategy; but a strategy to transform political economy and capitalist society is also an essential part of neoliberal ideology.

7.1.1.2 The fight for heads and hearts

The neoliberals differ from the classical liberals in some defining aspects. One major difference is that they understood that their strategy and their political programme would only work out, if the conditions for its success were constructed. The classical liberals thought that free markets would emerge naturally if the state was rolled back and economic policy was minimalised. The neoliberals, however, understood the necessity to actively and vigorously create the conditions for free markets. For this reason, they needed an institutionalised organisational network which was able to promote their political programme and support their political efforts to shape governmental institutions, international institutions, management, and even day-to-day culture to their fittings (Mirowski and Van Horn 2015:161ff.). In an interview, the then prime minister of the UK, Margaret Thatcher, made it clear what her neoliberal politics sought: the people's hearts and souls.

> 'What's irritated me about the whole direction of politics in the last 30 years is that it's always been towards the collectivist society. People have forgotten about the personal society. And they say: do I count, do I matter? To which the answer is: yes. And therefore, it isn't that I set out on economic policies; it's that I set out really to change the approach, and changing the economics is the means of changing that approach. If you change the approach you really are after the heart and soul of the nation. Economics are the method: the object is to change the heart and soul' (Thatcher in Butt 1981).

For Hayek, it was clear that the political success of neoliberalism was dependent on the ability to change the political discourse in the public sphere, but also among some specifically selected elite circles.

> '[…] we will not have a true competition economy, as long as public opinion does not acknowledge the charities of competition under all circumstances. […] The long-term task of educating public opinion through reconnaissance, in order to make possible what is impossible today, remains basically the crucial task, on which the success and failure of future development depends' ('[…] daß wir keine echte Wettbewerbswirtschaft haben werden, solange die öffentliche Meinung nicht die Wohltätigkeit der Konkurrenz unter allen Umständen anerkennt. […] Die langfristige Aufgabe der Erziehung der öffentlichen Meinung durch Aufklärung, um möglich zu machen, was heute unmöglich ist, bleibt so im Grunde die entscheidende Aufgabe, von deren Erfolg oder Misserfolg die künftige Entwicklung abhängt', Hayek 1954:17 quoted in Ptak 2017:70; author's translation)

In order to systematically influence public discourse, Hayek explains that neoliberal strategy at first targets the intellectual elite. He differentiated between 'original thinkers', the neoliberal intellectual elite, who produce the neoliberal ideology, and 'second hand dealers of ideas' (Hayek 1983:19) who help spread the ideology, such as journalists, teachers and artists.

7.1.1.3 The creation of institutionalised neoliberal networks

For the sake of successfully influencing the discourse of the elite and the broader public, but also to secure and push neoliberal reforms, the neoliberal strategy relies on advisory and lobbying institutions, and, especially, think-tanks (Ptak 2017:68ff.). This strategy has been explicitly followed and is sometimes openly communicated by neoliberals. In 1981, the German K*onrad-Adenauer-Stiftung*, an organisation of German conservative intellectuals, close to the CDU (named after the first conservative German chancellor after World War Two, Konrad Adenauer), invited neoconservative politicians from the US to present their successful political and strategic concepts. There, Irving Kristol, the then head of the '*neocons*', proposed to the Germans that in order to lead public discourse, they should find more think-tanks to endorse their ideology (Müller 2017:134; see also Hoeres 2013).

In 1947, Hayek co-founded the Mont Pèlerin Society (MPS). Hayek also served as the organisation's first president. The MPS was conceptualised as a kind of (neo-)liberal internationale, an institutionalised international network of multidisciplinary intellectuals who followed a similar political conviction. Besides economists, there were philosophers, sociologists and businessmen and politicians (Nollert 2005:43). The MPS was designed to serve as space for international intellectual discourse, being the epicentre of the development of neoliberal ideology and strategies. But it also institutionally connected neoliberal intellectuals around the world, forming a powerful network between individuals, at first, and between other organisations and institutions, later. From the beginning, the MPS was an international group. There were several groups which could be distinguished: a French group, the Chicago group based in the US, the Austrians, based in the US as well, a British group, several individuals from other western European countries and a German group. The Germans included Walter Eucken and also Wilhelm Röpke, who was the most important German speaking neoliberal according to Hayek (Peck 2010:51). Today the MPS is a massive organisation, counting over 1,000 members from more than 50 different countries. However, the organisation has remained a closed club of elites. It still does not have any official publications and the list of members has not been made public (Nollert 2005:46f.).

It is noteworthy that the foundational meeting of the MPS in April 1947 and the many meetings to come after that would not have been possible without the financial support of financial elites. The foundation meeting was almost entirely financed by the *Schweizerische Kreditanstalt* (Steiner 2007; Walpen 2004b), which later would become the financial services company, Credit Swiss. The travel costs of the US delegation were provided for by the Volker Fund, which was then headed by the future MPS member, Harald Luhnow, and which also funded several important neoliberal research programmes at the University of Chicago, not least Hayek's own employment at the university (Nollert 2005:12; Plehwe 2015:15; see also Phillips-Fein 2015). Hence, the MPS from the beginning depended on close ties to generous capitalists and the financial elite.

Around the epicentre of the MPS, the neoliberals founded a series of think-tanks and other institutions, which helped spread and endorse the neoliberal ideology. This think-tank movement produced what Nordmann (2005:232) calls highly flexible and variably usable means of battle (in the original: 'höchst flexibel und variabel einsetzbare Kampfinstrumente'). The establishment of this institutionalised network was an innovation in the conduct of politics and the construction of political opinions. It integrated the international level directly at the national and local level (Müller 2017:101).

It is also noteworthy that the neoliberal institutions did not have to be necessarily founded in a vacuum. In many cases, existing institutions could be taken control of and integrated into the network. Such is the case with the intellectual sibling of the MPS, the Chicago School of Economics, which was founded in 1946 at the University of Chicago. However, the transformation into a stalwart of neoliberal ideology took several years. The neoliberals at the University of Chicago from then on played an important role in establishing funded research projects and increasing the opportunity to publish neoliberal literature. It is not a coincidence that Hayek's '*Road to Serfdom*' was published by the University of Chicago Press.

The integration of university institutes was important for the neoliberal strategy because it provided neoliberal ideology with urgently needed scientific overlay. However, it would be incorrect to assume that the role of the Chicago School, the Freiburg School and other academic institutions which were integrated into the neoliberal network were focused on exclusively scientific and academic work. On the contrary, the social sciences, especially the subject of economics, were openly transformed into an ideological battleground (Müller 2017:104). The assumption that social scientists, similarly to economists, are in their work independent of ideology and political views is refutable in any case. The neoliberal protagonists at the University of Chicago, the University of Freiburg, the University of Virginia and the London School of Economics did not make huge efforts to obscure their political views (Mirowski and Van Horn 2015:161, Peck 2010). But it was the neoliberals who deliberately tore down the (anyways artificial) wall between science and ideology. This is what neoliberals came to call the 'waging war of ideas' as the vice-president of the MPS, John Blundell, called it retrospectively in 1990 at a meeting of the US Heritage Foundation (Nollert 2005:39). Scientific studies and expertise which did not fit the neoliberal picture were attacked with counter studies and counter expertise, while seats on advisory boards and expert panels, such as the German *Sachverständigenrat,* were vigorously fought for.

The neoliberals used two further outstanding tactics in order to boost their scientific and academic overlay. The first was the foundation of several scientific, economic journals, combined with the establishing of a rating system, in which these journals would be rated at the top. This institutionalised journal system and the reciprocal quoting of neoliberal authors gave neoliberal texts a superior scientific semblance. But the second tactic stands out even more.

The attention being paid to neoliberal proponents and their international popularity was given an unmeasurable boost by awarding Hayek the Nobel award of Economics in 1974 and Friedman in 1976. In the following years, seven MPS members had the honour of being awarded the prize. This does not come as a big surprise, however, if one considers that the long-time chairman of the prize committee, Erik Lundberg, was a member of the MPS himself, and his successor, Assar Lindbeck, was an even more orthodox apologist of market rule (Müller 2917:82f.; Plehwe and Walpen 1999).

Besides the neoliberal university institutes, the neoliberal network was expanded with a series of larger and smaller neoliberal think-tanks of various kinds, extended to any country where they could get a foot in the door. The list of international neoliberal think-tanks would exceed the feasible limits of this thesis, so it suffices to point out some outstanding examples in the two case countries. In the US, the most well-known neoliberal think tanks are, among others, the Institute of Human Studies, founded by MPS-founding member F.A. Harper in 1961, the Heritage Foundation, founded in 1973 by MPS member Edwin Feulner, the Cato Institute, founded in 1977, and the Manhattan Institute for Policy Studies, founded in 1977. The US neoliberal think-tanks are not only the best financed think tanks in the whole network, they are also well connected to a network of right-wing conservative think-tanks, such as the Hoover Institution or the American Enterprise Institute (Nollert 2005:48f.).

In Germany, four neoliberal institutions should be noted: the Aktionsgemeinschaft Soziale Marktwirtschaft (Action Committee for Social Market Economy) founded in 1953, the Walter-Eucken-Institut, founded in 1954, the Friedrich-Naumann-Stiftung, founded in 1958, and the Frankfurter Institut – Stiftung für Marktwirtschaft und Politik (Kronberger Kreis), founded in 1982 (Müller 2017:107f.). In 1981, the Atlas Economic Research Foundation was founded as an organisation to provide coordination and communication and to support the founding of neoliberal think-tanks around the world. This accelerated their international expansion and helped the integration of German neoliberal think-tanks, such as the Friedrich-Naumann Stiftung and the Frankfurter Institut (Nollert 2005:50). In 2008, the Atlas Foundation counted over 500 member organisations around the world (Mudge 2008:712).

In conclusion, is can be said that neoliberals have been highly successful in founding an international organisational network to develop neoliberal discourse, spread their ideology and strongly influence academic-economic and political discourse around the world. They formed a well-integrated network, which works as an ideological collective, with the MPS at the core, and a system of university departments, umbrella organisations and think-tanks around it. Hence, Mirowski's (2013) metaphorical description of organisational formation of the 'neoliberal thought collective' as a 'Russian Doll' seems adequate. However, a better metaphor would probably be the one of an artificial solar system, with several organisational planets circling the MPS, while being circled by their own satellites. The larger an organisation, the more it serves as a gravitational field for more satellite organisations and spin-off think-tanks.

Put into context with the conclusions of the analysis that neoliberalism does not have a strong, coherent theory, it can be concluded that the strength of neoliberal ideology and the dominant reason for its historical success cannot be found in its theoretical foundation, but in the neoliberals' collective organisational and institutional ambitions, and their skill at establishing a highly functional international discursive network.

However, the depiction of the neoliberal network as a solar system might carry the danger of overstating the power of neoliberals, their ideology and their institutional networks. The fallacious notion of an overpowering neoliberalism, which has grown popular on the left (Doogan 2009 convincingly makes this case), overlooks how the success of implementation was dependent on specific historical circumstances, which often caused the neoliberal ambitions to fail. This is why the ordoliberals failed to implement a pristine form of ordoliberal order in Germany after World War Two and why the neoliberal transformation of democratic countries such as the US, the UK and Germany, decades later, took longer. To be sure, neoliberalism was never without political and economic alternatives. Neoliberals, like other political activists, have fought (and are still fighting) a long and enduring political struggle replete with defeats and reversals but also notable victories.

Furthermore, it can be concluded that neoliberalism could not have developed its organisational strengths of a well-integrated international network and an award-winning scientific overlay, influencing public discourse, without the sponsorship of a capitalist and financial elite (Phillips-Fein 2015).

7.1.2 Creating and sustaining change

Students of business administration who come into contact with the subject of change management are likely to learn about Kotter's (1996) eight-phase process of change or similar models. They all engage with the question how an organisational body, can undergo elementary changes. They all start with the same notion that a sense of urgency must be created, a certain demand for change, or a climate of change, and end with sustaining and securing the change. In Kotter's model, the eighth and final phase is to fix the successful change within the culture of the organisation. A simpler model of change was provided decades earlier by Lewin (1947), which only describes the three phases of *unfreeze*, *change* and *refreeze*. It represents a rather generic change-model but helps understanding the neoliberal change strategy. In the following, the neoliberals' strategy for politico-economic transformations is described alongside these three phases.

7.1.2.1 Unfreeze and change

Neoliberals did not originally come up with the strategy to use situations of crisis in their favour. Many other political movements before aspired to use the momentum of crisis in their favour, including socialist movements, if not Marx himself. However, Klein (2007) shows that neoliberals integrated crises as a systematic element of their political strategy and frequently made use of them, for example, in the debt crisis of South and Latin America, the fascist coup in Chile, the second Iraq war and even in the aftermath of the destruction left by hurricanes. In 1982, Friedman openly expressed this political strategy.

> 'Only a crisis – actual or perceived – produces real change. When that crisis occurs, the actions that are taken depend on the ideas that are lying around. That, I believe, is our basic function: to develop alternatives to existing policies, to keep them alive and available until the politically impossible becomes politically inevitable' (Friedman 1982:ix, quoted in Klein 2007:6).

What is interesting in Friedman's statement is that he differentiates between 'actual or perceived' crises. Therefore, it is justified to assume that neoliberals understand that the subjective notion of a crisis does not necessarily have to correlate with a factual, empirical crisis. This makes sense because neoliberal transformation encompasses many unsocial policies. They tend to directly hit the public, mostly consisting of typical wage earners, financially. Putting aside the promise of passive trickle-down effects that arises from neoliberal policy, it is understandable why these policies are difficult to sell to the public without the urgency of a crisis. In this light, it makes sense why the neoliberals, especially

Friedman and his fellow 'Chicago Boys' made such a big effort to announce a severe crisis during the 1970s stagflation period. The rising inflation was almost entirely a problem of the financial elite, owners of financial capital and lenders. Wages were roughly adjusted to inflation in collective bargaining processes. Additionally, the abandoning of the Bretton Woods system, which was campaigned for by the neoliberals and, hence, appeared as their first great international success, took away much of governments' control over their currencies. Hence, a crisis narrative of blaming free floating currencies and the neoliberals would also have been possible in the 1970s. Still, the neoliberals managed to create a sense of crisis and, thus a climate of change, successfully blaming the stagflation crisis on Keynesian macroeconomic policy. Recent historical analyses of neoliberalism, such as those by Peck (2010) and Mirowski (2013), come to similar findings.

> 'Stagflation broke the back of the Keynesian orthodoxy – as both a generative theory and as a system of government – the long-anticipated crisis for which Friedman's style of monetarist economics provided readily presentable, if ultimately flawed, "solutions." It was no mere coincidence that neoliberal ideas filled the attendant vacuum. Of course, it is absurd to suggest that they were passively "lying around," as Friedman would have it. They had been scrupulously formulated for this very eventuality, as a total critique of Keynesian rationality and welfare-state government, and they had been peddled relentlessly through free-market think tanks, through the financial community and business organizations, and through the elite and mainstream media, not least by Friedman himself' (Peck 2010:5).

Stagflation was not strongly felt by wage earners as long as their wages were raised according to the expected inflation rate. This changed when, due to the ensuing recession, the unemployment rate started to rise (Gamble 2009).

But unemployment did not just rise because of some entirely uncontrollable and opaque economic effects. Instead, it was deliberately allowed to rise and was even aggravated by the strong increase in interest rates (Volcker Shock) beginning in 1979. The rising cost of money caused businesses to reduce their workforces. Thus, national governments were able to blame rising unemployment on the stagflation crisis and the sphere of production. In a candid comment, Alan Budd, who served as the chairman of the Bank of England under Thatcher, described the deliberate raising of the unemployment rate as a means of class warfare against labour (cited in Müller 2017:68).

Hence, it can be said that neoliberals have in their collective strategy an understanding that crises are to be used to create a momentum for change, which can be used to promote neoliberal transformations. Additionally, these crises do not necessarily have to be substantiated by empirical facts; it suffices if they are perceived as crises by the public. It is no surprise, therefore, that neoliberalism came out of the financial crisis 2008 and the subsequent Great Recession not only unscathed but strengthened (for a deeper analysis of the neoliberals' tactics to use the Great Recession to their advantage, see Mirowski 2013; see also the literature on "authoritarian capitalism", such as Tansel 2017).

7.1.2.2 Refreezing and sustaining neoliberal hegemony

It is interesting that neoliberals seem to use situations of crisis more to their advantage then oppositional left-wing movements. The reason for this success is the dominance of neoliberal ideology and, hence, their dominance of the crisis narrative. In this sense, the hegemonic neoliberal ideology, in which neoliberals invest enormous effort through international institutionalised network structures, works in their favour, not minding if the reason for the crisis can be found in neoliberal policies, as was the case in 2008, but also with the .com bubble bursting in 2000, and partially with the currency crisis of the 1970s.

Mirowski (2013) explains that in a situation of crisis, the neoliberals benefit from the psychological effect it has on individual members of the public. When people's understanding of the social system is shaken by a crisis, they tend to fall back to their basic beliefs and convictions – their ideology – of how things work. The neoliberals' ideology campaigns have managed to fundamentally plant a neoliberal understanding of market efficiency, methodological individualism and even trickle-down effects in people's fundamental belief systems, making use of the performative potential of neoliberal theory (see Chapter 4.3.5). Neoliberal institutions and the powerful international network, including think-tanks and university institutes, as well as scientific journals, remain as a functional means of spreading their ideology today. In this light, the neoliberal strategy to fight for people's hearts and minds appears very successful.

Kotter's (1996) eight-phase model of change management suggests that new approaches and successful changes should be integrated into culture so that their sustainability is guaranteed. Neoliberals make a big effort to achieve this change of culture by spreading their ideology outside of the discipline of political economy and into those of moral philosophy (Hayek 1944), political science and democracy (Buchanan and Tullock 1962), education (Becker 1993 [1964]) and 'everything' (Levitt and Dubner 2009). With the help of ideology, neoliberals managed to generate the substantial participation of individuals. Without at least the partial acquiescence of the population, the neoliberal transformation would have been impossible. But, as Gramsci (1991) noted, the social hegemony of a particular group and its ideology is based on a combination of consent and force. The actions of people are structured by social systems which define the paths of possible actions. For example, a worker who is expecting only low pension payments in the future because they have been cut has little choice but to privately invest in a pension scheme of some kind. Neither can citizens in need just avoid social services because they have been privatised. In this way, neoliberalism appears to be successful in making people accomplices of their agenda (Nachtwey 2016:78ff.). Complicity, logically, is an effective deterrent for fundamental repugnance.

But neoliberals also have been using several less-subversive means to sustain the changes they have accomplished. Two of them are pointed out here as exemplary. Firstly, neoliberals have understood the need to create path dependency with their policies. The examples for this tactic are manifold. With its excessive military spending, the Reagan administration left its successors a massive debt burden, which forced Bush (senior) and Clinton to follow a restrictive budget policy, as the neoliberals preferred. Several European governments, including Germany, recently have imposed spending restrictions on themselves, which has forced them to follow restrictive budget policies and refrain from demand-side economic stimulations and expansion of the welfare state. Probably most significantly, the establishment of liberalised financial markets, including private rating agencies, have forced governments to submit to market rules. Government actions are frequently monitored by market institutions and, accordingly, rated if they are in the interest of finance capital. If not, they are punished with lower credit ratings, which makes it more expansive for the government to borrow money from international markets.

Secondly, the massive concentration of wealth at the top of the income strata has severe effects on the conduct of politics and the functioning of democracy. In having large amounts of excessive funds at their disposal, members of the financial elite successively are enabled to directly interfere with politics and democratic processes. They understand that finance can change the outcome of democratic processes through expensive PR-campaigns (see Harvey 2005; Mirowski and Van Horn 2015; Müller 2017).

7.1.3 Neoliberal ideology and hegemony

The rise of neoliberal ideology to the political stage and its adoption by the governments of major capitalist nations is astonishing. Even more astonishing is that neoliberal ideology has been able to maintain its hegemonic status over several decades now. The last section showed how neoliberals have followed a collective strategy to spread and sustainably implement their ideology into the hearts and minds of people. Without question, this appears as a large victory for the neoliberal movement. But considering the rise to hegemony and persistence ever since, it seems unlikely that the trajectory of neoliberalism can be described as a one-sided history of conquer, such as Harvey (2005) suggests. Instead, it seems more plausible that neoliberalism arrived at the centre stage of politics because of the utility in terms of narrative.

7.1.3.1 Keynes was a liberal

From its beginnings, the neoliberal movement had a collective concept of enemy – socialism, collectivism and, generally, organised labour in all its forms. In the 1960s and 1970s, neoliberal rhetoric, however, also strongly targeted Keynesianism as an ideological enemy. This seems somewhat peculiar, as Keynes and his theoretical concepts were far from socialist theories – he, himself was a declared liberal. In its historical function towards the capitalist mode of production, Keynesianism played a similar role as ordoliberalism in guaranteeing the sustained existence of market capitalism in a time when socialist ideology was strong. But Keynesianism, in this way similar to neoliberalism, incorporated numerous theoretical and practical strands in its use by various governments. Hence Keynesianism never was a monolithic theory. Instead, the history of Keynesian theory encompasses several shifts and changes, and even merges with other liberal theories (see Chapter 4).

Indeed, history shows that institutions and governments switching from Keynesianism to a neoliberal strand, such as monetarism, did not necessarily mean a complete exchange of Keynesians for neoliberals. Instead, former Keynesians simply became neoliberals, although, whether this was a conscious process or happened without any personal awareness cannot be determined. Such was the case with the German economist and key figure in the German Sachverständigenrat, Herbert Giersch, who later became president of the MPS. It was also the case with the important German politician Franz Joseph Strauß. In the US, the Carter administration started with a Keynesian agenda but had switched to monetarism by the end of the term, underlined by the appointment of Paul Volcker as chairman of the FED. The Callaghan government in the UK also swung to monetarism by the end of its term, well before the election of Margaret Thatcher. In Germany, the independent national bank had changed to monetarism by the early 1970s, well before the US FED. The lines between neoliberal and Keynesian theories have become even more blurred since their partial theoretical fusion in new-Keynesianism and the practise of DSGE modelling. Ben Bernanke, who was appointed as chairman of the FED by George W. Bush, frequently calls himself new-Keynesian but was an accomplice of the Bush administration's revival of blatant supply-side economics.

Hence Keynesianism per se does not seem to fit the profile of a neoliberal enemy such as socialism. Instead, it seems more plausible that the neoliberals' concept of enemy never really changed. Keynesianism had become the dominant form of political economy and economic policy used by social democrats and the governments led by them. Keynesianism and demand-side economics were used by left-wing governments to, for example, pursue policies of top-down re-distribution of income, full employment and strong public social security systems. Social democratic, socialist and labour governments utilised Keynesianism, or at least versions of it, to pursue their political and economic goals.

Hence, it can be argued that the neoliberals' aversion of Keynesianism was due to their antipathy of its functions of building social democracy and implementing social reforms. Hence, the conflict between neoliberalism/monetarism and Keynesianism might not be a strictly theoretical one but, rather, one of a practical nature in reference to how the theory is being used in real policy. Therefore, the conflict must also be seen in the light of a much broader political conflict around the fundamental direction politics should be taking.

During the 1960s, the neoliberals changed their strategy from exclusively generating ideology within the elite academic milieu to directly influencing politicians. The strategic anchor point for the neoliberals was to influence discourse between existing right-wing, conservative and pro-business elites (Müller 2017:78), and political parties. In the case of Germany, this was, at first, the conservative CDU/CSU and the liberal FDP. In the case of the US, it was at first the Republican Party (see also Harvey 2005). With Augusto Pinochet in 1973, Thatcher in 1979 and Ronald Reagan in 1981, politicians who championed neoliberal ideology had climbed to the top of the political ladder in large capitalist economies. As an example, Nollert (2005:49) points to Reagan's first government programme based on the 1000-page 'Manifest Mandate for Leadership' by the Heritage Foundation, whose director, Edwin Feulner, later became president of the MPS (1996-1998). As much as these elections or coups d'état meant catapulting neoliberal ideology from the political periphery into the mainstream of national government programmes (Tribe 2015:69), it has to be pointed out that the politicians themselves were not members of the MPS, or, only in rare cases. Vaclav Klaus, a Czech minister from 1992 to1998 and president from 2003 to 2013, is an MPS member and was a member of the Cato Institute until 2014. Ludwig Erhard, political protagonist of West-Germany's reconstruction under ordoliberal influence (see Chapter 5.1.2.1) was a member of the MPS as well. Hence, it was not so much the neoliberal intellectuals themselves conquering the political stage, but politicians who used the neoliberal ideology to do so.

In the same way as social democrats and labour supporters made use of Keynesianism for their own political and economic programmes, political conservatives and other right-wing parties utilised neoliberal theories and narratives to promote their causes. It is at least plausible that the strength of Third Way social democrats, in comparison to more left-wing opponents within their parties was also bolstered by the utilisation of neoliberal theories and narratives and the benevolence of powerful neoliberal institutions. In Germany, Schröder's neoliberal reform plans caused harsh criticism also within his social democratic party and also led to the finance minister leaving his government in protest.

7.1.3.2 The utility of neoliberal ideology for right-wing politicians

In 1981, US economist James Tobin asked why monetarism, which represented a rather small and special case of economic policy, was not simply integrated into the Keynesian theoretical canon but, instead, generated such widespread activity on its own (Müller 2017:79; Tobin 1981, quoted in Walpen 2004a:166). As shown in Chapter 4, the theoretical foundation of monetarism is rather thin and, thus, it soon turned out not to be the miraculous solution for the stagflation problematics for which it was advertised by neoliberals. The reason for the powerful attraction of monetarism, hence, cannot be found in its theoretical superiority. Rather, the appeal of monetarism must be understood as a twofold one.

On the one hand, monetarism represents just one facet of a much broader politico-economic programme of supply-side economics, as Plehwe (2000:161) points out. Monetarism's lack of theoretical and practical substance did not render it obsolete because it was embedded in a much broader shift of political economy and public policy. Monetarism was just the intellectual spearhead used at the right moment – in the stagflation crisis - to replace demand-side Keynesianism with supply-side economics.

On the other hand, right-wing politicians in the conservative and liberal parties of Western capitalist nations were not passively indoctrinated with neoliberal ideas. This would be a naïve idea of the functioning of political processes. Instead, they understood the power of neoliberalism as an ideology and for justifying right-wing politics in favour of capital and the financial elite and against their political opponents on the left – organised labour and, especially, socialists. Monetarism did not generate a gravitational field on its own It was given to it by those who used it as a gate opener for the agenda of changing the hegemony of political economy. To be sure, both neoliberal academics and right-wing politicians had an interest in the neoliberalisation of politico-economic discourse, and both openly followed an anti-left political agenda.

It would be an overstatement of the political power of the neoliberal movement to claim that they pulled off the climb to politico-economic hegemony by themselves. In this way, the common left-wing narrative that neoliberals conquered politics cannot be sustained. Rather, it is more plausible that neoliberal ideology was welcomed with open arms by right-wing political movements comprising conservatives, neo-conservatives and libertarians, and even fascists in the case of Chile. This conclusion also helps disentangle the mesh of neoliberalism and neo-conservatism or other contemporary right-wing political strands, which to many seem impossible to disentangle. Politicians such as Reagan, Thatcher and Kohl, and their successors, Clinton, Blair and Schröder, might not be neoliberals in the sense of directly generating neoliberal ideology, but they are neoliberal practitioners, using neoliberal ideology to justify their pro-capitalist, pro-financial elite, and anti-social politics.

For these politicians, neoliberal ideology delivered several useful narratives, which directly contradicted socialist agendas. The narrative of trickle-down economics was a powerful counter narrative to measures of direct top-down re-distribution. Supply-side economics promised economic growth by endorsing the income of capital investors and shareholders instead of growth by equally distributing income in order to promote demand. Self-responsibility was a powerful counter narrative to the social responsibilities of all of society and, in the same way, it was people who were agitated that they would profit from being transformed from citizens into customers in reference to social services. Individualism and the merits of competition between individuals directly opposed the idea of collective class action, which was a fundamental pillar of organised labour and socialist ideology. Similarly, neoliberal ideology promoted a version of freedom, which was only achievable through the submission to market forces. This logically ruled out the socialist concept of freedom from market forces and commodification. Finally, the neoliberal ideology also served as justification for a broad political campaign against all forms of organised labour, be it socialist parties, labour unions or left-wing groups.

Harvey (2005) argues that in the case of the US, big business and capitalist interests increased their influence on the US Republican Party during the late 1960s and the 1970s, also reaching out to Christian conservatives to provide an electoral base. However, it would be an oversimplification to limit the influence of business interests and neoliberals to the Republican Party exclusively. As was pointed out above, several neoliberal transformation processes had been started already under the Democratic administration of President Carter. He switched to a monetarist economic policy before Reagan's election, appointing Volcker to the FED. Since then, the Democrat leadership has – at least in terms of its economic policy – moved to the right, including neoliberal theories in its New Democrat ambitions in its effort to reach a centrist politico-economic compromise which neither shies away from corporate financiers for their political campaigns nor its traditional working-class voters. The composition of Obama's economic advisor board gives a good indication of where the economic policy of the Obama administration was headed from the start. It consisted of economists from the Clinton and Bush administrations, proponents of the Hamilton project and monetarists, including Paul Volcker himself (Peck 2010:240). Obama also reappointed Ben Bernanke, who was installed as chairman of the FED by the Bush administration. However, the financial elite and the Republican Party also have moved to the right, not only in terms of a series of political viewpoints, including the resurfacing of openly racist and anti-left rhetoric, but also in terms of political economy. Trump does not shy away from massive tax breaks for the financial elite, while proclaiming that such measures are for the benefit of wage-income households. The inclusion of a neoliberal economic policy in the politico-economic programmes of the Clinton and Obama administrations represents a consolidation of neoliberal hegemony in the US.

According to Mudge (2008:722f) it was no coincidence that centre-left parties, who based their political power on labour votes, swung towards neoliberalism and started by dismantling the welfare state. It was an effect of the neoliberal hegemony in intellectual political discourse which had been created over years and the enduring and hard work of neoliberal think-tanks aimed at traditional labour parties. The benevolence of neoliberal and pro-capital institutions towards Third Way programmes and candidates is plausible but can only be speculated about.

Putting it together, it can be said that neoliberals and right wing politicians entered into a strategic partnership: Neoliberals have been producing ideology and useful narratives to justify right-wing politic, and in return, right-wing politicians have been heaving a neoliberal ideology onto the highest political stages. Since coming together, neoliberals and right-wing politicians have engaged in a kind of division of labour between academic, ideological work, which is provided by neoliberal intellectuals and their think-tank infrastructure, and political actions in the sense of the neoliberal strategy, which is conducted by right-wing parties and politicians (see also Mirowski 2013a:47; also Nollert 2005:55).

7.1.4 The 'Triangle of Neoliberal Agency'

So far in Chapter 7, it has been shown that the success of neoliberalism cannot be exclusively attributed to the political movement of neoliberal intellectuals, notwithstanding their successful strategy to spread their ideology into the minds and hearts of individuals around the world. Despite their success, neoliberals on their own are merely a political movement composed of a small academic elite. It has been pointed out that the success of the neoliberal movement depends on two collaborating groups. Hence, the push effect of neoliberalism, the conscious agency for neoliberal transformation, as has been described in the empirical analysis, can be described as the collective motion of three differentiated groups of agents, which form the Triangle of Neoliberal Agency.

The first group is neoliberal intellectuals, the second group, financial elites, and the third group, right-wing or pro-capitalist politicians. These three groups are distinguishable by their political aims and their field of neoliberal transformation – their division of labour (see Chart 7.1). The three groups of the Triangle of Neoliberal Agency do not encompass all individuals who can be described by the name of the group (to be sure: not all right-wing politicians promote a neoliberal agency). Instead, the model only includes social actors who consciously pursue a neoliberal agency. However, as they act to fulfil a partially common agency, their particular political aims overlap in relevant areas. Furthermore, the differentiation between these three groups of actors does not mean that individuals cannot be part of only one of them. The overlaps between financial elites and pro-capitalist politicians are apparent. Similarly, politicians and financial elites can be part of the group of neoliberal intellectuals as members of an ideology producing neoliberal think-tanks.

The conception of the triangle is purely exemplary and serves the discussion of the three identified social groups. To be sure, the form of a triangle results logically from the mutual interplay between the three groups; its geometric form has no political or symbolic meaning, whatsoever. Furthermore, the three groups depicted in this model must be understood as exemplary as well; the concept is neither holistic nor definitive. It serves to illustrate how neoliberalism is underpinned by politico-economic interaction. The scope of the model could be expanded, and groups of social actors could be added accordingly.

7.1.4.1 Aims, spheres of transformation and reciprocal cooperation

The fundamental aims of the first group of actors, the neoliberal intellectuals, have been extensively discussed in previous chapters. They are summed up here by maintaining the capitalist mode of production and market order, and fighting their ideological and political opponents, left-wing social democrats and collectivists, that is, most parts of organised labour, in general, but left-wing parties and labour unions, in particular. In the division of labour between the three groups of actors, the neoliberal intellectuals are responsible for two fields of neoliberal transformation. They produce and spread neoliberal ideology via their institutionalised international networks. By doing so, the neoliberal intellectuals provide a transformation of ideology, not only in the discourse of the academic and political elite, but through 'second hand dealers', as Hayek had called them. To the other two groups of the model, the neoliberal intellectuals provide narratives and justifications for right-wing politics and policies which directly favour the financial elites. A striking example is the narrative of trickle-down effects as a result of tax breaks for capital incomes. Finally, having access to an infrastructure of think-tanks and university institutes, the neoliberal intellectuals can also provide some expert advice, as well as studies in support of the political aims of the other two groups.

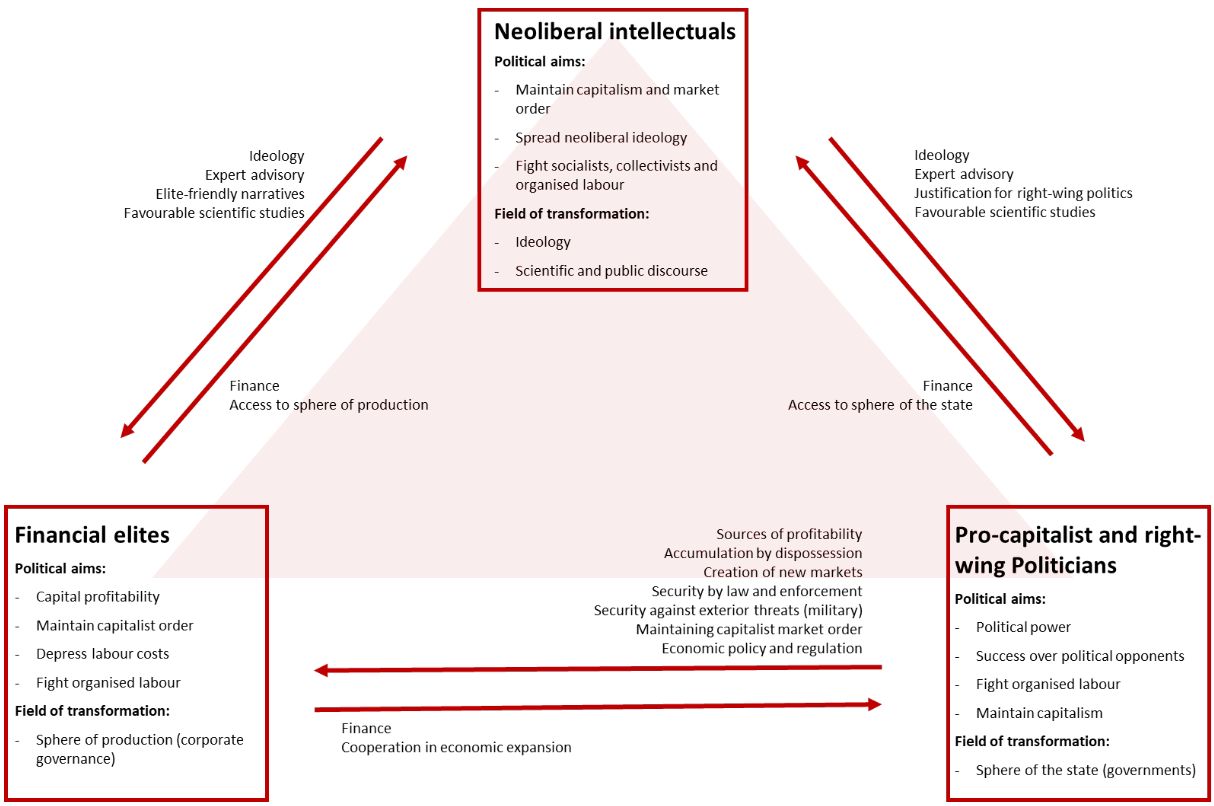

Chart 7.1 The 'Triangle of Neoliberal Agency' – exemplary Sketch
Source: Author's conception and depiction

The most important aim of the financial elites who pursue a neoliberal agenda is capital profitability, as well as the expansion of political power within the sphere of production and the sphere of the state. The power-grab in the sphere of production can be observed in the roll-out of shareholder value orientation as business administration standard of corporate governance. In the sphere of the state, these ambitions had to be less direct, as formal democratic structures were at work.

In reference to the capitalist mode of production, all economic circulation is based on the basic will to invest capital to produce profits. This is a logical fundamental of capitalism. Hence, the financial elites also have the aim of maintaining capitalist order. As discussed in Chapter 6, the growth of profitability is connected to lowering the cost of production factors, especially labour. Therefore, as a consequence, the financial elites have a direct interest in depressing the bargaining power of labour, which again is institutionally based on their ability to organise collectively. Thus, it makes sense that the financial elites have the aim of fighting organised labour. The financial elites in their role as capital investors (i.e. shareholders) pursue the neoliberal transformation of the sphere of production, especially corporate governance (see Chapters 4.6 and 5.2). To the other two groups of the model, the financial elites first and foremost provide finance. It has been pointed out in this chapter how the neoliberal strategy depends on funding from private financial capital and how financial support of political campaigns can influence democratic processes. But apart from finance, the financial elites also grant neoliberal intellectuals and their ideology access to the sphere of production, which is crucial to their utopian vision. Only in this way do neoliberals cooperate in transforming the sphere of production, which entails the micro-economic fundamental of their political economy. To be sure, it is not the neoliberal academics, who change the sphere of production, but it is managers and shareholders, who change the organisations they govern by implicitly or explicitly making use of neoliberal concepts. At the same time, right-wing and pro-capitalist politicians are dependent on cooperation by these financial elites as well.

Finally, the third group of the Triangle of Neoliberal Agency, the right-wing and pro-capitalist politicians, have the basic aims of gaining political power and, therefore, defeating their political opponents and per definition, maintaining capitalism. In their double-attribute description, their logical political opponents are anti-capitalist and left-wing. In this way, the third group shares the other two groups' aims of fighting forms of organised labour, especially labour unions, as well as maintaining the capitalist mode of production. The politicians have the sphere of action for the neoliberal transformation of the sphere of the state (as described in Chapter 5.1). However, the dependence of neoliberal intellectuals and the politicians is reciprocal. Policies, which favour financial elites, would not have been possible without the favourable agitation and powerful narratives provided by neoliberal intellectuals. Similarly, to the financial elites, politicians are able to provide some finance (e.g. public funds) to the other two social groups of the model. To the group of neoliberal intellectuals, they can also provide access to the sphere of the state, which, in the neoliberal strategy, is a central lever of neoliberal transformation. To the financial elites, the politicians can provide security and stability of the capitalist order. The neoliberal state not only provides interior security, by formulating and enforcing the law (e.g. private ownership rights), but also exterior security, by providing a military. In this way, the maintenance of the capitalist market order is reinforced. This is additionally supported by stabilising economic policy, especially sound inflation rates. Furthermore, the politicians provide new sources of profitability to the financial elites. This is either done by handing over formerly publicly organised entities to capital interests or creating new markets (e.g. carbon trading markets) or expanding them internationally (see Chapter 5.2).

7.1.4.2 Historical context of the Triangle of Neoliberal Agency

The Triangle of Neoliberal Agency shows that neoliberalism cannot be described as the success of only the neoliberal intellectuals but must be understood as a collective project of at least three groups of social actors, who cooperate on the basis of shared aims and reciprocal dependency. The two most basic shared aims appear to be maintaining the capitalist market order and fighting organised labour.

These two aims have come under political pressure in the decades since World War Two. In the US and Germany, organised labour saw a continuous rise, both in the sphere of the state and of production. Social democrats, labour parties, democrats and labour unions were at a historical high, using Keynesian macroeconomics to reach their goals, arguing for re-distribution, participation and a strong welfare state. In the sphere of production, it was not only labour unions but also the democratically legitimised (though mostly in passive, representative modes) management of publicly owned entities which challenged private ownership and the rule of profitability. Countries which referred to themselves as 'socialist', such as the USSR, also showed strong economic growth after World War Two up until the 1970's (Allen 2003). It was in this political climate that capitalism started to struggle to deliver its post-war promise of providing a truce and a compromise between the antagonistic interests of capital and labour. The compromise encompassed free capitalist enterprise and private profits, as well as the re-distribution of income and wealth, so that everyone could participate in the prosperity.

As historically exceptional economic growth rates, which were a post-war phenomenon, started to decline, the left-wing cultural demand for more individual freedom became louder and culminated in the cultural momentum of the 1968 movement. Hence, the 'social modernity' (Nachtwey 2016) of the paternalistic Keynesian regulation state came under pressure from the left (see also Müller 2017:16ff.). The possibility of abandoning the path of market capitalism was at least a thinkable option and recognised as a substantial threat by the three described groups of social actors.

In this light, the financial elites started a process of political reformation and organisation. During the late 1960s and throughout the 1970s, the financial elites organised political pro-business organisations and started to heavily finance the formation of neoliberal think-tanks (see also Harvey 2005, Biebricher 2012 and Müller 2017). Within this momentum, neoliberal ideology and its ability to incorporate the left's wishes for individual freedom by making them functions of the market appeared to the financial elites and right-wing politicians as a solution. By incorporating elements of the left-wing cultural momentum into a neoliberal, right-wing critique of social democratic Keynesianism and the social modernity, Friedrich Hayek became what Müller (2017:26) calls a pioneer of post-modernity and the provider of an ideology which enabled the right-wing backlash against organised labour (see also Boltanski and Chiapello 2007). Neoliberals have gone through a tough political struggle since their initial formation in the 1930s. For decades, they were ignored and overlooked. Their experiments did not always work to their fittings and often brought them harsh criticism, but in the 1970s, their ideology finally made it onto the highest political stages via their political and financial collaborators.

Hence, it can be concluded that the Triangle of Neoliberal Agency is constituted by groups of social actors through a collectively shared agency. It is unlikely, however, that these actors are fully aware of this collective motion, or their specific role in it, as would be the case in a 'thought collective' (Mirowski 2013a). A though collective would imply that there is a commonly shared set of defining ideas. Mirowski (2013:68) even calls it a neoliberal "Double Truth Doctrine". This concept suggests that there is some hidden truth to be uncovered, that the neoliberal thought collective secretly shares. In the light of the conclusions drawn from the analyses in this PhD, this notion appears unlikely to be accurate. This could be possible for a small, exclusive circle, like the original MPS. But, as was argued above, the MPS and other intellectual neoliberal circles only represent a fraction of only one of the discussed social actor groups, which push forward the neoliberal agenda. Furthermore, an analysis based on the secret thoughts of social actors is likely to be limited by empirical possibilities, and thus struggles to substantiate its assumptions.

Hence it is proposed here that rather than a thought collective, the push effect of neoliberalism should be described as the product of an agency collective, described in the model of the Triangle of Neoliberal Agency and deducted from empirical observations.

There are, however, two puzzles which do not seem to be sufficiently answered by the Triangle of Neoliberal Agency model. At first, if it was the momentum of political pressure arising from a historical strength of organised labour and the possibility of abandoning the path of market capitalism which steered the three groups towards a collective agency, why is this agency still persisting, over four decades later, despite the lack of political pressure from a strong labour movement particularly or a relevant discourse of abandoning capitalism? And secondly, there is a disruption in the group of right-wing and pro-capitalist politicians. The reason for the rather intricate name of the group is due to the matter that in the 1980s, it was almost exclusively right-wing conservative or classical liberal parties which adapted neoliberal ideology and used neoliberal narratives to their advantage. But this changed during the 1990s when at least formally left-wing politicians, such as Bill Clinton in the US, Tony Blair in the UK and Gerhard Schröder in Germany started pursuing neoliberal politics, including cuts to the welfare state, budgetary discipline, and liberalising financial and labour markets (see Chapter 5.1).

Three lines of argument can help to illuminate this conundrum. Firstly, as was argued in Chapter 6.4.2., neoliberal theories played an important role by supporting right-wing politico-economic programmes with narratives, which could be sold to the public. However, the creation and spreading of neoliberal theories and narratives also played a performative role itself. As was argued in Chapter 7.1.1, neoliberals were very successful in influencing and sustainably changing the academic and public discourse on political economy. Since the 1980's the economic orthodoxy has been considerably influenced by neoliberal theories and models. By changing the explanatory frameworks that political and economic decision makers rely on, neoliberals managed to create a feedback loop, back into politico-economic practice. And, thus, neoliberal theories and narratives have been able to affect also those, who would not consider themselves explicitly neoliberal. Neoliberal politico-economic dogmas, such as *rational agents* and *homo economicus* have become standard axions of contemporary micro-economics. The same is true for the discipline of business administration, were, ROI, ROCE and other shareholder value-based indicators are used as standards for calculating performance and value of a company. Secondly, several authors, such as Mudge (2008) promote the argument that Third Way social democrats, such as Schröder, Blair and Clinton were explicitly neoliberal, and so were their programmes. These candidates succeeded over their inner-party rivals, because they utilised neoliberal narratives, and because they were probably supported by some neoliberal networks and institutions, which had grown very powerful by the late 1990's. During the 1990's, neoliberal institutions had put efforts into building connections to centre-left parties and their candidates. This argument would sit well with the "Triangle of Neoliberal Agency" model, however, is also in need of further investigation. And lastly, it can be argued that neoliberals were successful in creating path dependencies during the Kohl and the Reagan governments. This argument has been explored in Chapter 7.1.2. The examples of creating path dependencies for following governments in the Us and Germany are manyfold and well documented: For example, self-imposing spending restrictions, privatisation of state-owned assets and creation of international financial market systems, including private rating agencies. All these have in common, that once they are put in place, they are difficult to revoke, and likely to strengthen the role of markets versus state-controlled institutions. The following subchapter presents a deeper analysis of path dependencies, not directly created by neoliberals, but regulated by the basic functioning of the capitalist mode of production.

7.2 The 'pull effect'

The conceptualisation of the push effect of neoliberalism produces answers to the question of how neoliberalism was started and how its transformations are operated. It also answers the question of why neoliberalism happens, as all three social groups in the Triangle of Neoliberal Agency have individual goals and collectively shared agendas. It also provides an answer to the question when neoliberalism happened by showing that neoliberals make use of the momentum that is generated in times of crisis. But in this way, neoliberalism appears as an ahistorical political project which can be put into practice whenever politically possible. However, this assertion overlooks the possible systemic and historically specific function that neoliberalism plays in the capitalist mode of production. Hence, in this section, an additional facet of explanation for neoliberalism is proposed.

This historically specific function of neoliberalism for the capitalist mode of production is what is called the 'pull effect' in the following analysis. It represents a corridor of action which is regulated by the systemic demands of capitalism. Hence, this inquiry also attempts to answer the questions of why formally left-wing governments have continued and even accelerated the process of neoliberal transformation, and why less exploitative alternatives to neoliberalism within capitalism are so hard to find.

7.2.1 The role of the profitability crisis

In Chapter 5, it was pointed out that in the sphere of production, the 1970s crisis manifested itself as a crisis of capital profitability. In both case countries, the aggregated rate of profit (ROP) was shown to have fallen to a historical low. The reasons for this specific development appear to be directly connected to structural changes in the capitalist mode of production due to rising competitive pressure between businesses. In the 1960s and 1970s, the long post-war boom, which was represented by historically exceptional economic growth figures, finally drew to an end. Consumer markets in the capitalist economies successively reached saturation and the post-war reconstructions and catching up came to an end too. Falling demand increased the competition in the real economy, and in order to succeed, corporations heavily invested in the production process to increase efficiency. The drop in the aggregated rates of profits in the US and Germany show that firms were systematically running into a problem. The profits did not rise at the same rate as fixed capital was invested into production. Hence, capital profitability systematically fell as investment into fixed capital rose at the same time.

A declining ROP in the aggregate does not pose a threat to any particular business. But on the firm level (micro-level), a low and declining ROP can be dangerous. The basic circulation of production capital starts with the ambition of a capital owner to make profit. In following this ambition, she invests in the means of production, which, in the production process and by applying human labour, is transformed into a product which can be sold for a surplus value. Hence profits are generated for the investor. If this profit is paid to the investor, the simple capitalist circulation is finished, and the investor has reached her goal. What is crucial is that the prospect of profits is the very foundation of capital circulation. If the prospect of profitability is not given, then, in concept as much as in daily investment practice, the investment will not happen. Without constant re-investment in the means of production, a business is not viable. A relatively low ROP and the prospect of its decline, represents a low profitability of investments and, thus, deters investors.

Shifting the focus back to the aggregate level, a declining ROP appears as systemic threat to the aggregated capitalist economy. It can signify that investment is structurally not profitable anymore, and, thus, this basic prerequisite of the capitalist mode of productions is eroding. This is why several authors have called the 1970s profitability crisis a systemic crisis of capitalism (see Chapter 2).

7.2.2 Neoliberalism and the rate of profit

Mathematically, the ROP is simply the rate of surplus value over capital invested. While surplus value is the output of a production process, capital invested is the input. It consists of variable capital, which is the capital invested in workers' wages, and constant capital, which is invested into raw materials and machinery. The relation of constant capital to variable capital is called organic composition (Roberts 2009:27ff.).

ROP = Surplus Value / Capital Invested

Capital Invested = Constant capital + variable capital

In order to understand why the ROP shows a negative trend up to the 1980s, it is useful to look at Marx's original theory of crisis and the theory of the tendency of the rate of profit to fall (TTRPF), which is one of Marx's (1993 [1894]) most substantial theoretical accomplishments and one of his most criticised and passionately discussed. Building on the labour theory of value (LTV), Marx (1993 [1894]) introduced a measurement for the rate of profit (ROP).

7.2.2.1 The theory of the rate of profit to fall

The TTRPF claims that the decline over time is caused by the systemic pressure on capitalists to maximise profits in order to stay competitive within the capitalist mode of production. This schematic description fits with the observed developments in Germany and the US in the run-up to the 1970s crisis. In order to increase profits, they seek higher productivity by investing in technical innovations which raise efficiency. This way, the capitalists can choose between producing the same amount of output with fewer workers or raising the output volume. This causes the organic composition of capital to change. The higher the workforce productivity, the fewer workers are necessary in production. Over time, labour is systematically replaced with non-labour inputs (machinery, plants, robotics, digital bots and other technology). Hence, an increase of absolute surplus value is accompanied by a relative decline of variable capital in the organic composition of capital. But according to the Marxist LTV, it is labour that produces value. The less labour is needed for the production of a commodity, the lower is the surplus value of this commodity. This means that, over time, the amount of investment in fixed capital rises progressively against the surplus value of each product produced in the production process. Thus, the rate of profit, according to this theory, has a systematic tendency to decline over time (Roberts 2016:16f.).

In any case, the practice of analysing profit rates is not a particular Marxist activity. The introduction of SVO to business administration also introduced new forms of financial management based on performance indicators displaying profitability. Popular examples are KPIs such as return on investment (ROI) and return on capital employed (ROCE), which can be expanded to entire KPI trees in order to control and manage whole companies from top to bottom, based on capital profitability. Furthermore, the direct correlation between measures of profitability and capital investment are also of interest to mainstream economists (Roberts (2016:18); see Chapter 4.6).

7.2.2.2 Counter tendencies and restoration of the rate of profit to fall

It has been shown that, mathematically, ROP is measured as surplus value over the composition of constant and variable capital. This can be transformed into the following expression:

ROP =

(Surplus Value / Variable Capital) / ((Constant Capital / Variable Capital)+1)

Hence, mathematically, it appears that ROP can be raised by two main levers. Firstly, by looking at the numerator of the expression, the rate of surplus value over variable cost (hence labour cost) is what is described in Chapter 5 as the 'rate of surplus value' or the 'rate of exploitation' of labour. Secondly, by looking at the denominator, constant capital over variable capital is described in Chapter 5 as the organic composition of capital. It is unlikely that Rappaport (1998) and Stewart (1991), who coined the term 'shareholder value', thus playing an important part in the rise of SVOs, were Marxists. But it is striking how the concept of SVO fits in with the counter tendencies of the TTRPF.

As was shown in Chapter 5, the capitalists' reaction to the profitability crisis can be described in three ways. At first, SVO was introduced as a new order of business administration and corporate governance, putting the (financial) interests of shareholders (hence, capital investors) at the centre of all business activity. This caused a change in the use of corporate surplus value from the retain and reinvest model to a downsize and distribute model. As an effect, constant capital was reduced, which is also depicted by declining accumulation rates. Secondly, hand-in-hand, the rate of exploitation was strongly raised. Thirdly, new sources of profitability were generated, especially in the financial sector. It was shown in Chapter 5 that the ROP shows a strong positive correlation with the rate of exploitation. This allows for the conclusion that the raising labour exploitation has a strong positive effect on the ROP, allowing the tendency of the rate to be reversed from negative into positive. As it was shown in Chapter 5, the ROP in Germany and the US had a positive trend between the beginning of the 1980's and the recession in 2000. Hence, it is plausible that the neoliberal transformations in the sphere of the state and the sphere of production produced this restoration of the ROP in both countries.

However, the intention of this thesis is not to verify the validity of Marx's thesis of the TTRPF. Quite the opposite, this analysis has critically discussed empirical data, including the developments of profit rates, and uses Marx's TTRPF as an input for explaining these observations. Thus, this theory serves this analysis as a framework for an analysis of the underlying systematics of capitalism. The dynamics it explores neither arises from claimed natural laws or from accidental chaos, but are systemic socio-economic relations produced by the capitalist mode of production. As an explanatory framework, the TTRPF is a useful tool for analysing the development of capitalism and its current phase, neoliberalism. Harvey has summed up this point in an accentuated fashion: 'Data that show a falling rate of profit do not necessarily confirm the existence of the specific mechanism to which Marx appealed. This is for me, the most important objection to much of the literature on the subject' (Harvey 2016b:46).

As a conclusion for this discussion, it can be said that neoliberals managed to turn the tide on the negative trend of the rate of profit. The TTRPF must be understood as a tendency, and as integral politico-economic process of capitalism. It is rooted in the mode of production and creates a tensile force for basic capitalist preconditions – a pull effect.

Neoliberal ambitions must be understood as having a systemic role with reference to the capitalist mode of production. Neoliberal transformations in the sphere of the state and in the sphere of production have enabled the restoration of capital profitability since the 1980s. Without these huge transformative efforts, it is questionable if the capitalist mode of production could have been maintained.

To be sure, social actors act upon their particular agendas and ideologies, which, however, are influenced by the determinations of an economic system in order to function in the way these actors want them to function. The ROP is an aggregated depiction of single politico-economic actions in the sphere of the state and of production, which, when combined, generate the restoration of aggregated profitability. Nevertheless, it is also possible that a national government engages in macro-level policy to maintain the basic functioning of the capitalist mode of production in its national economies and avoid capitalist crises by actively stimulating capital profitability. In any case, disregarding whether the impetus springs from the sphere of production or that of the state, the systemic demands for capital profitability have to be met. What is crucial is the understanding that the inherent economic pressure to raise capital profitability influences management decisions at the micro-level in the sphere of production. Neoliberal social actors may be unaware of their relevance to an aggregated ROP and their significance for maintaining capitalist order and it is not necessary for them to be.

In the end, the pull effect applies to any participant and stakeholder in a capitalist economy, consciously or not. This also helps explain why formally centre-left or at least progressive governments in Germany and the US continued within the neoliberal corridor raising the rate of profit by all means, in order to main the necessary preconditions for capitalist investment. In this way, neoliberalism appears to fulfil an essential function for the existence of the capitalist mode of production. Furthermore, as a reaction to a specific historical event, the decline of the ROP, neoliberalism is also historically specific to capitalism.

7.3 The alignment of the 'push effect' and the 'pull effect'

In solving the crisis of profitability, the long held, implicit compromise between the working class and capital owners was broken. The structural pull effect demanded that capital interests had to be given preference over those of the working class in order to guarantee the continuation of capitalism. This means that at this historical point in the trajectory of capitalism, the structural pull effect to restore capital profitability was reconciled with the capitalist class's push effect, the desire for profit maximization.

Gamble (2009) states that in a critical crisis, the possibility of a politico-economic shift to the left and away from capitalism is at least possible, even in the US. However, when unemployment rises as an effect of monetarist economic policy, the pressure is felt by all parts of the population and makes way for a different set of reforms. By making use of neoliberal ideology in the form of politico-economic theory (and some moral philosophy), the social groups of the Triangle of Neoliberal Agency used the momentum of crisis to commence their transformative agendas.

Finally, in the cases of the US and Germany, the neoliberal redistribution model was successful in raising the rate of exploitation of labour and producing sources of profitability as it restored the ROP. Neoliberalism has successfully served this historically specific economic function by aligning the systemic pull effect with the agency of capital interests – the push effect. By re-instigating the rise in the ROP, neoliberalism solved the capitalist crisis of profitability originating in the 1970s and produced sufficient profit margins for capitalists and financial elites. Due to low general economic growth rates, however, the increase in capital profitability had to be based almost entirely on re-distributive measures. Hence, the upward re-distribution of income and wealth during the neoliberal period is not a regrettable side effect but a necessary politico-economic process, central to neoliberalism and its function to sustain the capitalist mode of production.

Hence, neoliberalism is historically specific, meaning that the ascent of neoliberalism has played a particular role necessary for the conduct of capitalism. This can be better understood when one looks at the circumstances of when neoliberals had their historic breakthrough, from being a small liberal cult to inspiring the governments of leading industrial nations. Neoliberalism emerged into political significance during the 1970s profitability crisis. The 1970s crisis was a significant breaking point in political economy. This crisis threatened the capitalist mode of production, raising doubts if it could be sustained. Several economic and political dynamics coincided to create this crisis within capitalism. The crisis not only put the Keynesian consensus at stake, it threatened the whole order of capitalist production. If profitability could not be re-instigated, investment and production could stall permanently. Several countries on the periphery had already switched to economic models which sought alternatives to the capitalist mode of production, while in Europe, ideas such as Eurocommunism and workers' participation were part of the public discourse. Given these developments, the capitalist class was under severe economic and political pressure. This forced pro-capitalist social actors to determine how to solve the problem of capital profitability within the capitalist mode of production. Gamble (2009) and Streeck (2015) point out that neoliberalism was not the only political-economic path the industrialised capitalist economies could have taken; alternatives were on the table, at least in theory. Neoliberalism with all its effects and implications was never inevitable. The neoliberal transformation would not have been possible without corresponding political struggles to build strong neoliberal organisations, influence academic discourse, undergo a power shift towards shareholder interests in the sphere of production and enable a political shift to the right in the sphere of the state. By a collective effort, the three groups of social actors followed their common agenda of maintaining the capitalist mode of production by redistributing incomes and political power to the financial elites, as well as fighting organised labour and socialist ideology. At the same time, while political and economic decisions are clearly made by social actors, following their own agendas, the functioning of the capitalist economy is dependent on systemic, politico-economic preconditions, which have to be provided in order to maintain its functioning. These systemic factors clearly influence the politico-economic decision making of the social actors.

Neoliberal social actors achieved a politico-economic transformation. The structural decline of the aggregated ROP was reversed in the 1980s and had an average positive trend throughout the 1990s until the sharp recession following the bursting of the '.com bubble' pushed it down in the early 2000s. The crisis of profitability which emerged in the 1970s, however, was solved. Until the end of the 20th century, the ROP grew steadily back to its level of the 1950s, when it had first started to decline. This economic achievement did nothing less than save the capitalist mode of production.

This means that neoliberalism is, on the one hand, underpinned by an underlying structural framework, which neoliberal actors might not be aware of, conceptualised here as the systemic pull effect on social actors. On the other hand, neoliberalism is also the product of deliberate actions by such social actors following their own interests. Through historically specific circumstances, three specific groups of social actors collectively share a specific pro-capitalist agency, and by doing so, they form a neoliberal agency collective, which was described in the 'Triangle of Neoliberal Agency' model and is called the push effect, here. This collective agency produces the necessary conditions, which allow a continuation of the capitalist mode of production.

Neoliberalism is thus constituted between a push and pull effect, and, hence, between the collectively shared agency of social actors and the systemic politico-economic requirements of the capitalist mode of production. In what is called neoliberalism, the systemic pull effect aligns with the push effect of capitalist interests restoring capital profitability in order to guarantee the persistence of the basic prerequisites of the capitalist mode of production.

Put into a historical context, it shows that the phase of capitalist hegemony preceding neoliberalism, the social democratic attempt to balance capitalist growth by using different Keynesian approaches, induced a different economically determined frame of action. Throughout this phase, Western capitalist economies experienced strong economic growth, but a dropping rate of profit. These changes in the course of capitalism are the reason why this work refers to neoliberalism as historically specific.

Neoliberalism is constituted within capitalism, where it fulfils historically specific politico-economic and socio-economic functions so that the core principles of capitalist production remain intact. Hence, neoliberalism does not transform the capitalist mode of production, but the related governance of the sphere of the state and of production. It continuously solves capitalism's systemic profitability problem (push effect) through the collectively shared agency of social actors, who pursue the agenda of structural re-distribution of income and power to financial elites (pull effect). This interplay constitutes the essential politico-economic process which underpins neoliberalism.

8 Conclusion

The goals of the conclusion are to point out the agenda this thesis has attempted to engage with, how this was done, and what conclusions and original contributions to the academic discussion of neoliberalism were produced. The aim was to undertake a systematically organised analysis of the phenomenon of neoliberalism so as to be able to draw conclusions about the systemic, politico-economic processes which underpin neoliberalism, contributing to an understanding of how neoliberalism works.

The destination of a systematic analysis considers the question of how the problematic is approached. In this thesis, the approach to neoliberalism consisted of three steps of analysis and two steps of synthesis. The first step of analysis (Chapter 2) considered a broad review of how neoliberalism is perceived in the critical literature and where the cutting edge of it is located today. The second and third analytical steps were intended to examine neoliberalism in a separate fashion from two different angles. At first, neoliberalism was analysed as theory (Chapter 4), focusing on its academic roots, its development through the years, the main politico-economic assertions and its possible contradictions. This examination of neoliberal, politico-economic theory was then complemented by a focused observation of neoliberal practice (Chapter 5). Due to the limitations of this thesis, the analysis considered relevant transformative developments and selected socio-economic data from two case countries, the US and Germany.

Whereas the goal of the analytical chapters was to examine the phenomenon of neoliberalism in its component parts so that they could each be studied in their own respect and isolated conclusions drawn from them, the synthetical chapters aimed to put these components back together through contextualisation and systemisation so that politico-economic processes and patterns could be pointed out and described. This was done in two steps. First, the conclusions of the analyses of neoliberalism as a theory and as a practice were examined in relation to each other and critically discussed so as to better understand the connecting politico-economic processes (Chapter 6). A major focus of this discussion was the understanding of the interplay of neoliberal theory and neoliberal practice. Finally, the last step of the synthesis (Chapter 7) attempted to integrate the relevant findings and draw the conclusions into a concise explanatory model which helps to better understand the politico-economic processes underpinning neoliberalism.

The location of neoliberalism in the critical literature (Chapter 2) revealed indicative problematics in its critique. Firstly, a common pitfall appears to be an idealist conception of neoliberalism, asserting that practice must emanate from theory. This concept is problematic because it claims a logical order, putting theory above practice as its ultimate determination. In the literature, this approach leads to problematic conclusions about neoliberalism. The departure of neoliberal practice from its theoretical goals is falsely understood as failure. The second common misconception of neoliberalism claims a mechanical connection between economic crises and historical development. A large number of authors have heralded the demise of neoliberalism, as the Great Recession evolved, because they misunderstood the politico-economic nature of crises as some sort of mechanically economic, rather than social process. Thirdly, the general popularity of neoliberalism as a subject of study, but also as a negative political term, has contributed to putting the neoliberal label on all kinds of political, economic, cultural and philosophical phenomena without the necessary analytical rigour. Finally, the key literature is distinguished by its limited analytical framework which restricts its analytical depth. This, in turn, hampers its capacity to offer a deeper systemic analysis of the mode of production and its role in the historical trajectory of capitalism. This problem also becomes apparent in Piketty's (2014) approach to income inequality, which overlooks the production process. He points out how the distribution of production outputs (income) has changed over time to the disadvantage of typical wage earners. However, the very existence of income inequality is axiomatic in his analysis and is not questioned. The neoclassical explanatory framework does not allow him to reach a systemic understanding of where income inequality originates, which role it plays in the mode of production, and why it has evolved historically in this particular direction, forming a U-shaped curve. This problem can be avoided by the application of an explanatory framework which takes into account the dynamics inherent in the capitalist mode of production itself and allows for the dynamics which are the direct effects of neoliberalism to be differentiated. Hence, for the sake of this thesis, an explanatory framework was applied which provides a systemic analysis of neoliberalism (Chapter 3). Concretely, this means using Marxist and post-Keynesian frameworks, which facilitate the study of the social relations in terms of allocation, production and distribution. Furthermore, the analyses in Chapters 4 and 5 considered and differentiated between observations in relation to the sphere of the state and the sphere of production.

The structured analysis of neoliberalism as a theory in Chapter 4 has shown that the nexus of neoliberal theories does not provide theoretical coherence. Instead, neoliberal theories encompass several significant contradictions, even in their basic philosophical, political and economic concepts. However, as a common feature, neoliberal theory appears to carry an implicit transformative intention. It has been shown that neoliberals have succeeded in substantially influencing academic discourse, and, at the same time, the explanatory framework to which policymakers and governments refer. Although representing a minority in the academic discourse of political economy, neoliberals have managed to have a substantial influence on it and to transform it to their advantage. Hence, it is concluded that the formulation of neoliberal theory and its effect on academic discourse play a performative role on politico-economic practice; by influencing and creating explanatory frameworks, which politicians and other relevant policy makers base their decisions on.

This transformative ambition has been shown to apply to the role of the state, but also promotes substantial changes to the corporate governance of businesses and, hence, the sphere of production. Neoliberals have shown high levels of pragmatism, accepting compromises and theoretical contradictions. In the cases of anti-trust regulations and monetarism, they have even shown great flexibility in reversing their opinions. This allows the conclusion that for neoliberals it is more important to have significant impact on the discourse, than to preserve the pristine coherence of their theories. It is this pragmatism which allows neoliberals to make political as well as economic claims and to have the flexibility to alter them when needed. Their promises include freedom and prosperity for the individual, efficient commodity distribution and a more efficient organisation of all social processes via the market. More concretely, the trickle-down theory allows neoliberals to assert positive wealth benefits for all income strata if capitalists and top managers can increase their profits.

Nevertheless, neoliberal theory seems to be much clearer in its political vision than its economic vision. The analysis of the application of neoliberal theory to different spheres of political economy has brought to light that it has a conceptual and theoretical problem with democracy. The strictly egalitarian principle of the distribution of voting rights logically contradicts the neoliberal maxim of efficient distribution. It has been shown that, according to neoliberal theory, not only individual freedom but also democratic processes and the state itself are understood as formalised functions of the market. Thus, in looking for an explanation for the apparent success of neoliberal practice and its rise to politico-economic hegemony, neoliberal theory does not appear as a suitable explanation. Neoliberalism did not develop its hegemonic status, which it still maintains today even after deep economic distortions, because of its superior theory.

Chapter 5 provided an analysis of the political and economic transformations between 1970 and today in a two-country study. It was organised in three parts: firstly, the transformations in the sphere of the state, which gave an insight into the political programmes and policies which were put into practice from 1970 to today; secondly, the transformations in the sphere of production, which described the economic issues which capitalist businesses had to face during the time of neoliberalism and how it helped to overcome them; and thirdly, an insight into the socio-economic data relevant to neoliberal practice.

Neoliberal transformation does not appear as a linear process but, instead, is represented by a pattern of actions which seem to be dependent on specific historical circumstances. The neoliberal transformations in the sphere of the state in Germany and the US show some remarkable similarities in their agenda of depressing wage growth by accepting unemployment, as a means of guaranteeing both stable and low inflation rates. Furthermore, each case country has demonstrated the ambition to create a favourable private investment climate by making capital investments more profitable and by creating more lucrative investment possibilities.

A common element of neoliberalism in the two analysed countries is that the process of neoliberal transformation appears as a long-time project, which does not follow a linear trajectory. Hence the process of neoliberalisation cannot be reduced to one single historical moment and a figurative neoliberal bullet-point list. The success of neoliberal politics appears to be highly dependent on historical, politico-economic circumstances. This is the reason why the establishment of Germany as a neoliberal role model failed in the years after 1945, and why neoliberal intellectuals had to wait several decades in order to take centre stage in national governments.

The comparative study of neoliberal transformations in the sphere of production shows clear differences, but also some significant similarities. In terms of economic history, both economies experienced a profitability crisis in the 1970s, during which the sphere of production struggled with a continuous, decade-long fall in capital profitability. In their ambition to overcome this structural crisis, corporate governance saw a shareholder revolution in both countries – shareholders taking over the political and financial focus point of economic activity. In the US, Shareholder Value Orientation (SVO) had, by the 1980s, become the standard of corporate governance and business administration; Germany followed about a decade later. Both in the US and Germany, corporations reacted to the profitability shock by promoting capital efficiency. Corporate management engaged in a broad struggle to reduce input factor costs, with labour costs being the most important input factor for most economic sectors, but also the largest block of factor cost.

In the quest for new sources of profitability, the cases of the US and Germany also show significant similarities. Such is the case with the systematic privatisation of formerly state-owned entities, which, however, does not come as a surprise, as privatisations seem to represent a key economic policy in the neoliberal transformative agenda. However, due to different positions within the competitive international markets for industrialised export goods, the US and Germany chose different paths for supporting profitability. Whereas Germany concentrated on reaching international dominance in exporting industrialised goods, the US focused from an early stage on a financial growth model at the expense of both wage earners and reinvestment in production. However, the empirical data presented in Chapter 5 also indicates that the turnaround since the long-term positive trend of rising capital profitability in the

1980s is principally an effect of the rising rate of labour exploitation in the US and Germany. Thus, it shows that in both countries, neoliberal transformations in the sphere of the state and of production are significantly to the benefit of capital investors and members of the financial elite. In both spheres, this social group expanded its political power by reaching into formerly publicly controlled industries and services, with the introduction of SVO being the new standard of business administration and corporate governance. Furthermore, they expanded their economic possibilities with favourable changes in tax regimes and market regulations, especially those of financial- and labour markets. As a result, both countries showed a widening income gap between the top 10 percent and the bottom 90 percent of income share. The data presented in Chapter 5 suggests that such an effect took place in the US and Germany, causing a significant and historic re-distribution of income and wealth.

Held up against the observations of neoliberal practice in Chapter 5, one could assume that theory and practice are mostly discordant. It has been shown that in both case countries, the central claims made by those extolling the benefits of neoliberalism – fair income distribution, accelerating economic growth, economic stability, a smaller state – are not substantiated. Following an idealist approach to such findings, one could quickly conclude that neoliberalism has been a broad, politico-economic failure. However, in Chapter 6, we show that neoliberal practice does not follow neoliberal theory, but instead that neoliberal theory is integrated into neoliberal practice, forming a feedback loop, where theory is adapted according to the changing needs and circumstances of neoliberal practice. This is also in accordance with the conclusions of Chapter 4 about the particular adaptability of neoliberal theories, and the notion that through their performative role, they can influence the explanatory frameworks on which political and economic decision makers rely.

In this light, neoliberal theory can be better understood as fulfilling an essential function in support of neoliberal practice by providing a politically favourable narrative. This is necessary in countries with democratically elected countries because the outcomes of neoliberal policy are biased in favour of financial elites and directly against the interests of wage earners. In this sense, neoliberal theories provide narratives which obscure the actual agenda of neoliberal practice.

The study of neoliberal theories did not produce a satisfactory, coherent outcome or demonstrate that they have clear goals or an agenda. However, our analysis of neoliberal practice reveals that different neoliberal actions and approaches appear to have remarkably similar outcomes. The analysis shows that almost all observed neoliberal policies result in the re-distribution of income towards the highest income levels. In Chapter 6, we concluded that the systematic upward re-distribution of income is a common neoliberal goal. It is likely that, for some of the social actors, the upward re-distribution appears as an end to itself. However, in context of other politico-economic processes, it must also be understood as an element in a more profound economic function.

It was shown that in both case countries, the crisis of falling capital profitability could be resolved, reversing the trend of the 1980s with neoliberal actions in the sphere of the state and of production. With the introduction of monetarism and other neoliberal policies, governments in the US and Germany turned towards an open promotion of capital profitability, which still continues today. However, the historically outstanding rise in capital incomes in the US and Germany could not be financed by economic growth, which was systematically lower than in the decades prior to the profitability crisis. Instead, it was made possible by the systematic upward re-distribution of incomes. It can be said that neoliberalism systematically boosts capital profitability by, at the same time, depressing wage growth. This means that, where there is a lack of economic growth, the rise in capital profitability and increase in higher earnings must be generated by a systematic transfer of income expropriated from wage earners.

This means that the successful restoration of the aggregated rates of profit in the US and Germany is systemically dependent on the structural dispossession of the bottom 90 percent of the income strata. That the development of the aggregated rates of profit in both case countries appears in close correlation with the development of the rate of exploitation underlines this conclusion. The significant similarities in the described economic developments (development of rates of profits, profitability crises, depression of wage growth, promotion of capital income, re-distribution of income and wealth) in the US and Germany, despite regional, political and economic differences, point towards the conclusion that the interlocking of these politico-economic processes should be regarded as essential neoliberal, political processes.

This conclusion allows for two major deductions. At first sight, the issues of income distribution and the concentration of wealth at the very top of the income strata appear to be direct effects of neoliberal transformations in the sphere of production and of the state, and result from a decades-long, continuous process of expropriation. Hence, it is unlikely that they are accidental or unwanted side effects. Instead, considering the apparent bias of neoliberal practice towards capital profitability, the systematic upward re-distribution of income appears as the deliberate outcome of such practice. Secondly, the distributional effects of the neoliberal era cannot be understood as being isolated from the transformations in the two spheres of the state and production. Instead, the rising gap between top incomes and the remainder must be understood in the systemic context of the way production processes are organised, especially in the context of the rise of shareholder value orientation (SVO) in corporate governance and other significant changes in business administration. In this light, the question of the allocation of the means of production, that is, if a corporation is organised privately or publicly, also plays an important role. The neoliberal transformations in the sphere of production and the subordination of business activity to the imperative of shareholder value maximisation must be understood as major drivers of income re-distribution.

What is at work here is an interplay between the micro-economic considerations of capital circulation in the sphere of production and distributional effects at the macro level. It is a capital investor's financial rationale to keep the cost of production input factors, such as wages for labour, as low as possible in order to maximise their profits. This argument is not only understood by Marxists but is a basic principle of business administration. What it means, for the sake of the argument in this chapter, is that the systematic depression of wage growth, as was achieved by neoliberal transformative efforts in the sphere of the state and the sphere of production, is a central means of promoting capital profitability in a micro-economic context, which, by aggregation, contributes to the observed restoration of the rate of profit at the macro-economic level.

Hence, the central agenda of neoliberalism appears to be, firstly, a re-distribution of income and wealth to financial elites to guarantee increasing profitability for capital investors. Secondly, this agenda has a historical element by providing solutions to the structural profitability crisis in the sphere of production. This politico-economic interrelation was further investigated in Chapter 7. Furthermore, if there is an agenda, there must be agency, as well as social agents. However, it appears unlikely that these agents share a common understanding of the historical dimension of their actions. Moreover, it appears unlikely that they share any conscious sense of collectiveness at all.

The notion that neoliberalism has an agency of its own, which is not an uncommon notion in the critical literature, must be discarded as an easy way out.

In order to make sense of this dynamic, Chapter 7 proposes the 'push and pull model'. It maintains that neoliberalism is produced by conscious neoliberal actions, by social actors promoting the neoliberal agenda – thus the 'push effect'. However, at the same time, there are politico-economic processes at work which regulate a corridor of action within the capitalist mode of production, exerting a guiding function – the 'pull effect'. These two effects produce a politico-economic tension, via which neoliberalism is manifested.

The push effect of neoliberalism, that is the conscious agency for neoliberal transformation, was described as the collective motion of three differentiable groups of agents, which form a 'Triangle of Neoliberal Agency'. The first group are neoliberal intellectuals, the second, financial elites, and the third, right-wing and pro-capitalist politicians. These groups are distinguishable by their political aims and their field of neoliberal transformation; however, they have a collectively shared agency. It is unlikely, however, that these actors are conscious of this collective endeavour, nor their specific role in it, as would be the case in a 'thought collective', as Mirowski (2013a) argues. Hence it is proposed here that rather than a thought collective, the push effect of neoliberalism is better conceived of as the product of a collective agency, described through the model of the Triangle of Neoliberal Agency.

The conceptualisation of the push effect of neoliberalism produces answers to the question of how neoliberalism emerged, and how its transformations are carried out. It also answers the question of why neoliberalism happens, as all three social groups in the Triangle of Neoliberal Agency have individual and collective agendas.

However, the push effect only explains one side of neoliberalism as a politico-economic process. With the push effect alone, neoliberalism appears as an ahistorical, political agenda, free of deeper, systemic relevance. However, as argued in Chapter 7, it also inherits a historically specific, economic function within the capitalist mode of production. This function is regulated by the basic micro-economic needs of the capitalist mode of production, as described in Chapters 5 and 6. Capitalist production is made possible by capital investment with the prospect of profit. Without this outlook of capital profitability, investment becomes unattractive and production can stall. The prospect of capital profitability, thus, is a definitive and basic prerequisite for the functioning of the capitalist mode of production.

Analysed in respect of this basic prerequisite and its role in the sphere of production, neoliberalism presents itself as a solution to the structural profitability crisis by promoting capital profitability. This development can be empirically observed at an aggregate level: the rate of profit (ROP) is the ratio of profit to the capital employed in production. In both case countries, after the Second World War, the ROP had an average negative trend, reaching its lowest point around 1980. In the 1980s, however, the fall of the ROP was arrested and even reversed, suggesting that the profitability of invested capital was successfully increased by neoliberalism. Hence, it can be concluded that neoliberalism is not only a historical phase in the capitalist trajectory, but is historically specific, meaning that the ascent of neoliberalism has played a particular and necessary role in the conduct of capitalism.

By locating the agency collective of the push effect and the historically specific element of the pull effect in their context, it can be concluded that neoliberals have been providing a solution to a specific problem of the capitalist mode of production. This has been achieved by social actors such as of the Triangle of Neoliberal Agency – consciously or not – directing the governance of the sphere of the state and of production towards ever greater capital profitability, to the detriment of most of the working population. If one follows the Marxist theory of a declining rate of profit, the economic pressure of the profitability mechanism is constantly rising, making it ever more difficult to provide effective 'countermeasures' to maintain attractive levels of capital profitability.

Neoliberalism is constituted within capitalism, where it fulfils critical, historically specific politico-economic functions so that the core principles of capitalist production remain intact. In reference to the research question formulated in Chapter 3, 'What are the essential politico-economic processes underpinning neoliberalism?', it can be stated that: Neoliberalism is a historically specific phase in the capitalist mode of production which is stimulated by a structurally determined politico-economic process (pull effect) and the collectively (albeit unconsciously) shared agency of distinct social groups following a common set of basic politico-economic interests (push effect), with the prospect of restoring capital profitability by transformations in the sphere of the state and of production in order to achieve a re-distribution of income, wealth and political power towards financial elites. These transformations help to satisfy the structural prerequisites of basic capitalist circulations, without which the capitalist mode of production could not be maintained.

Thus, finally, and in light of these conclusions, it can be noted that Margaret Thatcher was only half right with her famous slogan, abbreviated as TINA, where she claimed that 'there is no alternative' to neoliberalism. It shows that within the logic of the capitalist mode of production, neoliberalism fulfils such a critical role in providing the basic conditions for the production process that it appears indispensable. An alternative to neoliberalism and its main socio-economic outcomes might only be found outside capitalism.

9 Abbreviations List

AFDC	Aid to Families with Dependent Children
AFL-CIO	American Federation of Labour and Congress of Industrial Organizations
ARRA	American Recovery and Reinvestment Act
BDA	Bundesvereinigung der Deutschen Arbeitgeberverbände (national roof organisation of German employers)
BEA	US Bureau of Economic Analysis
CDO	Collateralised Debt Obligation
CDU	Christlich Demokratische Union (Christian Democratic Union)
CEO	Chief Executive Officer
CFO	Chief Financial Officer
C.Fix	Fixed Capital (= Real Capital)
CMO	Collateralised Mortgage Obligation
CPI	Consumer Price Index
CSR	Corporate Social Responsibility
CSU	Christlich Soziale Union (Christian Social Union)
C.Var	Variable Capital (=Circulating Capital)
DDR	Deutsche Demokratische Republik (see also GDR)
DM	Deutsche Mark
DSGE	Dynamic Stochastic General Equilibrium
ECB	European Central Bank
EITC	Earned Income Tax Credit
EGTRRA	Economic Growth and Tax Relief Reconciliation Act

EMS	European Monetary System
EPA	Environmental Protection Agency
ERM	(European) Exchange Rate Mechanism
ERTA	Economic Recovery Tax Act
EU	European Union
EVA	Economic Value Added
FDI	Foreign Direct Investment
FDP	Freie Demokratische Partei (free demecratic party)
FED	Federal Reserve of the United States of America
FMA	Financial Modernisation Act
GDP	Gross Domestic Product
GDR	German Democratic Republic (also DDR in German)
G8	Association of US, Britain, France, Germany, Italy, Canada, Japan and Russia
IMF	International Monetary Fund
IPO	Initial Public Offering
JGTRRA	Jobs and Growth Tax Relief Reconciliation Act
KPI	Key Performance Indicator
LTFRP	Law of the Tendential Fall in the Rate of Profit
LTV	Labour Theory of Value
M&A	Mergers and Acquisitions
MEW	Marx Engels Werke (Collected works of Marx and Engels)
MPS	Mont Pèlerin Society
MTF	Marxist Theoretical Framework

MVA	Market Value Added
NAIRU	Non-Accelerating Inflation Rate of Unemployment
NATO	North Atlantic Treaty Organisation
NGM	Neoliberal Growth Model
NHS	National Health Service on Great Britain
NLRB	National Labour Relations Board
NOPAT	Net Operating Profits After Tax
NSDAP	Nationalsozialistische Deutsche Arbeiterpartei (National Socialist German Workers Party)
NTC	Neoliberal Thought Collective
OBRA	Omnibus Budget Reconciliation Act
OECD	Organisation for Economic Cooperation and Development
OSHA	Occupational Safety and Health Agency
OMB	Office of Management and Budget
PAC	Political Action Committee
PATCO	Professional Air Traffic Controllers Organisation
PC	Personal Computer
PRA	Private Rating Agency
PRWORA	Personal Responsibility and Work Opportunity Reconciliation Act
R&D	Research and Development
ROCE	Return on Capital Employed
ROE	Rate of Exploitation (ROE is also used for Return on Equity)
ROI	Return on Investment
ROP	Rate of Profit

SDAP	Sozialdemokratische Arbeiterpartei (Social Democratic Workers' Party)
SPD	Sozialdemokratische Partei Deutschlands (German Social Democratic Party)
SVO	Shareholder Value Orientation
S&P 500	Standard and Poor's 500 (index of 500 largest US publicly traded companies)
TANF	Temporary Aid for Needy Families
TNC	Transnational Corporation
TRA	Tax Reform Act
TTRPF	Theory of the Tendency of the Rate of Profit to Fall
US	United States
USSR	Union of the Soviet Socialist Republics (also Soviet Union)
WID	World Inequality Database (www.wid.world)
WTO	World Trade Organization
ZIP	Zukunftsinvestitionsprogramm (Future Investment Programme)

10 Bibliography

Aglietta, Michel (1976) Régulation et crises du capitalisme – L'expérience des États-Unis, Calmann-Lévy, Paris

Aglietta, Michel (2000) Shareholder value and corporate governance: some tricky questions, In: Economy and Society, Vol. 29, (No. 01) 2000, pp. 146-159

Agostin, Manuel/ Tussie, Diana (1993) Trade and Growth: New Dilemmas in Trade Policy – An Overview, In: Trade and Growth: New Dilemmas in Trade Policy (1993), Mcmillan, London

Allen, Robert, C (2003) Farm to Factory – A reinterpretation of the Soviet industrial revolution, Princeton University Press, Princeton

Altmaier, Peter (2018) 'mehr Markt, weniger Staat', quoted in: Der Spiegel, „Wirtschaftsminister Altmaier fordert „mehr Markt, weniger Staat', 14.06.2018, https://www.spiegel.de/wirtschaft/soziales/peter-altmaier-wirtschaftsminister-fordert-mehr-markt-weniger-staat-a-1212857.html, last viewed 26.10.2020

Altvater, Elmar (2009) Postneoliberalism or Postcapitalism - The failure of neoliberalism in the financial market crisis, In: Development Dialogue, Vol. 51, (2009), pp. 73-86

Alvaredo, Facundo/ Atkinson, Anthony, B./ Piketty, Thomas/ Saez, Emmanuel (2013) The Top 1 Percent in International and Historical Perspective, In: Journal of Economic Perspectives, Vol. 27(No. 03), pp.3-20.

Amadeo, Kimberly (2019a) Omnibus Budget Reconciliation Act – What Presidents Reagan, Bush 41 and Bill Clinton All Have in Common, In: TheBalance.com, US Economy, Fiscal Policy, last updated: Updated March 13, 2019, https://www.thebalance.com/omnibus-budget-reconciliation-act-3305757 (last viewed: 02.08.2019)

Amadeo, Kimberly (2019b) Supply-Side Economics With Examples – Does It Work?, In: TheBalance.com, US Economy, Economic Theory, last updated: April 06, 2019, https://www.thebalance.com/supply-side-economics-does-it-work-3305786 (last viewed: 02.08.2019)

Amadeo, Kimberly (2019c) JGTRRA, The Jobs and Growth Tax Relief Reconciliation Act of 2003 – Why JGTRRA Should Have Ended in 2004, In: theBalance.com, US Economy, Fiscal Policy, last updated: February 07, 2019, https://www.thebalance.com/jobs-and-growth-tax-relief-reconciliation-act-2003-3305769 (last viewed 02.08.2019)

Amadeo, Kimberly (2019d) Unemployment Rate by Year Since 1929 Compared to Inflation and GDP, In: theBalance.com, Economy Stats, Unemployment, last updated: October 02, 2019, https://www.thebalance.com/unemployment-rate-by-year-3305506#citation-3 (last viewed 10.10.2019)

Arestis, Philip/ Karakitsos, Elias (2011) An analysis of the causes of the 'Great Recession' and some policy implications, In: Niechoj, Torten/ Onaran, Özlem/ Stockhammer, Engelbert/ Truger, Achim/ van Treeck, Till (eds.) (2011) Stabilising an unequal economy? – Public debt, financial regulation and income distribution, Metropolis, Marburg, pp. 63-80

Arestis, Philip/ Sawyer, Malcolm (2005) Neoliberalism and the Third Way, In: Saad-Filho, Alfredo/ Johnston, Deborah (eds.) (2005) Neoliberalism – A Critical Reader, Pluto Press, London, pp. 117-183

Augstein, Franziska (2011) In die Kissen und die Pfühle, denn da liegt man nicht gerne kühle. Die alten und die neuen federn der Geschichtswissenschaft: Ulrich Herberts Geburtstagssymposium in Freiburg, In: Süddeutsche Zeitung, Ausgabe 19.09.2011

Bakir, Erdogan/ Campbell, Al (2010) Neoliberalism, The Rate of Profit and the Rate of Accumulation, In: Science and Society, Symposium: Capitalism and Crisis in the 21st Century, Vol. 74 (No. 03), 2010, pp. 323-342

Bakir, Erdogan/ Campbell, Al (2016) Kalecki and the Determinants of the Profit Rate in the United States, In: Review of Radical Political Economics, Vol 48, (No. 04), pp. 577-587

Barba, Aldo/ Pivetty, Massimo (2009) Rising household debt: Its causes and macroeconomic implications – a long-period analysis, In: Cambridge Journal of Economics Vol. 33, 2009, pp. 113–137

Becker, Gery, S. (1993 [1964]) Human Capital – A Theoretical and Empirical Analysis with Reference to Education, (3rd edition 1993), University of Chicago Press, Chicago

Becker, Joachim (2002) Akkumulation, Regulation, Territorium – Zur kritischen Rekonstruktion der französischen Regulationstheorie, Metropolis, Marburg

Becker, Joachim (2009) Regulationstheorie, In: Becker et.al. (2009) Heterodoxe Ökonomie, Metropolis, Marburg, pp. 17-34

Bell, Daniel (1974) The Coming of Post-industrial Society, Heinmann, London

Bengtsson, Erik/ Ryner, Magnus (2014) The (International) Political Economy of Falling Wage Shares: Situating Working Class Agency, In: New Political Economy, 2014, pp. 1-25

Biebricher, Thomas (2012) Neoliberalismus zur Einführung, Junius, Hamburg

Biebricher, Thomas (2018) The Political Theory of Neoliberalism, Stanford University Press, Stanford

Blanchard, Olivier, J. (2008) The State of Macro, NBER Working Paper No. 14259, Cambridge, MA: National Bureau of Economic Research

Boas, Taylor, C./ Gans-Morse, Jordan (2009) Neoliberalism: from new liberal philosophy to anti-liberal slogan, In: Studies in Comparative International Development, Vol. 44 (No. 02) 2009, pp. 137-161

Boltanski, Luc/ Chiapello, Eve (2007) The New Spirit of Capitalism, Verso, London, First published as *Le nouvel esprit du capitalisme* (1999) by Editions Gallimard

Boyer, Robert (2004) Une théorie du capitalisme est-elle possible?, Odile Jakob, Paris

Braverman, Harry (1998) Labor and Monopoly Capital – The Degradation of Work in the Twentieth Century, 25th anniversary edition, Monthly Review Press, New York

Brenner, Neil/ Theodore, Nik (2002) Cities and geographies of 'actually existing neoliberalism', In: Antipode: A Radical Journal of Geography, Vol. 34 (No. 03), pp. 349-379

Brinkmann, Ulrich (2011) Die unsichtbare Faust des Marktes – Betriebliche Kontrolle und Koordination im Finanzmarktkapitalismus, edition sigma, Berlin

Brown, Wendy (2006) American Nightmare: Neoliberalism, Neoconservatism, and De-Democratization, In: Political Theory, Vol. 34 (No. 06), pp. 690-714

Brown, Wendy (2015) Die schleichende Revolution – Wie der Neoliberalismus die Demokratie zerstört, Suhrkamp, Berlin

Brown, Wendy, (2019) In the Ruins of Neoliberalism – The Rise of Antidemocratic Politics in the West, Columbia University Press, New York

Bruff, Ian (2014) The Rise of Authoritarian Neoliberalism, In: Rethinking Marxism, Vol. 26 (No. 01) pp. 113-129

Bruff, Ian (2016) Neoliberalism and Authoritarianism, In: Springer, S./ Birch, K./ Mac-Leavy, J. (eds) (2016) The Routledge Handbook of Neoliberalism, Routledge, Abingdon, pp. 107-117

Buchanan, James, M./ Tullock, Gordon (1962) The Calculus of Consent – Logical Foundations of Constitutional Democracy, University of Michigan Press, Ann Arbour

Buchanan, James, M. (1975) The Limits to Liberty: Between Anarchy and Leviathan, University of Chicago Press, Chicago

Buchanan, James, M. (1997) Has Economics List Its Way? – Reflections on the Economists' Enterprise and the End of the Century, Fairfax (VA), (Institute for Humane Studies at George Mason University)

Buiter, Willem (2009) The unfortunate uselessness of most 'state of the art' academic monetary economics, MPRA Paper No. 58407, posted 8. September 2014, http://mpra.ub.uni-muenchen.de/58407/ (last viewed 27.06.2019)

Butt, Ronald (1981) Mrs. Thatcher: The first two years, Interview with Margaret Thatcher, In: Sunday Times, 03.05.198, www.margaretthatcher.org/document/104475, (last viewed 26.08.2019)

Butterwegge, Christoph (2007) Drehbuch für Sozialabbau, In: taz.de, Gesellschaft, Debatte, published 06.09.2007, https://taz.de/Debatte/!5195426/ (last viewed: 19.09.2019)

Butterwegge, Christoph (2012) Krise und Zukunft des Sozialstaates, VS Verlag für Sozialwissenschaften, Wiesbaden

Callinicos, Alex (2010) Bonfire of Illusions – The Twin Crises of the Liberal World, Polity, London

Campbell, Al (2005) The Birth of Neoliberalism in the United States: A Reorganisation of Capitalism, In: Saad-Filho, Alfredo/ Johnston, Deborah (eds.) (2005) Neoliberalism – A Critical Reader, Pluto Press, London, pp. 187 – 198

Charchedi, Guglielmo (2016) Was the Great Recession a Crisis of Profitability?, In: Science & Society, Vol. 80 (No. 4) October 2016, pp. 495–514

Carlin, Wendy/ Soskice David (2009) German economic performance: disentangling the role of supply-side reforms, macroeconomic policy and coordinated economy institutions, In: Socio-Economic Review (No. 07), 2009, pp. 67-99

Cassidy, John (2009) How Markets Fail, Penguin, New York

Center of Budget and Policy Priorities (2018) Policy Basics: An Introduction to TANF, In: CBPP.org, updated August 15, 2008, https://www.cbpp.org/research/family-income-support/policy-basics-an-introduction-to-tanf, (last seen 07.08.2019)

Chang, Ha-Joon (2003) Kicking away the ladder – development strategy in historical perspective, Anthem Press, London

Chomsky, Noam (1999) Profit over People – Neoliberalism and global order, Seven Stories Press, New York

Clarke, Simon (2005) The Neoliberal Theory of Society, In: Saad-Filho, Alfredo/ Johnston, Deborah (eds.) (2005) Neoliberalism – A Critical Reader, Pluto Press, London, pp. 50-59

Clua-Losada, Mònica/ Ribera-Almandoz, Olatz (2017) Authoritarian Neoliberalism and the Disciplining of Labour, In: Tansel, Cemal, Burak (ed.),(2017) States of Discipline – Authoritarian Neoliberalism and the Reproduction of Capitalist Order, Rowman & Littlefield, London

Cox, Michael/ Alm, Richard (2000) Myths of the Rich and the Poor – Why We're better Off than We Think, Basic Books, New York

Coyle, Diana (1999) The Weightless World, The MIT Press

Coyle, Diana (2001) Paradoxes of Prosperity – Why the New Capitalism Benefits all, Textere, New York

Crotty, James (2009) Structural causes of the global financial crisis: a critical assessment of the 'new financial architecture', In: Cambridge Journal of Economics Vol. 33, (2009), Cambridge, pp. 563–580

Crouch, Colin (2005) Post-democracy, Polity, Cambridge (UK)

Crouch, Colin (2009) Privatised Keynesianism: An Unacknowledged Policy Regime, In: The British Journal of Politics and International Relations, Vol. 11, 2009, Political Studies Association, London, pp. 382-399

Crouch, Colin (2011) The Strange Non-Death of Neoliberalism, Polity, Cambridge (UK)

Dahrendorf, Ralf (1992) Der moderne soziale Konflikt, DVA, Stuttgart

Dawson, Matt (2010) Book Review: Kevin Doogan, New Capitalism? The Transformation of Work, In: European Journal for Social Theory Vol. 13 (2), 2010, pp. 290-294

Dean, Mitchell (2014) Rethinking Neoliberalism, In: Journal of Sociology, Vol. 50 (2), 2014, pp. 150-163

Deraniyagala, Sonali (2005) Neoliberalism in International Trade: Sound Econmics or Question of Faith?, In: Saad-Filho, Alfredo/ Johnston, Deborah (eds.) (2005) Neoliberalism – A Critical Reader, Pluto Press, London, pp. 99-105

Deutsche Bundesbank (2020) Balance of payments, https://www.bundesbank.de/en/statistics/external-sector/balance-of-payments/balance-of-payments-776588, last viewed 09.08.2020

Doogan, Kevin (2009) New Capitalism? – The Transformation of Work, Polity, London

Downs, Anthony (1957) An Economic Theory of Democracy, Harper and Brothers, New York

Duménil, Gérard/ Lévy, Dominique (2004) Neoliberal Income Trends: Wealth, Class and Ownership in the USA, In: New Left Review, Vol. 30, (2004), pp. 105-133

Duménil, Gérard/ Lévy, Dominique (2004) Capital Resurgent – Roots of the Neoliberal Revolution, Harvard University Press, Cambridge (MA)

Duménil, Gérard/ Lévy, Dominique (2005) The Neoliberal (Counter-)Revolution, In: Saad-Filho, Alfredo/ Johnston, Deborah (eds.) (2005) Neoliberalism – A Critical Reader, Pluto Press, London, pp. 9-19

Duménil, Gérard/ Lévy, Dominique (2011) The Crisis of Neoliberalism, Harvard University Press, Cambridge (MA)

Duménil, Gérard/ Lévy, Dominique (2016) Technology and Distribution in Managerial Capitalism: The Chain of Historical Trajectories à la Marx and Countertendential Traverses, In: Science & Society, Vol. 80 (4), 2016, pp. 530-549

Duménil, Gérard/ Lévy, Dominique (2018) Managerial capitalism – ownership, management & the coming new mode of production, Pluto Press, London

Dünhaupt, Petra (2012) Financialization and the rentier income share – evidence from the USA and Germany, International review of Applied Economics, Vol. 26 (4), 2012 pp. 465-487

Dünhaupt, Petra (2013) The effect of financialization on the labor's share of income, Working Paper, Institute for International Political economy Berlin, No. 17/2013

Dünhaupt, Petra (2014) An empirical assessment of the contribution of financialization and corporate governance to the rise in income inequality, Working Paper, Institute for International Political Economy Berlin, No. 41/2014

Dünhaupt, Petra (2016) Financialization and the Crisis of Capitalism, Working Paper, Institute for International Political Economy Berlin, No. 67/2016

Dünhaupt, Petra (2017) Determinants of labour's income share in the era of financialisation, In: Cambridge Journal of Economics, Vol. 41, (2017), pp. 283-306

Ebenstein, Alan (2001) Friedrich Hayek: A Biography, Palgrave, New York

ECB, European Central Bank (2007) Share buybacks in the Euro area, In: ECB Monthly Bulletin, May (2007), pp. 87-103

Engartner, Tim (2017) Privatisierung und Liberalisierung – Strategien zur Selbstentmachtung des öffentlichen Sektors, In: Butterwegge, Christoph/ Lösch, Bettina/ Ptak, Ralf (eds.) (2017) Kritik des Neoliberalismus (first edition 2007), Springer VS, Wiesbaden, pp. 79-121

Epstein, Gerald, A. (2005) Introduction: Financialisation and the World Economy, In: Epstein, Gerald, A. (Eds.) (2005), Financialisation and the World Economy, Edward Elgar, Chelterham, pp. 3-16

Epstein, Gerald, A./ Jayadev, Arjun (2005) The Rise of Rentier Incomes in OECD Countries: Financialization Central Bank Policy and Labor Solidarity, In: Epstein, Gerald, A. (Eds.) (2005), Financialisation and the World Economy, Edward Elgar, Chelterham, pp. 46-74

Eucken, Walter (1949) Die Wettberwerbsordnung und ihre Verwirklichung, In: ORDO, Vol. 3, (1949), pp. 1-99

Fama, Eugene (1965) The behavior of stock-market prices, In: Journal of Business, Vol. 38, pp. 34–105.

Fama, Eugene (1970) Efficient capital markets: A review of theory and empirical work, In: Journal of Finance, Vol. 25, pp. 383–417.

Faux, Jeff (1989) Reaganomics and the Restructuring of the U.S. Industry, In: Faux, Jeff/ Kahler, Miles/ Carnoy, Martin (eds.) (1989) The U.S. Economy after Reagan, Friedrich Ebert Stiftung, Bonn, pp. 5-29

Fine, Ben/ Dimakou, Ouriana (2016) Macroeconomics – A Critical Companion, Pluto Press, London

Foley, Duncan, K. (2006) Adam's Fallacy – A Guide to Economic Theology, Harvard University Press, Cambridge (MA)

Foster, John Bellamy/ Magdoff, Fred (2008) Financial implosion and stagnation – Back to the real economy, In: Monthly Review, Vol. 60 (No. 07), 2008, pp. 1-29 http://monthlyreview.org/2008/12/01/financial-implosion-and-stagnation/

Frank, Thomas (2000) One Market Under God, Extreme Capitalism, Market Populism and the End of Economic Democracy, Vintage, London

Friedman, Milton (1951a) Nyliberalismen Og Dens Muligheter [Neoliberalism and its prospects], Farmand, February 17, pp. 91-93, translated by Annette Nyqvist and Jamie Peck; quoted in: Peck, Jamie, (2010) Constructions of neoliberal reason, Oxford University Press, Oxford (Paperback Version)

Friedman, Milton (1951b) Neoliberalism and its Prospects, Farmand, February 17, pp.89-93, Quoted in: Van Horn (2015) Reinventing Monopoly and the Role of Corporations – the Roots of Chicago Law and Economics, In: Mirowski, Philip/ Plehwe Dieter (2015 [2009]) The Road From Mont Pèlerin – The Making of the Neoliberal Thought Collective, Harvard University Press, Cambridge (MA), pp. 204-237

Friedman, Milton (2002 [1962]) Capitalism and Freedom, University of Chicago Press, Chicago, 40th Anniversary Edition (2002)

Friedman, Milton (1975) 'One of the great mistakes is to judge policies and programs by their intentions rather than their results.', quoted from Interview on The Open Mind 1975, In: miltonfriedman.hoover.org, Collected Works of Milton Friedman Project records, Living within Our Means: Milton Friedman Interview, December 07, 1975z, http://www.thirteen.org/openmind-archive/public-affairs/living-within-our-means (last viewed 05.07.2020)

Friedman, Milton (1980) Television interview, In: *Created Equal*, an episode of the PBS *Free to Choose* television series (1980), (vol. 5), transcript

Friedman, Milton (1993) Speech at the grand opening og Cato Institutes's headquarters in Washington, D.C, in 1993, transcript of video file, found on: https://www.youtube.com/watch?v=L9LMFadEatI, last seen 12.07.2019

Friedman, Milton/ Friedman, Rose, D. (1999) Two lucky people: Memoirs, University of Chicago Press, Chicago

Froud, Julie/ Haslam, Colin/ Johal, Sukhdev/ Williams, Karel (2000) Shareholder Value and Financialisation: consultancy promises, management moves, In: Economy and Society, Vol.29 (01), 2000, pp. 80-110

Gamble, Andrew (2009) The Spectre at the Feast – Capitalist Crisis and the Politics of Recession, Palgrave Macmillan, New York

Gamble, Andrew (2014) Crisis without End? – The Unravelling of Western Prosperity, Palgrave Macmillan, New York

Giroux, Henry, A. (2010) Zombie Politics and Culture in the Age of Casino Capitalism, Peter Lang Inc., New York

Gould, Elise (2014) Why America's Workers Need faster wage Growth and What We Can Do About It, In: Economic Policy Institute, Report/Wages Incomes and Wealth, http://www.epi.org/publication/why-americas-workers-need-faster-wage-growth/, last viewed: 25. August 2015

Gramsci, Antonio (1991) Gefängnishefte, Argument, Hamburg

Grossman, Sanford, J./ Stiglitz, Joseph, (1980) On the Impossibility of Informationally Efficient Markets, In: The American Economic Review, Vol. 70 (3), 1980, pp. 393-408

Hall, Peter, A./ Soskice, David (eds.) (2001) Varieties of Capitalism – The Institutional Foundations of Comparative Advantage, Oxford University Press, Oxford

Hall, Stuart/ Jacques, Martin (1983) The politics of Thatcherism, Lawrence & Wishart Ltd, London

Hanlon, Gerard (2016) The Dark Side of Management – A Secret History of Management History, Routledge, London

Hardyn, Carolyn (2014) Finding the 'Neo' in Neoliberalism, In: Cultural Studies, Vol. 28 (2), 2014, pp. 199-221

Harman, Chris (2010) Zombie Capitalism – Global Crisis and the Relevance of Marx, (first published 2009 by Bookmarks Publications), Haymarket Books, Chicago

Harvey, David (2006 [1982]) Limits to Capital, , Verso, London

Harvey, David (2005) A Brief History of Neoliberalism, Oxford University Press, Oxford

Harvey, David (2010) The Enigma of Capital and the Crisis of Capitalism, Profile Books, London

Harvey, David (2014) Seventeen Contradictions and the End of Capitalism, Profile Books, London

Harvey, David (2016) Neoliberalism Is a Political Project – David Harvey on what neoliberalism actually is – and why the concept matters, In: jakobinmag.com, 23. July 2016, https://www.jacobinmag.com/2016/07/david-harvey-neoliberalism-capitalism-labor-crisis-resistance/, last viewed: 16. August 2016

Harvey 2016b Crisis theory and the falling rate of profit, In: Subasat, Turan (ed.) (2016) The Great Financial Meltdown – Systemic, Conjunctural or policy driven?, Edward Elgar, Cheltenham, pp. 37-54

Harvey, David (2017) Marx, Capital and the Madness of Economic Reason, Profile Books, London

Hayek, Friedrich, A. (1948) Wahrer und falscher Individualismus, In: ORDO, Band 1 (1948), pp. 19ff.

Hayek, Friedrich, A. (1949) Die Intellektuellen und der Sozialismus, In: Schweizer Monatshefte, Special Edition, Vol. 5/a, (1992), (first published 1949)

Hayek, Friedrich, A. (1954) Marktwirtschaft und Wirtschaftspolitik, In: ORDO, Vol. 5 (1954)

Hayek, Friedrich, A. (1977) Drei Vorlesungen über Demokratie, Gerechtigkeit und Sozialismus, Tübingen, pp. 14f.

Hayek, Friedrich, A. (1968) Der Wettbewerb als Entdeckungsverfahren, Institut für Weltwirtschaft, Kiel

Hayek, Friedrich, A. (1983) Die Wiederentdeckung der Freiheit – Persönliche Erinnerungen, In: VDMA (ed.) (1983) Produktivität, Eigenverantwortung, Beschäftigung. Für eine wirtschaftspolitische Vorwärtsstrategie, Deutscher Institutsverlag, Cologne

Hayek, Friedrich, A. (2001 [1944]) The Road to Serfdom, Routledge, London

Heideman, Paul (2014) Bulletproof Neoliberalism, In: Jacobin, 06.01.2014, https://www.jacobinmag.com/2014/06/bulletproof-neoliberalism, (last viewed: 29.08.2018)

Hein, Eckhard (2011) Financialisation, re-distribution, and the financial and economic crisis – a Kaleckian perspective, In: Niechoj, Torten/ Onaran, Özlem/ Stockhammer, Engelbert/ Truger, Achim/ van Treeck, Till (eds.) (2011) Stabilising an unequal economy? – Public debt, financial regulation and income distribution, Metropolis, Marburg, pp. 35-62

Hein, Eckhard (2014) Distribution and Growth after Keynes, Edward Elgar, Chelterham

Hein, Eckhard (2015) Finance-dominated capitalism and re-distribution of income: A Kaleckian perspective, In: Cambridge Journal of Economics, Vol. 39, pp. 907-934

Hein, Eckard/ Detzer Daniel (2015) Finance-Dominated Capitalism and Income Distribution: A Kaleckian Perspective on the Case of Germany, Italian Economic Journal (1), 2015, pp. 171-191

Heinrich, Michael (2004) Kritik der politischen Ökonomie, (12th Edition), Schmetterling Verlag, Stuttgart

Hellreiner, Eric (2011) Understanding the 2007-2008 Global Financial Crisis: Lessons for Scholars of International Political Economy, In: Annual Review of Political Science, Vol.14, (2011), University of Waterloo, Waterloo (ON), pp. 67-87

Herrera, Genaro, Arriagada (1988) Pinochet: the politics of power, thematic studies in Latin America, Unwin Hyman, London

Hockerts, Hans-Günter (2011) Der deutsche Sozialstaat – Entfaltung und Gefährdung seit 1945, Vandenhoeck & Ruprecht, Göttingen

Hoeres, Peter (2013) Von der „Tendenzwende' zur „geistig moralischen Wende'. Konstruktion und Kritik konservativer Signaturen in den 1970er und 1980er Jahren, In: VfZ, No.01 (2013), pp. 102ff.

Hopkins, Matt (2016) Bayer-Monsanto Mega-Merger: 6 Things You Need To Know, On: croplife.com, https://www.croplife.com/crop-inputs/bayer-monsanto-mega-merger-6-things-you-need-to-know/, (last seen 13.07.2019)

Hoppmann, Erich (1998) Eine universelle Quelle von Ordnung, In: Frankfurter Allgemeine Zeitung, 12.12.1998

Hübner, Kurt (1990) Theorie der Regulation – Eine kritische Rekonstruktion eines neuen Ansatzes der Politischen Ökonomie, Sigma, Berlin

Hyman, Richard (2012) Markets, Crouch and neoliberalism: praising with faint damns?, In: Socio-Economic Review (10 ,2012), pp. 610-616

Irmisch, Anna (2011) Astroturf – Eine neue Lobbyingstrategie in Deutschland?, VS-Research, Springer, Wiesbaden

Janssen, Hauke (2006) Milton Friedman und die „monetaristische Revolution' in Deutschland, Metropolis, Marburg

Jensen, Michael (1988) Takeovers: Their causes and Consequences, In: The Journal of Economic Perspectives, Vol. 2, (No. 01) (Winter, 1988), Published by: American Economic Association, pp. 21-48

Jones, Claire (2016) Why German wages need to rise — and fast, In: Financial Times, published: 16.11.2016, https://www.ft.com/content/a7758d5e-8566-11e6-8897-2359a58ac7a5, (last viewed on 10.10.2019)

Keynes, John, M. (1964 [1936]) The General Theory of Employment, Interest and Money, Harcourt Brace, New York

Kindleberger, Charles, P (2011) Manias, panics, and crashes: A history of financial crises, (6th edition), Palgrave Macmillan, New York

Kirchgässner, Gebhard (1991) Homo oeconomicus: Das ökonomische Modell individuellen Verhaltens und seine Anwendung in den Wirtschafts- und Sozialwissenschaften, In: Albert, M. (Ed.) (2008) Die Einheit der Gesellschaftswissenschaften, Vol. 27 (3)

Klein, Naomi (2007) The Shock Doctrine, Penguin Books, London

Kliman, Andrew (2012) The Failure of Capitalist Production – Underlying Causes of the Great Recession, Pluto Press, London

Kotsko, Adam (2018) Neoliberalism's Demons – On the Political Theology of Late Capital, Stanford University Press, Stanford

Kotter, John, P. (1996) Leading Change, Harvard Business review Press, Cambridge (MA)

Kotz, David, M. (2012) Social Structures of Accumulation, the Rate of Profit, and Economic Crises, In: University of Massachusetts Amherst, Festschrift in honour of Thomas E. Weisskopf, January 2012

Krebs, Tom/ Scheffel, Martin (2013) German labour reforms: Unpopular success, In: vox, CEPR policy portal, published 20.09.2013, https://voxeu.org/article/german-labour-reforms-unpopular-success, (last viewed: 10.10.2019)

Krippner, Greta (2004) What is Financialization?, mimeo, Department of Sociology, UCLA

Lantzsch, Jana (2003) Die Abkehr vom politischen Ziel Vollbeschäftigung, In: Zeitschrift für Soziologie, Vol. 32, (No. 03), (2003), pp. 226-236

Lapavitsas, Costas (2005) Mainstream Economics in the Neoliberal Era, In: Saad-Filho, Alfredo/ Johnston, Deborah (eds.) (2005) Neoliberalism – A Critical Reader, Pluto Press, London, pp. 30-40

Lapavitsas, Costas (2009) Financialised Capitalism: Crisis and Financial Expropriation 'Systemic Failure of Private Banking: A Case for Public Banks', RMF Discussion Papers, 13 (August 2009), Research on Money and Finance, London

Lapavitsas, Costas (2011) Theorizing Financialization, In: Work, Employment & Society, Vol. 25 (2011), pp. 611–626.

Lapavitsas, Costas (2012) Financialised Capitalism: Crisis and Financial Expropriation, In: Lapavitsas, Costas (2013) Financialisation in Crisis, Haymarket Books, IL, pp. 15-50

Lapavitsas, Costas, et al. (2012) Crisis in the Eurozone, Verso, London

Lapavitsas, Costas/ Powell Jeff (2013) Financialisation varied: a comparative analysis of advanced economies, In: Cambridge Journal of Regions, Economy and Society, (2013), pp. 1-21

Lapavitsas, Costas (2013) Profiting Without Producing – How Finance Exploits Us All, Verso, London

Lavoie, Marc (2014) Post-Keynesian Econmics – New Foundations, Edward Elgar, Chelterham

Lazonick, William (2010) The explosion of executive pay and the erosion of American prosperity, In: Etreprise et Histoire, Vol. 57, pp. 141-164

Lazonick, William (2011) The Innovative Enterprise and the Developmental State: Toward and Economics of 'Organizational Success', paper presented at the conference of the Institute for New Economic Thinking, Bretton Woods, 10.04.2011

Lazonick, William/ O' Sullivan, Mary (2000) Maximizing shareholder value: a new ideology for corporate governance, In: Economy and Society, Vol.29 (01), 2000, pp. 13-35

Leaman, Jeremy (2009) The Political Economy of Germany under Chancellors Kohl and Schröder – Decline of the German Model?, Monographs in German History, Vol. 29, Berghahn Books, New York

Levitt, Steven, D./ Dubner, Stephen, J. Freakonomics – a rogue economist explores the hidden side of everything, first edition 2005, Harper Collins, New York

Lewin, Kurt (1947) Frontiers in group dynamics. Concept, method and reality in social sciences. Social equilibria and social change, In: Human Relations, Vol. 01, No. 01(1947), pp. 5-41

Lippmann, Walter (1937) The Good Society, Little, Brown and Company, Boston

Lipset, Seymor, M. (1963 [1960]) Political Man – The Social Bases of Politics, The John Hopkins University Press, Garden City

Lösch, Bettina (2017) Die neoliberale Hegemonie als Gefahr für die Demokratie, In: Butterwegge, Christoph/ Lösch, Bettina/ Ptak, Ralf (eds.) (2017) Kritik des Neoliberalismus (first edition 2007), Springer VS, Wiesbaden, pp. 201-258

Lucas, Robert (1972) Expectations and the Neutrality of Money, In: Journal of Economic Theory, Vol. 04, 1972, pp. 103-124

Lucas, Robert (1973) Some International Evidence on Output-Inflation Tradeoffs, In: American Economic Review Vol .63 (No. 03), 1973, pp. 326-334

Lucas, Robert (1990) Supply-Side Economics: An Analytical Review, In: Oxford Economic Papers, Vol. 42 (1990), pp. 293-316

Lütz, Susanne (2005) Von der Infrastruktur zum Markt? Der deutsche Finanzsektor zwischen Deregulierung und Reregulierung, In: Windolf, Paul (ed.) (2005) Finanzmarkt-Kapitalismus. Analysen zum Wandel von Produktionsregimen, VS Verlag für Sozialwissenschaften, Wiesbaden, pp. 294ff.

MacGregor, Susanne (2005) The Welfare State and Neoliberalism, In: Saad-Filho, Alfredo/ Johnston, Deborah (eds.) (2005) Neoliberalism – A Critical Reader, Pluto Press, London, pp. 142-148

Mair, Peter (2006) Ruling the void? The Hollowing of Western Democracy, In: New Left Review, (Vol. 42), Dec. 2006, pp. 25-51

Maito, Esteban, E. (2014) And jet it moves (down), In: MPRA Paper No. 58007, posted 19 August 2014, https://mpra.ub.uni-muenchen.de/58007/

Marx, Karl (1962 [1867]) Das Kapital - Kritik der politischen Ökonomie, MEW 23, Dietz-Verlag, Berlin,

Marx, Karl (1990 [1867]) Capital Volume I - Critique of Political Economy, Penguin, Harmondsworth

Marx, Karl (1993 [1894]) Capital: Volume III - Critique of Political Economy, Penguin, Harmondsworth

Marx, Karl (2014) Grundrisse der Kritik der politischen Ökonomie, In: Ökonomische Manuskripte, MEW 42, Dietz-Verlag, Berlin

Mason, Geoff/ Mayhew, Ken/ Osborne, Mathew (2008) Low-Paid Work in the UK, In: Lloyd, Caroline/ Mason, Goeff/ Mayhew, Ken (eds.) Low-Paid Work in the UK, Russell Sage Foundation, New York, pp. 15–40.

Mendoza, Kerry-Anne (2015) Austerity: The Demolition of the Welfare State and the Rise of the Zombie Economy, New Internationalist, Oxford

Minsky, Hyman, P. (2008 [1986]) Stabilizing an Unstable Economy, McGraw-Hill, New York

Mirowski, Philip/ Plehwe Dieter (eds.) (2015 [2009]) The Road From Mont Pèlerin – The Making of the Neoliberal Thought Collective, first published in 2009, Harvard University Press, Cambridge (MA)

Mirowski, Philip/ Van Horn, Rob (2015) The Rise of the Chicago School of Economics and the Birth of Neoliberalism, In: Mirowski, Philip/ Plehwe Dieter (2015 [2009]) The Road From Mont Pèlerin – The Making of the Neoliberal Thought Collective, first published in 2009, Harvard University Press, Cambridge (MA), pp. 139-180

Mirowski, Philip (2013a) Never Let a Serious Crisis Go to Waste – How Neoliberalism Survived the financial Meltdown, Verso, London

Mirowski, Philip (2013b) How did the neoliberals pull it off?, In: Public Books, publicbooks.org/nonfiction/how-did-the-neoliberals-pull-it-off (last seen 10.06.2017)

Moody, Kim (1997) Workers in a Lean World – Unions in the International Economy, Verso, London

Morck, Randall (2014) The Social Value of Shareholder Value, In: Corporate Governance: An International Review, Vo. 22, (No. 03) 2014, pp. 185–193

Mudge, Stephanie, Lee (2008) What is neo-liberalism?, In: Socio-Economic Review, No. 06 (2008), pp. 703-731

Müller, Sebastian (2016) Der Anbruch des Neoliberalismus – Westdeutschlands wirtschaftspolitischer Wandel in den 1970er Jahren, (2nd edition 2017), Promedia Verlag, Vienna

Müller-Stewens, Günter/ Lechner, Christoph (2011) Strategisches Management – Wie stratehgische Initiativen zum Wandel führen, (4th edition, 2011) Schäffer-Poeschel Verlag Stuttgart, Stuttgart

Munck, Ronaldo (2005) Neoliberalism and Politics, and the Politics of Neoliberalism, In: Saad-Filho, Alfredo/ Johnston, Deborah (eds.) (2005) Neoliberalism – A Critical Reader, Pluto Press, London, pp. 60-69

Nachtwey, Oliver (2016) Die Abstiegsgesellschaft – Über das Aufbegehren in der regressiven Moderne, Suhrkamp, Berlin

Neumann, Arndt (2008) Kleine geile Firmen – Alternativprojekte zwischen Revolte und Management, Edition Nautilus, Hamburg

Nollert, Michael (2005) „Waging the Was of Ideas'. Zur Entwicklung und Struktur des neoliberalen Diskursnetzwerks, In: Imhof, Kurt/ Eberle, Thomas, S. (eds.) (2005) Triumph und Elend des Neoliberalismus, Seismo Verlag, Zürich, pp. 39-58

Nordmann, Jürgen (2005) Der lange Marsch zum Neoliberalismus, VSA Verlag, Hamburg

Onaran, Özlem/ Stockhammer, Engelbert/ Grafl, Lucas (2011) Financialisation, income distribution and aggregate demand in the USA, In: Cambridge Journal of Economics, Vol.35, 2011, Cambridge, pp. 637-661

Ong, Aihwa (2006) Neoliberalism as Exception – Mutations in Citizenship and Sovereignty, Duke University Press, Durham, NC

Orhangazi, Özgür (2008) Financialisation and capital accumulation in the non-financial corporate sector: A theoretical and empirical investigation on the US economy: 1973-2003, In: Cambridge Journal of Economics, Vol. 32, pp. 863-886

Palley, Thomas, I. (2005) From Keynesianism to Neoliberalism: Shifting Paradigms in Economics, In: Saad-Filho, Alfredo/ Johnston, Deborah (eds.) (2005) Neoliberalism – A Critical Reader, Pluto Press, London, pp. 20-29

Parra, Francisco (2013 [2004]) Oil Politics – a modern history of petroleum, I.B.Tauris, London

Passarge, Eva-Maria (2010) Institutioneller Wandel im Finanzsystem Deutschlands – Vom bank- zum marktbasierten Modell?, University of Bamberg Press, Bamberg

Peck, Jamie, (2010) Constructions of neoliberal reason, Oxford University Press, Oxford (Paperback Version)

Peck, Jamie/ Theodore Nik/ Brenner, Neil (2012) Neoliberalism Resurgent? Market Rule after the Recession, In: The South Atlantic Quarterly, Vol. 111, (No. 02), Duke University Press

Peters, Tom/ Waterman, Robert, H. (1982 [2015]) In Search for Excellence – Lessons from America's Best-Run Companies, Profile Books, London

Phillips-Fein, Kim (2015) Business Conservatives and the Mont Pèlerin Society, In: Mirowski, Philip/ Plehwe, Dieter (2015 [2009]) The Road from Mont Pèlerin, The Making of the Neoliberal Thought Collective, first published in 2009, Harvard University Press, Cambridge, Massachusetts, pp. 280-301

Pierson, Paul (1994) Dismantling the Welfare State? Reagan, Thatcher, and the Politics of Retrenchment, Cambridge University Press, Cambridge

Piketty, Thomas (2014) Capital in the Twenty First Century, Harvard University Press, Cambridge (MA)

Pirker, Reinhard/ Stockhammer, Engelbert (2009) Die Marxsche Ökonomie – von Marx zu aktuellen Debatten, In: Becker et.al. (2009) Heterodoxe Ökonomie, Metropolis, Marburg, pp. 55-88)

Pitelis, Christos, N. (2004) (Corporate) Governance, (Shareholder) Value and (Sustainable) Economic Performance, In: Corporate Governance, Vol. 12, (No. 02), 2004, pp. 210-223

Plehwe, Dieter (2000) Deregulierung und transnationale Integration der Transportwirtschaft in Nordamerika, Westfälisches Dampfboot, Münster (based on PhD thesis)

Plehwe, Dieter (2015) Introduction, In: Mirowski, Philip/ Plehwe, Dieter (2015 [2009]) The Road from Mont Pèlerin, The Making of the Neoliberal Thought Collective, first edition 2009, Harvard University Press, Cambridge, Massachusetts, pp. 1-42

Plehwe, Dieter/ Walpen, Bernhard (1999) Wissenschaftliche und wissenschaftspolitische Produktionsweisen im Neoliberalismus. Beiträge der Mont Pèlerin Society und marktradikaler Think Tanks zur Hegemoniegewinnung und -erhaltung, In: PROKLA, Zeitschrift für kritische Sozialwissenschaften, Vol. 115, No. 2 (1999), pp. 1-34

Polanyi, Karl (2001 [1944]) The Great Transformation – The Political and Economic Origins of Our Time, Paperback edition, Beacon Press, Boston, MA

Ptak, Ralf (2002) Chefsache, Basta! – Der Neoliberalismus as anitegalitäre, antidemokratische Leitideologie, In: Peach, Norman/ Spoo, Eckart/ Butenschön, Rainer (eds.), (2002) Demokratie – wo und wie?, VSA-Verlag, Hamburg, pp. 87-102

Ptak, Ralf (2005) Etappen des Neoliberalismus, In: Imhof, Kurt/ Eberle, Thomas, S. (eds.) (2005) Triumph und Elend des Neoliberalismus, Seismo Verlag, Zürich, pp. 59-73

Ptak, Ralf (2015) Neoliberalism in Germany – Revisiting the Ordoliberal Foundations of the Social Market Economy, In: Mirowski, Philip/ Plehwe, Dieter (2015 [2009]) The Road from Mont Pèlerin, The Making of the Neoliberal Thought Collective, first published in 2009, Harvard University Press, Cambridge, Massachusetts, pp. 98-138

Ptak, Ralf (2017) Grundlagen des Neoliberalismus, In: Butterwegge, Christoph/ Lösch, Bettina/ Ptak, Ralf (eds.) (2017) Kritik des Neoliberalismus (first edition 2007), Springer VS, Wiesbaden, pp. 13-78

Pühringer, Stephan (2016) Think Tank networks of German neoliberalism – Power structures in economics and economic policies in post-war Germany, ICEA Working Paper Series, No.53 (2016), Johannes Kepler University Linz

Quiggin, John (2010) Zombie Economics – How dead ideas still walk among us, Princeton University Press, New Jersey

Radice, Hugo (2005) Neoliberal Globalisation: Imperialism without Empires?, In: Saad-Filho, Alfredo/ Johnston, Deborah (eds.) (2005) Neoliberalism – A Critical Reader, Pluto Press, London, pp. 91-98

Rappaport, Alfred (1998) Creating Shareholder Value, (2nd edition), The Free Press, New York

Recktenwald, Horst, Claus (2008) Adam Smith (1723-1790), In: Starbatty, Joachim (ed.) (2008) Klassiker des ökonomischen Denkens (Band 1 und 2 in einer Gesamtausgabe), Nikol Verlagsgesellschaft, Hamburg, pp. 134-155

Reich, Robert (2009) Obamanomics isn't about government, Wall Stree Journal, March 28, 2009, A11, https://www.wsj.com/articles/SB123819895769662043 (last viewed 04.08.2019)

Resnick, Stephen/ Wolff Richard (2010) The Economic Crisis: A Marxian Interpretation, In: Rethinking Marxism - A Journal of Economics, Culture & Society, Vol. 22, (2010), pp. 170-186

Ricardo, David (1817) On the Principles of Political Economy and Taxation, John Murray, London

Roberts, Michael (2009) The Great Recession – Profit cycles, economic crisis – A Marxist review, self-published, 2009

Roberts, Michael (2012) The US rate of profit – the latest, Michael Roberts Blog, published 25.11.2012, https://thenextrecession.wordpress.com/2012/11/25/the-us-rate-of-the-profit-the-latest/#comments (last viewed 22.09.2019)

Roberts, Michael (2013) German capitalism – a success story?, In: Michal Roberts Blog, published 22.09.2013, https://thenextrecession.wordpress.com/2013/09/22/german-capitalism-a-success-story/ (last viewed 13.10.2019)

Roberts, Michael (2016) It's a Depression, In: Science & Society, Vol. 80 (4), 2016, pp. 550-565

Roberts, Michael (2016b) The long depression – How it happened, why it happened and what happens next, Haymarket Books, Chicago

Roth, Karl-Heinz (2001) Klienten des Leviathan: Die Mont Pèlerin Society und das Bundeswirtschaftsministerium in den fünfziger Jahren 1999, In: Zeitschrift für Sozialgeschichte des 20. Und 21. Jahrhunderts, Vol. 16 (No. 02), pp. 13-41

Rothschild, Kurt, W. (2004) Die politischen Visionen großer Ökonomen, Wallstein Verlag, Göttingen

Rüstow, Alexander (1957a) Vitalpolitik gegen Vermassung, In: Hunold, Albert (ed.) Masse und Demokratie, Rentsch, Erlenbach-Zürich, pp. 215-238

Rüstow, Alexander (1957b) Die gesellschaftliche Bedeutung der Sozialen Marktwirtschaft, In: Beckenrath, Erwin/ Meyer, Fritz, W./ Müller-Armack, Alfred (eds.) Festschrift für Ludwig Erhard, Wirtschaftsfragen der Freien Welt, Knapp, Frankfurt am Main, pp. 73-77

Saad-Filho, Alfredo (2005) From Washington to Post-Washington Consensus: Neoliberal Agendas for Economic Development, In: Saad-Filho, Alfredo/ Johnston, Deborah (eds.) (2005) Neoliberalism – A Critical Reader, Pluto Press, London, pp. 113-119

Schäfer, Ulrich (2009) Der Crash des Kapitalismus, Campus, Frankfurt

Schmelzer, Matthias (2010) Freiheit für Wechselkurse und Kapital – Die Ursprünge neoliberaler Währungspolitik und die Mont Pèlerin Society, Metropolis, Marburg

Schneemelcher, Pola/ Ständer, Philipp (2018) Wage-Productivity Gap: Four Tales From The Eurozone, In: SocialEurope.eu, published: 16th July 2018, https://www.socialeurope.eu/wage-productivity-gap-four-tales-from-the-eurozone, (last viewed 11.10.2019)

Schnyder, Gerhard/ Siems, Mathias (2013) The Ordoliberal Variety of Neoliberalism, In: Konzelmann, Suzanne, J./ Fovargue-Davies, Marc (eds.) (2013) Banking Systems in the Crisis: The Faces of Liberal Capitalism, Routledge, Abingdon, pp. 250-268

Schröder, Gerhard/ Blair, Tony (1999) Der Weg nach vorn für Europas Sozialdemokraten, In: Blätter für deutsche und internationale Politik, 44th year, No. 08, pp. 887-897

Sennett, Richard (1998) The Corrosion of Character – The Personal Consequences of Work in the New Capitalism, W. Norton, New York

Sennett, Richard (2006) The Culture of the New Capitalism, Yale University Press, New Haven

Shaikh, Anwar (2005) The Economic Mythology of Neoliberalism, In: Saad-Filho, Alfredo/ Johnston, Deborah (eds.) (2005) Neoliberalism – A Critical Reader, Pluto Press, London, pp. 41-49

Smith, Adam (1776) An Inquiry into the Nature and Causes of the Wealth of Nations, Methuen & Co., Ltd., London

Somers, Margaret, R. (2012) Zombie entanglements: how corporate power stalks among us, In: In: Socio-Economic Review, Vol. 10, 2012, pp. 617 - 623

Springler, Elisabeth (2009) Geldtheorie und Instabilität des Finanzmarktes – Postkeynesianische Ansätze des endogenen Geldes, In: In: Heterodoxe Ökonomie (2009), Metropolis-Verlag, Marburg, pp. 35-54

Starbatty, Joachim (1982) Alfred Müller-Armacks Beitrag zur Theorie und Politik der Sozialen Marktwirtschaft, In: Ludwig-Erhard-Stiftung (ed.), Symposium VIII., Fischer Verlag, Stuttgart, pp. 7-26

Starbatty, Joachim (1986) Die Soziale Marktwirtschaft aus historisch-theoretischer Sicht, In: Pohl, Hans (ed.) (1986) Entstehung und Entwicklung der Sozialen Marktwirtschaft, Beiheft 45 der Zeitschrift für Unternehmensgeschichte, Franz Steiner Verlag, Stuttgart, pp. 7-26

Steiner, Yves (2007) Les riches amis suisses du néolibéralisme. De la débâcle de la revue Occident à la Conférence du Mont Pèlerin d'avril 1947, In: Traverse Vol.14, No.01 (2007), pp. 114-126

Steiner, Yves (2015) The Neoliberals Confront the Trade Unions, In: Mirowski, Philip/ Plehwe, Dieter (2015 [2009]) The Road from Mont Pèlerin, The Making of the Neoliberal Thought Collective, Harvard University Press, Cambridge, Massachusetts, pp. 181-203

Stewart, Bennet (1991) The Quest for Value, Harper Collins, New York

Stiglitz, Joseph (2002) Information and the Change in the Paradigm in Economics, In: The American Economic Review, Vol. 92 (3), 2002, pp. 460-501

Stiglitz, Joseph (2003) The Roaring Nineties – Der entzauberte Boom, Siedler Verlag, Berlin

Stiglitz, Joseph (2009) Capitalist Fools, In: Flippin, Royce (ed.) (2009) Best American Political Writing 2009, Public Affairs, New York; originally published in Vanity Fair, vanityfair.com, https://www.vanityfair.com/news/2009/01/stiglitz 200901 (last viewed 04.08.2019)

Stiglitz, Joseph (2010a) Freefall, Norton, New York

Stiglitz, Joseph (2010b) The Non-Existent Hand, In: London Review of Books, Vol. 32 (8), 2010, pp. 17-18

Stockhammer, Engelbert (2004) Financialisation and the slowdown of accumulation, In: Cambridge Journal of Economics, Vol. 28, pp. 719-741

Stockhammer, Engelbert (2009) Effektive Nachfrage, Einkommensverteilung und Inflation – Postkeynesianische Ansätze zur Makroökonomie, In: In: Heterodoxe Ökonomie (2009), Metropolis-Verlag, Marburg, pp. 17-34

Stockhammer, Engelbert (2010) Financialization and the Global Economy, In: PERI – Political Economic Research Institute, Working Paper Series, No. 240, November 2010

Stockhammer, Engelbert (2015) Wage-led Growth, Research Essay No. 5, Social Europe, London, http://www.socialeurope.eu/re-no-5-wage-led-growth/

Stockhammer, Engelbert/ Wildauer Rafael (2015) Debt-Driven Growth? Wealth, Distribution and Demand in OECD Countries, Economics Discussion Papers 2015-2, Kingston University, London

Stockman, David (1986) The Triumph of Politics: How the Reagan Revolution Failed, Harper & Row, New York

Strange, Susan (1996) The Retreat of the State – The Diffusion of Power in the World Economy, Cambridge University Pres, Cambridge (UK)

Streeck, Wolfgang/ Yamamura, Kozo (eds.) (2001) The Origins of Neoliberal Capitalism – Germany and Japan in Comparison, Cornell University Press, Ithaca and London

Streeck, Wolfgang (2015) Gekaufte Zeit – Die vertagte Krise des demokratischen Kapitalismus, Suhrkamp, Berlin

Streeck, Wolfgang (2017) How will capitalism end? – Essays on a Failing System, paperback version, Verso, London

Stützle, Ingo/ Kaufmann, Stephan (2015) Ungleich unter Gleichen – Zu einer gesellschaftstheoretischen Leerstelle in Pikettys 'Das Kapital in 21. Jahrhundert', In: Kurswechsel 2/2015, pp. 7-17

Tansel, Cemal, Burak (2017) Authoritarian Neoliberalism: Towards a New Research Agenda, In: Tansel, Cemal, Burak (ed.), (2017) States of Discipline – Authoritarian Neoliberalism and the Reproduction of Capitalist Order, Rowman & Littlefield, London

The World Bank (2020) Current account balance (BoP, current US$) - United States, https://data.worldbank.org/indicator/BN.CAB.XOKA.CD?locations=US, last viewed 09.08.2020

Tobin, James (1981) The Monetarist Counter-Revolution Today – An Appraisal, In: The Economic Journal, Vol. 91, pp. 29-42, quoted in Walpen, Bernhard (2004a)

Tobin, James (1984) On the efficiency of the financial system, In: Lloyd's Bank Review, Vol. 153, (2984), pp. 1–15

Tribe, Keith (2015) Liberalism and Neoliberalism in Britain, 1930-1980, In: Mirowski, Philip/ Plehwe, Dieter (2015 [2009]) The Road from Mont Pèlerin, The Making of the Neoliberal Thought Collective, Harvard University Press, Cambridge, Massachusetts, pp. 68-97

US inflation calculator, https://www.usinflationcalculator.com/inflation/historical-inflation-rates/, (last viewed 02.12.2020)

Van Horn, Rob (2009) Reinventing Monopoly and the Role of Corporations – The Roots of Chicago Law and Economics, In: Mirowski, Philip/ Plehwe Dieter (2015 [2009]) The Road From Mont Pèlerin – The Making of the Neoliberal Thought Collective, fist published 2009, Harvard University Press, Cambridge (MA), pp. 204-237

Vetter, Heinz, Oskar (1974) Gewerkschaften im Visier der Reaktion, In: GMH, No.10 (1974), Vidal, Matt (2013) Postfordism as a dysfunctional accumulation regime: a comparative analysis of the USA, the UK and Germany, In: Work, employment and society, Vol.27 (3), 2013, pp.451-471

Walpen, Bernhard (2000) Von Igeln und Hasen oder: Ein Blick auf den Neoliberalismus, In: UTOPIE kreativ, Vol.121/122, pp.1066-1079

Walpen, Bernhard (2004a) Die offenen Feinde und ihre Gesellschaft. Eine hegemonietheoretische Studie zur Mont Pèlerin Society, VSA-Verlag, Hamburg

Walpen, Bernhard (2004b) Die Schweiz – Kaderschmiede des Neoliberalismus. Zur Geschichte neoliberaler Institutionen und Vordenker, In: Widerspruch, Vol. 24(46), pp. 141-151

Watkins, Susan (2010) Shifting sands, In: New Left Review, Vol. 61, pp. 5-27

Williams, Karel (2000) From shareholder Value to present-day capitalism, In: Economy and Society, Vol. 29, (No. 01) 2000, pp. 1-12

Williamson, John (1994) The Political Economy of Policy Reform, Columbia University Press, Washington

Wisman, John, D. (2013) Wage stagnation, rising inequality and the financial crisis of 2008, In: Cambridge Journal of Economics, Vol. 37, 2013, Cambridge, pp. 921-94

Yergin, Daniel (2009 [1991]) The Prize – The epic quest for oil, money and power, Free Press, New York

Zöllner, Detlev (1989) Sozialpolitik, In: Benz, Wolfgang (ed.) (1989) Die Geschichte der Bundesrepublik Deutschland – Wirtschaft, Fischer, Frankfurt am Main