Unveiling and Deconstructing the Enabling Myths of Neoliberalism

through Immanent Critique

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Abstract:

In the deconstruction of the neoliberal narrative through immanent critique, we find that it is woven from enabling myths that not only support the neoliberal project, but are essential for its continued survival. This research aims to untangle and critically assess three of the core enabling myths of neoliberalism through the critical lens of immanent critique. If we hope to redesign our social institutions into structures which support the flourishing on individuals and broader society, then we must aim a critical eye toward these enabling myths, debunk, and unveil them through immanent critique.

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The neoliberal narrative is a (laissez) faire-y tale. In its deconstruction through immanent critique, we find that the neoliberal narrative is woven from enabling myths that support the ideology of neoliberalism and are essential for its continued political survival and popular support. This research aims to untangle and critically assess three of the core enabling myths of neoliberalism through immanent critique.

Immanent Critique

Immanent critique begins with a description of what the social structure purports to be and proceeds by unveiling the true machinations of the system (Antonio 1981). An immanent critique of neoliberalism aims to uncover the contradictions embedded within the neoliberal social structure of accumulation, contrasting the rhetoric and ideology which supports it against the actual mechanics of it.

By holding a given society to its own principles and demonstrating where exactly that society falls short, immanent critique frames more convincing arguments than criticism which holds that society to an external standard. Using immanent critique allows scholars to avoid the charge of intellectual elitism by demonstrating the irrationality of a society's norms and practices against the known, understood, and widely accepted standards of that society as opposed to appealing to external, perhaps ill-understood, and unfamiliar norms (Sabia 2010).

Some scholars argue the introspective evaluation of immanent critique does not go far enough. This is a misunderstanding of immanent critique, which uses the introspective rubric only to examine first whether a society, through its power relations, holds different groups to different standards; if there is systematic incongruence between the rhetorical expression of that society's value and its practices. Immanent critique then continues pushing outward by critiquing the efficacy, veracity, and contribution to human dignity that those very standards espouse (Sabia 2010).

The Core Enabling Myths of Neoliberalism

The neoliberal narrative consists of three well-defined enabling myths: privatization of state provided goods and services, de-regulation of industry, and retrenchment of the welfare state. All three reinforce a central premise: the locus of control is the individual exercising agency through (free) market operations (Dugger 1989). The myths of privatization and de-regulation both argue that erecting a wall between government and business creates a more efficient market economy; private industry is brought to heel by competitive market forces that represent the aggregate of autonomous, individual decisions. Likewise, the retrenchment of the welfare state erects a wall between the individual and the state, which 'frees' the individual to exercise agency and decide for herself where she wants to reside in the economic hierarchy.

Core enabling myth #1: business can do whatever government does better, more efficiently, and cheaper

The arguments in favor of privatization often include claims that the private sector is more efficient – that running operations like a business instead of a bloated bureaucracy translates to lower costs, greater efficiency, and a better product or service. The dangers of such practice are ignored. Moreover, the move to the private sector is incomplete; neoliberal "privatization" means that the production or provision of a good or service has been turned over to the private sector – while maintaining government funding through state contracts. This pseudo-privatization separates the public writ large from private producer with the state acting as the financial intermediary, essentially removing public oversight without alleviating state spending (Nasser 2003). Psuedo-privatization demonstrates the contradiction between the neoliberal ideal of the small, fiscally responsibility state, and the reality of opaque government funding provided to private industry contractors within the neoliberal state.

When advocates of privatization argue that the private sector runs more efficiently, more sleekly than the government, the example of cost cutting is offered as a prime example. A more accurate way to phrase it would be cost manipulation, as an examination of the private prison industry illustrates.

Privately run prisons have but one customer – the government. With revenue streams secured by government contract, the private prison can widen its profit margins primarily through cutting costs. Since physical prison facilities present fixed and substantial costs, the remaining variable costs specifically related to labor fall most conveniently under the hatchet. In fact, the biggest difference between private and public prisons centers on the staff. In private prisons, there is a high rate of employee turnover, employees receive less training, fewer benefits, and are actively discouraged from organizing in trade unions (Ashton 2011).

Less training means more work-related incidents, which is particularly dangerous in the case of prisons, where work-related incidents easily manifest into violent altercations between staff and inmates; it should be of little surprise that private prisons experience greater violence, more escape attempts, and higher drug usage. Studies show that private prisons have a higher rate (double) of physical incidents between inmates and correction officers even though they can be more selective about the type of inmate they house (Ashton 2011).

Privatization transforms the motive for the provision of public goods and services for the welfare of the public into profit-making enterprises. The generation of profit fundamentally changes the mission of any enterprise, which is especially pernicious in the case of state provision as the function of the state has a defining mission to serve the public interest writ large. Changing the mission of any enterprise to focus narrowly on the generation of profits, changes the incentive structure as well.

The private prison industry, for instance, isn't solely based on the hope that people will commit enough crimes of a sufficiently heinous nature in order to secure consistent profits. In order to insure a steady stream of prisoners, private prison corporations have been active in the legislative process, weighing in on laws that directly impact the bottom line for their business as opposed to the safeguarding of public safety, for instance, mandatory minimums, truth in sentencing, and three-strike laws (Shapiro 2010). The 'war on drugs' represents a secure flow of profits for private prisons, which means that lobbying for strict incarceration laws becomes part of the profit-maximizing strategy for these private firms (Hall 2013). With little focus on training and rehabilitation and an incentive not to provide it, prisons can rely increasingly on repeat business in the form of recidivism.

Once a government contract has been awarded even under an open bid system, the government becomes locked into that contract past its duration due to the inertia of path dependence. With respect to the private prison industry, given the 'natural monopoly' start-up costs, there simply are not many private firms competing for the government's business. The government becomes locked into relationships with private prison firms regardless of performance simply because it has no alternative.

Core enabling myth #2: government regulations pose undue burdens on business, insuring what good business practice and competitive markets will automatically enforce

The neoliberal imperative of 'deregulation' is a misnomer – a myth – because the ultimate aim of neoliberal advocates specifically and capital more generally is the paring away of specific regulation that impedes the movement of capital while maintaining interventions that support or create markets. Regulatory restructuring, whereby industries are trusted to self-regulate or provide in-house experts to advise policy makers is another way in which neoliberal advocates are able to mold the state into the type of regulator it needs (Peck 2001). While neoliberal advocates claim that market forces will act as the ultimate regulator, in reality, fewer regulations allow established businesses to manipulate competition, and in the case of the financial industry, to expand recklessly, creating a fragile network of inter-connected operations increasingly vulnerable to crisis.

The financial industry takes no issue with regulations which might provide assistance during a crisis. Regulations which require banks to join the FDIC, for example, have not been protested. Likewise, legal pathways for the government to intervene directly during a crisis remain intact and have grown in tandem with the deregulation push since the 1980s. Deregulation advocates also fail to challenge those policy tools that attempt to smooth turbulent financial waters, such as interest rate manipulation, short term measures enacted by the Fed to provide liquidity to institutions, or the Fed as lender of last resort (Campbell 2012). Clearly, financial institutions want to minimize rules on operation while maximizing the safety net in the likely event that unruly behavior leads to a crisis.

While efforts to deregulate within the financial industry began prior to the rise of neoliberalism (see Campbell 2012), deregulation efforts escalated as neoliberalism became more popular in political circles. Explosive growth in financial innovations follows financial deregulation, especially in the creation of newly imagined and highly complex financial instruments. With fewer rules and no regulations in place to leash these new financial instruments, boom-bust cycles have become more pronounced since the 1980s. These crises have been encouraged by reliable government bailouts, creating a continual chain reaction: financial deregulation to financial innovation to crises to bailout to further financial expansion, which cycles through again, each iteration expanding the financial sector. The larger the financial sector, the more frightening is the spectre of financial crisis, and the more willing and eager the government becomes to assist and bail-out (Crotty 2003).

The rationale for deregulation rests on the faith that capital markets can most efficiently and accurately assess risk and return, and price securities accordingly. Financial market operatives, it is still believed, are best situated and possess enough expertise to police themselves. Since, according to the neoliberal narrative, financial markets simply represent the aggregate of those well-informed financial operatives, the risk of financial crisis is mitigated and the myth of the healthy and free financial markets is substantiated (Crotty 2003).

The moral hazard created with the removal of regulations combined with the tacit assurance of government rescue, essentially eliminates the need to account for risk. In the years leading up to the 2008 financial crisis, financial deregulation fed the derivation of more financial assets (Wahl 2011). Each subsequent iteration of financial innovation created another layer of complexity in the operation of financial markets, further obfuscating the essential risk involved in their trading, and further distancing the connection between the physical asset from which the initial value emerged (Bresser-Pereira 2010). Fee structures created incentives for financial officers to process in quantity regardless of quality, as fees were completely disconnected from the risk-return result. Bonus structures incentivized profits which were generated on paper through leveraging, which embedded an incentive to take on more risk (Crotty 2003). Risk ran rampant. Yet, when the 2008 crisis hit, a stock answer from neoliberal non-apologists was that the crisis was caused by whatever remnants of regulation were still in place; in short, the answer is even more deregulation (Wahl 2011).

Core enabling myth #3: given the choice, people prefer to live off welfare than work because no one wants to work.

Neoliberalism is dependent upon the existence of the welfare state - in a specific form - that helps to create and sustain flexible labor markets and defray the cost to capital of providing a living wage. Neoliberalism is also dependent upon anti-welfare rhetoric that socializes the public on the merits of individual responsibility and the evils of the undeserving poor (Hartman 2005). Nowhere is this more evident than in the replacement of welfare with so-called 'workfare' policies.

The term 'workfare' as an alternative to welfare premiered in a 1969 televised speech by then-President Nixon. The workfare concept gained momentum through the Reagan years, but it wasn't until the Clinton presidency that workfare became codified into law with the 1996 Personal Responsibility and Work Reconciliation Act (Peck 1998). During his years in office, Clinton achieved greater gains in neutering the social safety net than his Republican predecessors. The transformation was not subtle: TANF replaced AFDC, welfare became 'workfare,' assistance became surveillance, the social safety net morphed into permanent job insecurity, and the welfare caseload in the US shrunk by more than half (Platt 2003). Workfare represents the culmination of neoliberal efforts from re-shaping popular perception and political framing to its canonization into law.

The neoliberal welfare state uses workfare conditionalities, including training and compulsory work requirements, to create flexible labor markets (Prasch 2011). The supply of no-contract or temporary (precarious) jobs swells as recipients must take any job to qualify for benefits, while the number of full-time, full benefits positions, which are more expensive to capital, dwindles. Workfare requirements thus also weaken the position of unionized workers (Platt 2003). The training requirements of workfare essentially mean that the cost of training is outsourced from the company to either the state or the individual. Morevoer, welfare benefits help capital by defraying private labor costs; if individuals are not paid a living wage, it falls to the state to make up the difference (MacLeavy 2010).

The more the welfare state is scaled back, the more disciplined all workers become: as job insecurity looms larger, workers afraid of losing their jobs are also afraid to demand higher wages, better working conditions, or join unions (Piven 1998). The scaling back of welfare benefits and the strengthening of workfare conditionalities rather than the complete elimination of the welfare state creates a dual labor market with a disciplined, non-unionized workforce occupying a shrinking number of positions and a growing secondary tier with precarious employment (MacLeavy 2010).

Workfare also perpetuates the convenient myth that people receiving state assistance must be forced to work (Hartman 2005). Along with creating greater job insecurity, the cultural perception of welfare recipients as unconditional 'takers' is reinforced; the working poor construct a demon out of the welfare poor (Piven 1998).

In the 1990s, the patronizing perception of the irresponsible single mother on welfare was codified into law, most notably through the 1996 TANF legislation which restricted benefit access, requiring for example that teenage mothers live with adult relatives and attempt to establish paternity (Gilbert 2009). Under the regime of workfare, access to benefits is strictly regulated by conditions of compliance which subject the individual to routine invasions of privacy and surveillance of the state (Hartman 2005).

Attempts to legislate welfare state recipients into approved moral behavior communicates that welfare recipients are not able to govern their own passions. The villainy of welfare recipients creates a locus for blame for the failings of neoliberalism generally and for (putative) overspending by the state more specifically while insuring silence as individuals are loathe to identify themselves. The illusion of social cohesion is maintained as the silenced welfare recipients still participate in the labor market and still consume goods - although both precariously - while society gets a hazily defined person to blame (Hartman 2005). Cultural perceptions of the moral inferiority of welfare recipients fuel the social movements supporting the retrenchment of the welfare state. Individuals fail to see the inverse relationship between the size of the social safety net and the level of job insecurity (Piven 1998).

Concluding remarks

Regimes are not reducible to a single ideology, nor will any ideological practice be pure. The longer view, however suggests a regime would move back toward ideological purity as the heat of any immediate crisis fades. Systemic incongruence between the ideology and reality is an entirely different matter; herein we find hypocrisy, double standards, corruption, and outright lies.

This analysis of the neoliberal narrative is not meant to suggest that there is a comprehensive and complete 'Neoliberal Agenda' that is actively enforced by maniacal powers-that-be, conspiring to deceive the masses through an elaborate web of lies. Instead, we see powerful interests repeating a simple mantra – individual responsibility – in a variety of ways, while taking whatever action suits their immediate needs. From this emerges the ideological narrative of neoliberalism.

The neoliberal narrative consists of that simple, ideological construct of hyper-individualism, upon which the justification of its core organizing myths rests, such that the consequences of the neoliberal narrative become much greater than the unifying principle on which it stands. The ethos of hyper-individualism systematically dismantles the power of collective action for the general population while protecting the power of collective action among and across corporate entities, industries, or the interests of capital writ large.

The rhetoric of deregulation argues that the state should leave the private sector alone – that each individual firm in responding to market forces will execute the will of the people, while privatization argues that individual firms can accomplish with greater efficiency what the collective resources of the state cannot. The rhetoric which rails against the welfare state undermines any sense of shared, communal responsibility. Never mind the collective lobbying efforts expended by firms and industries that quietly campaign for legislation and state assistance in order to survive the very market exigencies that individuals should face alone.

The continued success of the neoliberal narrative is due in part to the easy villains it creates and the easy solutions if offers: deregulate, privatize, cut 'entitlements.' The mismatch between rhetoric and reality, however, creates a cognitive dissonance that might be difficult for the individual to articulate but that can also quietly catalyze unfocused resistance. If we hope to redesign our social institutions into structures which support the flourishing of individuals and broader society, then we must unveil and debunk these enabling myths through immanent critique – before we can convince someone of an inconvenient truth, we must first help them to see the convenient myth.

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