

Why the Neoliberals Won't Let This Crisis Go to Waste

 jacobinmag.com/2020/05/neoliberals-response-pandemic-crisis

Philip Mirowski, *Jacobin*, May 16, 2020



Interview by

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In November 2008, just weeks after the Lehman Brothers collapse, Barack Obama's chief of staff Rahm Emanuel insisted that the banking crisis wasn't just bad news for the neoliberals. As the former Freddie Mac board member put it, the dramatic tumult was also the chance to clear away some deadwood — and even push the neoliberal project along further. In his immortal words, "You never want a serious crisis to go to waste. And what I mean by that is an opportunity to do things that you think you could not do before."

The quote inspired the title of Philip Mirowski's 2013 book *Never Let a Serious Crisis Go to Waste: How Neoliberalism Survived the Financial Meltdown*. It provided a rebuke to those who assumed the crisis would simply weaken the dominant economic policy assumptions of recent decades — or that the neoliberals wouldn't themselves react. Far from the state bailouts of the banks showing that neoliberalism was over, in fact, they were followed by a further wave of marketization of public services — and years of austerity.

Today, faced with the coronavirus pandemic, many observers have again pointed to an opportunity for the Left to change the economic agenda. Such claims may seem to be bolstered by the massive state intervention as well as a widespread political emphasis on

the importance of public services. Yet the focus in most Western countries on propping up businesses — and indeed the rowdy protests to end the shutdown — also show how privatizing and reactionary forces can set the tone politically.

Faced with this fresh crisis, Mirowski spoke to *Politics Theory Other* host Alex Doherty. They discussed neoliberals' responses to the pandemic, the successes they think they've achieved already, and the dangers in store for the Left.

AD

Recently, I went back to your 2013 book on neoliberalism and the financial crisis, *Never Let a Serious Crisis Go to Waste*. There, you partly sought to explain why despite the crash — and all the diagnoses saying it was leading to the death of neoliberalism — in many ways the post-2008 crisis actually reinforced neoliberalism's dominance. Once more, today we're in a crisis that seems to pose a profound threat to neoliberals. Could you start by sketching out how you understand the term "neoliberalism" and how that differs from other descriptions?

PM

I and a group of people I work with — Dieter Plehwe, Quinn Slobodian, and others — tend to define neoliberalism largely in terms of the actual historical groups that have developed neoliberal political thought, rather than an engraved Ten Commandments-style list of what neoliberalism actually is and isn't.

One salient point, though, is that neoliberalism is not advocacy of laissez-faire and the small state. If anything, the lesson that work on neoliberalism has shown is that it's about strong states, which construct the kind of market society that neoliberals believe in.

Over and above various national and cultural differences, I think there's one shared point. Neoliberals really believe that people are inherently bad cognizers — they can't work their way out of their problems just by thinking. Of course, that sounds like a very negative doctrine: i.e., telling us that people are incapable of understanding the nature of their problems and pursuing their own democratic ends.

But for the neoliberals, there's an upbeat answer: the market. And they have changed the meaning of what a market is from earlier economic thought which tended to treat it as an allocation of scarce resources. They tend to think of it more as an epistemic problem — that the market is the greatest information processor known to mankind. This starts with Hayek but then feeds through the other main thinkers.

This is important, because it means that people have to be brought to understand politically that they have to, in a sense, concede that the market knows more than they do. So, they have to adjust their hopes, their fears, to what the market tells them is necessary. This point binds together a lot of sub-schools of neoliberalism, which vary from the Chicago School to the Austrian School, the Geneva Globalists, the German ordoliberals, and so on.

AD

Those different sub-schools can feed into very different political tendencies. For instance, we can think of a neoliberalism associated with a kind of liberal internationalism, like Tony Blair and George Osborne in the British context, but others associated with a reactionary nationalism. . .

PM

That's another reason why, though some people say neoliberalism has effectively been rejected by recent political developments, if you know anything about its history you see there are dramatically different neoliberal approaches to what the attitudes of any particular polity should be.

Of course, there are the internationalists who believe there should be basically no national control over international trade, and it should be all market-dominated. But what's interesting is that getting closer to the present, there was also a nationalist sub-school of neoliberalism, at least in the United States, associated with Murray Rothbard, that openly advocated a sort of market populism and flirted with more fascistic tendencies in political economy.

One or two people have interestingly pointed out that much of what we consider authoritarian Trumpism was advocated by these Rothbardites already over twenty years ago, including "America First," the idea that experts are the primary danger, that we have to "let the people decide" what to believe — and that the market will somehow destroy all these experts and allow the people truly to express themselves. This is weird stuff, but very much relevant to current developments.

AD

Do you think that draws on an earlier period of neoliberalism, the Reagan-Thatcher era? In the UK context at least, the authoritarianism and social conservatism of that early phase of neoliberalism is often forgotten.

PM

There's an assumption that neoliberalism arose to oppose authoritarianism — and I'm sure that's how figures like Hayek thought about it. But as Thomas Biebricher points out, the real problem is that their theory has no imagination of how they're going to get people in general to accept their "reforms" when, of course, they're not going to like any of them, because they won't understand how the market knows more than they do. This puts the neoliberals in a bind: How are they going to achieve their political objectives? So, they're driven, essentially, to concede that authoritarianism is the only practical way they are going to triumph. That's what the logic of their position leads them to.

I think that's not an abstract argument — rather, tactical lessons have been learned from this. What I and others call the "Neoliberal Thought Collective" is a bid to build up the political capacity that can take advantage of crisis situations and move rapidly to impose the kind of reforms that they consider ideal. I know this sounds a bit like Naomi Klein —

which is reasonable in some sense — but I think it's deeper than that. They have built up a deep bench of ideas and people able to move very quickly when crises arise and achieve their ends. I argued that's what they did in 2008, and certainly that's what they're doing now.

The dream on the Left seems to project that the virus is going to go away and people are going to wake up and see that global warming really is the problem and change the way they look at the world. But this is so far from the neoliberals' own political understanding, of their need to strike while the iron is hot. The neoliberals talk among themselves, too, and already at this stage of the crisis there are discussions of what they see as current political successes. You don't get that feeling from the Left's discussions, or from the wider media.

AD

What do those discussions look like — things like environmental deregulation that have been possible because of the crisis?

PM

It's certainly early days, and I can only speak to the American context, the discussions I've been following. You don't hear about these game plans in the media. But they are talking about specific things — for example, all kinds of successes, from their point of view, with regard to medical developments.

They see the gutting of FDA controls over drugs, the boosting of privatized telemedicine, which is something that they've proposed for a long time — seeking to get rid of the idea that a poor person ought to be able to see a doctor face-to-face. They also see these developments as blocking a state-run, single-payer system in the United States — they believe the crisis made it less likely than before.

They also like the idea that this is turning pharma into a "heroic" sector, after there had been a lot of political pushback against pharma and it was getting a bad rap. That's all being undone now. They love the idea that this crisis is inadvertently causing a reengineering of higher education. They have long argued that higher education is just something that most people can't afford to have. Now, what's going to happen is widespread distance education, even at elementary levels. It's promoting homeschooling, something they've always been in favor of. It's boosting the privatization of elementary education, so that's great . . . They like the idea that an inadvertent effect of the crisis is to kill the US Postal Service.

These are the sorts of projects they've long had on the back burner. And now they see, "this is our chance." Partly as an unintended consequence of the crisis, but also because the neoliberals are poised and ready to give it the final nudge to make these things happen.

I think the strongest effect we can see is the demonstrations to reopen the economy. What it shows is that they've learned from the last crisis: the Tea Party started out in the last crisis probably not so much of an astroturfed phenomenon, but later got co-opted. But now you've got all these astroturfed organizations in place, and what they've done is blown this revolt up from almost nothing to a largely coordinated set of demonstrations at the state level, with untold consequences for the future of American politics. But the Left isn't paying sufficient attention to this at all.

AD

As you say, what you're describing is dramatically different from discussions on the Left which see the crisis as a moment of opportunity. Looking at the United States from the outside, a lot of people would say this makes the case for Medicare for All: the fact that the United States has a public health disaster without parallel internationally would, as they see it, make a national health system of some sort more viable. And while there is the "reopen the economy" movement, presumably neoliberals weren't too happy about the shutdown to begin with. We're seeing the valorization of key workers, nurses and doctors and so on, which wouldn't be what neoliberals want. So, is your view entirely pessimistic?

PM

Well, let's look at this at two levels. First, practical empiricism. If it's making Medicare for All more likely in the United States, then why, with the two bailout packages we've had so far, have the Democrats been totally unable to get any kind of comprehensive payment, even for testing and treatment for people who have COVID-19, never mind anything else?

Moreover, the kind of things they did get in these bailouts were incredibly attenuated even relative to what you'd expect to be politically popular, i.e., the government paying for even limited aspects of testing and treatment. So, the notion that people are going to think this through and decide that what we need is single-payer in the United States is implausible politically.

What is the likely outcome of this medically produced depression? The likely outcome is the virus is not going away. There's all this crap about going back to normal after we flatten the curve, as if there'll be a vaccine. But that's all totally false. It's not going away, there'll be waves of outbreaks from now on, and we won't be able to go back to how we lived before.

What are the implications? We are going to be shocked by a really nasty right-wing politics that we didn't even experience at the end of the last crisis. We're already seeing elements of fascism — and I use the term advisedly — that are going to be promoted as people become more disillusioned with the way things are trending. Looking at the US case, certainly they'll be disappointed that the virus won't go away and all kinds of controls will have to be reimposed. That will lead to a pall of despair. But at the same time, we're also seeing the serious economic and social decline of the United States. That's the real daily consequence, at least for people living in the United States.

They're going to realize that their standard of living, their political ability, their privileges, etc. are deteriorating even relative to other countries, including in East Asia. Other people have argued this, too, so it is not entirely unexpected. What's that going to do to politics? Make it way worse. In some sense, Trump isn't the worst, but then comes the next stage, because what's happening on the Right and among neoliberals is that they're currently playing fast and loose with this COVID-19 rebellion that's going on, because they think that they can control it.

Historical analogies aren't always perfect, but that's similar to what happened in Weimar Germany. The industrialists thought they could control these fringe groups like Nazis and so on and it was okay to use them against their own political enemies. That's exactly what's happening now. Where does that lead? It leads to a situation where they lose control of these groups, who themselves become more fascistic, more racist, and more nihilist.

The Left is constantly talking about a brighter world that could happen — but not looking at the actual politics playing out in front of them right now.

AD

Going back to the financial crisis, you were writing that at a particularly low point for the Left organizationally. Since then, we saw the emergence of the socialist left in America, the Sanders campaign, the Left's return (since abated) in the UK Labour Party. Do you feel that the greater size of the Left in the United States and internationally since then provides any reason for optimism? And do you think there's a more sophisticated understanding of neoliberalism than in that period, when it was more identified with laissez-faire, the small state, and so on?

PM

I do think the understanding is getting better. When I give talks now, I don't have to go on and on about how it's not laissez-faire. I think that's kind of sunk in. And moreover, people on the Left are actually reading these neoliberal authors rather than winging it like they used to. That's all positive.

But, against that, I also think there's also been some great work comparing how the Left understands political organization versus the Right.

Theda Skocpol has done some amazing work, first in acting as an anthropologist among the Tea Party to understand how they work. But she also has a large number of students who've looked into the actual political organization behind the neoliberals, in particular with the Koch seminars.

She also had her people look at how the Left treats organization and funding in something called the Democracy Alliance — the closest thing you can get to the Koch seminars, in that they both bring together rich people, partly to ideologically tutor them and partly to solicit funds for political activity. Skocpol and her colleagues have compared those two institutions. The comparison is enlightening but also frightening.

Basically, the difference is that the Koch group are unapologetic Leninists — their line is “we have to take over.” It’s not a matter of arguing it out; they dictate what their allies should believe, i.e., their program follows neoliberal doctrine, and these rich people are importuned to give them money to help bring it about. The Democracy Alliance, conversely, is rather more like a “marketplace of ideas” — and I use this neoliberal term advisedly. Like Occupy, it presumes that political activity will bubble up from unstructured cadres, whom it brings together in a kind of marketplace — or circus — where everyone does their pitch and then the rich people decide what they do or don’t like in terms of investment.

Unlike the Kochs, where the funding is structured in a bank they totally control where you just give them the money with no strings attached, in the Democracy Alliance the funding has no continuity and the people giving the money can constantly kibitz into the political activities that they choose — the exact opposite of Leninism. In repudiating previous left doctrine, the Left has become far more neoliberal in terms of how it goes about its political activity — and the Right far more Leninist. The Left is set up to lose, if it keeps operating in that way.

AD

So, should the Left be mirroring how the Right organizes?

PM

When I started doing work on this, I kept raising the issue to audiences: “Why doesn’t the Left have the equivalent of a Mont Pelerin Society?” Of course, the answer is, “we don’t believe in these autocratic, top-down structures.” Also, the Left has lost faith in vanguard intellectual work. So, somehow, what we believe is that political projects and understandings are meant to bubble up from the general populace — a kind of populism that lives at the heart of left political thought and activity right now. Conversely, the stuff called “populism” on the Right is, in fact, highly organized and astroturfed. The Left will have to decide how much of that it can stomach. The question you pose is: What does one learn from spending decades studying these guys? And what you learn is how the Left is different and why the Left is falling behind.

AD

Clearly, one effect of the crisis is to make more visible the hand of the state in the economy. One reaction is for people to call time on neoliberalism. But might we be looking more at a transition to a more authoritarian model of neoliberalism, closer to the Chinese model? How does China fit into your approach?

PM

I really don’t follow China — and one needs to know a whole lot to even begin to talk about what accounts for its rise as a political hegemon. But even not knowing very much about China, we can see they have developed a kind of model of accumulating most of the world’s manufacturing capacity and realizing that’s one of the major variables in becoming a world hegemon.

That's an aspect which I don't think the Left thinks hard enough about. Being able to control the manufacturing aspects of society is way more politically powerful than economists have given it credit in the past. For them it's all indifferent — whatever it is, the market dictates you just specialize and have comparative advantage. I think that's been disproven by recent history.

I also think part of what's going on is that people are seeing that the American system is breaking down in various ways, but I don't think that this makes them more favorable to state organization.

I'll give an example. Here, in the United States, we have a largely privatized health system which — as almost everyone outside America seems to know — produces the worst outcomes in world league tables. Yet here we are in a crisis where you'd expect that this inordinately expensive system should at least be able to adjust. Instead, what we see is that hospitals can't make money off of COVID-19 patients, largely due to wonky insurance schemes and pharmacy benefits managers (absent in the rest of the world). So, what happens is hospitals put off other treatments, which reduces their profitability, so they're laying off doctors and nurses. Health care workers are being sacked in the middle of a pandemic, while the media praises them as "heroes." It's amazing to see the glaring inconsistencies this system gives rise to.

The populace will notice something basically wrong is happening. But how do they react to that? People on the Left seem inclined to project people will infer market organization is the problem — but I don't believe that. I think things will take much more of a political turn. They'll try to find all kinds of scapegoats for who's responsible, as neoliberals foster a general fog of post-truth. And it could just as easily turn against the Left.