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Capital, conflict and convergence: a political understanding of neoliberalism and its relationship to capitalist transformation

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\textbf{ABSTRACT}

In this article we argue against influential analyses of neoliberalism that prioritize \textit{variegation} and the role of ideas as key theoretical foci relevant to understanding neoliberalism’s diffusion into myriad national and political settings. Rather, we contend that crucial to understanding neoliberalism is the role of politically-produced convergence around market rationality that reflects two core processes: the reorganization of production and the ascendancy of financialization. We present a theorization and analysis of neoliberalism’s \textit{political production and diffusion} over time, explaining its contested evolution and impact across diverse settings (both ‘North’ and ‘South’) and emphasizing its ever-intensifying symbiotic relationship with the consolidating world market in which the former has increasingly come to serve as the latter’s operating system (OS). Further, we posit that neoliberalism’s form, function and impact demand analytically prioritizing the leverage of constellations of ideological and material interests within the contradictory context of consolidating relations of production and financialization. Our analysis thus challenges many previous expositions of neoliberalism for their failure to locate neoliberalism’s manifestation as arising out of social conflict within particular junctures that privilege certain social forces and ideas over others. We also distinguish our position by highlighting how manifestations of neoliberalism in various settings have combined to yield a greater world market in which variegation has gradually given way to ever-intensifying disciplinary pressures towards market-policy conformity (mono-policy). While current populist movements may well turn out to be important counter movements to neoliberal hegemony, especially if they can internationalize, the disciplining effect of the world market renders many nationally-oriented policy alternatives costly and politically fraught.

\textbf{KEYWORDS}

Neoliberalism; development; capitalism; social conflict; marketization; financialization

\section*{Introduction}

Even by late capitalism’s standards – characterized by great economic, financial, social and environmental dislocations – 2016 deserved special mention. While many fretted over slowing growth in China and the ongoing and related demise of the commodities-driven ‘emerging market’ boom, perhaps the most novel concern was the consolidating wave of populist politics that deviated (both left and right) from dominant Third Way (‘there is no alternative’) market-oriented mono-policy (Gonzalez-Vicente & Carroll, 2017). After years of pundits talking about ‘the end of neoliberalism’ – such remarks were particularly prevalent around the 2007–2008 global financial and economic crises – a
combination of hope and fear formed around renewed political activity that distanced itself from the ‘extreme centre’ (Ali, 2015), threatening to take the reins of power in various national contexts. The Brexit referendum outcome in the United Kingdom (UK) and Donald Trump’s election to the Presidency in the United States (US) were only the most dramatic examples of a rising tide of populism and nationalism (the latter in many cases closely linked to racially-based ‘nativism’), if not also of civil unrest, as traditional policy approaches crafted by technocratic and political elites to reorder state-society relations around markets and market rationality were rejected as unfit for purpose to tackle the real and perceived impacts (e.g. inequality, individualized risk and vulnerability, lack of social mobility, work precarity) of these very same policies.

The simultaneous emergence of these new political phenomena across various political economies should have been of no surprise, except perhaps to those who analyse specific nation states in relative isolation (as comparative ‘exceptions’ or cases of ‘deviation’ or ‘variegation’) without giving adequate weighting to the broader structural and other dynamics of global (capitalist) economic integration. Indeed, for long-term scholars of neoliberalism or to those that experienced firsthand the often-contested advance of market-oriented policy and livelihoods, such political developments should have been expected. Any historical reading of the encroaching manner of neoliberalism’s policy embrace and geographic spread, for example, provides ample evidence of the socio-political costs to labour, fractions of domestic capital and the petty bourgeoisie, the domestic organization of economic activity and the typically deleterious implications for social reproduction. Lest we forget the infamous clashes between Margaret Thatcher and organized labour in the United Kingdom; the often tumultuous diffusion, since the early 1980s, of neoliberal development policy from the global North to the South via structural adjustment programmes (SAPs); the application of ‘shock therapy’ in Central and Eastern Europe (CEE) after the fall of the Berlin Wall; the vast IMF interventions in Asia during the 1997–1998 crisis or the spread of the politics of austerity in the wake of various debt crises in Europe and the concomitant fallout for welfare and social protection arrangements, among many others. Each was emblematic of the manner in which organized labour and other social forces viewed and experienced liberalizing agendas, of political dislocation particularly for progressive movements, of wealth redistribution with concomitant implications for social reproduction, and of encroaching work precarity with the loss of labour rights and protections in the name of competitiveness.

From the very outset, neoliberalism – a political project that, in various forms, has always implied serious (re)distributional shifts in both resources and leverage – elicited significant political responses from those that stood to lose (or perceived they would lose) from marketizing reforms. Historically, for example, political contestation has run along class demarcations (albeit in complex and diverse ways), with workers, the poor and hitherto insulated fractions of domestic capital playing a prominent role in resisting agendas that sought to liberalize trade, reduce and or abolish subsidies, curtail wealth / income redistribution by the state, or privatize state-owned enterprises. Yet, despite significant historical political resistance, which hit its apotheosis during the crises of 2007–2008 with the rise of the Indignados, the Occupy movement and various anti-austerity coalitions across southern Europe, neoliberalism seems to have only consolidated its position if mainstream economic policy within nation-states and among multilateral institutions is any indicator. The reticence to pursue serious regulatory reform in the United States, for example, significantly address the stagnation and deterioration of working class living standards, punish the behaviour of Wall Street, or fundamentally assail the dominance of financial capital, highlights the continued ascendancy of neoliberal policy positions and of the interests of capital generally, despite the vocal mercantilist protestations of President Trump and the current trade war – a conflict that despite suggesting an ideological shift
has done little to upset the neoliberal social project. And while the Federal Reserve’s market interventions via quantitative easing (QE) evoked memories of the Keynesian tool-kit applied by ‘market-controlling’ bureaucrats to stabilize aggregate demand, such an intervention was singular and unique rather than systemic or transformative, with QE ending as soon as the crisis in capital markets had abated and with policy makers at the Federal Reserve indicating their preference for markets to regain their ‘natural’ primacy. State intervention, in other words, had been used not to rebalance the state-market nexus but simply as a stop-gap policy measure to protect the interests of capital, stock market valuations, the functioning of markets, underwrite (socialize) market excess, and restore investor confidence.

While some such as Rahm Emanuel, chief of staff to President Obama, had signalled the reformist opportunities of such a crisis when he sardonically urged that reformers should ‘never let a serious crisis go to waste,’ the sense that this was an inflection point to the dominance of neoliberalism soon passed. If anything, neoliberalism emerged from the crisis as the preferred omnibus of policy prescriptions to mop-up non-market conforming behaviour and to induce still deeper marketization. In Europe, for example, structural adjustment lending programmes (previously largely the preserve of multilateral lending modalities to developing economies) were extended to countries such as Greece, Portugal, Ireland and Cyprus who, in exchange for injections of needed capital to stabilize capital markets and banking liquidity, agreed under considerable duress to austerity programmes that cut away various social protections and witnessed massive reductions in state spending. So too, in the ‘developing world,’ despite the diminished reference to structural adjustment (one rarely hears the term anymore, even in critical circles), mainstream development policy continued its commitment to neoliberal institutional reforms, albeit utilizing both modified and novel modalities designed to circumvent reform impediments and escort transnational capital into new environments (Carroll & Jarvis, 2017a). Multilateral development organizations such as the World Bank, the Asian Development Bank and even the newly formed Chinese-led Asian Infrastructure and Investment Bank – which many saw as an alternative to the Western-dominated multilateral institutions – have uniformly continued to promote neoliberal policy sets as key enablers of growth and economic development. These variously include the promotion of public-private partnerships, financialization, divestiture of state enterprise / assets, new risk mitigation strategies for capital, the expansion of bond issuances, liberalization of investment barriers to domestic markets, regulatory reforms typically focused on new public management, and reform to promote the business environment (the latest iteration of institution-oriented reform) (Jarvis, 2017).

Perhaps more notable has been the increasing rejection of neo-mercantilist and developmental state approaches by states whose very success were founded on such practices within a particular moment of the consolidating world market. The rapid economic transformation of countries such as South Korea, Malaysia, Taiwan, Japan, and more recently China, for example, is often credited to the use of dirigiste policy tools, state directed credit, centralized economic planning and state-led developmental schemes initially focused on the domestic development of export industries. Increasingly, however, these same states are now pushing market reform as the singular solution to slow growth and developmental bottlenecks such as the ‘middle income trap’ (Carroll & Jarvis, 2017b, 2017c; Gonzalez-Vicente & Carroll, 2017). In Japan, for example, the centre piece of the Japanese miracle in terms of the circulation of Japanese capital between historically frugal citizens who bank their savings, the government, and the Bank of Japan, has been Japan Post (Pempel, 1999, pp. 149–150). Outside of China, Japan Post is the largest bank in the world with deposits of USD$1.77 trillion, and a key source of savings which are typically recirculated to support Japanese government debt and the purchase of government bonds (Lewis, 2015). Yet despite its vaunted position in Japan
Inc. and its role as a key financial intermediary underpinning the country’s economy, in 2015 Prime Minister Shinzo Abe commenced the unthinkable: a mass privatization process, announcing several IPOs on the Japan Stock Exchange in a plan anticipated to raise USD$30 billion for the government (Lewis, 2015).

Equally, reforms commenced in China which, historically, had steered a developmental course through state domination of economic activity, have since the 1990s transformed economic activity through ever deepening processes of marketization, effectively jettisoning thousands of smaller state-owned enterprises. As Breslin notes, after their introduction in 1996 these reforms structurally transformed the Chinese economy, with some 80 percent of SOEs privatized over a 2-year period and ‘with virtually all of them gone by 2002’. Between 1995 and 2001 there was a 40 percent reduction of workers in the state sector (46 million workers losing their jobs), … a 60 percent reduction in workers in collectively owned urban enterprises (18.6 million) [and] … a further 34 million state sector workers registered as “laid off”. (Breslin, 2012, p. 33; Kuo, 1994)

State control of the economy was both loosened and centralized insofar as SOEs in strategic areas (telecommunications, energy, banking, resources, and transportation) were consolidated and grown, while the overall structure of the economy became increasingly dominated by marketization and cut loose (in an economic sense) from the state. By 2000, for example, the non-state sector accounted for 63 percent of the economy, delivered 80 percent of its growth and was the dominant source of new employment creation (Breslin, 2012, p. 34; see also Lin, 2008; So & Chu, 2012; Xiao, 1998; Yang, 2004). In parallel, entrepreneurial behaviours were encouraged in the companies that remained under state control, with the 1990s’ Modern Enterprise System signifying a complete abandonment of the social missions formerly embraced by socialist work units and with party elites capturing profit opportunities within the emerging capitalist state architecture (Gonzalez-Vicente, 2011).

**Contested explanations of neoliberalism**

The above observations raise interesting and intersecting questions relating to a diverse array of literatures and schools of thought within development, political economy, economic geography, public policy and beyond. For example, how should we understand the ongoing salience of neoliberalism despite its apparent association with problematic developmental outcomes (i.e. rising inequality, anaemic growth, global environmental degradation, reform distortion, elite capture of wealth) and social and political disruption? Is neoliberalism’s impact overstated at the expense of extant institutional diversity, ongoing ‘path dependency’, variegation and/or the weak and distorted application of policy? How should we understand institutional change within the ambit of deepening neoliberal policy and institutional norms? Is it still appropriate to talk about policy reform without serious consideration of contestation between interests over the nature of the state within a competitive world market? And, does it continue to make sense to talk of ‘development policy’ in an era when policy – including that in the industrialized world – seems so often to have been fundamentally reworked, first and foremost, to centre on markets, market enabling rationalities and the expansion of market discipline into increasing social spheres – in essence, the rise of what we might dub mono-policy.

It is, of course, impossible to touch on all of these questions in a single article. Equally, we think it remiss not to raise such issues as a starting point for stating the obvious: that the death or impending demise of neoliberalism is greatly exaggerated – to borrow from Mark Twain. Rather, our intention in this article is twofold: first, we present a theorization and analysis of neoliberalism’s political...
production and diffusion over time, explaining its contested evolution and impact across diverse settings (both ‘North’ and ‘South’), and emphasizing its ever-intensifying symbiotic relationship with the consolidating world market in which the former has increasingly come to serve as the latter’s operating system (OS). We argue that neoliberalism’s form, function and impact in diverse settings demands analytically prioritizing the leverage of constellations of ideological and material interests within the contradictory context of consolidating relations of production and financialization. Our analysis thus challenges many influential expositions of neoliberalism for their failure to emphasize its manifestation in various settings as arising out of social conflict within particular junctures that privilege certain social forces and ideas over others. We also distinguish our position by highlighting how manifestations of neoliberalism in various settings have combined to yield a greater world market characterized not by variegation but, rather, ever-intensifying disciplinary pressures towards greater market-policy conformity. Influential encapsulations of neoliberalism, we thus argue, exhibit key analytical deficiencies, unable to capture the structurally-conditioned class politics of the global diffusion of neoliberalism, the political conflict between sectional interests (national and transnational) and capital around neoliberalism’s form and diffusion, and the mutually constitutive and self-reinforcing relationship between neoliberalism and world market capitalism. Two sets of influential and related literatures are emblematic of our concerns.

First, coming from a position that is critical – but with limits, prominent economic geographers such as Brenner, Peck and Theodore (Brenner, Peck, & Theodore, 2010; Peck, 2011; Peck, Theodore, & Brenner, 2012) have played a leading role in shaping understandings of neoliberalism and its diffusion. They have urged moving beyond the limitations of other influential schools concerned with mapping dominant regulatory agendas, in particular the varieties of capitalism (VoC) literature (see Hall & Soskice, 2001), well-cited historical materialist positions within (largely) international political economy (cf. Crotty, 2003; Duménil & Lévy, 2011; Gill, 1995) and Foucauldian governmentality positons. While key contributions of this economic geography understanding of neoliberalism have been important in mapping out ‘waves’ of neoliberalism and the modalities that have comprised such waves, this set of scholars have often downplayed or omitted entirely the mutually constitutive relationship between neoliberalism and the world market and, crucially, the class forces and class conflict surrounding neoliberalism’s precise specification and diffusion. Ironically, too, this scholarship has often neglected neoliberalism’s key role within development policy over the last forty years, which has regularly been foisted upon countries, and specific social forces within these countries, precisely during times when their capacity to resist (which has often been extremely limited at the best of times) has been at its lowest.

While many might consider this critique of such scholars heretical, we believe that the exclusion of class power and leverage, and the failure to adequately link neoliberalism in a fundamental and mutually-constitutive sense to the consolidation of the world market, has detracted from the analytical power of the economic geography school. In this sense, their position is politically denuded in that it fails to appreciate important issues of leverage and class power in the constitution of neoliberalism and instead prioritizes ‘unevenness’ and ‘variegation’ – a tendency perhaps derived from wanting to situate their work in relation to mainstream positions that have traditionally shied away from Marxist understandings of capitalism to emphasize ‘path dependency’ and the capillary nature of power.1 Take, for example, the following excerpt from a seminal 2010 piece in which Brenner, Peck and Theodore stake their claim to a preferable understanding of neoliberalism relative to extant mainstream positions:
Here, we outline this approach to variegated neoliberalization with reference to the sedimented, uneven and crisis-propelled evolution of processes of marketized regulatory restructuring since the 1970s. An initial offensive of ‘disarticulated’ neoliberalization in the 1970s and early 1980s was characterized by the path-dependent differentiation of market-oriented restructuring strategies across diverse, crisis-riven institutional contexts. Subsequent rounds of neoliberalization were layered upon this marketized pattern of regulatory uneven development, signalling the consolidation of a transformed, tendentially market-disciplinary geoinstitutional context for both market-promoting and market-constraining forms of regulatory experimentation. Within this ‘deepening’ configuration of neoliberalization, market-oriented regulatory transformations were reflexively interlinked and thickened; and the meta-regimes governing policy development were increasingly (re)oriented towards market-based rules. In effect, we suggest that the two core dimensions of regulatory variegation introduced above – the uneven development of neoliberalization and the neoliberalization of regulatory uneven development – provide an analytical basis for decoding the path-dependent, unevenly layered and patterned evolution of neoliberalization processes during the last three decades. (Brenner et al., 2010, p. 211)

This encapsulation is ostensibly presenting an analytical prism through which to understand the diffusion of structural adjustment policy in sub-Saharan Africa and Latin America, shock therapy in transition countries, Thatcher’s assaults on collectively-organized labour, the conditionality applied during the Asian crisis (that took aim, among other things, at rice and fuel subsidies and fractions of domestic capital), and the implementation of GATT and WTO rulings and myriad other reforms that were in the interests of capital, and in particular, the most powerful fractions of capital. By the 1970s and 1980s it was precisely these fractions of capital, amid a general crisis in profitability, that were envisaging new opportunities made possible by important techno-logistical developments to free themselves from burdensome legacies of social democracy, Keynesianism and, indeed, state socialism. In this respect, the economic geography view of neoliberalism interprets the regulatory restructuring of capitalism in often apolitical, ageographical (ironically), non-empirical and non-specific ways, failing to unpack the politics attending contemporary capitalism and the world market. Where politics is hinted at in its capacity to yield variegation and unevenness in much the same way that historical institutionalists speak of path dependency. This problematically downplays the contested yet persistent tide of market-conforming policy brought about not only by ideational shifts and regional intricacies but also by ‘conditionality’ and the ever-intensifying competitive pressures of the world market – issues which incidentally have not escaped the attention of development geographers and others who have often analyzed and theorized power and development in more nuanced ways (Mawdsley, 2017, 2018; McGrath, 2018). Likewise, Peck’s much-cited book on the construction of neoliberal reason makes little of the relationship between the ascendancy of certain ideas (such of those of Mont Pelerin Society, Friedrich von Hayek and Milton Friedman) and particular interests (fractions of capital, for example). Moreover, his treatment of neoliberal reason avoids any substantive discussion of how its diffusion and evolution relates to the institutional underpinning of the world market or the conditioning and reconstitution of states and social relations more broadly (Peck, 2010).

For this group of scholars, neoliberalism is merely understood as a set of ideational approaches to policy, to the regulation of capitalism and markets, but strangely not in relation to interests, the politics of diffusion or the battle lines of on-the-ground, really-living neoliberal realities (contestation and redistribution). Ironically, neoliberalism is also often interpreted without significant geographical appreciation of its manifestation in non-transatlantic contexts as part of a trans-regional process of world market consolidation. Rather, theirs is a narrative centered on the analytical framing of an idea – and the varieties of its increasingly layered and thickened promulgation (i.e. neoliberalism as a bundle of fungible ideational elements that are not fixed but exist in some type of interpretive / re-
interpretive ethereal, ideational scaffolding). What such an approach does not grapple with is how widely neoliberalism has travelled, how it has been transmitted (often with violence and force amid vast power asymmetries), whose interests it serves and at which points in time and how. On the last point, while crisis is often specified as important in this respect, the questions of who really experiences the most severe impacts of crisis and reform and who gets to escape, often largely unscathed or, indeed, receiving large bailouts, is also left under-articulated. So too are the broader structural pressures that incentivize neoliberalization outside of crisis periods. In this sense, the politics of contestation, resistance, subversion, and in many instances of defeat and retreat, are strangely and, we argue, unfortunately absent, encouraging the reader to determine – much like earlier work in area studies and comparative politics – that despite neoliberalism being increasingly important, the real characteristics deserving analytical attention are variegation, difference and complexity.2

Second, similar, theorists such as Blyth, Rodrik, Mukand, and Carstensen, among other recent third and fourth wave institutionalists, have also retreated from politics as conflict over material interests to politics as a contest of ideational values – neoliberalism being one such meta-bundle of ideas and values. Materiality and interests become second order, derivative variables and thus no longer analytically salient as a determinative framework able to account for the geographic spread of the neoliberal omnibus or its relationship to capitalism. As Rodrik observes, ‘interests are an idea’ (Rodrik, 2014, p. 206). Interests ‘are not fixed or predetermined. They are themselves shaped by ideas – belief about who we are, what we are trying to archive, and how the world works. Our perceptions of self-interest are always filtered through the lens of ideas’ (Rodrik, 2012). Indeed, for third-wave institutionalists the historical primacy of interests in social science is puzzling. For them, the market place of ideas is rarely centred on purely economic interests but filtered through political entrepreneurs developing new ideas, institutions, or policy by appealing to values, identities or other normative reference points. In other words, ‘ideas matter’; ‘ideational politics seem at least as important as interest-based politics’ – indeed more important if we understand interests as a sub-set of preferences defined in relation to ideational values and beliefs (see Bakir & Jarvis, 2018; Carstensen & Schmidt, 2016, p. 318; Mukand & Rodrik, 2016, p. 1; Rodrik, 2014). More recent discursive institutionalists take the argument even further, with ideas now understood as the constituting basis of power and power projection. For Carstensen and Schmidt, for example, ideational power reflects the ‘capacity of actors to persuade other actors to accept and adopt their views on what to think and do’, while the persuasiveness of ideas, the entrepreneurialism of brokers marketing ideas, and the way actors view, interpret and understand ideas, help to explain the complex and reflective processes by which some ideas become accepted and thus powerful while others are marginalized and discarded (Carstensen & Schmidt, 2016, p. 323). And while Blyth tries to repurpose a Polanyian perspective and emphasize the importance of ideas in relation to institutional change, he undertakes this mission without mention of class interests or, indeed, of Marx or Gramsci (odd given his emphasis upon the importance of ideas and interests), instead framing the boundaries of engagement (much like economic geographers) in relation to mainstream rational choice and historical institutionalist schools (Blyth, 2002). Interests and materiality, in an overt class sense, are largely jettisoned – or at least rendered analytically moot; markets and market outcomes reflect ideas, albeit they distribute materiality (money, wealth, power) but not as a consequence of interests so much as a collective manifestation of values, beliefs, and identities which act as inflection points that support a constellation of certain social, political and economic orders –what many might recognize as part of the constructivist turn in social theory (Hay, 2016; Sterling-Folker, 2000).

Clearly, this epistemological standpoint we reject. We view it as fundamentally flawed, confused and emblematic of a wave of liberal-conservative scholarship often viewed as progressive in certain
circles and which is particularly endemic to North American institutionalist approaches – and which has historically eschewed Marxian based analyses of class, class conflict and class power (Blyth, 2002; Campbell, 1998, 2010; see, for example, Falleti & Mahoney, 2015; Lieberman, 2015; Mahoney & Theilen, 2010, 2015). From our perspective, such an approach renders any meaningful examination of neoliberalism problematic (disconnecting the economic base from the superstructure, as it were); subsuming materiality and interests to ideas, politics to values / identities and conflict or contestation to beliefs; in effect transposing the ‘market’ from performing important roles in legitimating distributional conflict (i.e. capitalist exchange relations) to, instead, notions of a ‘market place’ but for ideas. This is not to refute the notion of neoliberalism as ideology (or, for example, the forms of governmentality that attend it), but rather to emphasize it as an ideology reflective of a hegemonic bundle of ideas and policies of our times – and of the politics and material interests underpinning this.

Reconceptualizing neoliberalism – evolution, diffusion and impact

Understanding the evolution of neoliberalism, its diffusion and impact demands much greater epistemological and theoretical perspicuity than has hitherto been provided by influential economic geography literatures or recent institutionalist approaches. To that end, we argue that a more appropriate means of explaining neoliberalism’s various forms, functions and actual impact is by analytically prioritizing the leverage, alignment and conflict between constellations of ideological and material interests (fractions of capital, the petty bourgeoisie, labour, and the state) within certain junctures and geographies of late capitalism, while paying particular attention to the broader structural story that neoliberalism has been inextricably connected to: the intensified formation of the world market. Importantly, we see the relationship between neoliberalism and the world market as mutually constitutive, though not in some automatic or simplistic sense. Neoliberalism has been essential in deepening economic globalization. However, deepening patterns of economic globalization have also set in place a centripetal dynamic that, on the one hand, has compelled the ongoing adoption of deepening marketizing agendas and, on the other, has prompted innovations (often in response to challenges of legitimacy and other forms of contradiction) in the omnibus of neoliberal practices and how they discipline market conforming behaviours.3

To demonstrate the utility of our theorization, we chart the politically-conditioned diffusion of neoliberalism to the present, explaining its evolution and impact and emphasizing its symbiotic relationship with the world market and the social forces that stand to benefit from such an institution (Cammack, 2004, 2009, 2011, 2017). To highlight this symbiotic, mutually constitutive and coextensive relationship we draw upon a software metaphor – in which neoliberalism might be envisioned as an evolving operating system (OS)4 for the world market and its dominant material (and their ideational) interests, albeit one that is semi-open source and which has gone through multiple ‘versions’ and updates (or, if you will, the application of different ‘skins’) – a process we define as one relating to the practice of power through political craft. Importantly, we argue that neoliberalism’s production, evolution and reproduction has included the dynamic involvement of different fractions of capital together with other important actors (including fractions of the petty bourgeoisie, labour and the state), although not always in a straightforward manner. For example, the diffusion of liberal market-oriented agendas has included a central role for intellectuals and policy makers (with the former often playing temporary roles as the latter) as ‘norm entrepreneurs’ and suppliers of legitimizing narratives, world views and, indeed, reworked policy suites (the latter frequently mediated by more powerful social forces in different jurisdictions), especially as serious contradictions (economic crises, rising inequality, lacklustre growth and development) and legitimacy challenges have become
apparent. Many in this category have had a material interest in promoting neoliberal ideas and reforms in terms of the (class) interests of capital – take, for example, the connection between academic elites in U.S. Ivy League higher education institutions and the (-sponsored) promotion of banking deregulation. Others have simply been ‘true believers’ (and often handsomely remunerated); professionals convinced of the merits of markets and liberal notions of regulation under globalized relations of production and finance, actively promoting neoliberal policy as a default series of options reflecting the narrowing context of a globalizing world market and with policy choices necessarily framed by themes of competitiveness and growth.

It is the contingency and constellation of such interests that we argue are central to understanding how neoliberalism is politically conditioned and evolves; dependent upon contingent coalitions of interests, ideas, experts and technocrats which diffuse unevenly into line agencies in government, development organizations and multilateral organizations alike, and staffed not by ‘vampire capitalists’ but by well-intentioned bureaucrats trained in certain traditions (orthodox economics and public policy) and acutely aware of the constraints of policy-making within the world market and the limited universe of policy options – especially if one to is to be taken seriously by those in politically powerful positions (see Jarvis, 2012a, 2012b, 2017). The important point here, sticking with the OS metaphor, is that the total sum of neoliberalism’s various versions, however mediated and incompletely implemented, has been structurally important (though not absolute) in establishing a broad ecosystem (the actual existing world market, including the rules and norms that enable particular relations of production and consumption) which imposes significant sanctions and costs on those that refuse, either in part or wholesale, to adopt (or update to) the latest package. Put another way, the fomenting of globalized relations of production, finance and consumption underpinned by various iterations of the rules and policies of neoliberalism has only compelled further efforts towards alignment, making policy deviance (and mediation and variegation) increasingly difficult and, in a number of contexts, increasingly unimaginable, especially given the diminished resources of many states to support non-market agendas in a hyper-competitive world market.

In what follows we set out our analytical framework, presenting a political economy of neoliberalism as a politically-conditioned OS for the world market, moving through neoliberalism versions 1.0–3.0: 

**Neoliberalism 1.0:** Old ideas for capital from the North within the context of Northern and Southern crises (1970–1986);

**Neoliberalism 2.0:** Reinvention from within: The Third Way and the post-Washington Consensus as a response to the organic crisis of Neoliberalism 1.0 and the evolving world market (1987–2006); and,

**Neoliberalism 3.0:** Return of crisis to the North, deep marketization in the South, and new geographies of diffusion and inequality (2007-present). Due to the limitations of space, we present Neoliberalism 1.0 and 2.0 as abbreviated typologies and outline the key dimensions of neoliberalism 3.0 as a means of understanding why market-oriented policy has come to dominate the policy landscape in both the global South and North and how and why it evolved in the process.

The position we advance will be recognized as historical materialist in form, deriving substantially from a mix of social conflict theory and Gramsci but also the insights of other critical political economy positions that look at politics and economics in an interconnected sense – with a particular focus on the dynamic and conflictual relationship of class forces, the ideological hegemony of particular worldviews and their relationship to the evolving dynamics of globalizing capitalism. Drawing upon social conflict theory, we prioritize the role of political, social and economic institutions as power allocation mechanisms defined and or circumvented by class interests (such as fractions of domestic capital and labour, or fractions of transnational and domestic capital or the petty bourgeoisie) in pursuit of their conflicting material interests (Chaudhry, 1997; Rodan, Hewison, & Robison,
From Gramsci, with whom social conflict theorists share considerable affinity, we also emphasize the role of ideas, ideology, and constellations of interests operating in a coordinated sense within particular junctures (here Gramsci’s notion of a historical bloc is particularly useful). The reader will also note that we take inspiration from a raft of critical political economy scholars – the latter having often been marginalized to the exclusion of quadrant and modelling/typology-obsessed class-denuded descriptions of real-existing capitalism and its attendant interests, institutions and dynamics – that have variously charted the formation of the actual existing world market and the policies and institutions that underpin it (Cammack, 2009, 2016; Carroll, 2010; Gray, 2011; Harvey, 2006; McDonough, 2015; Westra, 2007, 2015). While we acknowledge mediation and conflict in conditioning neoliberal diffusion and point to the politically-produced unevenness and contradictions that characterize contemporary patterns of national and global development, as we demonstrate below, it is the mutually constitutive relationship between neoliberalism and the world market and the dialectical interplay between interests and leverage that are central to understanding the institutional, ideational and political outcomes which now prevail.

**Neoliberalism 1.0: old ideas for capital from the North within the context of Northern and Southern crises (1970–1986)**

By the late 1960s and early 1970s, dramatically slowing growth and declining profitability in the industrialized economies of the global North (including Japan), were increasingly rendering Keynesian technocratic policy sets helpless and extensive social protections unaffordable. Two oil crises in the 1970s and 1980s, in particular, witnessed a debilitating stagflation as massive increases in the cost of energy exposed a combination of oil dependence on Middle Eastern suppliers, energy inefficient aging industrial infrastructure, and technology gaps unable to support energy substitution. The post-war boom which had otherwise cemented rising domestic returns on capital, full employment and improving living standards (although marred by severe gender and racial injustice), began to fall apart, commencing a realignment of political forces and providing the fillip for the reassertion of market fundamentalism. While conservative, pro-market political coalitions had been largely marginalized under post-war settlements negotiated across Western Europe, North America and Australia, with social democratic principles triumphing as a means of assuaging the interests of labour and domestic capital through state mediated grand social / political contracts, the leverage of the state over labour in terms of its ability to deliver continued growth and rising living standards, and over capital in terms of its ability to guarantee sustained and rising profits, weakened throughout the 1960s and 1970s. Increasingly, the interests of domestic capital rested on minimizing regulation and taxation in order to moderate declining returns to capital. More obviously, they also depended on domestic capital securing greater labour flexibility, rising labour productivity and a roll-back of labour entitlements in order to boost profits – a project that became progressively acute as the early phase of economic globalization began to threaten the historical advantages enjoyed by domestic capital in manufacturing. By the early 1970s, for example, the deepening impact of the new international division of labour (NIDL), a result of the rise of export driven economies in Asia (Japan, South Korea, Taiwan, Singapore, Malaysia, Hong Kong) coupled with increasingly mobile transnational capital, posed severe challenges to the industrial heartlands of the global North and to various economic sectors in which they had traditionally dominated (ship building, automotive manufacturing, petro-chemicals, steel, electronics, and manufactured goods). Labour movements, by contrast, experienced a progressive erosion of their leverage in terms of their ability to maintain entitlements and social protections from capital and the state as deepening structural unemployment saw vast
swaths of industrial economic activity shut shop. With little leverage, ‘work to rule’ campaigns and the organization of national industrial protests became emblematic of the unwinding of the post-war settlement.

While these processes were uneven and highly contested, they were uniformly disruptive to the political accommodations and alliances on which the post-war order had been forged. The deepening NIDL, for example, revealed increasing tensions between fractions of domestic capital and the petty bourgeoisie who demanded greater protection and subsidies from the state to ward off international competition, and still other fractions of domestic (the more competitive and ambitious) and international capital pushing for reform, liberalization and marketization. The state thus became caught between fluid and highly contentious countervailing forces; an international order that was rapidly transforming in terms of the locus of industrial and manufacturing economic activity, ideational battles over the appropriate relationship between state and market, the deepening offshore mobility of capital, and the declining fortunes of domestic economic competitiveness.

Adding to this, and not accidentally, the ascendency of the ideas of Hayek and Friedman in the United Kingdom under Margaret Thatcher and in the United States under Ronald Reagan, in particular, underscored the assault on the state and state engagement in economic activity, now roundly criticized for ‘crowding out’ markets, protecting inefficiencies and contributing to the economic malaise of the 1970s. Getting government ‘out of way’ and allowing ‘markets to work’ became the commanding mantra of the age, one increasingly prescribed by a constellation of multilateral organizations (the World Bank, the International Monetary Fund (IMF), the Organization for Economic Cooperation and Development (OECD)), free-market think tanks and policy wonks, strataums of the intelligentsia and certain fractions of domestic and international capital. By the 1980s, neoliberalism 1.0 would thus emerge as a politically-determined admixture of monetarist policy (constraining the money supply to squeeze out inflation), privatization, deregulation, small government, capital account and investment liberalization, austerity, new public management and outsourcing, and marketization.

These developments, however, were far from uniform in geographic spread or impact and typically not free of contradiction. Importantly, for example, they aligned with the interests of (often American and European) transnational capital which was compelled to remain competitive against producers in East Asia and who increasingly used such countries as investment destinations, taking advantage of highly disciplined (often by authoritarian regimes) cheap labour and the preferential trade relations they enjoyed with the US – a by-product of the Cold War and US efforts to forestall Soviet and Chinese influence (Stubbs, 2005; Stubbs & Underhill, 2006). Such developments thus helped sustain the profitability of transnational (Western) capital, kick-start economic transformation in East Asian export states, while contributing to mounting structural trade deficits in the US as offshoring accelerated the industrial rust-bucket effect in industrial economies in the global North. By the mid-1980s US domestic capital and the US state were thus seeking to recalibrate economic relations with such countries, reflecting a new level of competition with the deepening of the NIDL. The 1985 Plaza Accord and US pressure on East Asian countries (Japan and South Korea) were emblematic of both a recognition and response to intensifying competition within the world economy. At the same time, of course, East Asian economies whose success rested on a combination of mercantilist ‘developmental state’ policies to foster national champions (e.g. the chaebol in South Korea), relatively cheap and disciplined labour, and who enjoyed the luxury of being highly selective in their adoption of neoliberalism 1.0 were net beneficiaries of the fomenting post-war world market (see Carroll, 2017). Re-alignment, changing patterns of leverage and unevenness were thus manifest across fractions of capital, classes and states as the world market increasingly took shape.
That said, neoliberalism 1.0 has to be read predominantly as the extension of interests to a global level that, for certain fractions of capital and classes, began processes of national disembedding. Powerful fractions of domestic capital in the North, for example, increasingly delinked from the nation state as a development ‘container’ and became transnational in their focus, reorganizing production (and sometimes domicile) and accessing new markets. Indeed, the interests that stood to benefit from neoliberalism and its promotion reflected the most powerful fractions of capital in the global political economy – multinational enterprises (MNEs) that were able to leverage off their dominance in the latest means of production, including those elements enmeshed at important nodes of what are now commonly described as ‘global production chains’ or ‘global value chains’. While many scholars of global value chains paid important attention to the role of new techno-logistical elements (i.e. the increased use of containerized shipping, airfreight, just-in-time production and ICT technologies) in enabling MNE-dominated buyer-driven and producer-driven commodity chains (Gereffi, 1994, 2014), equally important were the vast swath of emerging institutional innovations taking place and designed to provide an appropriate institutional architecture – or soft infrastructure to deepening processes of de-nationalized production and distribution systems. The persistence of national trade, tariff, licensing, quota, inspection and standards regimes, and of regulatory unevenness between national jurisdictions (from accounting systems, trade payment and settlement systems, profit remittance and convertibility, to investment guarantees) would require greater coordination and standardization if efficiencies in global extraction, sourcing, production and distribution were to be sustained. Overcoming regulatory unevenness, in other words, would become the increasingly dominant neoliberal agenda going forward.

As Colin Leys observes, what was required were grand institutional adjustments at the multilateral level between national economies and structural transformation within these economies – a project that was distinctly material:

What made possible the triumph of neo-liberalism ... was material, not ideal: the radical transformation in both the structure and the management of the world economy that had begun in the 1960s, and which finally seemed to offer the possibility of creating for the first time in history a truly unified global capitalist economy – and one regulated, if at all, only by institutions reflecting the interests of transnational capital. Neo-liberalism articulated the goals and beliefs of the dominant forces that stood to benefit from this process, and pushed it forward, Social-democratic parties and labour movements tried to resist it, but the ‘new right’ succeeded in neutralizing this resistance and initiating its own market-orientated project in one industrial country after another. (Leys, 1996, p. 19)

The intersection of techno-logistical developments coupled with neoliberalism 1.0 would thus significantly set in place the cornerstones of the world market, providing what Harvey termed the undergirding logic enabling economic time and space to be compressed, the mantle of flexible work practices to become progressively subsumed under a logic focused on the dictates of ‘competitiveness’, and the rise of intensified accumulation enabling the progressive dismantling of any form of economic activity or social relations that obstructed such logics. This was, as Gill famously termed it, the triumph of ‘disciplinary neoliberalism’ (Gill, 1995; Harvey, 1990; see also Jameson, 1997).

From our reading, what was most distinctive about neoliberalism 1.0 was that it enabled competitive fractions of capital to become progressively liberated from the binds of the nation-state and nationally-circumscribed economic activity. Here, the encroaching logic of ‘flexible accumulation’ increasingly subordinated labour to the interests of capital, with such logics continuously reinforced by the emergence of new (mass) pools of labour as proletarianization in various developing
countries, but especially in Asia, added to the increasing leverage of global capital over local labour and the state. Equally, neoliberalism 1.0 also set in place an increasingly constrained space for state policy responses which, under deepening patterns of flexible accumulation, mobile capital and emerging new international markets and labour pools, intensified inter-state competition in areas of regulation, concessions (tax) and subsidies, with states ‘bidding’ (in ‘races to the bottom’) to attract capital and the employment it would hopefully generate. Emergent state policy responses thus complemented the progressive spread and deepening of neoliberalism 1.0, often witnessing the exertion of increased leverage over labour to dismantle ‘non-competitive’ work practices, increase labour productivity, and ‘reforming’ the regulatory and tax environment for capital. State policy responses thus often aggressively adopted pro-capital positions as a means of sustaining their competitive position, legitimizing the attacks on social protections, labour rights and entitlements as a necessary response to new global realities. Indeed, for a generation of political proponents, such policy responses coincided with their pro-market, small-government agendas and were personified in political doctrines such as Thatcherism and Reaganism.

Crucially, as much as the spread of neoliberalism 1.0 might be understood as part of an emergent and increasingly dominant economic and policy logic, it was also often spread by forced imposition (‘conditionality’) – typically as a result of the opportunities presented by economic crises and persistent underdevelopment. The collapse of communism in the former Eastern Bloc, for example, witnessed the imposition of ‘shock therapy’ and the Washington consensus via a suite of neoliberal policy measures (Williamson, 1990). These transferred huge amounts of productive capacity and capital to private hands, dismantled state-centred financial intermediation, domestic market protections and rapidly injected such economies (and their labour forces) into the orbit of the world market with all the attendant implications for leverage between the state, labour and capital. In developing regions too (Africa, Latin America and Asia), the introduction of similar shock therapies as a result of various economic crises, themselves often the consequence of liberalization (e.g. capital account liberalization and capital flight or privatization and market failures) and or unequal development, had equally profound implications including mass social and economic dislocation (Carroll, 2010; Gill, 1999; SAPRIN Secretariat, 1999).

Perhaps most importantly, however, such forced neoliberal policy adoption exposed inherent contradictions, raising questions about the policy logic and salience of neoliberalism 1.0 and its ability to reproduce its ideological mantra. The contradictions of liberalization amid continuing and sometimes deepening poverty, growing inequality amid marketization, and the absence of development amid increasing liberalization in many economies produced social and political opposition. Indeed, despite its wide application, the neoliberal policy suite embodied in the Washington consensus and its impact in Latin America and Africa, in particular, was labelled largely responsible for the 1980s being ‘a decade of lost development’ (Department of Economic and Social Affairs of the United Nations Secretariat, 2017, p. 50). By the end of the 1980s neoliberalism 1.0 thus faced what in Gramscian terms would be described as an organic crisis – not just in the second and third worlds but also, however less completely, in crucial centres of the developed world too. The deepening unpopularity of neoliberalism amid massive wealth redistribution, assaults on labour and social protections, and the visceral ascendency of capital experienced increasing political opposition, while also highlighting the limits for accumulation amid sluggish economic growth in a number of regions (ibid). Neoliberalism would have to be reinvented from within, with new ideas and new policy sets directed towards more complete implementation and amelioration of its sharper edges.
Neoliberalism 2.0: Reinvention from within: the Third Way and the post-Washington consensus as a response to the organic crisis of neoliberalism 1.0 and the evolving world market (1987–2006)

Neoliberalism 2.0 was born of a political remodelling, specifically the rejection of the hard-edge, market fundamentalism of Thatcherism, Reaganism and the Washington consensus and the relentless remaking of the state amid attacks on labour to the advantage of capital. Rising precarity, job insecurity and workforce casualization within a context where living standards for working and middle class populations in the global North were stalling or eroding, provided the context for a new phase of neoliberalism. In the global North this would be embodied in ‘Third Way’ politics (Blair in the UK and Clinton in the USA), while in the context of ‘developing’ regions and development policy, it would take form as ‘participatory development’ and the post-Washington consensus (PWC) (Carroll, 2010; Jayasuriya, 2002; Stiglitz, 2001).

Neoliberalism 2.0 and its proponents would pay greater attention to the implementation and sequencing of market reforms and to the role of the state and state institutions in the management of markets. Rather than the ideological mantra of getting government ‘out of the way’ or of reducing its size, neoliberalism 2.0 was about repositioning the state from a ‘positive’ to ‘negative’ or market-friendly regulatory system of governance (Carroll & Jarvis, 2017a; Jarvis, 2012a, 2017; Majone, 1997). Third Way politics was thus central in the redeployment of market fundamentalism (despite its proponents often distinguishing themselves against it) signposting its intention to humanize markets and thus make further marketization politically palatable. Its message was explicit: markets remained central to wealth creation, the interests of capital core to sustaining economic growth, but markets needed enlightened (technocratic) umpires to ensure quality in the delivery of privatized government services and to avoid market failures or distortions. Third Way politics was thus a political and institutional ‘fix’ to the myriad contradictions inherent in neoliberalism 1.0, in particular the legion of market failures as a result of privatization and the monopolistic power of privatized and deregulated utilities and infrastructure operators, and demands for rebalancing public versus private interests. It promised to address popular concerns about service quality, monopolistic practices, emplace service guarantees and combine a modern, market-based form of government managerialism working with private capital in order to deliver more for less. Far from a rejection of market fundamentalism, neoliberalism 2.0 embodied a system of governance designed to make it work better, a spirit encapsulated in Peter Mandelson’s famous remark that ‘we were all Thatcherites now’.

In development policy too (i.e. beyond key industrialized countries), neoliberalism 2.0 would emphasize the importance of institutions (in particular those of the regulatory state (Jayasuriya, 2002)) in averting market imperfections and failures as a central focus to propel development in the vast swathes of countries that had been on the wrong end of uneven development. Joseph Stiglitz, chief economist at the World Bank and part of the then-ascending new institutional economics school, was one of several influential academics that sought to modify key assumptions within orthodox economics and import these assumptions into development policy, arguing that the previous calamities observed in transition economies in fact demonstrated the importance of institutions in underpinning market-led development (Bates, 1995; North, 1990a, 1990b; Stiglitz, 1989, 2002; Stiglitz & Yusef, 2001; Williamson, 2000). This emphasis was reflected in a long succession of World Development Reports (World Bank, 1997, 2002, 2004) and policy instruments such as the Poverty Reduction Strategy Papers (PRSPs) and the Country Partnership Strategies (CPSs) which involved new modes of working with member countries (emphasizing ‘partnership’ and ‘participation’) and, however constrained and contrived, civil society (Mawdsley & Rigg, 2002; Carroll, 2010) –
engagement strategies that reflected the need to gain legitimacy for neoliberal policy agendas and to identify tangible political mechanisms for their deployment and embedding.

Neoliberalism 2.0 also reflected supra-national developments in the regulatory architecture of the world market towards embedding ‘competition’ as a core motif in terms of the relationship between states and capital and thus the logic of deepening marketization. The extension and consolidation of numerous bilateral and multilateral trade and investment agreements (key forms of neoliberal software), in particular, cascaded in ever more complex and deepening arrangements – described by one leading trade economist as a ‘spaghetti bowl phenomenon’ (Bhagwati, 1995). Signature agreements such as the North American Free Trade Agreement (NAFTA) and the founding (in 1995) of the World Trade Organization (WTO) out of the ashes of the General Agreement on Trade and Tariffs (GATT) were emblematic of the deepening of the world market in institutional, organizational and material forms. Importantly, the consolidating nature of an increasingly ‘flat earth’ for some, in terms of seamless borders for trade in goods, services and investment capital, reinforced the changing patterns of leverage between states and capital (and, indeed, for organized labour), with states increasingly ensnared in competitively networked nodes and complex global production and value chains, with concomitant implications for dirigiste industrial and economic policy autonomy (Carroll & Jarvis, 2017a; Friedman, 2000; Gonzalez-Vicente & Carroll, 2017).

As with neoliberalism 1.0, however, these processes were not linear or uncontested. By the mid-2000s, for example, it was clear that the PWC and the recrafting and constitution of institutional architectures, specifically of regulatory systems of governance, were uneven. So too, the outcomes of privatizations increasingly reinvented as ‘public-private-partnerships (PPPs)’ in emerging economy contexts further highlighted shifting patterns of leverage that favoured the most competitive fractions of capital. For many emerging economies, for example, the commodities boom along with increased financialization provided material options beyond reliance on multilateral lending, effectively decreasing the leverage multilateral organizations historically enjoyed over emerging economies in terms of conditionality. At the same time, the changing dimensions of deepening financialization into which emerging economies were increasingly ensnared (accessing finance through international capital markets, capital raising via bond issuance, sovereign debt, or private domestic borrowing on international capital markets) itself imposed disciplining measures in terms of market sentiment, risk ratings, the cost of capital and exchange rate volatility. The shifting patterns of leverage between multilateral organizations and emerging economies was thus on many levels supplanted by processes of financialization and the intense market-conforming pressures this entailed.

Crucially, the logic of marketization embedded in neoliberalism 2.0 served to further reduce the spectrum of policy tools available to states to pursue protectionist industrial agendas, to allocate capital (state-directed credit) in ways that advantage domestic industry, or to protect infant industries in the hopes of nurturing national champions. Indeed, the logic of national development strategies became increasingly problematic as resources dried up in an environment of intensifying competitiveness and as ‘national champions’ effectively decoupled from home economies and their populations – going global in order to assuage investor interest and shareholder value. The ‘fit’ or strategic synergies between, for example, ‘Japan Inc.’ and Toyota, Mitsubishi, Nissan, Daikin, Suzuki, or SoftBank Group, as with other economies, increasingly eroded, with ‘national champions’ listing on multiple overseas bourses, typically deriving the majority of their earnings from offshore activities and having an internationalized share ownership structure. Under neoliberalism 2.0, the state-conglomerate pattern of economic development and industrialization thus increasingly dissipated, as with the notion of national production systems which are now dominated by value-chains premised
on third party (typically international) contract systems for content input, assembly, distribution and sales (Carroll & Jarvis, 2017a; Gonzalez-Vicente & Carroll, 2017; Yeung, 2014).

For states and labour, deepening marketization and the incessant logic of competition under neoliberalism 2.0 thus diminished state policy capacity, narrowing policy options, but also the ability to sustain the incomes and income growth of many, with wealth distribution becoming skewed toward greater concentration. If there was ‘growth’ to be observed, for populations in the global North and for many in emerging markets too, advances in consumption and lifestyles were often the result of debt and financialization while job security, work patterns and incomes became subject to raising levels of precarity. The logical contradictions of neoliberalism 2.0 could not be sustained indefinitely.

**Neoliberalism 3.0: Return of crisis to the North, deep marketization in the South, and new geographies of diffusion and inequality (2007–present)**

The Global Financial Crisis (GFC) of 2007/8 presented a major challenge to the neoliberal ‘common sense.’ Bleak social realities, widespread discontent arising from individual insecurity at the hands of volatile markets, and for many severe economic dislocation ranging from unemployment to wealth loss as pension plans and home valuations tumbled and foreclosures sky-rocketed, called into question the benefits of globalization, the world market and the economic software on which these were significantly based. Echoing crises of the previous century, governments across the world promised interventionist measures in the form of counter-cyclical recovery packages, financial regulation and more market oversight. Yet, despite widespread disenchantment with the rule of markets and the prevailing institutional arrangements, the post-crisis order that has emerged is anything but an enhanced version of its predecessors, with marketization, inequality, individualized risk and insecurity reaching new heights.

As we have indicated throughout this article, neoliberalism has never remained static and this fact applies to the current juncture as much as any. While much of both the Washington consensus and PWC spirit remains in the work of key multilateral institutions, at the same time neoliberalism has also taken on heightened financialized characteristics (involving the redefining of bond raising and risk mitigation as development efforts) and intensified competition-inducing modalities (the dramatic rise of benchmarking mechanisms such as Doing Business, for example) (Carroll, 2017; Carroll & Jarvis, 2015). This is entirely commensurate with the structural and ideological limits of hegemony in the current era. Yet, interestingly, given the politics that neoliberalism 1.0–3.0 has fomented, in some cases these and other elements have been combined with and shaped by the illiberal turn, with nationalism and discipline figuring prominently in the new legitimizing rationales. While, for some analysts, these elements are antithetical to the essence of the neoliberal omnibus (Jacques, 2016), we identify the increased severity of market rule in the contemporary period as the cornerstone of a revitalized and transformed political project, with the emergence of late capitalist nationalism cohabiting with three structural spatio-temporal vectors (Jarvis, 2016).

The first is the hyper-consolidation of a world market comprised of advanced levels of market integration and vast pools of labour (the latter priced globally and against deepening levels of automation) and the attendant imperative for even more global competitiveness, amplified by the emergence of multiple poles of neoliberalization. If in earlier phases of the world market these could be traced to tangible material interests in the North/West – but also to specific centres of knowledge and policy that relentlessly strived for increased economic integration across borders and for marketizing areas of social life previously beyond the remit of market exchange relations (see Sandel, 2012) – today one would struggle to point to a (nation-)state or to social domains that are not deeply subject
to, or permeated by, market interests and rationales, and that, in turn, does not contribute to further reinforcing the competitive pressures of market capitalism. Marketization, in other words, is not the exception but the relentless norm – a norm which now evokes myriad simultaneous responses captured under the broad moniker of ‘populism’ (Gonzalez-Vicente & Carroll, 2017).

The second is the emergence of new forms of neoliberal software, including many that were most prominently felt in the developing world and their transmission back into developed economies. This process is not entirely new – Pinochet’s regime in Chile, for example, influenced and advised by Chicago school luminaries, pioneered much of the neoliberal statecraft that would later take hold in the North, along with the development of a ‘cosmopolitan class of [neoliberal] technocrats’ (Peck, 2004, p. 399). The ‘diffusion’ of neoliberalization is thus no longer (if it ever was) a unidirectional affair – from the centres of the world economy and the headquarters of neoliberal ideology into reluctant peripheries. Rather, what we observe globally is political accommodations adapting and responding to the omnipresent pressures of the world market, as national policy elites more often than not see their leverage diminished and constrained by competition across jurisdictions, and as they willingly and increasingly (i.e. minus conditionality) subscribe to policy agendas that place the market at the centre of policy responses to sustain growth and development. Importantly, the ways these adaptations take place involve cross-fertilization and multi-directionality. Rather than an era of imperial capitalism built upon inter-national hierarchies of ‘unequal (policy) exchange’ and Northern institutional leverage, increasingly we witness an era of world market capitalism characterized by both consolidated competition and the multidirectional diffusion of neoliberalism’s software. Within this process institutions such as the World Bank and the OECD, among others, continue to play important roles in supporting market rationales and synergizing policy agendas across the developed and developing worlds. In this regard, however, their role is now more diminutive; technical, professional and situated in highly specialist policy processes/practices and among defined epistemic policy communities which displace their previously often forced and overt neoliberal political agendas (Cammack, 2004; Jarvis, 2017). The standardization of policy regimes (inspection, reporting, accounting, investment, payment settlement regimes, etc.) and ironing out transnational regulatory unevenness in respect of competition policy, for example, now dominate policy agendas which are themselves labelled as strategic and core in order to position states more competitively.

The third is the institutional and political displacement of variegation. That is, while some continue to observe multipolarity, path dependency and regime diversity in the twenty-first century (see, for example, Hall & Soskice, 2013; World Bank, 2011), capitalism has encouraged policy conformity across myriad political regimes (including self-proclaimed communist parties!), resulting in institutional outcomes that are increasingly world market conforming. That is, a veneer of variegation appears singularly to cohabit with consolidation, and while the first has undoubtedly attracted more mainstream academic attention, variegation (of neoliberalism or capitalism) is thus increasingly diminutive in importance or impact. Put succinctly, marketization and the increasing emplacement of capitalist exchange relations across ever widening domains of social life and into ever deepening spheres of economic activity consolidate the world market, elevate the sanctity of competition and narrow the policy spaces within which states and policy makers must increasingly operate.

**Materiality and the politics of contestation under neoliberalism 3.0**

While such observations provide important insights into how neoliberalism 3.0 is undergirded by various spatio-temporal vectors and new directionalities, equally the politics of contestation centred
on materiality provides a final and centrally important explanatory insight into the composite nature of neoliberalism 3.0. In the wake of the GFC, for example, not only were the contradictions inherent within neoliberal patterns of accumulation spectacularly on display but so too were the policy manifestations of wealth and power concentration, particularly in the way policy choices were framed amid a single rationale to defend the interests of capital. A key premise shared by policy elites on both sides of the Atlantic and attesting to the contemporary power of finance capital, for example, was that it was in everyone’s interest to bailout private financial institutions that had otherwise brought about the crisis in the first place. While some Hayekians protested tampering with Darwinian market competition, this premise was basically undisputed within core policy circles as major banks were deemed ‘too big to fail’ – a significant exception here being Iceland, which let its three major banks go bust (BBC, 2016). In the US, the Emergency Economic Stabilization Act allowed the Treasury to spend $700 billion to purchase mortgage-backed securities and inject cash into a moribund banking system. The EU provided its banks with liability guarantees of up to EUR835.8 billion at its peak in 2009, and effectively capitalized banks with EUR413.2 billion during the 2008–2013 period (Gerhardt & Vander Vennet, 2017). Although there were important differences between these various schemes, alternatives involving a more significant disruption of the prevailing financial rules and greater degrees of state control and social accountability were rejected outright, including proposals for mortgage assistance to bailout individual debtors, bank recapitalization under different degrees of state ownership or, at an international level, a serious crackdown on tax havens and tax evasion. Similarly, some financial actors settled for penalties in the US, but as in the case of Moody’s, returned to business as usual after agreeing to a $864 million fine for having granted top credit ratings to toxic assets in the run-up to the financial crisis (The Guardian, 2017). And while some major banks were also penalized for unsafe practices or money laundering, the Obama administration deliberately protected Wall Street moguls from investigation and surrounded itself with key architects of financialization such as Robert Rubin and Tim Geithner (Frontline, 2013; Collins, 2015).

Key to understanding the post-crisis political settlement and how ‘the will’ of markets (i.e. fractions of capital) and creditors prevailed over societal needs or the interests of debtors, was the framing of market fundamentalism by the global policy elite – a settlement which would allow a policy focus chiefly on the recapitalization of banks and a recovery of private investments along with a continuing emphasis on anti-inflationary regimes in order to protect private value. In Europe, this meant subjugating government budgets to debt repayment, effectively prioritizing creditor interests over social services, culminating in what Streeck (2016) described as the ‘rise of the European Consolidation State’. The sanctity of markets, in other words, was institutionally ingrained as a core strategy necessary to sustain the interests of capital, protect private wealth and socialize losses and liabilities. In the wake of the GFC, this was characterized by institutional commitments not to default on debt in order to build market confidence, a preference for cutting expenditure over building regimes of progressive taxation (in part due to pressures to create ‘good business environments’ to sustain the attraction of capital in an integrated world market), and the preponderance of the IMF, the European Commission and the European Central Bank over democratically elected governments (ibid). The implementation of these unpopular policies in turn required a ‘silent revolution’ in order to strengthen the disciplinary capacity of the state and to enforce capital’s will, often through new constitutional arrangements ‘to lock in and institutionalize commitments to disciplinary neoliberalism … and to correspondingly lock out the possibility for socialist or other alternatives’ (Gill, 2017, p. 638). Far from retreating or succumbing to any popular political backlash, the extension of neoliberalism 3.0 in the post-
GFC period reflected the reassertion of market discipline, indeed deeper and more pernicious disciplinary processes of market surveillance and market conforming behaviour.

Such developments highlight the increasingly fluid directionality of the neoliberal policy anthology, with the adoption of policy formulas previously designed to tackle crises in the developing world, such as those promoted through the World Bank and IMF’s ‘structural adjustment’ programmes in the 1980s and 1990s, now largely replicated through the ‘economic adjustment programmes’ negotiated with Greece, Ireland, Portugal and Cyprus, and similar sectoral adjustments implemented in Spain (Greer, 2014). These programmes have included measures of fiscal consolidation (lowering deficits and debt), reform and privatization of state-owned enterprises, market-determined interest rates, liquidity injections to banks, and liberalization of various strategic sectors and the labour market (ibid). Most importantly, these programmes also involved the on-boarding by the state of huge reams of debt and liability, in essence the socialization of risk under the ‘too big to fail’ mantra, in which private losses generated by financial institutions, corporate borrowing and other private actors, were to be guaranteed by the state and paid back by the state (read ‘public’).

Importantly, the socialization of private losses not only demonstrated the disciplinary nature of neoliberalism upon the state, but also highlighted the cascading implications for wealth redistribution, rising wealth inequalities and of absolute wealth transfers to elites. For example, as various states took massive debt on to their books, blowing out the debt-to-GDP ratio and raising questions about sovereign debt defaults, the interests of capital were again assured with the imposition of severe austerity measures, in essence prioritizing debt repayment (and the protection of private wealth) above and beyond the needs of citizens. Citizens would pay for the debt liabilities of the state, enduring large cuts in expenditure for social protections often coupled with taxation hikes to make sure debt-to-GDP ratios were being addressed, markets assuaged and the interests of capital guaranteed. For labour, such policy suites were contractionary, impacting living standards, adding to greater levels of precarity, including rising working hours and ‘adjusted’ wages – in essence unprecedented transfers of money from tax payers to private financial institutions (Blyth, 2013; Standing, 2011).

Unsurprisingly, these processes, often completed under the auspice of traditional parties from both the left and the right, have encountered significant sources of resistance. These have coalesced around processes of re-politicization and identity formation with an often explicit focus on economic inequalities – in part a reaction to perceived economic attacks by regional multilateral bureaucracies (e.g. the masses of Greeks that voted for Syriza in 2015), the growth of economic majoritarianism in the face of continued, rapid and historic elite wealth capture (e.g. the 15-M and Podemos in Spain, or Occupy Wall Street movement), or the growth of class-based identity inspired by Marxist notions of social relations. Still other movements have coalesced around broadly nationalist (nativist) sentiments, reacting against what is perceived to be attacks by external forces (be this dissatisfied Americans voting for Trump, or some elements of the pro-independence movement in Catalonia).

The degree to which such political formations should be seen as upending the neoliberal project, however, is open to serious misinterpretation. To be sure, some of these movements have championed progressive agendas and sought to confront the logic of neoliberalism. At the same time, however, the reassertion of nationalist sentiment has also manifested in conservative agendas, mobilizing popular agitation in order to sustain and expand the breadth and depth of marketization and project the interests of specific fractions of capital. The nationalism of the Conservatives in Great Britain or of President Trump in America, for example, differs greatly from the optimistic globalizing narratives of their elite predecessors and may yet disrupt the transnational regulatory frameworks (the operating system) of contemporary capitalism. At the same time, the conservative commitment
to markets and market rationality at the expense of the state continues unbounded, represented in the emergence of hybrid ideologies that typically combine elements of neo-classical economics with semi-mercantilist strategies as well as liberal and illiberal worldviews, demonstrating how the new neoliberal package finds leverage in rationales that go well beyond the liberal economic thought that inspired the Washington Consensus or the limited social preoccupations that were added to it by the post-Washington Consensus.

In both Europe and the United States (as elsewhere), neoliberalism thus remains very much alive, if transformed into increasingly disciplinary, illiberal forms seeking to leverage discourses of national economic renewal. Indeed, if one accepts that the role of the state is not antithetical to the aims of the neoliberal project, and may indeed be instrumental to it as many have argued (e.g. Peck & Tickell, 2002), we can clearly observe how key elements of neoliberalism remain central to contemporary policy suites: on the one hand, an unrepentant economic support of the private sector, which in this phase includes not only business friendly tax regimes or the opening of new areas of social life to marketization, but also enormous cash transfers from state coffers into private institutions; on the other hand, and in parallel, the transfer of risk from markets to increasingly vulnerable individuals. The state, in other words, has been a key driver in reorienting an ever-widening number of social domains towards market objectives.

**Conclusion**

This article has demonstrated how the role of leverage in the current neoliberal juncture (and others) is both markedly material and ideational, with power relations and interests complemented and, indeed, emboldened by the hegemony of development rationales that now firmly incorporate state discipline as an indispensable element in the realization of the neoclassical ideal of market-based societies and international exchange architectures that strive to meet Pareto efficiency goals. A crucial development in the current phase, brought about in part by the crisis of legitimacy of globalizing rationales amid pervasive social crises, is the increased coexistence of market and nationalist rhetoric compelling further rounds of conflict over policy and generating policy evolution, advocacy and diffusion (Gonzalez-Vicente & Carroll, 2017).

Yet, this combination should not be particularly surprising. From the very beginning, neoliberalism – as a bundle of ideas and agendas to reorder state and society – has been a politically-produced condensate reflecting the power of material and ideational interests across different spatio-temporal moments within capitalist transformation. This article has thus attempted to reorient the theorization of neoliberalism around precisely these vectors, arguing that our attention as scholars needs to be directed towards explaining the manner in which neoliberal agendas have moved forward in relation to the shifting power and leverage of various coalitions of interests – material and ideational – across key spatio-temporal contexts. Crucial in the latter, is the consolidation of the world market – which we have argued exists in a symbiotic and mutually constitutive relationship with neoliberalism – and myriad national contexts with varying endowments of resources and other means of production fashioned by uneven development. While some have mapped out mediation and variegation across national contexts, an exercise not entirely without merit, we have argued that the all-important consolidation of the world market has increasingly led to ongoing pressures towards embracing neoliberalism which, in turn, have played an important role in consolidating the world market still further. Indeed, divergence in key areas of economic policy-making and beyond has increasingly given way to a form of contested convergence (or mono-policy) – but convergence nonetheless. One need only to go in search of governments engaging in large-scale industrial policy, redistributive
and developmentalist intervention, or progressive taxation and regulation for conformation. This is an era by and for the most competitive fractions of capital, albeit one mediated by particular social forces. Indeed, it is this reality that is key in understanding the core economic and social conditions of our time: the near-ubiquitous rise of massive inequality, class consolidation and the emergence of ‘populist’ and nationalist rationales.

Notes

1. The engagement of this school with historical materialist positions echoes other narrow and earlier critiques of dependency theory and misses considerable theoretical and empirical contributions, especially those relating to neoliberalism’s impact on the global South.

2. In this manner it echoes earlier approaches within institutional theory such as those associated with demarcating and explaining ‘varieties of capitalism’ and certain ‘statist’ approaches, such as those associated with analyzing East Asia’s ‘developmental states’ (see, for example, Hall & Soskice, 2001; Weiss, 2012).

3. In this sense, our position here is complementary to important, though oft-neglected, positions from within critical political economy and development studies, although we still see it as somewhat unique to this work, having developed our perspective through a predominant focus upon developmental transformation in both developing and developed Asia. While there are many worthy references, we declare sympathy for Bruff’s (cf 2011, 2014) excellent critical work on authoritarian neoliberalism and his critique of the varieties of capitalism position, Cammack’s ongoing efforts to map out the global extension of neoliberalism over time via multilateral efforts (cf Cammack, 2004, 2011, 2017, this special issue), Connell and Dados’ (cf 2014) important correctives regarding the global nature of neoliberal diffusion and Green and Lavery’s excellent engagement with Peck and ‘his collaborators’ (Green & Lavery, 2018, p. 79).

4. Mark Blyth and Matthias Matthijs (Blyth & Matthijs, 2017, p. 210) and Peck and Tickell (2002, p. 33) have also used the metaphor of software in relation to ‘macroeconomic regimes’ (MRs), albeit in a different, though not entirely incompatible, manner to that deployed here.

5. For example, the US government was able to inject cash in to relatively healthy banks such as JP Morgan and Wells Fargo and recover it with a premium. European governments, in contrast, invested in weak banks, with Spain’s Audit Court recognizing that more than 80% of funds used for the bailouts would be unrecoverable (The Washington Post, 2014; Publico, 2017). To make matters worse, in Spain the inability to pay a mortgage and the subsequent foreclosure and repossession of a home does not settle the former owner’s debt, who still has to pay off the mortgage after being evicted.

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No potential conflict of interest was reported by the authors.

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