

# How Neoliberalism Puts Profit Over People

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Over the past thirty years Neoliberalism has become “the defining economic paradigm of our time” (McChesney, 1999: 7). After the decline of the post-war boom, both the UK and the USA started to look toward free market politics which insisted that previous policies of welfare support had created economic crisis and Neoliberalism was the best way forward for meeting everyone’s needs (Callinicos, 2003). However, over the past thirty years, poverty and income inequality have risen, yet wealth is being generated and the rich’s capital has continually risen (Oxfam, 2013). This reflection discusses how Neoliberalism does not sufficiently meet people’s needs and that it exacerbates global inequality. This reflection will further discuss the many inconsistencies and falsities of the neoliberal agenda and instead present Neoliberalism as a political system which places profit accumulation for a small rich elite at the expense of the livelihoods of the majority of people globally.

Neoliberalism’s defining principle is the concept of “free markets” (Chomsky, 1999). According to the neoliberal argument,

liberalised markets allow for economic growth and therefore wealth, which in turn will trickle down to the poorest in society and make society more financially prosperous (Callinicos, 2003). In order to liberalise markets, state intervention in the form of welfare support is sold off to the private sector, as, according to neoliberals, the profit incentive will create greater efficiency and competition with other firms will lower prices (Chang, 2010). Neoliberalism globally is argued to be the most economically efficient method of producing and is within the interests of all nation states (Chang, 2010). This is primarily based upon Ricardo’s theory of comparative advantage



whereby each nation state specialises in what they are best at producing which lowers production costs and makes products cheaper for consumers (Grint & Nixon, 2015).

Neoliberal policy is in stark contrast to the social reformist approach of Keynesianism.

Keynesian politics follows that a strong state support system must be in place to mitigate the effects of capitalism on the most vulnerable within nation states, this in turn would keep capitalism stable (Callinicos, 2003). Keynesian politics was the mainstream economic strategy adopted in the UK during the post-war period and out of it developed the UK welfare state, comprising of such things as the National Health Service and free education to all (Whitfield, 1992).

For neoliberals however, left-leaning policies such as a welfare state create a dependency culture where people lack the incentive to work because they can get money for “free” (Wacquant, 2009). Neoliberalism is instead in favour of stripping away such state intervention policy, as this serves as a barrier to maximised profit accumulation and instead argues for the implementation of policies that free markets further (Chang, 2010). Lack of government welfare intervention allows for greater profit accumulation in such ways as low or no tax on the richest and larger businesses and leaving key institutions like health care and education open to markets (Chang, 2010). Therefore, the neoliberal objection to welfare states lies within the inhibiting factor they have for private firms to capitalise on that area of the market (Chang, 2010) and the “savings” neoliberals claim the state can make from lowering social expenditure in times of economic crisis (Wacquant, 2009).

However, despite our current mainstream rhetoric of such neoliberal policies, there is much opposition to this argument and evidence to show that many more people under Neoliberalism have become far worse off.

Contrary to the neoliberal argument, humans have worked and contributed to their societies throughout the whole of human history, monetary incentive or not (Marx & Engels, 2004). Therefore, historically, the neoliberal argument against a welfare state falls down and increasingly appears instead to be a tactic of convincing people and politicians to implement neoliberal policy (McChesney, 1999). Whilst there was still poverty in the UK in the time of Keynesian politics there were far greater support mechanisms for oppressed and vulnerable groups (Callinicos, 2003). At the height of the welfare state in the UK the gap between the richest and the poorest was significantly lower than our current period (Callinicos, 2003).

An Oxfam report on the impacts of austerity shows that, since 1975, the UK has become one of the most unequal countries in the OECD (Organisation for Economic Co-operation and Development). The Oxfam (2013) report specifically points to the implementation of neoliberal policies in UK from 1979, championed by Thatcher and then Blair (Callinicos, 2003), as the cause of a further 6.2 million people in poverty (statistics true as of 2008) (Oxfam, 2013). The levels of rising inequality in the UK have been particularly exacerbated by the 2010 Conservative Liberal Democrat Coalition austerity measures (Oxfam, 2013), which are now being continued by our Conservative government. Despite the neoliberal argument for austerity from various free market advocates across the world claiming that austerity is needed to lower deficits and save on government spending, it appears government cuts are specifically targeted at hitting the already vulnerable (Wacquant, 2009).



Government spending programmes which benefit the upper and middle classes, such as low tax rates, are typically spared (Wacquant, 2009), which is evident in the UK with George Osborne cutting eleven billion pounds from local council budgets at the same time as giving tax breaks to the richest 5<sup>th</sup> of the population, costing the government nine billion pounds (Unison). The austerity measures favoured by neoliberal advocates are aiding not alleviating inequality. This is backed up by the Gini Coefficient showing a sharp rise in income inequality from 24 out of 100 (0 representing complete equality and 100 representing complete inequality) in 1978 to around 36 in 2009-10, the highest point it has been at in the UK for the past fifty-five years; since then the level has stayed around 34 (The Equality Trust).

The argument that neoliberal policies serve to benefit a small wealthy elite is backed up by another report by Oxfam (2014) on UK inequality which details how the UK is increasingly becoming a “tale of two cities” where there are a few with vast amounts of wealth and growing numbers of people slipping below the poverty line. Five families in the UK have the same amount of wealth as the bottom 20% of the population and whilst the amount of people reliant on food banks reaches over 1 million (Butler, 2015), the richest have had the biggest tax cuts than any other country in the world (Oxfam, 2014). These statistics show a situation that directly opposes the neoliberal argument that by allowing the rich to generate more wealth and get richer through free market policies, the economy will grow and everyone’s share of the generated wealth will be increased (Chang, 2010).

It is evident that neoliberal theory is not reflecting what is happening practically and instead Neoliberalism is stripping away any wealth redistribution mechanisms, like welfare states, and decreasing wealth for those already below or near to the poverty line (Oxfam,

2013). In fact, Neoliberalism has brought a great deal of instability to people’s lives globally. Neoliberal advocates like the World Trade Organisation (WTO), the World Bank and the International Monetary Fund (IMF) have been the primary successful purveyors in liberalising trade globally. Such organisations encourage free markets to increase global competition, which they argue is positive because it gives business access to more markets (Grint and Nixon, 2015). However, with increased competition comes increased demand for flexibility to keep up with ever fluctuating markets which in turn has created a volatile economy (Dicken, 2015).

In order to stabilise the market for firms, the volatility gets passed onto the workers through the use of casual employment, an example being the use of zero hours contracts (Grint and Nixon, 2015). Grint & Nixon (2015) cite the figure of around 1.5 billion workers being in such precarious employment. Low pay but high demands on labour power in such jobs create a substandard of living for workers, who it is evident see little benefit from the increased exposure to global competition Neoliberalism has brought. The drive for “efficiency” has seen the manufacturing economies of the west shift



to places in Asia, China being the largest goods manufacturer, where companies can get labour more cheaply, thus keep their production costs lower and profits higher (Grint and Nixon, 2015).

With China’s economy relying on its high exports to western countries, workers see wages and working



conditions stagnate in a race to the bottom where the lifting of wages could mean that transnationals relocate production in a bid to take advantage of low wages elsewhere. Meanwhile, workers in the west formerly employed in the manufacturing economy have seen whole communities collapse after the loss of jobs in the areas built around industries (Grint and Nixon, 2015), the mining industry being the most renowned example.

Workers are then expected to re-skill and enter the more flourishing areas of the knowledge-based economy in the West, at the same time as benefits and wages are being cut and the standard of living rising, making it difficult to go back into education or move in order to find work (Unison).

Neoliberalism has therefore created a situation where profits are being put above the livelihood of workers and the vulnerable in society, creating low standards of living and inequality. Further, governments in the UK and other neoliberal politically governed countries are stripping away policies that mitigate the brutality that neoliberal competition is having on workers, entrenching inequality by not providing any safety nets to poverty. The extreme inequality touched on in this reflection is not being caused by a lack of economic growth, money is being generated and there is plenty of wealth in the world; a brief look at economic growth on the World Bank Group page gives a glimpse into just how much wealth there is globally (The World Bank Group). It is being caused by a neoliberal economic system which is being pushed by capitalists in the

interests of their capital gain (McChesney, 1999). It can be concluded therefore that not only is Neoliberalism not working, but that neoliberals do not intend for wealth redistribution and in fact use neoliberal arguments to justify and disguise wealth being centralised into an already rich elite (McChesney, 1999). It is therefore important to see Neoliberalism as nothing more than policy

used to further the interests of capitalism, which is profit accumulation (McChesney, 1999), and have no illusions that it is working in the interests of people.



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Images

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