

Neoliberalism is dying: what's next?

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Are we living through the end of the neoliberal era?

I think we are, and I think the moment it became undeniable was Mark Carney's speech at Davos.

Neoliberalism wasn't an accident. It was a deliberate ideological project built around the myth that "freedom through markets" would deliver freedom for everyone. Instead, it delivered:

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rent extraction

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precarity

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instability

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a hollowed-out state

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rising inequality and insecurity

In this video, I explain how neoliberalism was constructed, why it relied on weakening democracy, why it evolved into rentier capitalism, and why it is now collapsing in plain sight, economically, socially, and politically.

And then I ask the real question: what replaces it? Is that a politics of care — or

authoritarianism?

<https://www.youtube.com/watch?v=AMTQNI3BV90?si=gr9kiQ1TL9GOcddn>

This is the audio version:

https://www.podbean.com/player-v2/?i=6gyym-1a297fb-pb&from=pb6admin&share=1&download=1&rtl=0&fonts=Arial&skin=f6f6f6&font-color=auto&logo_link=episode_page&btn-skin=c73a3a

This is the transcript:

The question at the moment is this: are we living through the end of the neoliberal era? I'm not talking here about a policy tweak. I'm talking about an entire moment in political economic history when a system of government that has existed for the last 45 years shows that it can no longer survive and is breaking down.

Now my suggestion is that Mark Carney's speech in Davos this week was the moment when this happened and the moment when neoliberalism as a project - because, after all, it was not an accident; it was designed - finally came to fail. The idea of the minimal state has literally left us behind precisely because it has created the disorder that the world can now see.

Let's be very clear about what I'm saying. I do not think that neoliberalism can survive what is going on at present. Its core promise was that freedom through markets would deliver freedom for everyone. But the fact is that the lived reality has been growing rent extraction from most people who are living in precarity as a result, and I like that word precarity. It is about people living precariously, and people are. They are literally living with inequality and fragility, and that is the lived experience of most people now. And neoliberalism, which has created this situation, cannot now hold itself together. People have had enough politicians, have had enough. International political economy has failed, and it's time to move on. But before doing so, let's just be clear about how we got to this point.

Neoliberalism was created after World War II, and I stress the point, it was a deliberate construction. It was created as a deliberate political response to what was thought to be the socialist thinking of the post-war settlement, driven above all else by John Maynard

Keynes, Lord Keynes as he was, although he died before he ever saw this battle fought out.

The battle of ideas was between his thinking and that of Friedrich Hayek and Milton Friedman; Hayek fundamentally providing the politics, and Friedman fundamentally providing the economics. The whole idea that they had was an ideology that was opposed to the state.

Hayek believed that government threatened freedom. He hated the idea of any form of public planning. His worldview was, of course, shaped by European events that he had lived through, and he was living in exile from, because he'd had to leave Nazi Germany. But he believed that all state action led to coercion, and he appeared to believe that the Nazis were socialist because the word was in the name of the party and in this context, he demanded that the activities of all states be minimised.

He was a very confused man, is my argument, but whatever it was, he teamed up with Milton Friedman, and Friedman believed that markets expressed free will and were the way in which people could vote, so that their spending was the expression of how they wished to live. He believed that maximum consumer choice defined a free society. The trouble was, he ignored unequal income, wealth and power. The fact that some people had little or no money, which therefore provided them with no opportunity to vote in this system that he preferred, was a minor inconvenience that he ignored.

And, as a result, both Hayek and Friedman failed to notice or deliberately overlooked, more likely, the fact that markets are simply not neutral. Markets allocate power according to wealth, and wealth is not fairly distributed, so markets cannot reflect equality with regard to freedom. They are, in fact, built on inequality and are designed to preserve it. That is neoliberalism's hidden foundation.

These ideas were organised and promoted. There was no accident that they came together. Something called the Mont Pelerin Society was formed in 1947 by Hayek and Friedman, and Mont Pelerin is in, I think, Switzerland, and it's where they held their first meeting in the hotel at the base of that mountain and that gave the society its name. There is nothing more sinister to the location than that. But the point was they formed a society to fundamentally oppose the post-war consensus that was built upon large states delivering well-being for the people who had fought for freedom against fascism. And in the process, they were obviously therefore trying to create an entirely different worldview, which in the end has looked remarkably like fascism; let's be clear.

But at first, they had very little influence. That's unsurprising. People who had returned from fighting were not interested in market influence and the power of wealth being restored. They had seen the consequences of that in the 1930s. However, Hayek and Friedman, and their supporters, and they secured support mainly from financiers, were playing a long game.

They marketed their ideology as common sense.

It appealed to those who disliked social obligation; the wealthy, in other words.

And those who resisted tax, accountability and regulation; the wealthy, in other words.

It offered moral cover for selfishness, which appealed greatly to the wealthy, in other words.

It normalised contempt for collective provision, and therefore appealed to the wealthy.

It turned social solidarity into weakness, and that appealed enormously to the wealthy because they wanted it to look as though their wealth was a reflection of their merit, and the weakness of others indicated by their poverty was literally that poverty was equated with failure.

They used some very specific mechanisms to promote their ideas, and one above all others stands out: and that was the use of tax havens as a very deliberate, practical mechanism to deliver this ideology. This is why I spent more than a decade of my life exposing the practices of tax havens and trying to address them so they could be, well, at least reduced in scale and abusiveness.

Tax havens were not just an exercise in free market thinking; as far as the neoliberals were concerned, they were an institutional weapon. They undermined democratic government capacity, and that was their appeal because they reduced fair trade, and they reduced the opportunity for fair taxation, let alone progressive taxation. And, as a consequence, they rewarded the worst instincts of greed and business, and finance, and capital.

Neoliberalism could not work, though, in a world where post-war economics met people's needs, and the welfare state offered freedom from fear. When full employment and public investment mattered, then there was no prospect for neoliberalism, and then the 1970s arrived.

Oil and the petrodollar transformed the landscape. Keynesianism didn't die of old age. It was destabilised by power and geopolitics, and the failure to develop ideas to tackle the problems which an unstable world created by the oil value increase, which we saw from 1973 onwards, resulted in.

Neoliberalism seized the moment. It offered a simple story. It said government had failed, and that became the new ruling narrative. Neoliberalism then set out on a path of destruction. It swept away the post-war consensus. Welfare became dependency. Regulation became red tape. Unions became the enemy, most especially in the eyes of Ronald Reagan and Margaret Thatcher. The safety net that people had relied on was treated as disposable. Greed was repackaged as virtue. Wealth became proof of merit. Poverty became proof of failure, and people were told, "This is just economics", and too

many believed it, when, of course, this was completely untrue. This was all about politics and the politics of wealth being superior in the eyes of those promoting it to any other form of politics whatsoever.

The consequences were clear.

Business stopped becoming a social partner in the state. It became a machine for rent extraction.

Profit became the sole metric of virtue within the business environment, and business schools were created to spread this idea around the world and became a whole industry in their own right, forcing out any other form of thinking in the process in a way that was totally alien to those who believed that narrative, dialogue and exchange of ideas was the basis for a free market, because in this case, a singular idea was all that was permitted.

And public interest became irrelevant. This was not about efficiency as economics claimed. It was all about predatory behaviour.

Neoliberalism also then morphed. It ceased to be about profit. Once the argument that neoliberalism should be the structure of society had been won, the argument was no longer about serving society; it was about extracting rents from society. So, there was now a focus, not on innovation, but on power, and people had to pay because they had no choice.

The markets became coercive as a matter of routine, and examples of rent extraction can be found everywhere.

Literally, there are rents. Housing rents have increased enormously, fueled in part by the fact that the state has withdrawn to a great extent from this market in many countries.

Financial rents have increased. In particular, real interest rates that people are paying have grown and have become exorbitant in proportion to incomes, and that has been because of the inflation of house prices, a deliberate neoliberal structure.

Service rents have also increased. Charges and penalties are commonplace with regard to many products, and subscription rents are everywhere. We hire our phones, we hire our cars, we hire our software, we hire our white goods. We pay forever, and this has become the normal business model.

In fact, very perversely, capitalism now denies people the right to own their capital goods. You can only rent them because somebody else has ownership, and for many, ownership is being denied. That is the most extraordinary consequence of this form of capitalism. Most people are excluded.

And let's look at the economics of this for a moment before we move on. The reality is that many rent-extracting subscriptions cost almost nothing to supply at the margin. And that is really important in economic theory because supposedly efficient markets exist when the marginal cost of supply of a product is equivalent to the marginal revenue that is paid for the product. But in practice, just look at how much it might cost to supply, for example, a copy of Microsoft Office: it is fractions of a penny at most, the download cost. And yet, what's the price? Well, you are going to be paying probably three figures in whatever currency you're looking at, and four in many others. The fact is that the fundamental basis of market economics does not apply in neoliberal society.

People are instead locked into permanent payments. That guarantees revenue without social benefit to the largest of companies, which grow disproportionately as a consequence and close down competition even further. This creates suboptimal economic outcomes, and this is applauded by our politicians who've been captured by the process. The social cost of this is quite staggering.

But at the same time, something else was also going on. Neoliberalism has been exceptionally good at one thing, and that is creating financial complexity. The size of financial markets has grown disproportionately. The scale of traded financial instruments in the world is now many, many, many times the total value of world trade in true goods and services. And neoliberalism has been brilliant at finding ways in which it can extract money from us. But in practice, it has created almost no technical innovation. Remember, the internet is a pre-neoliberal invention. It was developing during the 1980s, and everything that went with it was happening during the previous era. There was nothing that neoliberalism contributed to that.

And if we look back, what we'll see is that every major change in economics has been associated with some way of adding value in society until we reach neoliberalism, which is fundamentally different from all the others because it is parasitic, based upon rent extraction and not upon value creation.

This makes neoliberalism quite exceptional. Let's just go into history.

The capture of steam resulted in railways and the creation of industry and mass production, and even an agricultural revolution, all of which transformed society in the 19th century and created the world of classical economics and the rise of the market in the first place, but not in neoliberal form.

Electricity created light and freedom over the night, but it also delivered something else, and that was urban transport in a form that had never been seen before and from that, there was urban growth; the city developed as a consequence.

Cars expanded horizons, and leisure, and opportunity, and the freedom to move for work, and that created new economic prosperity as well.

Whilst Hoover's and washing machines, plus the pill, very importantly, gave women freedom that they'd never enjoyed before.

Over time we see major changes in technology expanding freedom and possibility at the same time as changes in political economic thinking are going on. The two walk hand in hand, but not in the case of neoliberalism. It has just financialised the economy. It hasn't built new productive capacity unless you call the phone its major innovation. But actually, that's just based upon the internet and putting it into your hand, and you already were going to get the internet from the pre-neoliberal era. So, frankly, it's done almost nothing to improve the quality of our lives. It's just monetised everyday existence, and it has privatised what should be public. It has turned citizenship into consumption, and now neoliberalism is dying.

It relied on inequality to function.

It has relied on a weakening state.

It has relied on extraction and not production.

It has created instability and social anger.

It cannot offer a future that people accept, and it has run out of road, and AI is the evidence of that. It, after all, offers destruction of employment and not progress with innovation and new technology; and in that sense, it's the perfect example of the death throes of neoliberalism because there are no ideas left.

And politically, Trump is the proof of this. He has turned extraction into a political philosophy. He has turned the chaos that it delivers into his strategy, and the world has seen the monster that this has created. The game for neoliberalism is up.

Now the question is, what replaces it? What is going to be put in the place of neoliberalism as it collapses? Because something has to take its place. That can either be reform in a social sense, or it could be authoritarianism. That is what we're sitting on the brink of. It's an either-or situation; there really won't be another choice. This will be a contest over the next settlement, and the state can either be present or be absent. The fascist wants it to be present in the oppressive sense, but absent in the sense of providing any solutions for people. Democracy wants it to be present as the basis and foundation for well-being.

We have that choice available to us now. We have to decide, do we want a politics of care and an economics of care or a politics of money and might? Literally, those are the alternatives that we face.

And the state is not the enemy in all this; it is the enabler. Markets require laws; they require enforcement, and they require infrastructure. Money is public, and it's created within strict frameworks, and contracts depend on courts and legitimacy to exist.

Neoliberalism has stolen the benefits of the state while pretending that the state was useless. What we now need to see is something very different.

We now need to recognise that people never gave up on the state. They actually want a responsible state. The idea that small government is good has very clearly failed. People don't believe it. They want the state to provide the care that they need, the education that they demand, the job opportunities that are essential, the healthcare that they depend upon, and the old-age pension, which everybody hopes to get. They don't want to see abuse. They hate tax abusers. They hate the rising pressure that is created by rent extraction, and they're getting bored of the legitimacy that has been afforded to wealth and privilege because they realise that they are deliberately excluded and there are consequences of this.

If, now, people realise that we need a change in the change is in the way of democracy, and the changes in the way of the politics of care, regulation will return. Windfall, rents will be challenged. Tax abuse will become intolerable. Financial engineering will face scrutiny, and rentier capitalism will lose its protection. The right to abuse will no longer exist, and this must happen because the alternative is austerity.

The worst response to the crisis we now face is "cuts must be put in place to restore confidence", and I have already seen the Daily Telegraph demanding this in response to the speech that Mark Carney has given, saying that neoliberalism is dead. They've said he's got everything wrong; we must cut the state. Well, that repeats the neoliberal lie. It shifts burdens onto those who have already been harmed by that lie, and it protects the extractors, and it's going to break society further. So, we can see who the enemies are. They are the right-wing media, they are the finance sector, they are the people who have extracted the rents.

Neoliberalism is ending. Let's not beat around the bush. The conclusion that I put forward here is very clear; it's obviously right. It always was an ideological project. It created extraction and not prosperity. It undermined democracy. It must be replaced with the politics of care. We must restore social purpose to the state as a consequence, and we must rebuild public services and public trust.

And we must tax wealth, rents and windfalls because if we don't, we will not be reducing the inequalities in our society. It's not because we need that money to spend. Modern monetary theory makes clear that is not the purpose of taxation. It is because we need to live in a fair society, and that means that we must make the economy serve people and not power, and that is also not the end of politics.

This is about the return of politics. Neoliberalism tried to kill politics altogether, and it has almost succeeded. When we have all our major political parties, as we have over the last 40-odd years, arguing essentially the same things, with tiny tweaks to get them in or out of power, as the public decides, every now and again, we have not seen innovation. We have not seen care. We have not seen development. We've seen

stagnation.

What we want is a return to politics because the economic model we have is failing, and people know it. So, the only question is, what do we build next? I argue it must be a politics of care.

What do you think? There's a poll down below.

Poll

[poll id="302"]

Tickets are now on sale for the Funding the Future live event in Cambridge on 28 February. [Tickets and details are available here.](#)