

## What motivates neoliberals?

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Why does neoliberalism survive when so many of its promises have failed?

In this video, I suggest that the answer has nothing to do with economics. It is all about fear.

Politicians, economists, civil servants and financial market participants know that the economy is not working as they promised. Growth is weak. Public services are under pressure. Investment is inadequate. Living standards have stagnated for many people. Yet the same ideas continue to dominate political debate and economic policy.

Why?

That's because admitting that neoliberal economics is wrong would require these people to acknowledge that decades of policies, assumptions, and careers have been built on foundations that do not deliver what was promised. The personal and professional cost of that admission could be enormous for those who have spent their entire working lives defending these ideas.

I compare this problem with the resistance Galileo faced when he challenged accepted wisdom about the universe. The evidence that he was right was always there. What changed was how people understood it. Once the world accepted a new way of looking at the same facts, entirely new possibilities emerged.

I argue that something similar may be happening today. Modern monetary theory offers a different way of understanding government spending, taxation, debt and money creation. The facts do not change. What changes is how we interpret them and the possibilities we can then see.

So is neoliberalism surviving because it works?

Or is it surviving, when MMT so obviously provides a better explanation of what is happening in the world, because too many powerful people are afraid of what might happen if they admitted there is a better alternative?

<https://www.youtube.com/watch?v=QUia2RmgSoA?si=bFAIlgHw9hqGyuknp>

This is the audio version:

[https://www.podbean.com/player-v2/?i=fkv2z-1ae68ca-pb&from=pb6admin&share=1&download=1&rtl=0&font=Arial&skin=f6f6f6&font-color=auto&logo\\_link=episode\\_page&btn-skin=c73a3a](https://www.podbean.com/player-v2/?i=fkv2z-1ae68ca-pb&from=pb6admin&share=1&download=1&rtl=0&font=Arial&skin=f6f6f6&font-color=auto&logo_link=episode_page&btn-skin=c73a3a)

The Debate Ammunition for this video is available here.

This is the transcript:

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I am often asked, "What is it that motivates neoliberals, neoliberal politicians and people like civil servants who promote neoliberal policy?" And my answer is very straightforward. It is fear. They are scared witless by the alternatives to neoliberalism because they would challenge their authority, their incomes, and their power, and that's why they oppose everything else.

Now, let's face reality. There is nobody in a position of authority with regard to economics in the UK who does not know that neoliberalism is failing. It obviously is. Just look around you. The world is fed up with it. We know it's not delivering. We know we're not getting growth. We know the debt paranoia is misplaced. We know that we live in a society that is crumbling as a consequence of a lack of investment. Neoliberalism is not delivering the wealth that it promised to all but a few, of course.

Those neoliberals know that the theories on which they have based their work are all wrong. And they also know there is an alternative. And they know that modern monetary theory, or MMT, provides it.

They know, as a matter of fact, that the state creates money, because the Bank of England has admitted it.

They know that tax does not fund spending, because UK law makes that clear, and has done so since 1866, whilst quantitative easing proves that, in practice, that has to be the case.

And they know that governments do not borrow because financial markets place money on deposit with the government, and that's a fundamentally different activity.

They know all of this, but they live in fear of it.

Every bond dealer in the City of London knows how government finance actually works. And I think that every neoliberal politician, and every neoliberal economist, and every neoliberal civil servant knows it too. But they're too frightened to admit it, because admitting it would mean admitting everything they have claimed throughout their whole careers is wrong.

And it would mean admitting that every policy, every strategy, and every argument they have ever put forward has all been based on false assumptions.

The personal cost of that admission would be far too great for them. If they admitted the truth, their careers would effectively be over. They would be looking like charlatans who knew nothing, and they would lose their status and their secure incomes, and that is a price they're not willing to pay.

They know that they would have enormous difficulty getting another job. And they do then have to think and believe that they're right, even though they aren't, because they know they cannot personally face any of these risks of admitting that everything they've done is a load of old rubbish. But that's what it is.

For many of them, this has been their whole life. Since the age of 18, they have been told to think as neoliberals, and that is exactly what they've done.

To now admit that their whole life and their whole career were wrong would just be personally catastrophic. The sense of failure would undermine their entire sense of meaning and purpose, and that is why they cannot back down.

And that is why they also club together to resist change. This is why they oppose heterodox thought collectively.

This is why they're so rude about modern monetary theory.

This is why they call it the magic money tree. They want to ridicule it as though this will make them look good, but it won't because deep down they know that MMT is right, whatever they say about it and that they are obviously wrong, but in the meantime, they want to pretend otherwise, and there is strength in their collective denial, and that's why they do it.

These people are facing what we might call the Galileo problem. They are like those people who lined up in Renaissance Italy to tell Galileo he was wrong.

He insisted that the Earth revolved around the sun.

They insisted that there was no way in which that could happen.

They thought their whole world would collapse if they accepted that the Earth revolved around the sun, and so they would not do it.

They thought that their power, as the apex predator on this planet, which they thought was the supreme location inside the universe, would disappear if they admitted that Galileo was right; and of course, Galileo was right.

They created maths. They created arguments. They created whole books. They published them, and they debated forever about what revolved around what. But in the end, all their attempts to prove Galileo wrong failed, because he was right. Their position could not be sustained because even papal authority could not eventually hold out against the truth. And that meant that all the fabrications, the lies, and the arguments fell away, and the world changed.

Galileo, long after he was dead, was proven to be the person who had truly understood just how the world worked.

Except, and I want to make the point, the evidence supported both cases. The truth was that the same sky now produced two completely different understandings of the world. Before the shift in understanding, those people who looked at the sky saw evidence that supported their worldview.

They believed that the evidence that they saw proved that the sun moved around the Earth. And after the shift, they looked at exactly the same sky, and they looked at exactly the same evidence. Only now, they understood, because their mindset had changed, that the Earth moved around the sun.

It all looked the same, except that the fact that they now understood that the Earth moved around the sun let them move on from where they were and create a better understanding, not just of the Earth, but of its role, and how that meant we could manage resources better.

Well, this is exactly the same for neoliberals and the economy and MMT. Neoliberals look at the world at the moment and say, tax funds spending, governments borrow, and the household analogy applies.

If they could see the world differently, they would still observe all the same facts as we have now. But they would understand that the government funds spending first and then uses tax to recover the money spent. And the money left over in the economy is placed on deposit with the government, and it's not borrowing; it's a banking activity. The facts will not have changed. The actual movements of money will look remarkably similar. But how we understand them and the possibilities that they create will have changed.

It was the possibilities that changed when Galileo persuaded the world of the

possibilities that existed if only we believed that the Earth moved around the sun, as it very obviously did.

The same would happen with regard to neoliberalism. If only these people would understand that the world moves in a different direction from that which they believe, and that spending comes before tax, and borrowing is not any such thing, but is a banking facility, these people would understand that the potential of our economy is so much greater than they have realised.

But at the moment, it's safer for them to stay in denial, and so that is what they do. They're doing that as an act of self-preservation, and we are paying the price for that. They are pursuing an argument which is not based upon economics but is based upon fear, and that fear has to be overcome if we are to have the better world we need, which is possible.

And that is the problem we face: we have to persuade these people that they're looking at the evidence in the wrong way. Their whole world will not fall apart if they understand it properly. But what will happen is they will understand that there is potential out there in the real world, which we can put to use, which will create a better outcome for everyone, them included.

That's the possibility. That's what I think. What do you think? Let us have your opinion. There's a poll down below. Please let us have your comments. Please do share this video. Please do like it if that's what you do. And if you'd like to buy us a coffee so we can make more videos of this sort, we'd be very grateful.

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## **Poll**

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