

What happens when neoliberalism's only got fear left to...

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Neoliberalism promised us prosperity, security and freedom through markets. Increasingly, it is delivering insecurity instead. So what does it have left to offer? Fear. And that is it.

We are told to fear government debt. We are told to fear the bond markets. We are told governments must maintain “fiscal credibility”, even when doing so means higher taxes, weaker public services, lower living standards and fewer jobs.

Martin Wolf’s recent arguments in the Financial Times provide an example of this thinking. But the issue is much bigger than one commentator. It is about an economic ideology that treats satisfying financial markets as more important than meeting human need.

The argument rests in part on the household analogy: the claim that governments must finance themselves in much the same way as households do. But a currency-issuing government is not a household. That misunderstanding produces profoundly damaging economic policies.

In this video, I argue that neoliberalism increasingly relies upon fear because its promise of prosperity is failing. When insecurity is already widespread, however, threatening people with more insecurity eventually stops working.

We need another objective for politics: freedom from fear.

That means economic security, decent housing, worthwhile work, healthcare, security in old age and protection from climate change.

Can we build an economics that puts those things before appeasing financial markets? That is the question.

<https://www.youtube.com/watch?v=C7gCT8rO7OA?si=hz4vUbHpXeXFy6zQ>

This is the audio version:

https://www.podbean.com/player-v2/?i=842mc-1b6f601-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:

I think we've reached the point where neoliberalism has only fear left to sell to us. The fear that government debt will overwhelm us. The fear that markets will punish us if we disobey them. The fear that we will lose our jobs if we challenge the system. The fear that we will fail if we cannot consume enough. The fear that if we ask too many questions, we will be sacked, dismissed or branded as an 'other person' to then be abused. Fear has become the means by which the economic system, which demands our attention, also demands our compliance.

We are seeing this everywhere. Martin Wolf has been turning up the fear in the Financial Times this week. He says that Labour must impose substantial fiscal tightening as a part of its economic strategy. What does he mean? He means that taxes must rise because spending supposedly cannot be sustained.

His demand is that public debt must fall to recreate what he calls fiscal headroom, but which actually means he wants the government to put aside a little pot of money, as he thinks about it, to cover the proverbial rainy day, which he thinks is coming, maybe. But what he calls fiscal credibility is the overriding objective. The underlying message is clear. It is that the bond markets must be satisfied.

And let's be clear: what Martin Wolf is saying is that ordinary people will be expected to pay the price that this fear is going to impose on us. Wolf implies there should be increases in income tax and VAT for everyone, but we will receive nothing more in return. That's precisely what he's saying will happen.

And at the same time, the fiscal tightening that he talks about would deliberately slow the economy. We would be worse off, and in fact jobs and living standards would be sacrificed as a consequence of the policy that he is promoting. And who will pay the price of that sacrifice? It is us.

We will be those who are sacrificed to the new god: the market.

We're told that governments must obey this god.

We must obey this god.

And if we don't, the failure to comply will bring fiscal retribution upon us.

The City has become the interest that government must appease, and we must be sacrificed in the process to that outcome.

Democratic choices are then constrained by supposed market necessity when no such necessity exists.

This is just the same as the fear used of old, when people were told they must comply with the demands of the priests and, of course, the emperors, and if they did not, the gods would bring down the reign of terror upon them that they deserved as a consequence of their disobedience. This is the same sort of analysis that is being used now in the pages of the Financial Times. We have got to be sacrificed on the altar of a balanced budget.

And the fact is, though, that fear now shapes everyday economic life. People already fear losing their jobs, and they don't enjoy those jobs, but they still fear losing them. And that's because debt creates fear about keeping homes and maintaining living standards. And consumption is presented as evidence of personal success. And advertising continually tells people what success should look like. And life has become a competition where people are frightened of losing.

But the promised rewards of this system have in fact disappeared. Real incomes are falling. We are not seeing greater prosperity. Many people cannot afford what they are encouraged to desire, and housing is beyond the reach of an increasing number of people, especially those who are younger. Parents are worrying about the prospects facing their children. They tell me they're now worried as well, because I know people of this age who are worried about the prospects for their grandchildren. Climate change just adds another profound source of insecurity.

But let's be clear, it is now neoliberalism that is creating the fear. It promised prosperity through markets and competition. It promised that consumption would deliver fulfilment. It promised that participation would produce economic security, and those promises are visibly failing on their own terms. We are not seeing the outcomes we were promised.

And that's because the economics on which all of neoliberalism is based depends on a myth. It is the myth of the household analogy. I've talked about it before on this channel. I will no doubt talk about it again. But people like Martin Wolf, one of the most senior economic commentators in the UK who has written for the Financial Times for longer than most of its readers have been alive, does believe in the household analogy. He treats government finances as though they resemble those of a household, but they don't.

Households need to get income or borrow before they can spend. A currency-issuing government does not need revenue before it can spend. Government creates the money it needs as it spends it and puts it into circulation. Tax then withdraws some of that money after spending has taken place. The household analogy therefore produces the wrong policy conclusions because it's based upon the wrong analysis of the role of the government inside the economy, and Martin Wolf very clearly has no comprehension of what that role is.

But let's come to the core point, and that is that the government exists to meet people's needs. Politics cannot be reduced to balancing government cash flow. People need housing, healthcare, training, and economic security. Government must protect people from economic and physical threats, and I stress it's both. The threat of inflation because of war in the Gulf is something our government should be protecting us from, but it isn't.

And the government also has another duty. It has the duty to protect us from those with power who would use it to exploit us. A neat government balance sheet cannot substitute for these responsibilities, but that is what those in power, people like Martin Wolf, and people who the Financial Times represents, are saying.

So why is this fear being turned up now? What is the reason for the comments that people like Martin Wolf are producing? What is it that makes them so frightened at this moment? My suggestion is that all these people know that the system of neoliberalism that they have been supporting is no longer working. Neoliberalism can no longer convincingly claim success on its own terms. Its positive promises of prosperity are exhausted. Its remaining argument is that abandoning it would make things worse. Ramping up fear then becomes essential when the promise of reward has failed, and that's what we are seeing.

There is nothing left to threaten us with, though. Threats of insecurity lose their force when insecurity is already widespread, and that is the case now. Market punishment looks different when the existing system already causes harm, and we know it does. We know it causes the problem of climate change. We can see that in our lives now. We know that the market has no solution to the problems of food supply or energy supply or anything else. How can we fear market punishment in that case? The market is already failing us.

And people can increasingly see that the neoliberal system is itself the problem they've got to stand up to. Turning up the fear now might then just reveal the weakness of those who propose this system rather than their strength. They think they've got the upper hand, but the question is really: does their promotion of fear now just reveal how weak they are and how strong we might become?

The alternative, and the one that we really need, is freedom from fear. Neoliberalism promotes fear. I want a politics that promotes freedom from fear.

Economic policy should not be organised around fear of financial markets. It should instead be organised around the need to supply people with housing, with good work, with healthcare and freedom in old age. We need protection from climate change, and we need protection from economic insecurity.

Politics must decide whose needs and interests it exists to serve. Freedom from fear creates the possibility of imagining something better, and that at this moment is what we need to do. It's why I am at this moment writing a new book. It's going to be called *How to Govern: Creating the Courageous State*. I hope it will be out early next year. I am in discussion with publishers, and the book is half written. And the point is this: we can have a different politics, we can have a different economics, and we can live free from fear, and that is my goal in producing this channel.

That's what I think. What do you think? There is a poll down below. Please let us have your comments. We are now analysing them. We do seek to understand your opinion by looking at those comments. They do influence our further work, so we do appreciate them, so thank you very much. And if you would like to support our work, please do like the channel. Please do subscribe. Please do hit the bell button. You will then be reminded that we exist.

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Poll

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