

Freedom's Just Another Word . . .

has turned so authoritarian, forceful, and anti-democratic at the very moment when 'humanity holds in its hands the opportunity to offer freedom's triumph over all its age-old foes'.³⁷ It makes us focus on how so many corporations have profited from withholding the benefits of their technologies (such as AIDS drugs) from the public sphere, as well as from the calamities of war (as in the case of Halliburton), famine, and environmental disaster. It raises the worry as to whether or not many of these calamities or near calamities (arms races and the need to confront both real and imagined enemies) have been secretly engineered for corporate advantage. And it makes it all too clear why those of wealth and power so avidly support certain conceptions of rights and freedoms while seeking to persuade us of their universality and goodness. Thirty years of neoliberal freedoms have, after all, not only restored power to a narrowly defined capitalist class. They have also produced immense concentrations of corporate power in energy, the media, pharmaceuticals, transportation, and even retailing (for example Wal-Mart). The freedom of the market that Bush proclaims as the high point of human aspiration turns out to be nothing more than the convenient means to spread corporate monopoly power and Coca Cola everywhere without constraint. With disproportionate influence over the media and the political process this class (with Rupert Murdoch and Fox News in the lead) has both the incentive and the power to persuade us that we are all better off under a neoliberal regime of freedoms. For the elite, living comfortably in their gilded ghettos, the world must indeed seem a better place. As Polanyi might have put it, neoliberalism confers rights and freedoms on those 'whose income, leisure and security need no enhancing', leaving a pittance for the rest of us. How is it, then, that 'the rest of us' have so easily acquiesced in this state of affairs?

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How was neoliberalization accomplished, and by whom? The answer in countries such as Chile and Argentina in the 1970s was as simple as it was swift, brutal, and sure: a military coup backed by the traditional upper classes (as well as by the US government), followed by the fierce repression of all solidarities created within the labour and urban social movements which had so threatened their power. But the neoliberal revolution usually attributed to Thatcher and Reagan after 1979 had to be accomplished by democratic means. For a shift of this magnitude to occur required the prior construction of political consent across a sufficiently large spectrum of the population to win elections. What Gramsci calls 'common sense' (defined as 'the sense held in common') typically grounds consent. Common sense is constructed out of long-standing practices of cultural socialization often rooted deep in regional or national traditions. It is not the same as the 'good sense' that can be constructed out of critical engagement with the issues of the day. Common sense can, therefore, be profoundly misleading, obfuscating or disguising real problems under cultural prejudices.¹ Cultural and traditional values (such as belief in God and country or views on the position of women in society) and fears (of communists, immigrants, strangers, or 'others') can be mobilized to mask other realities. Political slogans can be invoked that mask specific strategies beneath vague rhetorical devices. The word 'freedom' resonates so widely within the common-sense understanding of Americans that it becomes 'a button that elites can press to open the door to the masses' to justify almost anything.² Thus could Bush retrospectively justify the Iraq war. Gramsci therefore concluded that political questions become 'insoluble' when 'disguised as cultural ones'.³ In seeking to understand the

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construction of political consent, we must learn to extract political meanings from their cultural integuments.

So how, then, was sufficient popular consent generated to legitimize the neoliberal turn? The channels through which this was done were diverse. Powerful ideological influences circulated through the corporations, the media, and the numerous institutions that constitute civil society—such as the universities, schools, churches, and professional associations. The 'long march' of neoliberal ideas through these institutions that Hayek had envisaged back in 1947, the organization of think-tanks (with corporate backing and funding), the capture of certain segments of the media, and the conversion of many intellectuals to neoliberal ways of thinking, created a climate of opinion in support of neoliberalism as the exclusive guarantor of freedom. These movements were later consolidated through the capture of political parties and, ultimately, state power.

Appeals to traditions and cultural values bulked large in all of this. An open project around the restoration of economic power to a small elite would probably not gain much popular support. But a programmatic attempt to advance the cause of individual freedoms could appeal to a mass base and so disguise the drive to restore class power. Furthermore, once the state apparatus made the neoliberal turn it could use its powers of persuasion, co-optation, bribery, and threat to maintain the climate of consent necessary to perpetuate its power. This was Thatcher's and Reagan's particular forte, as we shall see.

How, then, did neoliberalism negotiate the turn to so comprehensively displace embedded liberalism? In some instances, the answer largely lies in the use of force (either military, as in Chile, or financial, as through the operations of the IMF in Mozambique or the Philippines). Coercion can produce a fatalistic, even abject, acceptance of the idea that there was and is, as Margaret Thatcher kept insisting, 'no alternative'. The active construction of consent has also varied from place to place. Furthermore, as numerous oppositional movements attest, consent has often wilted or failed in different places. But we must look beyond these infinitely varied ideological and cultural mechanisms—no matter how important they are—to the qualities of everyday experience in order to better

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identify the material grounding for the construction of consent. And it is at that level—through the experience of daily life under capitalism in the 1970s—that we begin to see how neoliberalism penetrated 'common-sense' understandings. The effect in many parts of the world has increasingly been to see it as a necessary, even wholly 'natural', way for the social order to be regulated.

Any political movement that holds individual freedoms to be sacrosanct is vulnerable to incorporation into the neoliberal fold. The worldwide political upheavals of 1968, for example, were strongly inflected with the desire for greater personal freedoms. This was certainly true for students, such as those animated by the Berkeley 'free speech' movement of the 1960s or who took to the streets in Paris, Berlin, and Bangkok and were so mercilessly shot down in Mexico City shortly before the 1968 Olympic Games. They demanded freedom from parental, educational, corporate, bureaucratic, and state constraints. But the '68 movement also had social justice as a primary political objective.

Values of individual freedom and social justice are not, however, necessarily compatible. Pursuit of social justice presupposes social solidarities and a willingness to submerge individual wants, needs, and desires in the cause of some more general struggle for, say, social equality or environmental justice. The objectives of social justice and individual freedom were uneasily fused in the movement of '68. The tension was most evident in the fraught relationship between the traditional left (organized labour and political parties espousing social solidarities) and the student movement desirous of individual liberties. The suspicion and hostility that separated these two fractions in France (e.g. the Communist Party and the student movement) during the events of 1968 is a case in point. While it is not impossible to bridge such differences, it is not hard to see how a wedge might be driven between them. Neoliberal rhetoric, with its foundational emphasis upon individual freedoms, has the power to split off libertarianism, identity politics, multiculturalism, and eventually narcissistic consumerism from the social forces ranged in pursuit of social justice through the conquest of state power. It has long proved extremely difficult within the US left, for example, to forge the collective discipline required for political action to achieve social justice without offending the

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desire of political actors for individual freedom and for full recognition and expression of particular identities. Neoliberalism did not create these distinctions, but it could easily exploit, if not foment, them.

In the early 1970s those seeking individual freedoms and social justice could make common cause in the face of what many saw as a common enemy. Powerful corporations in alliance with an interventionist state were seen to be running the world in individually oppressive and socially unjust ways. The Vietnam War was the most obvious catalyst for discontent, but the destructive activities of corporations and the state in relation to the environment, the push towards mindless consumerism, the failure to address social issues and respond adequately to diversity, as well as intense restrictions on individual possibilities and personal behaviours by state-mandated and 'traditional' controls were also widely resented. Civil rights were an issue, and questions of sexuality and of reproductive rights were very much in play. For almost everyone involved in the movement of '68, the intrusive state was the enemy and it had to be reformed. And on that, the neoliberals could easily agree. But capitalist corporations, business, and the market system were also seen as primary enemies requiring redress if not revolutionary transformation: hence the threat to capitalist class power. By capturing ideals of individual freedom and turning them against the interventionist and regulatory practices of the state, capitalist class interests could hope to protect and even restore their position. Neoliberalism was well suited to this ideological task. But it had to be backed up by a practical strategy that emphasized the liberty of consumer choice, not only with respect to particular products but also with respect to lifestyles, modes of expression, and a wide range of cultural practices. Neoliberalization required both politically and economically the construction of a neoliberal market-based populist culture of differentiated consumerism and individual libertarianism. As such it proved more than a little compatible with that cultural impulse called 'post-modernism' which had long been lurking in the wings but could now emerge full-blown as both a cultural and an intellectual dominant. This was the challenge that corporations and class elites set out to finesse in the 1980s.

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None of this was very clear at the time. Left movements failed to recognize or confront, let alone transcend, the inherent tension between the quest for individual freedoms and social justice. But the intuitive sense of the problem was, I suspect, clear enough to many in the upper class, even to those who had never read Hayek or even heard of neoliberal theory. Let me illustrate this idea by comparing the neoliberal turns in the US and Britain in the troubled years of the 1970s.

In the US case I begin with a confidential memo sent by Lewis Powell to the US Chamber of Commerce in August 1971. Powell, about to be elevated to the Supreme Court by Richard Nixon, argued that criticism of and opposition to the US free enterprise system had gone too far and that 'the time had come—indeed it is long overdue—for the wisdom, ingenuity and resources of American business to be marshalled against those who would destroy it'. Powell argued that individual action was insufficient. 'Strength', he wrote, 'lies in organization, in careful long-range planning and implementation, in consistency of action over an indefinite period of years, in the scale of financing available only through joint effort, and in the political power available only through united action and national organizations'. The National Chamber of Commerce, he argued, should lead an assault upon the major institutions—universities, schools, the media, publishing, the courts—in order to change how individuals think 'about the corporation, the law, culture, and the individual'. US businesses did not lack resources for such an effort, particularly when pooled.⁴

How directly influential this appeal to engage in class war was, is hard to tell. But we do know that the American Chamber of Commerce subsequently expanded its base from around 60,000 firms in 1972 to over a quarter of a million ten years later. Jointly with the National Association of Manufacturers (which moved to Washington in 1972) it amassed an immense campaign chest to lobby Congress and engage in research. The Business Roundtable, an organization of CEOs 'committed to the aggressive pursuit of political power for the corporation', was founded in 1972 and thereafter became the centrepiece of collective pro-business action. The corporations involved accounted for 'about one half of the GNP of the United States' during the 1970s, and they spent close

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to \$900 million annually (a huge amount at that time) on political matters. Think-tanks, such as the Heritage Foundation, the Hoover Institute, the Center for the Study of American Business, and the American Enterprise Institute, were formed with corporate backing both to polemicize and, when necessary, as in the case of the National Bureau of Economic Research, to construct serious technical and empirical studies and political-philosophical arguments broadly in support of neoliberal policies. Nearly half the financing for the highly respected NBER came from the leading companies in the Fortune 500 list. Closely integrated with the academic community, the NBER was to have a very significant impact on thinking in the economics departments and business schools of the major research universities. With abundant finance furnished by wealthy individuals (such as the brewer Joseph Coors, who later became a member of Reagan's 'kitchen cabinet') and their foundations (for example Olin, Scaife, Smith Richardson, Pew Charitable Trust), a flood of tracts and books, with Nozick's *Anarchy, State and Utopia* perhaps the most widely read and appreciated, emerged espousing neoliberal values. A TV version of Milton Friedman's *Free to Choose* was funded with a grant from Scaife in 1977. 'Business was', Blyth concludes, 'learning to spend as a class.'⁵

In singling out the universities for particular attention, Powell pointed up an opportunity as well as an issue, for these were indeed centres of anti-corporate and anti-state sentiment (the students at Santa Barbara had burned down the Bank of America building there and ceremonially buried a car in the sands). But many students were (and still are) affluent and privileged, or at least middle class, and in the US the values of individual freedom have long been celebrated (in music and popular culture) as primary. Neoliberal themes could here find fertile ground for propagation. Powell did not argue for extending state power. But business should 'assiduously cultivate' the state and when necessary use it 'aggressively and with determination'.⁶ But exactly how was state power to be deployed to reshape common-sense understandings?

One line of response to the double crisis of capital accumulation and class power arose in the trenches of the urban struggles of the 1970s. The New York City fiscal crisis was an iconic case.

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Capitalist restructuring and deindustrialization had for several years been eroding the economic base of the city, and rapid suburbanization had left much of the central city impoverished. The result was explosive social unrest on the part of marginalized populations during the 1960s, defining what came to be known as 'the urban crisis' (similar problems emerged in many US cities). The expansion of public employment and public provision—facilitated in part by generous federal funding—was seen as the solution. But, faced with fiscal difficulties, President Nixon simply declared the urban crisis over in the early 1970s. While this was news to many city dwellers, it signalled diminished federal aid. As the recession gathered pace, the gap between revenues and outlays in the New York City budget (already large because of profligate borrowing over many years) increased. At first financial institutions were prepared to bridge the gap, but in 1975 a powerful cabal of investment bankers (led by Walter Wriston of Citibank) refused to roll over the debt and pushed the city into technical bankruptcy. The bail-out that followed entailed the construction of new institutions that took over the management of the city budget. They had first claim on city tax revenues in order to first pay off bondholders: whatever was left went for essential services. The effect was to curb the aspirations of the city's powerful municipal unions, to implement wage freezes and cutbacks in public employment and social provision (education, public health, transport services), and to impose user fees (tuition was introduced into the CUNY university system for the first time). The final indignity was the requirement that municipal unions should invest their pension funds in city bonds. Unions then either moderated their demands or faced the prospect of losing their pension funds through city bankruptcy.⁷

This amounted to a coup by the financial institutions against the democratically elected government of New York City, and it was every bit as effective as the military coup that had earlier occurred in Chile. Wealth was redistributed to the upper classes in the midst of a fiscal crisis. The New York crisis was, Zevin argues, symptomatic of 'an emerging strategy of disinflation coupled with a regressive redistribution of income, wealth and power'. It was 'an early, perhaps decisive battle in a new war', the purpose of which was 'to

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show others that what is happening to New York could and in some cases will happen to them'.⁸

Whether everyone involved in negotiating this fiscal compromise understood it as a strategy to restore class power is an open question. The need to maintain fiscal discipline is a matter of concern in its own right and does not, like monetarism more generally, necessarily entail regressive redistributions. It is unlikely, for example, that Felix Rohatyn, the merchant banker who brokered the deal between the city, the state, and the financial institutions, had the restoration of class power in mind. The only way he could 'save' the city was by satisfying the investment bankers while diminishing the standard of living of most New Yorkers. But the restoration of class power was almost certainly what investment bankers like Walter Wriston had in mind. He had, after all, equated all forms of government intervention in the US and Britain with communism. And it was almost certainly the aim of Ford's Secretary of the Treasury William Simon (later to become head of the ultra-conservative Olin Foundation). Watching the progress of events in Chile with approval, he strongly advised President Ford to refuse aid to the city ('Ford to City: Drop Dead' ran the headline in the *New York Daily News*). The terms of any bail-out, he said, should be 'so punitive, the overall experience so painful, that no city, no political subdivision would ever be tempted to go down the same road'.⁹

While resistance to the austerity measures was widespread, it could only, according to Freeman, slow 'the counterrevolution from above, it could not stop it. Within a few years, many of the historic achievements of working class New York were undone'. Much of the social infrastructure of the city was diminished and the physical infrastructure (for example the subway system) deteriorated markedly for lack of investment or even maintenance. Daily life in New York 'became gruelling and the civic atmosphere turned mean'. The city government, the municipal labour movement, and working-class New Yorkers were effectively stripped 'of much of the power they had accumulated over the previous three decades'.¹⁰ Demoralized, working-class New Yorkers reluctantly assented to the new realities.

But the New York investment bankers did not walk away from

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the city. They seized the opportunity to restructure it in ways that suited their agenda. The creation of a 'good business climate' was a priority. This meant using public resources to build appropriate infrastructures for business (particularly in telecommunications) coupled with subsidies and tax incentives for capitalist enterprises. Corporate welfare substituted for people welfare. The city's elite institutions were mobilized to sell the image of the city as a cultural centre and tourist destination (inventing the famous logo 'I Love New York'). The ruling elites moved, often fractiously, to support the opening up of the cultural field to all manner of diverse cosmopolitan currents. The narcissistic exploration of self, sexuality, and identity became the leitmotif of bourgeois urban culture. Artistic freedom and artistic licence, promoted by the city's powerful cultural institutions, led, in effect, to the neoliberalization of culture. 'Delirious New York' (to use Rem Koolhaas's memorable phrase) erased the collective memory of democratic New York.¹¹ The city's elites acceded, though not without a struggle, to the demand for lifestyle diversification (including those attached to sexual preference and gender) and increasing consumer niche choices (in areas such as cultural production). New York became the epicentre of postmodern cultural and intellectual experimentation. Meanwhile the investment bankers reconstructed the city economy around financial activities, ancillary services such as legal services and the media (much revived by the financialization then occurring), and diversified consumerism (gentrification and neighbourhood 'restoration' playing a prominent and profitable role). City government was more and more construed as an entrepreneurial rather than a social democratic or even managerial entity. Inter-urban competition for investment capital transformed government into urban governance through public-private partnerships. City business was increasingly conducted behind closed doors, and the democratic and representational content of local governance diminished.¹²

Working-class and ethnic-immigrant New York was thrust back into the shadows, to be ravaged by racism and a crack cocaine epidemic of epic proportions in the 1980s that left many young people either dead, incarcerated, or homeless, only to be bludgeoned again by the AIDS epidemic that carried over into the

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1990s. Redistribution through criminal violence became one of the few serious options for the poor, and the authorities responded by criminalizing whole communities of impoverished and marginalized populations. The victims were blamed, and Giuliani was to claim fame by taking revenge on behalf of an increasingly affluent Manhattan bourgeoisie tired of having to confront the effects of such devastation on their own doorsteps.

The management of the New York fiscal crisis pioneered the way for neoliberal practices both domestically under Reagan and internationally through the IMF in the 1980s. It established the principle that in the event of a conflict between the integrity of financial institutions and bondholders' returns, on the one hand, and the well-being of the citizens on the other, the former was to be privileged. It emphasized that the role of government was to create a good business climate rather than look to the needs and well-being of the population at large. The politics of the Reagan administration of the 1980s, Tabb concludes, became 'merely the New York scenario' of the 1970s 'writ large'.¹³

The translation of these local conclusions of the mid-1970s to the national level was fast-moving. Thomas Edsall (a journalist who covered Washington affairs for many years) published a prescient account in 1985:

During the 1970s, business refined its ability to act as a class, submerging competitive instincts in favour of joint, cooperative action in the legislative arena. Rather than individual companies seeking only special favours ... the dominant theme in the political strategy of business became a shared interest in the defeat of bills such as consumer protection and labour law reform, and in the enactment of favourable tax, regulatory and antitrust legislation'.¹⁴

In order to realize this goal, businesses needed a political class instrument and a popular base. They therefore actively sought to capture the Republican Party as their own instrument. The formation of powerful political action committees to procure, as the old adage had it, 'the best government that money could buy' was an important step. The supposedly 'progressive' campaign finance laws of 1971 in effect legalized the financial corruption of politics. A crucial set of Supreme Court decisions began in 1976 when it

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was first established that the right of a corporation to make unlimited money contributions to political parties and political action committees was protected under the First Amendment guaranteeing the rights of individuals (in this instance corporations) to freedom of speech.¹⁵ Political action committees (PACs) could thereafter ensure the financial domination of both political parties by corporate, moneyed, and professional association interests. Corporate PACs, which numbered eighty-nine in 1974, had burgeoned to 1,467 by 1982. While these were willing to fund powerful incumbents of both parties provided their interests were served, they also systematically leaned towards supporting right-wing challengers. In the late 1970s Reagan (then Governor of California) and William Simon (whom we have already encountered) went out of their way to urge the PACs to direct their efforts towards funding Republican candidates with right-wing sympathies.¹⁶ The \$5,000 limit on each PAC's contribution to any one individual forced PACs from different corporations and industries to work together, and that meant building alliances based on class rather than particular interests.

The willingness of the Republican Party to become the representative of 'its dominant class constituency' during this period contrasted, Edsall notes, with the 'ideologically ambivalent' attitude of the Democrats which grew out of 'the fact that its ties to various groups in society are diffuse, and none of these groups—women, blacks, labour, the elderly, hispanics, urban political organizations—stands clearly larger than the others'. The dependency of Democrats, furthermore, on 'big money' contributions rendered many of them highly vulnerable to direct influence from business interests.¹⁷ While the Democratic Party had a popular base, it could not easily pursue an anti-capitalist or anti-corporate political line without totally severing its connections with powerful financial interests.

The Republican Party needed, however, a solid electoral base if it was to colonize power effectively. It was around this time that Republicans sought an alliance with the Christian right. The latter had not been politically active in the past, but the foundation of Jerry Falwell's 'moral majority' as a political movement in 1978 changed all of that. The Republican Party now had its Christian

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base. It also appealed to the cultural nationalism of the white working classes and their besieged sense of moral righteousness (besieged because this class lived under conditions of chronic economic insecurity and felt excluded from many of the benefits that were being distributed through affirmative action and other state programmes). This political base could be mobilized through the positives of religion and cultural nationalism and negatively through coded, if not blatant, racism, homophobia, and anti-feminism. The problem was not capitalism and the neoliberalization of culture, but the 'liberals' who had used excessive state power to provide for special groups (blacks, women, environmentalists, etc.). A well-funded movement of neoconservative intellectuals (gathered around Irving Kristol and Norman Podhoretz and the journal *Commentary*), espousing morality and traditional values, gave credence to these theses. Supporting the neoliberal turn economically but not culturally, they excoriated the interventionist excesses of a so-called 'liberal elite'—thus greatly muddying what the term 'liberal' might mean. The effect was to divert attention from capitalism and corporate power as in any way having anything to do with either the economic or the cultural problems that unbridled commercialism and individualism were creating.

From then on the unholy alliance between big business and conservative Christians backed by the neoconservatives steadily consolidated, eventually eradicating all liberal elements (significant and influential in the 1960s) from the Republican Party, particularly after 1990, and turning it into the relatively homogeneous right-wing electoral force of present times.¹⁸ Not for the first, nor, it is to be feared, for the last time in history has a social group been persuaded to vote against its material, economic, and class interests for cultural, nationalist, and religious reasons. In some cases, however, it is probably more appropriate to replace the word 'persuaded' with 'elected', since there is abundant evidence that the evangelical Christians (no more than 20 per cent of the population) who make up the core of the 'moral majority' eagerly embraced the alliance with big business and the Republican Party as a means to further promote their evangelical and moral agenda. This was certainly the case with the shadowy and secretive organization of

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Christian conservatives that constituted the Council for National Policy, founded in 1981, 'to strategize how to turn the country to the right'.¹⁹

The Democratic Party, on the other hand, was fundamentally riven by the need to placate, if not succour, corporate and financial interests while at the same time making some gestures towards improving the material conditions of life for its popular base. During the Clinton presidency it ended up choosing the former over the latter and therefore fell directly into the neoliberal fold of policy prescription and implementation (as, for example, in the reform of welfare).²⁰ But, as in the case of Felix Rohatyn, it is doubtful if this was Clinton's agenda from the very beginning. Faced with the need to overcome a huge deficit and spark economic growth, his only feasible economic path was deficit reduction to achieve low interest rates. That meant either substantially higher taxation (which amounted to electoral suicide) or cutbacks in the budget. Going for the latter meant, as Yergin and Stanislaw put it, 'betraying their traditional constituencies in order to pamper the rich' or, as Joseph Stiglitz, once chair of Clinton's Council of Economic Advisors, later confessed, 'we did manage to tighten the belts of the poor as we loosened those on the rich'.²¹ Social policy was in effect put in the care of the Wall Street bondholders (much as had happened in New York City earlier), with predictable consequences.

The political structure that emerged was quite simple. The Republican Party could mobilize massive financial resources and mobilize its popular base to vote against its material interests on cultural/religious grounds while the Democratic Party could not afford to attend to the material needs (for example for a national health-care system) of its traditional popular base for fear of offending capitalist class interests. Given the asymmetry, the political hegemony of the Republican Party became more sure.

Reagan's election in 1980 was only the first step in the long process of consolidating the political shift necessary to support Volcker's turn to monetarism and the prioritization of the fight against inflation. Reagan's policies, Edsall noted at the time, centred on 'an across the board drive to reduce the scope and

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content of federal regulation of industry, the environment, the workplace, health care, and the relationship between buyer and seller'. Budget cuts and deregulation and 'the appointment of anti-regulatory, industry-oriented agency personnel' to key positions were the main means.²²

The National Labour Relations Board, established to regulate capital-labour relations in the workplace in the 1930s, was converted by Reagan's appointments into a vehicle for attacking and regulating the rights of labour at the very moment when business was being deregulated.²³ It took less than six months in 1983 to reverse nearly 40 per cent of the decisions made during the 1970s that had been, in the view of business, too favourable to labour. Reagan construed all regulation (except of labour) as bad. The Office of Management and Budget was mandated to do thorough cost-benefit analyses of all regulatory proposals (past and present). If it could not be shown that the benefits of regulation clearly exceeded the costs then the regulations should be scrapped. To top it all, elaborate revisions of the tax code—mainly concerning depreciation on investments—allowed many corporations to get away without paying any taxes at all, while the reduction of the top tax rate for individuals from 78 to 28 per cent obviously reflected the intent to restore class power (see Figure 1.7). Worst of all, public assets were freely passed over into the private domain. Many of the key breakthroughs in pharmaceutical research, for example, had been funded by the National Institute of Health in collaboration with the drug companies. But in 1978 the companies were allowed to take all the benefits of patent rights without returning anything to the state, assuring the industry of high and highly subsidized profits ever after.²⁴

But all of this required that labour and labour organization be brought to heel to conform to the new social order. If New York pioneered this by disciplining powerful municipal unions in 1975–7, Reagan followed at the national level by bringing down the air traffic controllers in 1981 and making it clear to the trade unions that they were unwelcome as participants in the inner councils of government. The uneasy social compact that had ruled between corporate and union power during the 1960s was over. With unemployment surging to 10 per cent in the mid-1980s, the

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moment was propitious to attack all forms of organized labour and to cut back on its privileges as well as its power. Transfer of industrial activity from the unionized north-east and midwest to the non-unionized and 'right-to-work' states of the south, if not beyond to Mexico and South-East Asia, became standard practice (subsidized by favourable taxation for new investment and aided by the shift in emphasis from production to finance as the centrepiece of capitalist class power). Deindustrialization of formerly unionized core industrial regions (the so-called 'rust belt') disempowered labour. Corporations could threaten plant closures, and risk—and usually win—strikes when necessary (for example in the coal industry).

But here too it was not merely the use of the big stick that mattered, for there were a number of carrots that could be offered to labourers as individuals to break with collective action. The unions' rigid rules and bureaucratic structures made them vulnerable to attack. The lack of flexibility was often as much a disadvantage for individual labourers as it was for capital. The virtuous claims for flexible specialization in labour processes and for flexible arrangements could become part of the neoliberal rhetoric that could be persuasive to individual labourers, particularly those who had been excluded from the monopoly benefits that strong unionization sometimes conferred. Greater freedom and liberty of action in the labour market could be touted as a virtue for capital and labour alike, and here, too, it was not hard to integrate neoliberal values into the 'common sense' of much of the workforce. How this active potentiality was converted into a highly exploitative system of flexible accumulation (all the benefits accruing from increasing flexibility in labour allocations in both space and time go to capital) is key to explaining why real wages, except for a brief period during the 1990s, stagnated or fell (see Figure 1.6) and benefits diminished. Neoliberal theory conveniently holds that unemployment is always voluntary. Labour, the argument goes, has a 'reserve price' below which it prefers not to work. Unemployment arises because the reserve price of labour is too high. Since that reserve price is partly set by welfare payments (and stories of 'welfare queens' driving Cadillacs abounded) then it stands to reason that the neoliberal reform carried out by Clinton of 'welfare as

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we know it' must be a crucial step towards the reduction of unemployment.

All of this demanded some rationale, and to this end the war of ideas did play an important role. The economic ideas marshalled in support of the neoliberal turn amounted, Blyth suggests, to a complex fusion of monetarism (Friedman), rational expectations (Robert Lucas), public choice (James Buchanan, and Gordon Tullock), and the less respectable but by no means uninfluential 'supply-side' ideas of Arthur Laffer, who went so far as to suggest that the incentive effects of tax cuts would so increase economic activity as to automatically increase tax revenues (Reagan was enamoured of this idea). The more acceptable commonality to these arguments was that government intervention was the problem rather than the solution, and that 'a stable monetary policy, plus radical tax cuts in the top brackets, would produce a healthier economy' by getting the incentives for entrepreneurial activity aligned correctly.²⁵ The business press, with the *Wall Street Journal* very much in the lead, took up these ideas, becoming an open advocate for neoliberalization as the necessary solution to all economic ills. Popular currency was given to these ideas by prolific writers such as George Gilder (supported by think-tank funds), and the business schools that arose in prestigious universities such as Stanford and Harvard, generously funded by corporations and foundations, became centres of neoliberal orthodoxy from the very moment they opened. Charting the spread of ideas is always difficult, but by 1990 or so most economics departments in the major research universities as well as the business schools were dominated by neoliberal modes of thought. The importance of this should not be underestimated. The US research universities were and are training grounds for many foreigners who take what they learn back to their countries of origin—the key figures in Chile's and Mexico's adaptation to neoliberalism were US-trained economists for example—as well as into international institutions such as the IMF, the World Bank, and the UN.

The conclusion is, I think, clear. 'During the 1970s, the political wing of the nation's corporate sector', writes Edsall, 'staged one of the most remarkable campaigns in the pursuit of power in recent history.' By the early 1980s it 'had gained a level of influence and

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leverage approaching that of the boom days of the 1920s'.²⁶ And by the year 2000 it had used that leverage to restore its share of the national wealth and income to levels also not seen since the 1920s.

The construction of consent in Britain occurred in a very different way.²⁷ What happened in Kansas was quite different from what happened in Yorkshire. The cultural and political traditions were very different. In Britain, there is no Christian right to speak of to be mobilized into a moral majority. Corporate power there was little inclined to support overt political activism (its contributions to political parties were minimal), preferring instead to exercise influence through the networks of class and privilege that had long connected government, academia, the judiciary, and the permanent Civil Service (which at that time still maintained its tradition of independence) with the leaders of industry and finance. The political situation was also radically different, given that the Labour Party had largely been constructed as an instrument of working-class power, beholden to strong and sometimes quite militant trade unions. Britain had consequently developed a far more elaborate and all-encompassing welfare state structure than would have ever been dreamed of in the US. The commanding heights of the economy (coal, steel, automobiles) were nationalized, and a large proportion of the housing stock was in the public sector. And the Labour Party had, ever since the 1930s, built significant redoubts of power in the arena of municipal governance, with Herbert Morrison's London County Council being in the vanguard from the 1930s onwards. Social solidarities constructed through the union movement and municipal governance were strongly in evidence. Even when the Conservative Party took power for prolonged periods after the Second World War it largely refrained from any attempt at dismantling the welfare state it had inherited.

The Labour government of the 1960s had refused to send troops to Vietnam, thus saving the country from direct domestic traumas over participation in an unpopular war. After the Second World War, Britain had (albeit reluctantly and in some instances not without violent struggle and considerable prodding from the US) agreed to decolonization, and after the abortive Suez venture of 1956 gradually (and again often reluctantly) shed much of the

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mantle of direct imperial power. The withdrawal of its forces east of Suez in the 1960s was an important signifier of this process. Thereafter, Britain largely participated as a junior partner within NATO under the military shield of US power. But Britain did continue to project a neocolonial presence throughout much of what had been its empire, and in so doing frequently tangled with other great powers (as, for example, in the bloody Nigerian civil war when Biafra attempted to secede). The issue of Britain's relations with and responsibilities towards its ex-colonies was often fraught, both at home and abroad. Neocolonial structures of commercial exploitation were often deepened rather than eradicated. But migratory currents from the ex-colonies towards Britain were beginning to bring the consequences of empire back home in new ways.

The most important residual of Britain's imperial presence was the continuing role of the City of London as a centre of international finance. During the 1960s this became increasingly important as the UK moved to protect and enhance the position of the City with respect to the rising powers of globally oriented finance capital. This created a series of important contradictions. The protection of finance capital (through interest rate manipulations) more often than not conflicted with the needs of domestic manufacturing capital (hence provoking a structural division within the capitalist class) and sometimes inhibited the expansion of the domestic market (by restricting credit). The commitment to a strong pound undermined the export position of UK industry and helped create balance of payments crises in the 1970s. Contradictions arose between the embedded liberalism constructed within and the free market liberalism of London-based finance capital operating on the world stage. The City of London, the financial centre, had long favoured monetarist rather than Keynesian policies, and therefore formed a bastion of resistance to embedded liberalism.

The welfare state constructed in Britain after the Second World War was never to everyone's liking. Strong currents of criticism circulated through the media (with the highly respected *Financial Times* in the lead), which were increasingly subservient to financial interests. Individualism, freedom, and liberty were depicted as

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opposed to the stifling bureaucratic ineptitude of the state apparatus and oppressive trade union power. Such criticisms became widespread in Britain during the 1960s and became even more emphatic during the bleak years of economic stagnation during the 1970s. People then feared that Britain was becoming 'a corporatist state, ground down to a gray mediocrity'.²⁸ The undercurrent of thought represented by Hayek constituted a viable opposition and had its advocates in the universities and even more importantly dominated the work of the Institute of Economic Affairs (founded in 1955), where Keith Joseph, later to be a key adviser to Margaret Thatcher, rose to public prominence in the 1970s. The foundation of the Centre for Policy Studies (1974) and the Adam Smith Institute (1976), and the increasing commitment of the press to neoliberalization during the 1970s, significantly affected the climate of public opinion. The earlier rise of a significant youth movement (given to political satire) and the arrival of a freewheeling pop culture in the 'swinging London' of the 1960s both mocked and challenged the traditional structure of networked class relations. Individualism and freedom of expression became an issue and a left-leaning student movement, influenced in many ways by the complexities of coming to terms with Britain's entrenched class system as well as with its colonial heritage, became an active element within British politics, much as it did elsewhere in the movement of '68. Its disrespectful attitude towards class privileges (whether of aristocrats, politicians, or union bureaucrats) was to ground the later radicalism of the postmodern turn. Scepticism about politics was to prepare the way for suspicion of all metanarratives.

While there were many elements out of which consent for a neoliberal turn could be constructed, the Thatcher phenomenon would surely not have arisen, let alone succeeded, if it had not been for the serious crisis of capital accumulation during the 1970s. Stagflation was hurting everyone. In 1975 inflation surged to 26 per cent and unemployment topped one million (see Figure 1.1). The nationalized industries were draining resources from the Treasury. This set up a confrontation between the state and the unions. In 1972, and then again in 1974, the British miners (a nationalized industry) went on strike for the first time since 1926.

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The miners had always been in the forefront of British labour struggles. Their wages were not keeping pace with accelerating inflation, and the public sympathized. The Conservative government, in the midst of power blackouts, declared a state of emergency, mandated a three-day working week, and sought public backing against the miners. In 1974 it called an election seeking public support for its stand. It lost, and the Labour government that returned to power settled the strike on terms favourable to the miners.

The victory was, however, pyrrhic. The Labour government could not afford the terms of the settlement and its fiscal difficulties mounted. A balance of payments crisis paralleled huge budget deficits. Turning for credits to the IMF in 1975–6, it faced the choice of either submitting to IMF-mandated budgetary restraint and austerity or declaring bankruptcy and sacrificing the integrity of sterling, thus mortally wounding financial interests in the City of London. It chose the former path, and draconian budgetary cutbacks in welfare state expenditures were implemented.²⁹ The Labour government went against the material interests of its traditional supporters. But it still had no solution to the crises of accumulation and stagflation. It sought, unsuccessfully, to mask the difficulties by appealing to corporatist ideals, in which everyone was supposed to sacrifice something for the benefit of the polity. Its supporters were in open revolt, and public sector workers initiated a series of crippling strikes in the ‘winter of discontent’ of 1978. ‘Hospital workers went out, and medical care had to be severely rationed. Striking gravediggers refused to bury the dead. The truck drivers were on strike too. Only shop stewards had the right to let trucks bearing “essential supplies” cross picket lines. British Rail put out a terse notice “There are no trains today” . . . striking unions seemed about to bring the whole nation to a halt.’³⁰ The mainstream press was in full cry against greedy and disruptive unions, and public support fell away. The Labour government fell, and in the election that followed Margaret Thatcher won a significant majority with a clear mandate from her middle-class supporters to tame public sector trade union power.

The commonality between the US and the UK cases most obviously lies in the fields of labour relations and the fight against

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inflation. With respect to the latter, Thatcher made monetarism and strict budgetary control the order of the day. High interest rates meant high unemployment (averaging more than 10 per cent in 1979–84, and the Trades Union Congress lost 17 per cent of its membership in five years). The bargaining power of labour was weakened. Alan Budd, an economic adviser to Thatcher, later suggested that ‘the 1980s policies of attacking inflation by squeezing the economy and public spending were a cover to bash the workers’. Britain created what Marx called ‘an industrial reserve army’, he went on to observe, the effect of which was to undermine the power of labour and permit capitalists to make easy profits thereafter. And in an action that paralleled Reagan’s provocation of PATCO in 1981, Thatcher provoked a miners’ strike in 1984 by announcing a wave of redundancies and pit closures (imported coal was cheaper). The strike lasted for almost a year, and, in spite of a great deal of public sympathy and support, the miners lost. The back of a core element of the British labour movement had been broken.³¹ Thatcher further reduced union power by opening up the UK to foreign competition and foreign investment. Foreign competition demolished much of traditional British industry in the 1980s—the steel industry (Sheffield) and shipbuilding (Glasgow) more or less totally disappeared within a few years, and with them a good deal of trade union power. Thatcher effectively destroyed the indigenous nationalized UK automobile industry, with its strong unions and militant labour traditions, instead offering the UK as an offshore platform for Japanese automobile companies seeking access to Europe.³² These built on greenfield sites and recruited non-union workers who would submit to Japanese-style labour relations. The overall effect was to transform the UK into a country of relatively low wages and a largely compliant labour force (relative to the rest of Europe) within ten years. By the time Thatcher left office, strike activity had fallen to one-tenth of its former levels. She had eradicated inflation, curbed union power, tamed the labour force, and built middle-class consent for her policies in the process.

But Thatcher had to fight the battle on other fronts. A noble rearguard action against neoliberal policies was mounted in many a municipality—Sheffield, the Greater London Council (which

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Thatcher had to abolish in order to achieve her broader goals in the 1980s), and Liverpool (where half the local councillors had to be gaoled) formed active centres of resistance in which the ideals of a new municipal socialism (incorporating many of the new social movements in the London case) were both pursued and acted upon until they were finally crushed in the mid-1980s.³³ She began by savagely cutting back central government funding to the municipalities, but several of them responded simply by raising property taxes, forcing her to legislate against their right to do so. Denigrating the progressive labour councils as 'loony lefties' (a phrase the Conservative-dominated press picked up with relish), she then sought to impose neoliberal principles through a reform of municipal finance. She proposed a 'poll tax'—a regressive head tax rather than a property tax—which would rein in municipal expenditures by making every resident pay. This provoked a huge political fight that played a role in Thatcher's political demise.

Thatcher also set out to privatize all those sectors of the economy that were in public ownership. The sales would boost the public treasury and rid the government of burdensome future obligations towards losing enterprises. These state-run enterprises had to be adequately prepared for privatization, and this meant paring down their debt and improving their efficiency and cost structures, often through shedding labour. Their valuation was also structured to offer considerable incentives to private capital—a process that was likened by opponents to 'giving away the family silver'. In several cases subsidies were hidden in the mode of valuation—water companies, railways, and even state-run enterprises in the automobile and steel industries held high-value land in prime locations that was excluded from the valuation of the enterprise as an ongoing concern. Privatization and speculative gains on the property released went hand in hand. But the aim here was also to change the political culture by extending the field of personal and corporate responsibility and encouraging greater efficiency, individual/corporate initiative, and innovation. British Aerospace, British Telecom, British Airways, steel, electricity and gas, oil, coal, water, bus services, railways, and a host of smaller state enterprises were sold off in a massive wave of privatizations. Britain pioneered the way in showing how to do this in a reasonably

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orderly and, for capital, profitable way. Thatcher was convinced that once these changes had been made they would become irreversible: hence the haste. The legitimacy of this whole movement was successfully underpinned, however, by the extensive selling off of public housing to tenants. This vastly increased the number of homeowners within a decade. It satisfied traditional ideals of individual property ownership as a working-class dream and introduced a new, and often speculative, dynamism into the housing market that was much appreciated by the middle classes, who saw their asset values rise—at least until the property crash of the early 1990s.

Dismantling the welfare state was, however, quite another thing. Taking on areas such as education, health care, social services, the universities, the state bureaucracy, and the judiciary proved difficult. Here she had to do battle with the entrenched and sometimes traditional upper-middle-class attitudes of her core supporters. Thatcher desperately sought to extend the ideal of personal responsibility (for example through the privatization of health care) across the board and cut back on state obligations. She failed to make rapid headway. There were, in the view of the British public, limits to the neoliberalization of everything. Not until 2003, for example, did a Labour government, against widespread opposition, succeed in introducing a fee-paying structure into British higher education. In all these areas it proved difficult to forge an alliance of consent for radical change. On this her Cabinet (and her supporters) were notoriously divided (between 'wets' and 'drys') and it took several years of bruising confrontations within her own party and in the media to win modest neoliberal reforms. The best she could do was to try to force a culture of entrepreneurialism and impose strict rules of surveillance, financial accountability, and productivity on to institutions, such as universities, that were ill suited to them.

Thatcher forged consent through the cultivation of a middle class that relished the joys of home ownership, private property, individualism, and the liberation of entrepreneurial opportunities. With working-class solidarities waning under pressure and job structures radically changing through deindustrialization, middle-class values spread more widely to encompass many of those who

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had once had a firm working-class identity. The opening of Britain to freer trade allowed a consumer culture to flourish, and the proliferation of financial institutions brought more and more of a debt culture into the centre of a formerly staid British life. Neoliberalism entailed the transformation of the older British class structure, at both ends of the spectrum. Moreover, by keeping the City of London as a central player in global finance it increasingly turned the heartland of Britain's economy, London and the south-east, into a dynamic centre of ever-increasing wealth and power. Class power had not so much been restored to any traditional sector but rather had gathered expansively around one of the key global centres of financial operations. Recruits from Oxbridge flooded into London as bond and currency traders, rapidly amassing wealth and power and turning London into one of the most expensive cities in the world.

While the Thatcher revolution was prepared by the organization of consent within the traditional middle classes who bore her to three electoral victories, the whole programme, particularly in her first administration, was far more ideologically driven (thanks largely to Keith Joseph) by neoliberal theory than was ever the case in the US. While from a solid middle-class background herself, she plainly relished the traditionally close contacts between the prime minister's office and the 'captains' of industry and finance. She frequently turned to them for advice and in some instances clearly delivered them favours by undervaluing state assets set for privatization. The project to restore class power—as opposed to dismantling working-class power—probably played a more subconscious role in her political evolution.

The success of Reagan and Thatcher can be measured in various ways.³⁴ But I think it most useful to stress the way in which they took what had hitherto been minority political, ideological, and intellectual positions and made them mainstream. The alliance of forces they helped consolidate and the majorities they led became a legacy that a subsequent generation of political leaders found hard to dislodge. Perhaps the greatest testimony to their success lies in the fact that both Clinton and Blair found themselves in a situation where their room for manoeuvre was so limited that they could not help but sustain the process of restoration of

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class power even against their own better instincts. And once neoliberalism became that deeply entrenched in the English-speaking world it was hard to gainsay its considerable relevance to how capitalism in general was working internationally. This is not to say, as we shall see, that neoliberalism was merely imposed elsewhere by Anglo-American influence and power. For as these two case studies amply demonstrate, the internal circumstances and subsequent nature of the neoliberal turn were quite different in Britain and the US, and by extension we should expect that internal forces as well as external influences and impositions have played a distinctive role elsewhere.

Reagan and Thatcher seized on the clues they had (from Chile and New York City) and placed themselves at the head of a class movement that was determined to restore its power. Their genius was to create a legacy and a tradition that tangled subsequent politicians in a web of constraints from which they could not easily escape. Those who followed, like Clinton and Blair, could do little more than continue the good work of neoliberalization, whether they liked it or not.