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Retrieved on 1st February 2021 from anarchism.pageabode.com

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With the current crisis, many on the right are proclaiming their usual mantras on the need to attack working class pay and conditions to solve the economic problems. The idea is that by cutting wages and breaking unions the crisis will be ended and the conditions made favourable for economic growth to return. With increasing growth, so wealth will trickle down and everyone will benefit. The worse thing that we could do is to organise, struggle and resist those seeking to solve the problems we face, problems caused by the elite, by reducing our living standards and rights.

The idea that social struggle and working class organisation are harmful was expressed constantly in the 1970s and 80s. With the post-war Keynesian consensus crumbling, the "New Right" argued that trade unions (and strikes) hampered growth and that wealth redistribution (i.e. welfare schemes which returned some of the surplus value workers produced back into our own hands) hindered "wealth creation" (i.e. economic growth). Do not struggle over income, they argued, let the market decide and everyone will be better off.

This argument was dressed up in populist clothes. Thus we find the right-wing guru F.A. von Hayek arguing that, in the case of Britain, the *"legalised powers of the unions have become the biggest obstacle to raising the standards of the working class as a whole. They are the chief cause of the unnecessarily big differences between the best- and worse-paid workers."* He maintained that *"the elite of the British working class … derive their relative advantages by keeping workers who are **worse off** from improving their position."* Moreover, he *"predict[ed] that the average worker's income would rise fastest in a country where relative wages are flexible, and where the exploitation of workers by monopolistic trade union organisations of specialised workers are effectively outlawed."* [**1980s Unemployment and the Unions**, p. 107, p. 108 and p. 110]

Now, if von Hayek's claims were true we could expect that in the aftermath of Thatcher government's trade union reforms we would have seen: a rise in economic growth (usually considered as **the** means to improve living standards for workers by the right); that this growth would be more equally distributed; a decrease in the differences between high and low paid workers; a reduction in the percentage of low paid workers as they improved their positions when freed from union *"exploitation"*; and that wages rise fastest in countries with the highest wage flexibility. Unfortunately for von Hayek, the actual trajectory of the British economy exposed his claims as nonsense.

Looking at each of his claims in turn we discover that rather than "exploit" other workers, trade unions are an essential means to shift income from capital to labour (which is why capital fights labour organisers tooth and nail). And, equally important, labour militancy aids **all** workers by providing a floor under which wages cannot drop (non-unionised firms have to offer similar programs to prevent unionisation and be able to hire workers) and by maintaining aggregate demand. This positive role of unions in aiding **all** workers can be seen by comparing Britain before and after Thatcher's von Hayek inspired trade union and labour market reforms.

There has been a steady fall in growth in the UK since the trade union "reforms". In the "bad old days" of the 1970s, with its strikes and "militant unions" growth was 2.4% in Britain. It fell to 2% in the 1980s and fell again to 1.2% in the 1990s. A similar pattern of slowing growth as wage flexibility and market reform has increased can be seen in the US economy (it was 4.4% in the 1960s, 3.2% in the 1970s, 2.8% in the 1980s and 1.9% in the first half of the 1990s). [Larry Elliot and Dan Atkinson, **The Age of Insecurity**, p. 236] Given that the free-market right proclaims higher economic growth is the only way to make workers better off, growth rates have steadily fallen internationally since the domination of their ideology. Thus growth of output per head in the USA, Europe, Japan and the OECD countries between 1979 to 1990 was lower than in 1973–9, and 1990–2004 lower still. The deregulation, privatisation, anti-union laws and other neo-liberal policies have *"failed to bring an increase in the growth rate."* [Andrew Glyn, **Capitalism Unleashed**, p. 131] What growth spurts there have been were associated with speculative bubbles (in the American economy, dot.com stocks in the late 1990s and housing in the 2000s) which burst with disastrous consequences.

So the rate of "wealth creation" (economic growth) has steadily fallen as unions were "reformed" in line with von Hayek's ideology (and lower growth means that the living standards of the working class as a whole do not rise as fast as they did under the "exploitation" of the "monopolistic" trade unions).

If we look at the differences between the highest and lowest paid workers, we find that rather than decrease, they have in fact shown *"a dramatic widening out of the distribution with the best-workers doing much better"* since Thatcher was elected in 1979 [Andrew Glyn and David Miliband (eds.), **Paying for Inequality**, p. 100] This is important, as average figures can hide how badly those in the bottom (80%!) are doing. In an unequal society, the gains of growth are monopolised by the few and we would expect rising inequality over time alongside average growth. In America inequality has dramatically increased since the 1970s, with income and wealth growth in the 1980s going predominately to the top 20% (and, in fact, mostly to the top 1% of the population). The bottom 80% of the population saw their wealth grow by 1.2% and their income by 23.7% in the 1980s, while for the top 20% the respective figures were 98.2% and 66.3% (the figures for the top 1% were 61.6% and 38.9%, respectively). [Edward N. Wolff, *"How the Pie is Sliced"*, **The American Prospect**, no. 22, Summer 1995] There has been a *"fanning out of the pay distribution"* with the gap between the top 10% of wage-earners increasing compared to those in the middle and bottom 10%. Significantly, in the neo-liberal countries the rise in inequality is *"considerably higher"* than in European ones. In America, for example, *"real wages at the top grew by 27.2% between 1979 and 2003 as compared to 10.2% in the middle"* while real wages for the bottom 10% *"did not grow at all between 1979 and 2003."* In fact, most of the gains in the top 10% *"occurred amongst the top 5%, and two-thirds of it within the top 1%."* Unsurprising, the neo-liberal countries of the UK, USA and New Zealand saw the largest increases in inequality. [Glyn, **Op. Cit.**, pp. 116–8 and p. 168]

Given that inequality has increased, the condition of the average worker must have suffered. For example, Ian Gilmore states that *"[i]n the 1980s, for the first time for fifty years … the poorer half of the population saw its share of total national income shirk."* [**Dancing with Dogma**, p. 113] According to Noam Chomsky, *"[d]uring the Thatcher decade, the income share of the bottom half of the population fell from one-third to one-fourth"* and the between 1979 and 1992, the share of total income of the top 20% grew from 35% to 40% while that of the bottom 20% fell from 10% to 5%. In addition, the number of UK employees with weekly pay below the Council of Europe's *"de-*

paring von Hayek's claims and predictions with reality. It also shows the necessity of creating a new working class movement based on these principles, the principles of anarchism.

matters. Rather than look at the claims and predictions of the Thatcherites and their ideological mentors and how they measure up with what happened, a myth of economic success is created, a myth which the Labour Party seems to emulate. Still, why let the actual development of the economies influenced by von Hayek's ideology get in the way? Perhaps it is fortunate that he once argued that economic theories can *"never be verified or falsified by reference to facts. All that we can and must verify is the presence of our assumptions in the particular case."* [**Individualism and Economic Order**, p. 73] With such a position all is saved — the obvious problem is that capitalism is still not pure enough and the "reforms" must not only continue but be made deeper… As Kropotkin stressed, *"economists who continue to consider economic forces alone … without taking into account **the ideology of the State**, or the forces that each State necessarily places at the service of the rich … remain completely outside the realities of the economic and social world."* [quoted by Ruth Kinna, *"Fields of Vision: Kropotkin and Revolutionary Change"*, pp. 67–86, **SubStance**, Vol. 36, No. 2, pp. 72–3]

And, needless to say, while three decades of successful capitalist class war goes without mention in polite circles, documenting its results gets you denounced as advocating "class war"! It is more than pass the time when working class people should make that a reality — particularly given the results of not doing so. This is why we should document the utterly wrong predictions of an icon of the right. Partly, of course, it is fun to show up the massive errors of our enemies. However, and even more important, it is necessary to expose the hype and short-term memory of the media in order to fully counter the claims that the last 20 years have been anything but a disaster for working class people. In addition, it shows the way to improve our conditions. Militancy, direct action, solidarity and working class organisation works, they are effective and they get results. This is the message that is easily seen from com-

cency threshold" increased from 28.3% in 1979 to 37% in 1994. [**World Orders, Old and New**, p. 144 and p. 145] Moreover, *"[b]ack in the early 1960s, the heaviest concentration of incomes fell at 80–90 per cent of the mean … But by the early 1990s there had been a dramatic change, with the peak of the distribution falling at just 40–50 per cent of the mean. One-quarter of the population had incomes below half the average by the early 1990s as against 7 per cent in 1977 and 11 per cent in 1961."* [Elliot and Atkinson, **Op. Cit.**, p. 235] *"Overall,"* notes Takis Fotopoulos, *"average incomes increased by 36 per cent during this period [1979-1991/2], but 70 per cent of the population had a below average increase in their income."* [**Towards an Inclusive Democracy**, p. 113]

The reason for this rising inequality is not difficult to determine. When workers organise and strike, they can keep more of what they produce in their own hands. The benefits of productivity growth, therefore, can be spread. With unions weakened, such gains will accumulate in fewer hands and flood upwards. This is precisely what happened. Before (approximately) 1980 and the neo-liberal assault on unions, productivity and wages rose hand-in-hand in America, afterward productivity continued to rise while wages flattened. In fact, the value of the output of an average worker *"has risen almost 50 percent since 1973. Yet the growing concentration of income in the hands of a small minority had proceeded so rapidly that we're not sure whether the typical American has gained **anything** from rising productivity."* Rather than "trickle down" *"the lion's share of economic growth in America over the past thirty years has gone to a small, wealthy minority."* In short: *"The big winners … have been members of a very narrow elite: the top 1 percent or less of the population."* [Paul Krugman, **The Conscience of a Liberal**, p. 124, p. 244 and p. 8]

Looking at America, after the Second World War the real income of the typical family ("exploited" by "monopolistic" trade unions) grew by 2.7% per year, with *"incomes all through* *the income distribution grew at about the same rate."* Since 1980 (i.e., after working people were freed from the tyranny of unions), *"medium family income has risen only about 0.7 percent a year"* Median household income *"grew modestly"* from 1973 to 2005, the total gain was about 16%. Yet this *"modest gain"* may *"overstate"* how well American families were doing, as it *was achieved in part through longer working hours.* For example, *"a gain in family income that occurs because a spouse goes to work isn't the same thing as a wage increase. In particular it may carry hidden costs that offset some of the gains in money."* This stagnation is, of course, being denied by the right. Yet, as Krugman memorably puts it: *"Modern economists debate whether American median income has risen or fallen since the early 1970s. What's really telling is the fact that we're even having this debate."* So while the average values may have went up, because of *"rising inequality, good performance in overall numbers like GDP hasn't translated into gains for ordinary workers."* [**Op. Cit.**, p. 55, pp. 126–7, p. 124 and p. 201]

Luckily for American capitalism a poll in 2000 found that 39% of Americans believe they are either in the wealthiest 1% or will be there *"soon"*! [Glyn, **Op. Cit.**, p. 179] In fact, as we discussed in section B.7.2, social mobility has **fallen** under neo-liberalism — perhaps unsurprisingly as it is easier to climb a hill than a mountain. This is just as important as the explosion in inequality as the "free-market" right argue that dynamic social mobility makes up for wealth and income inequality. As Krugman notes, Americans *"may believe that anyone can succeed through hard work and determination, but the facts say otherwise."* In reality, mobility is *"highest in the Scandinavian countries, and most results suggest that mobility is lower in the United States than it is in France, Canada, and maybe even in Britain. Not only don't Americans have equal opportunity, opportunity is less equal here than elsewhere in the West."* Without the blinkers of free market capitalist ideology this should be unsurprising:

than live on your knees!" All we can say is that social struggle can and does improve things and, in terms of its successes and transforming effect on those involved, well worth the potential difficulties it can create. Moreover, without struggle there is little chance of creating a free society, dependent as it is on individuals who refuse to bow to authority and have the ability and desire to govern themselves. In addition, social struggle is always essential, not only to **win** improvements, but to **keep** them as well. In order to fully secure improvements you have to abolish capitalism and the state. Not to do so means that any reforms can and will be taken away (and if social struggle does not exist, they will be taken away sooner rather than later). Ultimately, most anarchists would argue that social struggle is not an option — we either do it or we put up with the all the petty (and not so petty) impositions of authority. If we do not say "no" then the powers that be will walk all over us.

As the history of neo-liberalism shows, a lack of social struggle is fully compatible with worsening conditions. It shows that the problems within capitalism are systemic, regardless of the wishes of economists and the right (Proudhon's ironic words from 1846 spring to mind: *"Political economy — that is, proprietary despotism — can never be in the wrong: it must be the proletariat"*). Ultimately, if you want to be treated as a human being you have to stand up for your dignity — and that means thinking and rebelling. As Bakunin argued in **God and the State**, human freedom and development is based on these. Without rebellion, without social struggle, humanity would stagnate beneath authority forever and never be in a position to be free.

Of course, being utterly wrong has not dented von Hayek's reputation with the right nor stopped him being quoted in arguments in favour of flexibility and free market reforms (what can we expect? The right still quote Milton Friedman whose track-record was equally impressive). Nor has this utter lack of accuracy been reflected when Thatcher or Blair are being evaluated by the media for their performance on economic inequality, with the *"sharpest increases in wage inequality in the Western world have taken place in the United States and in Britain, both of which experience sharp declines in union membership."* Unions restrict inequality because *"they act as a countervailing force to management."* [**Op. Cit.**, p. 51, p. 49, p. 149 and p. 263]

So under the neo-liberal regime instigated by Thatcher and Reagan the power, influence and size of the unions were reduced considerably and real wage growth fell considerably — which is the **exact** opposite of von Hayek's predictions. Flexible wages and weaker unions have harmed the position of **all** workers. So comparing the claims of von Hayek to what actually happened after trade union "reform" and the reduction of class struggle suggests that claims that social struggle is self-defeating are false (and self-serving, considering it is usually bosses, employer supported parties and economists who make these claims). A **lack** of social struggle has been correlated with low economic growth and often stagnant (even declining) wages. So while social struggle **may** make capital flee and other problems, lack of it is no guarantee of prosperity (quite the reverse, if the last quarter of the 20th century is anything to go by). Indeed, a lack of social struggle will make bosses be more likely to cut wages, worsen working conditions and so on — after all, they feel they can get away with it! Which brings home the fact that to make reforms last it is necessary to destroy capitalism.

Of course, no one can **know** that struggle will make things better. It is a guess; no one can predict the future. Not all struggles are successful and many can be very difficult. If the *"military is a role model for the business world"* (in the words of an ex-CEO of Hill & Knowlton Public Relations), and it is, then **any** struggle against it and other concentrations of power may, and often is, difficult and dangerous at times. [quoted by John Stauber and Sheldon Rampton in **Toxic Sludge Is Good For You!**, p. 47] But, as Zapata once said, *"better to die on your feet*

"A society with highly unequal results is, more or less inevitably, a society with highly unequal opportunity, too." [**Op. Cit.**, p. 247 and p. 249]

Looking at the claim that trade union members gained their *"relative advantage by keeping workers who are **worse off** from improving their position"* it would be fair to ask whether the percentage of workers in low-paid jobs decreased in Britain after the trade union reforms. In fact, the percentage of workers below the Low Pay Unit's definition of low pay (namely two-thirds of men's median earnings) **increased** — from 16.8% in 1984 to 26.2% in 1991 for men, 44.8% to 44.9% for women. For manual workers it rose by 15% to 38.4%, and for women by 7.7% to 80.7% (for non-manual workers the figures were 5.4% rise to 13.7% for men and a 0.5% rise to 36.6%). [Andrew Glyn and David Miliband (eds.), **Op. Cit.**, p.102] If unions **were** gaining at the expense of the worse off, you would expect a **decrease** in the number in low pay, **not** an increase. An OECD study concluded that *"[t]ypically, countries with high rates of collective bargaining and trade unionisation tend to have low incidence of low paid employment."* [**OECD Employment Outlook**, 1996, p. 94] Within America, we also discover that higher union density is associated with fewer workers earning around the minimum wage and that "right-to-work" states (i.e., those that pass anti-union laws) *"tend to have lower wages, lower standard of living, and more workers earning around the minimum wage."* It is hard not to conclude that states *"passed laws aimed at making unionisation more difficult would imply that they sought to maintain the monopoly power of employers at the expense of workers."* [Oren M. Levin-Waldman, *"The Minimum Wage and Regional Wage Structure: Implications for Income Distribution"*, pp. 635–57, **Journal of Economic Issues**, Vol. XXXVI, No. 3, p. 639 and p. 655]

As far as von Hayek's prediction on wage flexibility leading to the *"average worker's income"* rising fastest in a country where relative wages are flexible, it has been proved totally wrong. Between 1967 and 1971, real wages grew (on average) by 2.95% per year in the UK (nominal wages grew by 8.94%) [P. Armstrong, A. Glyn and J. Harrison, **Capitalism Since World War II**, p. 272]. In comparison, real household disposable income grew by just 0.5 percent between June 2006 and 2007. Average weekly earnings rose 2.9% between April 2006 and 2007 while inflation rose by 3.6% (Retail Prices Index) and 2.8% (Consumer Prices Index). [Elliot and Atkinson, **The Gods That Failed**, p. 163] This is part of a general pattern, with UK Real Wages per employee being an average 3.17% per year between 1960 and 1974, falling to 1.8% between 1980 and 1999. In America, the equivalent figures are 2.37% and 1.02%. [Eckhard Hein and Thorsten Schulten, **Unemployment, Wages and Collective Bargaining in the European Union**, p. 9] Looking at the wider picture, during the early 1970s when strikes and union membership increased, *"real wage increases rose steadily to reach over 4% per year"* in the West. However, after von Hayek's anti-union views were imposed, *"real wages have grown very slowly."* In anti-union America, the median wage was $13.62 in 2003 compared to $12.36 in 1979 (reckoned in 2003 prices). In Europe and Japan *"average wages have done only a little better, having grown around 1% per year."* [Glyn, **Op. Cit.**, p. 5 and p. 116] It gets worse as these are average figures. Given that inequality soared during this period the limited gains of the neo-liberal era were not distributed as evenly as before (in the UK, for example, wage growth was concentrated at the top end of society. [Elliot and Atkinson, **Fantasy Island**, p. 99]).

Nor can it be said that breaking the unions and lower real wages translated into lower unemployment in the UK as the average unemployment rate between 1996 and 1997 was 7.1% compared to 4.5% between 1975 and 1979 (the year Thatcher took power). The average between 1960 and 1974 was 1.87% compared to 8.7% over the whole Thatcherite period of 1980 to 1999. Perhaps this is not too surprising, given that (capitalist economic theology aside) unemployment *"systematically weakens the bargaining power of trade unions."* In short: *"Neither on the theoretical nor empirical level can a strictly inverse relation between the real wage rate and the level of unemployment be derived."* [Hein and Schulten, **Op. Cit.**, p. 9, p. 3 and p. 2] As we discussed in section C.1.5 this should come as no surprise to anyone with awareness of the real nature of unemployment and the labour market. So unemployment did not fall after the trade union reforms, quite the reverse: *"By the time Blair came to power [in 1997], unemployment in Britain was falling, although it still remained higher than it had been when the [last Labour Government of] Callaghan left office in May 1979."* [Elliot and Atkinson, **Age of Insecurity**, p. 258] To be fair, von Hayek did argue that falls in unemployment would be *"a slow process"* but nearly 20 years of far higher unemployment is moving backwards!

So we have a stark contrast between the assertions of the right and the reality their ideology helped create (Proudhon: *"Contrary to all expectation! It takes an economist not to expect these things"*). The reason for this difference is not hard to discover. As economist Paul Krugman correctly argues, unions *"raise average wages for their membership; they also, indirectly and to a lesser extent, raise wages for similar workers … as nonunionised employers try to diminish the appeal of union drives to their workers … unions tend to narrow income gaps among blue-collar workers, by negotiating bigger wage increases for their worse-paid members … And nonunion employers, seeking to forestall union organisers, tend to echo this effect."* He argues that *"if there's a single reason blue-collar workers did so much better in the fifties than they had in the twenties, it was the rise of unions"* and that unions *"were once an important factor limiting income inequality, both because of their direct effect in raising their members' wages and because the union pattern of wage settlements … was … reflected in the labour market as a whole."* With the smashing of the unions came rising