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The upside down world of neo-liberal economics

In the upside-down world of neo-liberal economics, reality must be made to conform to the theoretical models. Relevance is therefore about what is appropriate to method rather than what is interesting about some aspect of the world. Ideas and unquantifiable values get in the way, while issues like instability and crises are not easily incorporated into the models. They are part of questions that cannot be asked. The article describes how this logic, that Pierre Bourdieu calls the new “planetary vulgate,” works.

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# The upside down world of neo-liberal economics

## Private language, public vocabulary

It is often remarked that neo-liberal economists speak their own highly idiosyncratic language. Rather like the Mason's that language has a private core that is incomprehensible to the majority and a public vocabulary, which since it derives its power from that incomprehensible private core, can be difficult to effectively critique since the ready response of the neo-liberal economist is that criticism is misplaced - one simply does not/cannot understand. Technocratic variations on this response have long been the principal weapon in the armoury of organisations that justify or simply dismiss the dangers of rapid global capital flows in search of that extra tenth of a percent return. It is also the response of choice of the World Bank and the IMF, despite Joseph Stiglitz' defection and all evidence to the contrary concerning the effectiveness of their conditional loans and economic governance policies. But what does it mean when they say “We know what we are doing, leave it to us”?

The private language of neo-liberal economics is one of mathematical method. As John Galbraith has noted, the economics profession is organised hierarchically, with heterodox economics at its base, neo-liberal economics at the top and the most mathematical forms of neo-liberal economics at its apex. A survey by the American Commission on Graduate Education in Economics states quite clearly that fluency in this private language is a passport to prestige and advancement. This tendency towards the increasing mathematisation of economics means that if some aspect of behaviour cannot be measured and assigned a numerical value it is irrelevant. All relevant economic behaviour is quantifiable and can be expressed in terms of a few basic principles that in turn allow highly complex calculus and regression analysis. Relevance is therefore about what is appropriate to method rather than what is interesting about some aspect of the world. This in itself

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would not be an insurmountable problem if it were not for the foundational assumption about economic behaviour to which it is applied.

Neo-liberalism assumes that wo/men are hardwired to follow self-interests and that our self-interests are ultimately collectively positive. One can't help thinking what a different vision neo-liberal economics would've mapped out for us with its forbidding formulae and graphical illustrations had it begun from the assumption that wo/men are hardwired to cooperate and share. Unfortunately, it follows the same path as many of the early Enlightenment figures with its rather negative view of human nature and optimistic view of the competitive consequences of this negative human nature. Neo-liberalism pre-empts Gordon Gecko - greed is good. When all the wo/men in the market place are greedy together, a spontaneous and ideal order emerges. In this sense, all market places are the same. Pigs, bombs and currency are interchangeable. This private language of measurable movable quantities views the economy as a set of scales that tend in the natural order of things towards balance. As much greed as is possible is satisfied within the constraint of scarce resources. This (with a straight face) is called optimum social welfare. In the competitive nature of the marketplace one wo/man may triumph and accumulate far in excess of the others on the basis of his superior characteristics of greed. This (still with a straight face) is also called optimum social welfare. Everybody had a chance to participate and it is the total satisfaction of greed not the distribution that counts. Competitive greed is the given. Since it is innate it exists in all times and places. As a result, neo-liberal economics marginalizes history, geography and institutional rules or rather turns the world of history, geography and institutions upside down.

Places, times and organisations are where wo/men have ideas. They are where we critically reflect on society, nature and our relations to them. Unfortunately, ideas get in the way of the functioning of neo-liberal economic models. Ideas mean that though in the past action A was to be followed by action B, tomorrow this may not be the case. This makes for difficult mathematics even if those actions are quantifiably self-interested in the traditional neo-liberal sense. If patterns only emerge after the fact neo-liberal economics becomes the 'dismal science' we all know it to be. And what of ideas that are not easily reduced to quantification – what about values that emerge from the horror that statistics can show us - of poverty, famine and inequality (that are perfectly compatible with



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optimum social welfare in neo-liberal models)? What of ideas like global equality, justice, human rights, animal rights, and environmental awareness? These ideas 'distort' the natural order and its balance throwing it out of the equilibrium that simple unimpeded self-interest would ensure. In the logic of neo-liberal economics we are our own worst enemy because it is our good ideas that make reality so much less satisfactory than theory.

The neo-liberal solution to this situation is simple. Instead of seeking theory that explains reality, one should make reality conform to theory. This is how neo-liberal economics turns the world upside down. History is to be vanquished, places homogenised and institutions flattened. When Heikki Patomäki argues that the OECD report with its neo-liberal framework simply isn't geared to deal with crises and instability in FOREX markets, this is what he means. It's not so much that neo-liberal economists don't see the problem rather they see it upside down. They see it in terms of a theory that is like the headmaster who thinks his school would run far more efficiently without any students. The neo-liberal solution is that we should have fewer good ideas. This is where the private language of neo-liberal economics becomes a public vocabulary. Ideas like the Tobin Tax are anathema because inaction, non-intervention and withdrawal are neo-liberal watchwords. According to the public vocabulary of the neo-liberal economist, the purpose of the state is to serve precisely the higher purpose of (competitive greed) harmony despite us. Individualism is its collective credo.

Neo-liberal individualism means we are free to be different so long as we all behave the same, according to the model for universal harmony. Behaving the same means wanting the same kinds of things. It means a treadmill of working to own and of owning to consume, in order to work some more in order to own some more. If we worry about the consequences of this cycle, if we wonder whether this is all there is, if we choose to act collectively, we are, according to the neo-liberal economist, confusing the economic and the non-economic. Bringing political and social values into areas where technical economic decisions rule. At the same time we are going against our own self-interest by distorting the processes that would guarantee harmony. We do not understand economics that is the economist's job and we should leave them to it.

For the neo-liberal economist we are, therefore, as individual as our next purchase. Such individualism is the difference between one cow and another cow to a zebra. Such individualism,

with its suppression of ideas, is bovine in all its characteristics. Accepting, conforming, following... It is herd behaviour by any other name because individualism is refused the right to question the system that produces it. When such questions emerge they remain on the outside of fences in Seattle and Barcelona. They are a threat to the technocratic order because they bring with them the possibility that things might be otherwise and that harmony may not be truly harmonious. Such curiosity is not tolerated and states, in the name of individualism, inaction, non-intervention and withdrawal, organise, act, intervene and confront.

## The planetary vulgate

Neo-liberal economics is the language of power. It is the lingua-franca of the World Bank, IMF, WTO and most advanced capitalist nations. But, and to the detriment of dissent, its public vocabulary is also the language of great swathes of civil society. Citizens are co-opted by the very language they use. This summer, I marked almost 400 economics of international trade A-level exam scripts. "Correct" answers included such statements as trade unions distort markets and the use of protectionist infant industry arguments by poorer nations undermines global competitive efficiency. The former is code for workers rights are wrong, the latter for least cost is best no matter who bears the cost of least cost. Winning the argument in forums such as ATTAC and PAE is all the more difficult because of this and this problem is compounded in certain quarters by the manner in which a neo-liberal vocabulary subverts the argument. In the popular media of the US and UK, for example, anti-capitalist demonstrations are portrayed as a dramatic battle between youthful naivety and hardheaded expertise and experience. The subtext is that it is a generational conflict between those who have accepted the inevitable and those who have not. The inevitable, of course, is the language of the upside down world of neo-liberalism. The language of the bottom line, of forces, imperatives and the needs of the market, in the face of which one can but acquiesce. Dissent is not about competing economic visions but about right thinking and wrong headedness. Since it is not truly viewed as a clash of ideas but of generations many journalist's attitudes range from the patronising to the cynical. In either case the implication is that socialisation and surrender will take care of the problem in much the manner that the counter-culture of the Sixties bred the Wall Street operators of the Eighties. What these attitudes

suppress is that the problem is not youth but the reality of poverty, famine, debt and human and environmental degradation. It may be that activists (young and old) become disillusioned by the scale of the problem, succumb to alienation, or are lost to the imperative that they too must feed and clothe themselves. But this only goes to illustrate the power and inhumanity of the human economic systems that the public vocabulary of neo-liberalism supports. The problems that critics touch upon remain untouched by this. Economics needs its own Reformation – a Martin Luther able to translate the language of cant and ritual into the common tongue.

## What is economic growth for?

In neo-liberalism, Pareto welfare optimisation is about absolute values of production. It is concerned with distribution only in so far as this is an issue of the allocation of resources to increase the absolute value of total production. What is produced and for whom is not its concern. One might think that even in these terms, the instabilities caused by the increasing autonomy of finance operations from production would be a fundamental concern to neo-liberals. That this is not the case is because neo-liberalism conceives the world economy as a great machine that requires fine-tuning rather than redesign. Fine-tuning means getting people to act in more predictable ways. The system itself is not inherently unstable because in an upside down world too much intervention is the problem not the cure. This is rather like saying guns don't kill people people kill people. The fundamental question neo-liberal economics cannot ask, from which all other questions flow, is what is economic growth for? The answer it cannot hear is that economics should account for what we live for but it is not economics for which we live.

Contact for this article : [jamie@morganj58.fsnet.co.uk](mailto:jamie@morganj58.fsnet.co.uk)

ATTAC France - 6 rue Pinel - F-75013 Paris - tel: 01.53.60.92.40 - [attacfr@attac.org](mailto:attacfr@attac.org)



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