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## Commentary

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### Neoliberalism 3.0

Europe's economies face difficult times. Without venturing as far as Greece, Latvia, or Spain, consider two 'local' stories. In the southwestern English city of Plymouth the council has been seeking to ameliorate the loss of millions of their savings in failed financial investments via selling the bus company and transferring public housing to a management company. In Wuppertal, on the southern fringes of the Ruhr, local government is equally desperate to reduce mounting debts. Public facilities including schools, libraries, swimming pools, and theatres are being closed as part of a draconian austerity package. Describing the dire situation, a German newspaper argued that "cities such as Wuppertal are like Greek islands within Germany having slowly but surely drowned in their debts over recent years" (*Die Tageszeitung* 2010, our translation). Wuppertal is interpreted as one of the islands comprising Germany's archipelago of heavily indebted localities, many of whom lost out when investments went bad in the financial crisis.<sup>(1)</sup>

It is not hard to find other sites where fresh waves of neoliberal policies are unfurled and implemented. Although some argue that neoliberal accumulation patterns never assumed stable characteristics, it nonetheless represents "the latest institutional form of capitalism" (Kotz, 2008, page 2). Notwithstanding variegated outcomes, the ideology can be defined as "a programme of resolving problems of, and developing, human society by means of competitive markets" (Patomäki, 2009, page 431). Yet for a few years there has been a tendency to talk about neoliberalism in the past tense. Engaging those, such as Barnett (2005), Castree (2006), and Larner (2003) who reviewed the ways in which neoliberalism has been discussed, Springer (2008) argues for sustained scrutiny of the power and ongoing significance of neoliberal policy. We concur.

Some recent diagnoses envisioning the end of neoliberalism were premature. In the immediate aftermath of the financial bailouts and stimulus packages, there was much media, blog, and bulletin board talk about the 'end' of neoliberalism, sometimes anticipating or designating a new Keynesian moment. Reflecting this, the introduction to a valuable set of essays entitled *The Rise and Fall of Neoliberalism. The Collapse of an Economic Order?* opens by noting how:

"Writing about neoliberalism in 2009 is a challenge. On the one hand, the credit crunch and banking crisis have exposed the fault lines in the neoliberal economic order that has been dominant for the last three decades.... On the other hand, the different impacts and implications of the recent economic crises illustrate the diversity in the implementation and embeddedness of neoliberalism in many countries..." (Birch and Mykhnenko, 2010, page 1).

References to diversity and embeddedness, signifying the scalar unfolding and path dependency of neoliberalism across institutional, national, regional, urban, and local places has become the starting point of the voluminous geographical literature on neoliberalism. Indeed, an eight-year-old landmark paper on "Neoliberalizing space" that is invariably cited in this literature did much to encourage attention to detail (Peck and Tickell, 2002). The paper identified two broad, successive phases of implementing neoliberalism. Brenner et al also discern "successive waves of neoliberalization" (2010, page 182). Arguably, phase 1 comprised the emergence and implementation

<sup>(1)</sup> Bloomberg reports that many localities across Europe "got swapped" by taking on risky derivatives dealings ([http://www.businessweek.com/magazine/content/10\\_18/b4176100989666.htm](http://www.businessweek.com/magazine/content/10_18/b4176100989666.htm)).

of proto- and rollback neoliberalism. Proto-neoliberalism was the intellectual project shaped by Hayek and Friedman (Mirowski and Plehwe, 2009) which then underwrote rollback, via austerity, monetarism, and privatization, undertaken by Pinochet (through force of arms), Thatcher, Reagan, and Lange. Subsequently, during phase 2 of rollout, neoliberalism:

“gradually metamorphosed into more socially interventionist and ameliorative forms, epitomized by the Third-Way contortions of the Clinton and Blair administrations ... in which new forms of institution-building and governmental intervention have been licensed within the (broadly defined) neoliberal project. No longer concerned narrowly with the mobilization and extension of markets (and market logics), neoliberalism is increasingly associated with the political foregrounding of new modes of “social” and penal policy making” (Peck and Tickell, 2002, pages 388–389).

Thinking of neoliberalism in terms of waves or phases is intriguing. Waves break in circular motion and it might seem that we are experiencing a return to rollback neoliberalism. Simultaneously, there appears to be a new phase, as this wave unfolds within novel settings. Whilst we are mindful of complexity and contingency, it seems worth setting out some theses on where neoliberalism is now going—and taking us.

We posit what is emerging might be understood as a *neoliberalism version 3.0*.<sup>(2)</sup> Our reference to a figure that was coined to refer to the semantic and mobile web, more deeply connecting people, machines, and code, might be taken as a literal reading of Ong’s (2007) description of neoliberalism as a “mobile technology”. But we draw equally on Rogers’s (2009) characterization of a shift from “the digitized” to “the natively digital” that has featured in the evolution of the Internet and associated technologies. For Rogers, there is a distinction “between the objects, content, devices and environments ‘born’ in the new medium [natively digital], as opposed to those which have ‘migrated’ to it [digitized]” (2009, page 1).

In similar terms, neoliberalism 3.0 works with an already quite thoroughly neoliberalized space; it substantially extends it and seeks new paths, bonds, appeal, and power. Neoliberalism 3.0 is, to adapt Rogers’s words, an emerging shift from the neoliberalized to the natively neoliberal. Neoliberalism 3.0 thus reworks and draws on the results of earlier phases of neoliberalism, but has deepened the agenda of applying market solutions shared amongst the range of neoliberal theories. In our view, on the thorny question of periodization, the incremental transition to neoliberalism 3.0 can be located between the burst of the dot-com bubble in 2000 and the epic unwinding of America’s consumption and real estate boom in 2008. What some then anticipated as a return to Keynesianism was piecemeal and turned out to be “limited to the operation of rescuing banks, corporations and, more generally, private capital” (Patomäki 2009, page 437).

Instead, a reformatted neoliberalism 3.0 emerges out of the ashes; with the sobering realization that ‘change’ implied more of the same. For the core economies, neoliberalism 3.0 is expressed and unfolds via:

1. *A fiscal crisis of the state*. The consequences of recession, write downs, and bailouts are used to justify *sudden and significant cuts to public expenditure*. Perception of fiscal crisis relates both to actions of credit rating agencies and the construction of a hegemonic discourse about what can/cannot be afforded (Castree, 2010). At the national scale, such framing is currently more evident in Europe than in North America, but is central to Republican and many state-level strategies in the USA. These crises are also invariably and frequently expressed unevenly. In the jargon of geography: they are *scaled*. They have the longer term result and means of:

<sup>(2)</sup> We are aware of references to capitalism 3.0 (<http://capitalism3.com>) or even 4.0 (Kaletsky, 2010). However, what we describe here is more specific.

2. Further *marketization of remaining social/state assets* including—paradoxical as it may seem—the troubled banks recently nationalized. This belies the old ideological claim that neoliberalism is a simple case of less state, more market. It is rather *the reconfiguring of both, so that they become more thoroughly intermeshed*, in part through their subjection to financial logics (Aalbers, 2009). In doing so, like the effect of a Trojan virus, political-operating systems can become subsidiaries of the financial system. Indeed, one observer justifiably describes this development for which he proposes the term “hybrid neoliberalism”:

“in which market logic is not only regulated and lightly directed by government, but increasingly incorporated into the sphere of state-run economic activities. This has been made possible through the development of a new role for governments, by taking stakes in key financial firms, have started acting in much the same way as activist investors” (Caprotti, 2010).

3. *Practices of audit and the rhetoric of accountability established during rollout neoliberalism are being modified.* The culture of audit has been integral to rollout neoliberalism, often read as a shift from government to governance (Power, 1999; 2007). This is being finessed. For example, the London-based National Endowment for Science Technology and the Arts (Nesta) discusses shifts from audit to assurance and how public spending cuts produce creativity or ‘radical efficiency’.<sup>(3)</sup> Cuts, welfare reform, and audit are all apparatuses of power, which are only incidentally related to their often-stated aims of quality, value, or enterprise. Seeing them as such enables clearer critical appreciation of how the state, the social, and nature (While et al, 2010) are reconfigured to be productive of neoliberalism.

4. The pursuit of *social affinities and alliances* in support of these strategies. This is symbolised by Obama’s rhetoric of inclusion and the formal alliance between the Liberal Democrat and Conservative parties that established a new government in the UK in the spring of 2010 (Watkins, 2010). Neither may endure, but are symptomatic of wider phenomena, whereby neoliberal capitalism does not simply atomize social life, but, in Konings’s terms, requires “the *creation* of new social connections, cultural affinities and political capacities” (2010, page 6, emphasis in original). A new generation of firms and consultants inhabit this space.

These tendencies contain multiple contradictions, posing considerable political challenges. However, they are eased by the fact that organized resistance is generally at low ebb or takes populist forms that can either be outmanoeuvred or incorporated. Examples of both strategies are evident in responses to the right-wing populism of fringe parties such as the Partij voor de Vrijheid (PVV) in the Netherlands or the Tea Party in the USA. Especially in the interactions of features 1 and 2, moreover, we detect an element of what Klein (2008) termed *The Shock Doctrine* whereby geopolitical, natural, or economic crises are drawn upon by elites to cash in on chaos and remake societies in ways that favour profit and power. The combination lends credence to Harvey’s (2005a) claim that the neoliberal project is, in substantial measure, about a deepening of elite power. Thus, the American case, where:

“three decades of growing inequality and stagnant wages came to exist in a relationship of mutually reinforcing interaction with neoliberal governmentality. Neoliberalism represents a shift in the modalities and instruments through which the integration of the American middle and working classes into the financial system was effected. This provided financial elites with a world of opportunities” (Konings, 2010, page 24).

<sup>(3)</sup> See especially their 2010 papers “Schumpeter comes to Whitehall” and “Radical efficiency” (<http://www.nesta.org.uk>).

Since class is partially expressed through race, the racialization of neoliberalism has been visible in the making of the American subprime crisis (Dymski, 2010). However, another key way that race, class, state power, and neoliberalization are interacting is in what has been labelled *The New Imperialism* (Harvey, 2005b). Hence:

5. The *tightening nexus (unleashed after 9/11) of security, geopolitics, and neoliberalism*. A military–industrial complex is not new. Nurtured by the neocons, military, and security operations themselves have been increasingly subject to lucrative contracting out (Singer, 2004). Moreover, a corrupt strand of neoliberal policies is especially evident under conditions of military occupation. Whilst segregation (green zones and forts), theft, and fraud flourish in Afghanistan and Iraq, it bears noting how both occupied countries have undergone privatizations. Privatization of security is also mirrored in many other Southern cities and enclaves plugged into global markets (Paasche and Sidaway, 2010; Sidaway, 2007). The privatization of security is not only found in the periphery. Online, for example, American intelligence agencies are establishing relationships with many firms, in an expanding surveillance grid, further fracturing distinctions between the public and the private, state, security, and profit.<sup>(4)</sup>

However, we need to be mindful of a sixth trend that also relates to the ‘grand chessboard’ of global power, especially the place and roles of Europe and America:

6. Whilst crises since the early 1980s have been most evident outside the Atlantic heartland, *the present crisis has its origins and is being felt most acutely in the West* (Sidaway, 2008). Neoliberalism 3.0 therefore also *accompanies a further shift of geopolitical and geoeconomic power South and East*: witness the discourse and claims made on behalf of the BRICs (Brazil, Russia, India, and China) as new motors of accumulation (Sidaway, 2010). Such shifts are markedly partial and uneven, but they reconfigure relationships amongst the great powers as well as the geography and meanings of development.<sup>(5)</sup>

Meanwhile, back in the USA, Hayek’s *The Road to Serfdom* (1944) currently ranks amongst the best sellers at Amazon.com. This “seductive intellectual voice” of neoliberal manifestos, is inspiring a new wave of vocal conservatism (Foley, 2010, page 39). Disciples of Hayek have long advocated a nightwatchmen state in which all but defence, justice, and police are allocated to the market. Under neoliberalism 3.0, however, the nightwatchman has become a private security contractor or a joint venture between an intelligence agency and digital service provider. Where security becomes both natively digital and neoliberal, Orwell might be a better guide to the future than Hayek.

What is in store for Plymouth and Wuppertal? The established German model, which oversaw postwar recovery, funded European integration, and represented a variety of capitalism that informed state–economy relations elsewhere, is now deeply challenged. The postwar British state, it was often said, had the task of the orderly management of decline. That Britain’s geopolitical decline was accompanied by chronic relative economic decline, produced a few disorders on the way, and fed into the making of any earlier phase of neoliberalism there.

<sup>(4)</sup> See *The Washington Post* article “National Security Inc.” (<http://projects.washingtonpost.com/top-secret-america/articles/national-security-inc>) or consider a recently founded company known as Recorded Future: a joint venture between Google and a CIA offshoot (<http://www.wired.com/dangerroom/2010/07/exclusive-google-cia/#ixzz0v7drHZhm> or <https://www.recordedfuture.com/>).

<sup>(5)</sup> Witness the case of China as model for and its more direct impacts on Africa. On the former, see the paper by a World Bank officer (Ravallion, 2009) and on the latter see the papers at <http://www.geography.dur.ac.uk/projects/china-africa/>

Whilst it has certainly been profitable for some, the jury is still out on how successful these policies were in restoring anything other than phases of further crisis-prone and relatively slow growth or indeed halting that relative decline. Key questions now concern the globalization of neoliberalism 3.0 and what is prospect of it rejuvenating a Western capitalism that appears increasingly tested? Nearly a decade ago, it was argued that “having been aggressively upscaled to the transcontinental level, the neoliberal ‘settlement’ is now surely more, not less, vulnerable to systemic crisis” (Peck and Tickell, 2002, page 399). Contrary to the hopes of many, the great crash of 2008 ended up consolidating neoliberalism 3.0. But future crises and contests might offer fresh paths to rollup and discard it altogether.

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