Neoliberalism is not a familiar term in the USA where the word ‘liberal’ refers to a political, not an economic theory. Yet under the name of ‘Reaganomics’ or ‘supply-side economics’, neoliberalism has shaped US social policy, the delivery of social services, and social work practice since the mid-1970s when the US economy plunged into a serious economic crisis. Neoliberal economic theory of the welfare state differs sharply from the New Deal/Great Society tradition in democratic politics, commonly referred to as ‘liberal’ in the USA. It represents a modern version of standard laissez-faire doctrine guiding the US economy prior to the Great Depression. It argues for market rules to govern societies in the belief the advancement of human well-being depends on the liberation of individual initiative within an institutional framework based on free markets, free trade, and private property rights and in which the government’s main role is to create the conditions for profitable market activity and then to step back (Harvey, 2005). Endorsing market dynamics, neoliberalism’s core principles include freedom (from external coercion), individualism (the unfettered pursuit of self-interest), and restricted state action. The theory limits state intervention to ensure free competition, maintain law and order, enforce contracts, and protect private property and national defence. Fundamentally hostile to social welfare programmes, it begrudgingly tolerates temporary and emergency government intervention in this arena (Mullaly, 2007).

The neoliberal conceptualisation contrasts sharply with liberal political theory guiding the development of the welfare state after World War II in the USA, Britain, Western Europe, and Scandinavia. While also pro-market, liberal political theory called for government to mediate the excesses of the market by ensuring a minimum level of well-being (Mullaly, 2007; Wilensky & Lebeaux, 1958). British sociologist T.H. Marshall (1992) added that governments should provide a minimum standard of income, nutrition, health, housing, and education to every citizen as a right, and not as charity. Historically, he noted modern governments began to address the social right (to income and economic support) in the 20th century in response to problems created by industrialisation. This generally followed the
granting of civil rights (to free speech and a fair trial) in the 18th century and political rights (to vote or hold office) in the 19th century (see Chapter 24).

The 20th century social rights approximate those outlined in the Universal Declaration of Human Rights (1948) and were often implemented in response to pressure from social movements. Esping-Andersen’s (1990) analysis of welfare state regimes included three ideal welfare state types whose social and economic rights varied with how the nation organised the relationship between the state, the market, and the individual, and included the liberal or Keynesian welfare state (as found in the USA and UK), the conservative-corporatist welfare state (e.g., Germany), and the social-democratic welfare state (e.g., Sweden and Denmark). In the USA, conservatives are sceptical of the state intervention favoured by liberals within the Keynesian welfare state.

Neoliberal theory became dominant in the USA in the mid-1970s and extended the definition of the market from a simple system of exchange to include ‘all processes of voluntary agreement among persons. Its policies are most often associated with the structural adjustment programmes administered by several international bodies, including the World Bank, the International Monetary Fund, and the World Trade Organisation. However, during the last three decades, neoliberalism also gained considerable traction in the USA, Canada, Britain, and Western Europe where its antistate approach influenced welfare state policies, albeit at varying paces and in different ways.

Seeing market-driven economic growth as a better alternative than the Keynesian welfare state, supporters defend neoliberal policies with two main arguments: (i) there is no alternative to the market economy, and (ii) a rising tide lifts all boats. The first view popularised by conservative British Prime Minister (1975–1990), Margaret Thatcher, holds to avoid disaster, societies have no choice but to uphold free markets, free trade, and globalisation. The second argument implies the benefits of business-friendly neoliberalism will automatically trickle down to the average person. During the last three decades, neoliberalism trumped many of the ideas and policies introduced by the New Deal coalition and its – liberal-progressive – tradition in democratic politics. As a result, neoliberal assumptions became embedded in ‘common sense’, for example, the taken-for-granted consciousness of large numbers of people, including those whose interests may not be served by its policies. Social work critics, among others, say its ‘survival of the fittest’ approach to civic life transformed social welfare policy in ways that conflict with social work values and ethics (Dominelli, 1999; Garret, 2010).

THE WELFARE STATE AND 20TH CENTURY ECONOMIC CRISIS

Traditional liberal political theory supporting an expanded welfare state has guided US social welfare policy since the 1930s when the collapse of the economy led to the birth of the welfare state. However, a second major crisis in the mid-1970s gave rise to the neoliberal paradigm. Yet neither the rise of the US welfare state in the 1930s nor the neoliberal paradigm surfacing in the mid-1970s was accidental. The Social Structures of Accumulation (SSA) theory suggests these developments are best understood as part of a broader response to the two major economic crises of the 20th century (McDonough, Reich, & Kotz, 2010). In both, the 1930s and the mid-1970s, the SSA or the institutional arrangements creating the conditions for profits and growth during the prior 50 years faltered. They no longer worked for the powers-that-be in business and government called for their ‘reform’. The resolution of each crisis followed considerable political conflict eventually forcing a major reorganisation of the prevailing SSA (Bowles et al., 1986; Lippit. 2010; Kotz, 2003a, 2003b; McDonough, Reich, & Kotz, 2010).
First economic crisis: advent of the New Deal

The two major economic crises erupting in the USA during the 20th century elicited dramatically different responses from business and government. The stock market crash of 1929 made it clear the laissez-faire SSA powering economic growth since the 1890s no longer worked. The 1930s elite blamed their economic woes on the failure of the market and, however unwillingly, called upon the federal government to enact policies to promote economic growth and mute the period’s mounting unrest. Faced with extreme hardship, the poor, working, and middle classes also took to the streets. They too demanded a new and stronger government response.

After considerable political struggle over the character of the next SSA, Washington responded with the New Deal ushering in a major restructuring of the political economy. Among many other changes, two new institutional arrangements legitimised the emergent SSA. The Supreme Court declared the constitutionality of federal responsibility for the general welfare and officialdom, that is, the national political and economic elites, accepted the economic theory of John Maynard Keynes calling for greater government spending to increase aggregate demand and otherwise stimulate economic growth (Bowles et al., 1986). The New Deal helped business, banks, farmers, workers, and some (mostly white) families get back on their feet. (The law excluded Black domestic and farm workers for years to come.) Despite this spending, it took the stimulus of war production to produce a full economic recovery (Bernstein, 1960).

The New Deal represented a new SSA based on expanding the role of the state and redistributing income downward. Newly created institutional arrangements contributed to these goals: (i) the highly progressive income tax code (i.e., 25 brackets, a tax rate of 94% on the top bracket, and high corporate taxation; and (ii) the 1935 Social Security Act that transferred social welfare responsibility from the states to the federal government and created an entitlement to income support – some 50 years after most other industrial nations had invested in social welfare (Abramovitz, 1996). From 1945 to 1975, the US welfare state grew in response to population growth, the emergence of new needs, increased revenues, greater administrative capacity – and the victories of the increasingly militant social movements demanding a larger share of the economic pie.

Impact of the New Deal: enhanced social, economic, and political functions

Some say the New Deal SSA helped to ‘save capitalism from itself’ by carrying out a complex set of social, economic, and political functions. The social functions of the welfare state ensure the well-being of the individuals and families. Following the New Deal and World War II, rising tax revenues enabled the government to provide a minimum level of income below which no one was expected to live, especially not the white middle class. Revenues rose from 16.5% of gross domestic product (GDP, 1947) to a peak of 19.7% (1969) and spending on human resources increased from 3.5% of GDP (1947) to a high of 11.7% (1976) (The White House, 2010a). The programmes helped families to function more fully and effectively by compensating millions of people for income lost due to old age, illness, disability, joblessness, and absence of parental support. They also provided an array of health, education, housing, employment, and social services.

The resulting redistribution of resources downward reduced poverty and inequality. The percentage of the population living in poverty fell sharply from 22.4% (1959) to 11.1% (1973) (US Census, 2010a). The inequality gap also narrowed. The share of the national income held by the top 20% of earners fell from 42.7% (1949) to 40.5% (1968). Meanwhile, the share held by the bottom 20% rose from 4.5% (1949) to a high 5.8% (1974) (US Census Bureau, 2003). Black median income rose from 51% of white
median income (1947) to a high of 61% (1972) (Working Group on Extreme Inequality, 2009). However, in exchange for greater economic security, welfare state rules and regulations forced many recipients to comply with white middle-class work and family norms or risk penalties for departing from these prescribed roles.

The political functions of the welfare state include promoting political stability. The redistribution of income downward and the expansion of the welfare state eased discontent among the disadvantaged, legitimised ‘the system’ as fair, and otherwise contributed to electoral calm and business profits. Indeed access to benefits mediated two key contradictions: (i) the conflict between the above-noted requirements of economic production and family well-being; and (ii) the conflict between the democratic promise of equal opportunity for all and market-based inequalities. Further, New Deal labour legislation, especially The Wagner Act (1935) and the Taft Hartley Act (1947), articulated an informal set of mutual expectations or labour ‘accords’ in which unions exchanged higher wages and better working conditions for longer contracts, and fewer and less militant strikes (e.g. the reduced turmoil) sought by US corporations. The resulting stability smoothed the way for higher profits, improved wages, better working conditions (Lippit, 2010; McDonough et al., 2010; Neumann & Rissman, 1984), and the growth of union membership peaking in the mid-1950s with the merger of the American Federation of Labor (AFL) and the Congress of Industrial Organization (CIO). In the 1960s, business and government entered into similar race and gender accords in which the civil rights and women’s liberation movements exchanged an improved standard of living for less political conflict (Abramovitz, 1992a). The expanded welfare state helped to raise the standard of living for many, if not all, US households, especially the white middle class. The real minimum wage (in 2006 US$) increased from $2.82 an hour (1948) to a high of $7.17 (1968) and real private sector wages grew from $7.86 per hour (in 1982 US$) in 1964 to a high of $8.99 (1976). Median family income more than doubled from $20,102 (1947) to $40,656 (1977) (Economic Policy Institute, 2007; US Census Bureau, 1998). As a result, from 1947 to 1973 real median income and productivity grew hand-in-hand increasing by 103.9%

The economic functions of the welfare state that helped to create the conditions for profitable economic activity are less widely recognised than its antipoverty role. Indeed, this multifaceted institution secured at least some corporate support because government assistance served business by helping families to:
(i) increase their purchasing power, which ensured the daily consumption of goods and services produced by business and industry;
(ii) raise children to fulfil proper adult work and family roles, which supplied business with a healthy, educated, and socialised workforce; and
(iii) provide care to those too old, young, or ill to support themselves, activities which were typically carried out by women’s unpaid labour in the home (Abramovitz, 1992a) (see Chapter 5).

Government benefits also (iv) supplemented wages allowing employers to pay less; and (v) quieted the social unrest produced by market inequality. More generally, cash assistance (vi) mediated the tension arising when the conditions promoting profitable production (e.g., low wages and high unemployment) simultaneously undercut the capacity of families to carry out their socially assigned, caretaking tasks on which profits also depend.

The postwar progressive tax code and the expanded welfare state helped to fuel economic growth. The real GDP increased an average of 3.99% a year from 1947 to 1973 due to welfare state spending but also pent up war demand, technological advances, the Cold War arms race, and US control of world markets, among other historical factors (Measuring Worth, n.d.). Since wages rose in tandem with increased productivity, workers reaped a fair share of the economic pie their efforts helped to expand (Bernstein & Allegretto, 2007).
and 103.7%, respectively (Mishel, Bernstein, & Allegretto, 2007). Overall employee compensation rose from 52% of the national income (1947) to over 60% (1970) and pre-tax corporate profits fell from a high of 11% (1951) to low of 8% (1975) and 6% (1980) (Aron-Dine & Shapiro, 2007).

Second economic crisis: crisis of capital accumulation

The second economic crisis surfaced in the mid-1970s as structural shifts in the domestic and global economies undermined the effectiveness of the postwar SSA. Third World revolutions (e.g., Vietnam and others), loss of easy access to cheap raw materials abroad, reduced world power, mounting economic competition from Germany and Japan, and greater business costs at home signalled the end of postwar prosperity. The resulting higher prices, rising interest rates, mounting national debt, limited savings, and constricted corporate investment set off a crisis of profitability (Weisskopf, 1981).

By the mid-1970s, the economic elite began to blame these threats to their power and profits on the New Deal and War on Poverty. The welfare state – already an easy target owing to ongoing racism and hostility to the poor – became the poster child for the neoliberal attack on ‘big government’ for several reasons (Harvey, 2005): (i) business and government’s previously supported social programmes, however halting, were now blamed for rising investment costs in increased social welfare spending and ‘excessive taxation’; (ii) globalisation reduced the reliance of US firms on their workers which lessened their need for social programmes to foster productivity and weakened trade unions which alleviated corporate worries about labour unrest (Amott, 1993); and, finally, (iii) the expanded welfare state unexpectedly emboldened social movements which undercut rather than promoted political stability. Like a strike fund, access to cash benefits operated as an economic backup to reduce worker’s fears of unemployment and make it possible for women to challenge male domination and for persons of colour to challenge white supremacy and otherwise helped to tilt the balance of power towards those with less.

NEOLIBERAL RESPONSE: U-TURN IN PUBLIC POLICY

Neoliberalism, the dominant response to the second economic crisis of the 20th century, surfaced in the USA in the mid-1970s, when President Carter campaigned for the Democratic Party’s nomination on an anti-Washington platform (Bresler, 2008). Best known as ‘Reaganomics’ or ‘supply-side economics’, neoliberalism was launched in full by the Reagan Administration and pursued in varying degrees by every US administration since then. Seeking to restore the primacy of the market and undo both the New Deal and the Great Society programmes, it rewrote the rules governing the relationship between business, individuals, and the state. The new SSA sparked a U-turn in public policy calling for downsizing the state and redistributing income upwards.

The now familiar SSA or institutional arrangements put in place to achieve these ends included: (i) tax cuts for wealthy individuals and firms eviscerating the progressive tax code; (ii) privatisation shifting social welfare responsibility from the federal government to the private sector viewed as more efficient and effective; and (iii) devolution shifting social welfare responsibility from the federal government to the states and, in some cases, municipalities. The strategy also favoured (iv) deregulation reducing federal oversight of business, banks, and labour markets and weakened consumer and environmental protections; (v) lowering labour costs; and (vi) weakening the influence of social movements best positioned to resist this austerity programme. At the same time, the New Right that gained ground in the early 1980s
stood for (vii) restoring patriarchal ‘family values’ and (viii) a colour-blind social order to undo the gains of the women’s liberation and civil rights movements.

**IMPACT OF NEOLIBERALISM: DIMINISHED SOCIAL, ECONOMIC, AND POLITICAL FUNCTIONS OF THE WELFARE STATE**

By the mid-1970s, the neoliberal strategy geared to downsizing the welfare state and redistributing income upwards began to take its toll. To paraphrase former US President Bill Clinton (1996), the era of big government was over. The strategy was grounded in tax and spending cuts. In 1981, newly elected President Reagan declared ‘The taxing power of Government must be used to provide revenues for legitimate Government purposes ... It must not be used to regulate the economy or bring about social change’ (Weisman, 1981, p. 1). The number of tax brackets dropped from 16 (1980) to four (1988) (Reagan) and three (1991) (Bush I). They inched up to five (Clinton) and six (Bush II) where they stood in 2010. Reagan also dropped the tax rate on the top bracket from 50% (1982) to 28% (1988), the lowest rate since 1920 (Tax Policy Center, n.d.a). The rate rose to 39% (Clinton) and fell to 35% (Bush). The corporate income tax rate dropped to a low of 34% (1988) and 35% today (Tax Policy Center, n.d.b). Still somewhat graduated, the US tax code became considerably less progressive than in the past.

Revenues helping to cover the cost of government during the postwar years fell from 19.7% of the GDP (1969) to 14.8% (2009) – the lowest level since 1951 (The White House, 2010a). Despite population growth, rising prices, new unmet needs, and other demands on the welfare state, spending on human resources fell from 11.7% of GDP (1976) to 11.4% (2000), which was less than what was spent in 1995. Eventually, ever-rising healthcare costs (not necessarily improved access or quality) and the economic crisis forced spending to a new high of 15.1% (2009) (The White House, 2010b). To counter this growth, the supply-siders insisted on more tax cuts ignoring that economic growth during a tax hike period (1993–2001) had exceeded that of two tax cut periods (1981–1993 and 2001–2007) (Ettlinger & Irons, 2008); and that from 2001 to 2007 entitlements accounted for 10% of the deficit compared to 48% for tax cuts (Center on Budget and Policy Priorities, 2008).

This ongoing retrenchment undercut the social functions of the welfare state, especially its capacity to support family functioning and community well-being. Many readers will know ‘welfare reform’ stripped the programme – then known as Aid to Families with Dependent Children (AFDC) – of its status as an entitlement programme. However, neoliberalism did not spare the Unemployment Insurance or Social Security programmes serving the middle class as well as the poor. Instead, new policies restricted access to all three entitlement programmes, reduced the number of eligible recipients, and lowered the benefit amounts (The White House, 2010c). The preference for privatisation intensified the use of the Earned Income tax credits and other asset-building strategies over direct government payment of benefits (Abramovitz, 2001; Brooks, 2008; Garret, 2010). The still unsuccessful drive to replace Social Security with private Individual Retirement Accounts falls into this category.

With the deterioration of the welfare state’s social functions, poverty rose and the inequality gap widened. In contrast to declining poverty during the postwar period, with neoliberalism the rate jumped from a low of 11.1% (1973) to a high of 15.3% (1983). It fell temporarily during the economic boom of the late 1990s, but after 2000 the rate began to climb again reaching over 14% in 2009 – an increase of four million from 2008 and the highest percentage in 15 years (see Table 2.1). More than 25% of Blacks and just under 25% of all Latinos lived in poverty in 2009 (US Census Bureau, 2010a). Without extended
unemployment insurance benefits, the number would have increased by an additional 3.3 million people (Sherman et al., 2010).

The cumulative economic costs of childhood poverty have been estimated to be about $500 billion per year, or about 4% of GDP (Irons, 2009). Poverty also negatively affects educational achievement, cognitive development, and emotional and behavioural outcomes, all of which can have lasting consequences for children and adults.

Neoliberal policies converted the inequality gap into a chasm. Over the last 30 years, the top 1% of the country has received 36% of all household income gain. The share of national income held by the top fifth of earners (which had fallen during the postwar years) rose from 42.6% (1968) to 50.3% (2009), the highest share on record. At the same time, the share of the bottom fifth fell from a high for 4.3% (1974) to a low of 3.4% (2009). The share of the middle fifth fell from a high of 17.6% (1968) to 14.7% (2009) (US Census Bureau, 2010c).

The ratio of the top 1% of earners more than doubled from 9.4-to-1 to 19.9-to-1 between 1979 and 2006. Similarly, the after-tax income of the top 1% of US households jumped from $360,000 (1979) to $1.3 million (2009), while the much lower after-tax income of the middle 20% of households barely changed, moving from $34,000 to $50,000. That is, the after-tax income of the top 1% grew by 281% from 1979 to 2007 compared to 95% for the top fifth, 25% for the middle fifth, and 16% for the lowest group (see Figures 2.1 and 2.2).

Wealth disparities also grew. By 2004 the top 1% of the US households owned about one-third of all the net worth (wealth minus debts), the top 20% controlled 85%, while

<table>
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<tr>
<th>Table 2.1 Poverty rates by selected years</th>
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<tr>
<td>Year</td>
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<td>1960</td>
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Figure 2.1 Average US after-tax income (1979–2007). (Source: Sherman & Stone, 2010)
the bottom 80% had only 15% (Magdoff & Yates, 2009). The top of 1% of the nation acquired much more of the nation’s increased wealth than did the bottom 60% (Alter, 2010). The always wide racial disparities grew wider. After increasing from 51% of white median income in 1947 to a high of 61% in 1972, Black median income fell to about 52% in 1992 and then (reflecting the booming nineties) rose to 60% (1999) only to fall to 58% (2006). In 2009 White (non-Hispanic) earners comprised 80% of those in the top fifth compared to 5.7% for Blacks, 6.6% for Hispanics (of any race), and 6.3% for Asians. Blacks and Latinos were underrepresented at the top and over-represented in the lowest two-fifths of earners (US Census, 2010d).

These patterns combined with globalisation reduced corporate interest in the economic functions of the welfare state they had previously relied on to create the conditions for profitable economic activity. With the fall of the Berlin Wall and the marketisation of China, US corporations found new consumers in Eastern Europe and Asia. This diminished their interest in supporting a welfare state to increase household purchasing power. Similarly, globalisation lessened corporate need for a welfare state that supplied them with healthy, educated, and properly socialised workers. Instead, US firms stepped up their efforts to lower labour costs (Greenhouse, 1983) by exporting production overseas, weakening unions, and shrinking the welfare state.

Deindustrialisation at home and outsourcing production abroad lowered labour costs by draining the US economy of ‘good’ jobs. After replacing highly paid unionised jobs in manufacturing with low-paid, non-unionised service jobs at home, business and industry searched for cheap labour abroad – aided by neoliberal free trade policies. They also weakened the influence of labour unions. In the early 1980s, President Reagan famously broke the federal air traffic controller’s strike, in turn, empowering employers to launch a major assault on the rest of organised labour. Around that time, a Ford Foundation labour specialist observed ‘Private and public employers will probably become more adamant in resisting union demands … Companies that have had antilabour ideas on their mind are going to be encouraged to act’

Figure 2.2 Incomes at the top dwarf those of low- and middle-income households. (Source: Sherman & Stone, 2010)
Reagan’s public opposition to affirmative action and abortion similarly signalled permission to also attack civil rights and women’s movement gains. Faced with massive job losses and corporate assault, union membership fell from a peak of 35% of the civilian labour force (1955) to 20% (1983) to a low of 13.1% (2006) (US Department of Labor, 2010a), with less fall off in the public than private sector (US Department of Labor 2010 b). Finally, by reducing access to cash benefits retrenchment increased the supply of workers looking for low paid jobs, forced workers and unions to moderate their wage demands, weakened the hard-won bargaining power of social movements – all of which pressed wages down. Labour costs fell. As noted earlier from 1948 to 1970 the share of national income going to wages and salaries rose from 55.6% to 59.3%. However, with the advent of neoliberalism, the share of national income going to wages fell from the 1970 high to a new low of 51.6% (2006) – lower than in 1929 (Aron-Dine & Shapiro, 2007). According to the 2009 US Census (2010b), median incomes were 5% lower in 2009 than in 1999. Unlike the war years, when wages grew in tandem with productivity, wage growth has lagged far behind since the mid-1970s (Mishel, Bernstein, & Shierholz, 2009; see Table 2.2).

Harvard economist Lawrence Katz told *The New York Times*, ‘This is the first time in memory that an entire decade has produced essentially no economic growth for the typical American household’ (cited in Herbert, 2010, p. A7). Not surprisingly, economic insecurity intensified. Based on its new Economic Security Index and mirroring the U-turn in public policy detailed here, the Rockefeller Foundation found, over the past 40 years, the share of (North) Americans experiencing economic insecurity rose substantially. The Index counts anyone as economically insecure if their income dropped 25% or more in one year and they did not have the financial resources to offset the loss; using Census data in 2007 (before the recent meltdown), approximately 46 million Americans fell into this group, up from 28 million in 1985. In the past, economic security fluctuated with economic ups and downs but with neoliberalism it rose in both bad and in improved times (Hacker et al., 2010). This pattern mirrored labour market trends. During the seven recessions from 1948 to 1980 it took an average of 9–12 months for employment to reach pre-recession peaks. In the wake of the 1990 recession it took 23 months and 39 months after the 2001 downturn (Bivens & Shierholz, 2010). Not surprisingly, public opinion polls continue to report (North) Americans were highly worried about their job and financial situation (Gallup.com, 2010).

Alan Greenspan (1997), former chair of the US Federal Reserve Board and neoliberal champion, explained how business benefited from workers’ economic insecurity when he observed a ‘heightened sense of job insecurity … helps to subdue wage gains …’. Indeed, as economic insecurity mounted, the share of national income going to wages fell, while that going to profits rose from a low of 8% (1973) to an all-time high of 13.8% (2006). From 2001 to 2007, despite sluggish economic growth, corporate profits rose on average 10.8% per year compared to 7.4% for other comparable postwar periods (Aron-Dine, Kogan, & Stone, 2008). Perhaps this is why in 2005, when asked to choose between a union and no representation, 53% of non-unionised workers chose a union, up from 32% in 1990s and 30% in the 1980s. In the 1990s, 90% of unionised workers said they would vote for their union in a new election. Many other workers sought representation

<table>
<thead>
<tr>
<th>Year</th>
<th>Change in productivity</th>
<th>Changes in real average wages</th>
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<tr>
<td>1947–1967</td>
<td>–</td>
<td>2.3%</td>
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<tr>
<td>1967–1973</td>
<td>2.5%</td>
<td>1.8%</td>
</tr>
<tr>
<td>1973–1979</td>
<td>1.2%</td>
<td>0.0%</td>
</tr>
<tr>
<td>1979–1989</td>
<td>1.4%</td>
<td>–0.6%</td>
</tr>
<tr>
<td>1989–2000</td>
<td>1.9%</td>
<td>0.6%</td>
</tr>
<tr>
<td>2000–2007</td>
<td>2.6%</td>
<td>0.4%</td>
</tr>
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through on-the-job worker committees (Freeman, 2007). With this, membership in public and private sector unions rose from 2006 to 2008, but fell slightly during the recession due to less employment (US Department of Labor, 2010a, 2010b).

Neoliberalism paradoxically undercut the political functions of the postwar welfare state, which business had relied on to avert or subdue unrest or otherwise foster political stability. Instead neoliberal welfare state policies risked generating political instability. Cutting taxes and spending have yielded more unmet needs, higher poverty, falling wages, and greater inequality – four well-known ways to provoke political unrest. As early as 1998, the author of a Morgan Stanley economic report stated:

> With worker rewards (compensation) lagging worker contributions (productivity) since the early 1980s, I have argued that it was only a matter of time before a politically-inspired backlash would occur that would shift the pendulum of economic power from capital (shareholders) back to workers. While it hasn’t happened yet, there is no reason to believe that such a reflex action won’t occur at some point in the not-so-distant future (Editors, 2004, p. 4).

Although progressive workers, students, and welfare state clients are less likely to take to the streets than their European counterparts when confronted with a falling standard of living, the powers-that-be continue to worry mounting inequality and unabated economic insecurity risk political instability. In April 2000, William R. Cline, a trade expert at the Institute of International Finance told Business Week: ‘What worries many people about globalisation [strongly linked to neoliberalism] is that the U.S. does little to help those who lose out. You want to make sure that the benefits of trade are fairly shared’ (in Bernstein, 2000, n.p.). Former Federal Reserve Chairman Alan Greenspan stated:

> an increased concentration of income … is not the type of thing which a democratic society, a capitalist democratic society can really accept without addressing … because excluding significant parts of the population from the fruits of economic growth risks a backlash that can threaten prosperity’ (in Altman et al., 2006, p. 18).

Writing in The New York Times, Peter Goodman (2007) noted ‘unease with market forces can be heard … [t]he invisible hand is being asked to account for what it has wrought’ (n.p.). It is unlikely these observers had in mind the current group producing the most active social and political disruption in the USA – the far right Tea Party.

**IMPLICATIONS FOR SOCIAL WORK**

The postwar welfare state attempted to mediate the contradictions between the requirements of economic production (e.g., low wages and high unemployment) and the basis of family well-being (e.g., high wages and low unemployment) with some success. However, as antigovernment neoliberal policies took hold, they intensified the contradiction between aiding profits or meeting people’s needs, and led to more health and social problems. Given social work’s location at the juncture of the individual and society, the profession once again faced picking up the slack in a context of declining resources which often led to an exacerbation of its more punitive and controlling functions. Neoliberalism’s call for downsizing the state never extended to all programmes. As Harvey (2005) and Navarro (2007) point out, neoliberal practice often differed from neoliberal theory. Despite its call for a smaller state, neoliberalism actually expanded state activities when it came to defence, national security, corporate welfare, and overall surveillance as well as the growth of prisons, the greater use of welfare-to-work programmes, strict sentencing laws, zero tolerance policing, the policing of public schools, among many other punitive, controlling or intrusive practices and policies. Social workers increasingly employed in such settings, often find themselves, knowingly or unknowingly, helping to carry out the neoliberal agenda.
Neoliberalism generated great economic hardship as more and more poor and working-class families earned too little or lacked cash benefits they needed to buy food, housing, health services, and childcare (Boushey et al., 2001). In 2003, 47% of poor families and 16% of nonpoor families experienced at least one hardship: overcrowded housing, food insecurity, or lack of medical care, with greater hardship rates among families of colour. In 2005, 16 million poor households paid more of their income in rent than the federally defined affordability standard or lived in overcrowded or substandard housing. Food hardship rose nationally from 16.3% of households in the first quarter of 2008 to 19.5% in the fourth quarter of 2008. In 2009 it hovered between 17.9% and 18.8% (Food Research Action Center, 2010).

In 2007 more than 40 million adults skipped some healthcare due to lack of money (e.g., medical, dental, mental health, and prescription drugs; Center on Budget and Policy Priorities, 2007). As private coverage declined, the share of uninsured persons rose from 15.4% (2008) to 16.7% (2009) – or 50.7 million – the largest single-year increase on record since 1987 (US Census Bureau, 2010b). In 2010 ‘hardship withdrawals’ from 401(k) pension plans soared to their the highest level in 10 years, jumping from 45,000 in 2009 to 62,000 in 2010 – even though this action risked penalties and or less future retirement income. Nearly 40% of black workers and almost a third of Hispanic workers borrowed from these accounts compared to just 20% of White workers (Smith, 2010; Toplansky, 2010).

Social workers deal with social as well as economic problems. Wilkinson and Pickett (2009) examined more than 20 rich nations and found a linear relationship between an inequality gap and the presence of health and social problems. The nations with the largest inequality gap also had lower life expectancy, higher infant mortality, more mental illness and obesity, higher rates of teen births, school dropouts, murder, and less upward mobility. The researchers reported the USA had the largest inequality gap in the world and the inequality gap predicted the level of a country’s health and social problems more accurately than its poverty rate. Similarly, among the 50 US states, those with the greatest inequality gap also had higher rates of health and social problems.

At the same time that poverty, hardship, and social problems increased, social services lost ground or became more punitive. The neoliberal retrenchment brought lower benefits and more restrictive eligibility requirements, but also renewed emphasis on self-help, deterrence, stiff work requirements, stigmatisation of single motherhood, penalties and sanctions for minor missteps, and the victim-blaming assumption something was wrong with clients rather than something had happened to them.

Neoliberalism’s emphasis on devolution and privatisation further subjected social services to the logic of the market that undercut the quality of services provided. Services turned over to local communities suffered local racial bias or a lack of matching with federal funds or both. Privatisation created incentives for governments to purchase services from private not-for-profit but also from private for-profit social agencies. It also led agencies to adopt business management models (e.g., fees for services, and hiring low-paid and less skilled staff) stressing efficiency, productivity, and cost savings over quality care and furthered the commodification of interpersonal relationships embodied in caring work (Abramovitz, 1998, 2005; Dominelli, 1999; Ferguson, 2004; Garrett, 2010; see Chapter 22).

In a study of the impact of the neoliberal welfare reform on social services in New York City, Abramovitz (2005) found social service workers were doing more with less. They reported running up hill just to fix the problems retrenchment had created for their clients and felt less effective, had less control over their work, and experienced troublesome ethical dilemmas leading to significant stress and burnout. Agency directors who adopted compensatory strategies to make
Neoliberalism also intensified the welfare state’s capacity to regulate behaviour. According to Schram, Fording, and Soss (2008), neoliberal governments increasingly govern poverty using new forms of the old emphasis on social control. This included a return to paternalist and custodial approaches emphasising directive, supervisory, and punitive policy tools and preference for decentralised systems to discipline subordinated populations for failure to integrate themselves into low-wage labour markets and or to follow heterosexual marriage norms – all of which falls heaviest on persons of colour (see Chapter 4). In Regulating the Lives of Women, Abramovitz (1996) concluded neoliberalism’s new rules and regulations penalised those viewed as departing from prescribed work and family roles and otherwise engaged in ‘irresponsible behaviour’. The latter included abortion, single motherhood, and same-sex marriage, among other personal choices. The neoliberal emphasis on individual choice also dismisses the reality of institutional racism and sexism and claims concerns about such oppression lack merit. Creating the semblance of colour and gender blindness allows the problems to go unaddressed (Roberts & Mahtani, 2010). This makes it harder for social workers to recognise the injuries of class, race, and gender and to rigorously engage in anti-oppressive practice (see Chapter 21). Similarly, an increased emphasis on narrow definitions of ‘what works’ leads social work to emphasise individual and behavioural change, to think of the change as a technical matter, to downplay its causes, and to pay less attention to the social determinants of health and social problems.

Finally, increased reliance of private charitable giving – another component of neoliberal privatisation – enlarged the ‘charitable divide’. As the income of the top 10% of earners increased, they contributed more to the arts, cultural organisations, and universities. Meanwhile nonprofit agencies found it harder to attract large charitable donations, and the income and contributions from their regular but less affluent donors dwindled – even while the sagging economy increased the demand for services (Marx, 2010).

Social workers, among many others, ask how it is that ‘the people’ were convinced to accept a U-turn in public policy undermining their well-being and self-interest. ‘The people’ are not stupid but were poorly informed – or misinformed – by the war of ideas waged by neoliberalism’s proponents. With considerable help from the media, well-paid lobbyists and wealthy contributors fuelled an ideological campaign using rhetoric hypocritically arguing against big government while supporting policies benefiting the elite (Domhoff, 1990; George, 1999, Navaro, 2007). Their campaign played to four prevailing ‘panics’: (i) the economic panic among the anxious middle class suffering falling wages and disappearing jobs; (ii) the political panic among business and government leaders who feared the disaffected might rise up and blame them for the nation’s mounting social and economic problems; (iii) the racial panic among White people which surfaced as persons of colour and immigrants began to institutionalise their hard-won gains; and (iv) the moral panic induced by changes in women’s role and family structures advancing women’s and gay rights.

CONCLUSION: FUTURE OF NEOLIBERALISM

Proponents of neoliberalism promised their pro-market, antistate strategy would trickle down to the average person. Although wealthy individuals and large corporations benefited from the upward redistribution of income, wealth, and profits, the failure of the promised economic growth to materialise contributed to the first economic crisis of the 21st century, popularly known as the Great Recession. Indeed, economic growth during
the demonised ‘big government’ era outdid that during the celebrated neoliberal period. From 1947 to 1973, GDP growth averaged just less than 4% per annum (Measuring Worth, n.d.). But by the mid-1970s, the historic events and public policies motoring this sturdy growth lost steam. Advocates of neoliberalism stepped in with tax and spending cuts and other policies increasing profits and wealth but failed to generate growth (Measuring Worth, n.d.). From 1979 to 2007, the average annual growth rate fell to 2.96%. The 2.6% annual growth rate (2000–2007) was the weakest or near weakest since World War II (Aron-Dine et al., 2008). From 2007 to 2009, GDP growth averaged minus 1.01% (Measuring Worth, n.d.). The prolonged economic stagnation, in turn, provoked the credit and housing asset bubbles temporarily obscuring the underlying problem (Foster & Magdoff, 2008). By 2007, household debt had reached 100% of the GDP, financial business debt totalled 116%, and US debt amounted to 350% (Magdoff & Yates, 2009). This ‘financialisation’ kept the economy going until the bubble burst and brought growth to a virtual standstill.

Ominous signs prior to the 2008 meltdown led some neoliberal moderates to question the continued demonisation of government, the impact of mounting inequality, and the political consequences of the inequality gap. As far back as 2004, Orszag (2004) – then Brookings Institute economist – observed the deficit-financed tax cuts were unlikely to have significant positive effects on economic growth in the long term, and might well reduce it. In 2006 a Report by the Brookings Institute’s Hamilton Project directed by Robert. E. Rubin, Clinton’s Treasury Secretary and Obama’s economic advisor, concluded ‘getting government out of the way’ is fundamentally misguided since sound government policy is essential to maximising long-term (economic) growth. The Report recommended greater government investment in both human capital and opportunities (Altman et al., 2006, p. 18). To ensure the productivity of workers and advance the USA’s ‘promise of opportunity, prosperity and growth’, the Report called for government-supported access to financial assistance, educational training opportunities, and basic healthcare. It added market forces ‘must be supported and supplemented by an effective public role, one in which government ensure[d] that the rules of the game [we]re fair, transparent, and binding for all parties’ (Altman et al., 2006, p.14).

During the 2008 presidential primaries, conservative New York Times columnist David Brooks (2008, n.p.) wrote: ‘Supply Side Economics had a good run’, adding today’s ‘Republicans [must] envision a different role for government than the 1980’s Republicans’ because workers ‘want a government that is on their side’. Brooks recommended child tax credits to reduce stress on young families, universal healthcare, a tuition tax credit to help with education, and wage subsidies for laid-off workers forced to take low-paying jobs. Despite their differences, both Brooks and the Hamilton Project agreed the neoliberal tax cuts and hostility to government had become counterproductive. Both implicitly acknowledged the need for government to play a role in fostering family well-being, profitable economic growth, and political stability. In contrast, the recent US Tea Party movement favours shrinking the size of the state if not bringing the government down completely.

Others worry neoliberal inequality increases the vulnerability of the wider economic system. Their data shows a major economic crisis followed each time the share of income controlled by the top 1% (and top 10%) peaked. In 1928, after 50 years of laissez-faire economic policy, the top 1% of US households claimed a record 23.9% of the pre-tax national income, the largest share since 1913. The following year the stock market crashed, leading to the Great Depression. In 2007, after almost 40 years of neoliberal laissez-faire policies, the top 1% of US households again claimed a record high 23.5% of the pre-tax national income, the highest share since 1928. In 2008, the US
stock market crashed, leading to the Great Recession (Story, 2010). While the relationship between inequality and economic crises continues to be debated, one researcher suggested inequality might have ‘pushed people at the bottom of the ladder toward choices that put the financial system at risk’ and ‘putting too much power in the hands of Wall Street titans enables them to promote policies that benefit them but that could put the system in jeopardy’ (Story, 2010, n.p.).

In 2006, Janet L. Yellen, President and CEO of the Federal Reserve Bank of San Francisco, declared ‘there are signs that rising inequality is … impairing social cohesion, and could, ultimately, undermine American democracy’ (n.p.). Supreme Court Justice Louis Brandeis (1856–1941) summed the problem up many years ago when he said: ‘We can have democracy in this county or we can have great wealth concentrated in the hands a few but we cannot have both’ (cited in Collins & Yeskel, 2005, p. 13).

The collapse of the US middle class and the huge transfer of wealth to the already wealthy might be the biggest domestic story of our time. According to Kotz (2009), rather than just another financial downturn, the USA could be facing a systemic crisis of capitalism that would only be resolved through major restructuring of the political economy. The middle ground, if one ever existed, is fast receding. As with the prior economic crisis, the answer depends on the outcome of the political struggle, which social workers downplay or ignore at their own risk. If they become silent, tolerate, or promote actions violating humane practices, they implicitly align themselves with the neoliberal standards that violate the social justice underpinnings of social work.

Some people think taking a stand politicises a previously neutral, objective, and apolitical profession. Yet social work has always been political in that it deals either with human consciousness or the allocation of resources. Since social workers cannot avoid the political, it is far better to address these issues explicitly than to pretend they do not exist. The history of the profession suggests activism on behalf of social work values offers a more ethical and effective option than calls for social work to avoid the political. Without such political struggles over the years, neither social work nor society would have changed for the better (see Chapter 17).

REFERENCES


