

Western Economics in the 80s: Neoliberalization by Hülya Afat & Boran Göher

Margaret Thatcher and Ronald Reagan were the leaders of the UK and US respectively during the 1980s, the reason why they are the first names that come to mind when we think about neoliberalism is that their neoliberal policies implemented and changed the state-citizen dynamics globally during the 80s. The greatness of their influence comes from the sharp cut they left on the relationship between the individual and the government when their nation-wide privatization spread globally. Their neoliberal policies not only affected the lives of the people living in the UK or the US, but even some countries with an established public sector have been affected, such as Turkey under the Özal Administration during the late 80s. [\(1\)](#) [\(2\)](#)

First, we need to get a grasp of the circumstances that the global economy has been through that lead to the need for privatization and globalization. After the events of World War 1, Great Depression, and World War 2; in other words, after the world collapsed and kept collapsing each time worse than before for 30 years, Keynesian policies were implemented in order to improve the general well-being of the public and the status of the economy in the Western world. Keynesian policies were balanced between the private sector and the public sector, hence providing the urgent needs of people whilst improving the economy. Keynesian policies were contrasting Neoliberalism from the beginning when Keynes and Hayek (later he founded the Mont Pèlerin Society which is the most influential neoliberal think tank) first argued over the solution of the Great Depression, Hayek suggested the markets would adjust to the current situation which resulted in worsening the global economy and the overall welfare. After neoliberalism failed to heal the war and global crisis wounds, the Welfare Economics of Keynes was successful in providing healthcare, education, and jobs to the public. However, during the policy debates, when asked the long-run consequences of his policies, Keynes answered "In the long run we are all dead" which is the right way to think in order to prioritize the improving the current status. [\(3\)](#)

On the other hand, Keynes' policies were based on the idea of a high money supply increasing investment and employment rates, hence the inflation would be high, but the economic growth would be high too. This theory worked until the Oil Shock in the 70s, when the inflation and the unemployment rates increased together, hence the stagflation happened. Of course, the reason for the Oil Shock was the lack of regulations in the global market, however, the consequences of these insufficient implications cost the welfare services provided by the state in the western world. During the stagflation, Keynesian theory became obsolete, hence the Keynesian policies were being replaced by policies that encouraged the private sector. With the stagflation spreading globally, the method of globalization that has been implemented since World War 2 has changed, naturally. Post-WW2 globalization depended on the states' specialization and the Gold Standard, both the state production and the Gold Standard were abandoned due to the stagflation in the 70s. State-driven globalization left its place to global neo-liberalization, hence multinational corporations have been born. Multinational corporations owe their expanded

success of today to the neoliberal policies implemented in the Western countries during the 80s. [\(4\)](#) [\(5\)](#)

Up to this point, we have deliberated the global and local conditions and developments that led to the rise of neoliberalism. Now, we have arrived at the culmination of those conditions and developments in the UK. On the 4th of May 1979, the so-called Iron Lady Margaret Thatcher was elected as the prime minister of the United Kingdom. She had been the leader of the Conservative Party and The Leader of the Opposition for four years at that point and was well known to be a monetarist and a neoliberal. She was also a self-described libertarian. In theory, this would imply that she was a staunch defender of individual liberties and both economically and socially at that. In practice, however, Thatcher used her power to lead a wave of privatization that benefited the rich and harmed the working class and used “the sanctity of the free market” as an excuse, all the while implementing authoritarian legislation that would raise her popularity in the polls and that could be used to oppress whatever opposition she had. Many libertarians, such as Murray Rothbard, who described her politics as “free-market rhetoric masking statist content” [\(6\)](#), thus do not see Thatcher as a libertarian.

Now we will, in not-too-great detail, justify the claim we made in regards to the practical effects of Thatcher’s premiership. Firstly, the economics. In true neoliberal fashion, Thatcher went after economic safety nets, trade unions, and nationalized companies. Her monetarist policies massively increased unemployment in order to combat inflation, and despite this, she continued to take economic decisions that would disenfranchise the unemployed even further. One event that summarizes the political-economical aspect of The Iron Lady’s reign is the miners’ strike of 84-85, in which British coal miners organized union strikes to keep mines open and working. Margaret “successfully defeated” the National Union of Mineworkers and sent the miners back to work. She has been credited with solving a major industrial roadblock and prevented the government from subsidizing a declining and environmentally harmful industry, but the reality is that she did all that while paying no mind to the workers of the mines and the region of the mines, leading them to become the poorest in all the country. [\(7\)](#) Clearly, if Thatcher had gone around to all the hospitals in the country and beat all the children with cancer to death, she would have been credited with lowering cancer rates among children.

The second part of our assertion was that she had implemented social policies that undermined individual liberties but benefited the popularity of the conservatives. Thatcher was raging conservative on social issues. She believed mainly in traditional values and aggressively supported legislations that restricted individual freedom to enforce those values and no doubt enjoyed the popularity. A prime example of this is “Section 28”. The term refers to the 28th section of the Local Government Act of 1988 which stated that any local authorities could not “intentionally promote homosexuality” or “promote ... the acceptability of homosexuality as a

pretended family relationship”[\(8\)](#). Section 28 caused many LGBT gatherings such as student clubs to be shutdown in fear of the incoming hammer of the state and is described as a piece of legislation that harmed LGBT rights greatly. [\(9\)](#) There is no reason for a true supporter of individual liberties to allow such a law in her premiership. Alas, Thatcher was not that. Yet, Thatcher was able to contribute to the progress of LGBT rights posthumously, her gravestone being celebrated as the most popular unisex toilet in all of Britain. [\(10\)](#)

Lastly, we must make a mention of authoritarianism. Thatcher went to great lengths to protect the status quo when it protected the interests of the backers of the conservative party. At home, she fought the Irish, with heavy pressure from police forces and media bans, leading to the moniker “Maggie’s Boot Boys”, often referring to the media and the police as a whole. [\(11\)](#) Internationally, she resisted the calls for an embargo on South Africa made to weaken the apartheid and regarded the African National Congress as a typical terrorist organization. Clearly, Thatcher was no stranger to the abuse of the state’s power.

Now that we have proved our point on neoliberal politics on Margaret Thatcher’s reign, we can move onto her American counterpart, Ronald Reagan. Remarkably, the point will continue to stand. But, expectedly, we will spend little time on Reagan, as his British counterpart has illustrated the details of the practical results of a neoliberal head of government.

Again, we will investigate the economic policies first and foremost. Now, if we started examining Reaganomics thoroughly, we could write enough to fill a book, but we will keep it short. Reagan’s presidency was the time when economic ideas we now associate with conservatism gained their popularity. By this, we are referring to supply-side and trickle-down economics, which argues that economic growth is best brought on by reduced taxation and regulation and that tax cuts on the rich will eventually “trickle-down” back to the working class. To that end, Reagan cut taxes across the board, but mostly those affecting the rich, significantly decreased the overall level of regulations in the economy, and reallocated the government spending from social programs to the military. To his credit, Reagan’s presidency is associated with an increase in GDP and a decrease in inflation, but also sky-high debt and increased income inequality. Turns out that increasing military spending to Vietnam War levels [\(12\)](#) while also cutting taxes is not very great for the government deficit. In addition, Reagan’s presidency is cited as the period when the massive income inequality in the USA began to form. [\(13\)](#) It is not hard to see the parallels with Margaret Thatcher.

The social aspects of Reagan’s presidency are best explained by the still-persisting War on Drugs. The War on Drugs still permeates American politics and is credited with, among other things, increasing the racial disparity of prison populations, increasing the financial burden of drug use due to various policies implemented, an overall increase in violence in drug trades, an

increase in HIV rates due to injections from needles, and the unprecedented increase in crack cocaine usage. During his presidency, Reagan (re-)started the War on Drugs, which is a perfect example of his social policies. (14) It exacerbated racial problems and affected the poor disproportionately all the while creating an unnecessary burden on the government, but (and you might be able to foresee the next sentence if you remember anything from our discussion of thatcher) it was popular with the voters.

But the greatest evil of Thatcher and Reagan combined was that they created a political environment where neoliberal policies were not a tool to accomplish greater utility for people in your country, but as absolute end goals of any country regardless of efficiency or reason. This was a worldwide phenomenon and contributed to the success of many neoliberal politicians all over the world. In the 1980s and 1990s, many countries embraced neoliberal politics. A few of them were Chile, Brazil, New Zealand, Turkey, and Japan. Many of them showed very similar characteristics to Thatcher and Reagan administrations. In essence, our point on Margaret Thatcher stood for many of these politicians, be it David Lange or Turgut Özal. Such politicians implemented neoliberal policies along the lines of those implemented by Thatcher and Reagan.

Thus, we arrived at the woes of Average Joes all over the world today, who are suffering from the neoliberal dominance in worldwide economics. While economists might argue that it increased GDPs and reduced inflation rates and whatnot, that is only part of the truth. The more concerning part of reality for an average citizen is the fact that the glorification of mass-privatization and reduced social spending as an ideological goalpost has devastated the working class. Neoliberal policies around to world are expressed to have increased income inequality and unjust corporate power, exacerbated the effect of neo-colonialist economic systems on third world countries, paywalled average citizens out of formerly cheap systems such as public transportation (e.g., the United Kingdom's rail lines), and these are even stated by known neoliberalism supporting organizations. (15) It is clear that we must conclude that the current wave of neoliberalism has made the rich richer and the poor poorer. Any increase in the living standards of the poor is a result of economic growth, but making the poor better off by economic growth is most definitely not the goal of neoliberalism.

So far, we covered most of the 20th century's socio-economic evolution, it is time for us to ask the question: was Neoliberalization necessary for the evolution of human civilization or did it bring selfishness in our subconscious and destroy the sense of community? Answering this question in 2021 is really hard because we are living through a turning point of human civilization. The next path after this turning point will decide the true nature of Neoliberalism's impact on humanity. Even though Neoliberalism's impact and intent on making wealth inequality greater on a global scale became obvious in 2020, we cannot assign the role it holds in history just yet. At this moment, it seems like Neoliberalism is dividing the society by prospering the wealthy even more and impoverishing the rest of the population, on the other hand, we observed, during the pandemic, that the sense of community is not dead yet. All we can say for sure is that humanity holds its own future in its own hands, and it has always been.