

Community View

Economic conservatism's bitter fruit

By PHILLIP BANNOWSKY • March 15, 2009

Conservative free market economists rode high for 30 years, but they have come a cropper.

Studying economics at the University of Delaware in the 1970s, I found conservatism tastier than the received wisdom of liberal economics that had spoiled in the jungles of Vietnam.

Paul Samuelson's indigestibly massive "Economics," showing how government spending pump primes the economy, dominated introductory courses. Soon, I encountered laissez-faire conservative theories inspired Milton Friedman, and now called the Washington Consensus or "neoliberalism," meaning 19th century capitalism reborn with a vengeance.

The instructors often joked about how, ironically, self-interest yielded broader economic well-being than good intentions of mushy-headed liberals, if you scrutinized the numbers. They presented neoliberalism as a revolutionary '60s child, suggesting that social harmony would surely follow, not to mention a McMansion, a BMW and a big private pension.

As a socialist-minded trade unionist, I enjoyed the challenge of these professors, perhaps because they had intellectual rigor and really believed in capitalism. I certainly did not complain that I was being indoctrinated with a political agenda nor did I question their academic freedom.

Indeed, I still send my conservative UD writing class students to the free market-oriented Cato Institute, where they encounter more intellectual rigor than from screamers like Rush Limbaugh and Rick Santelli.

Yet Limbaugh, and worse, account for the dominance of the neoliberals, whose philosophy was often imposed by force, as in Pinochet's Chile, or by stealth, as with the North American Free Trade Agreement, Central America Free Trade Agreement and World Bank loan terms. Supposed liberals like Bill Clinton adopted neoliberal precepts and signed the now-notorious 1999 Gramm-Leach-Bliley Act, which unleashed unregulated anarchy in the financial system.

Paul Bremmer, George W. Bush's viceroy of Iraq, famously dictated a neoliberal agenda of flat taxes, banned unions, and privatization in that newly conquered country.

The results? In Latin America the growth of the gross domestic product fell from over 4 percent per year as enjoyed during the 1960-1980 era, to less than 1 percent per year in the two decades after the Washington Consensus took hold. Venezuela's GDP fell 34 percent. And you wonder why Hugo Chavez is so radical?

And in the U.S. ... well, we know what's happened here.

So, what is the role of these free market economists in the Obama era? In a recent petition sponsored by the Cato Institute, conservative economists opposed the stimulus plan, advocating for more tax cuts for business and less tax relief, mortgage assistance, and public works for the rest of us.

In a Delaware Voice column, two University of Delaware signers opposed Obama's Home Affordability Plan, designed to renegotiate mortgages for families who might lose their homes.

Now, defending freedom, opposing bureaucracy, and exposing flabby accounting would be fine, and we would welcome that. For instance, economist John Geanakoplos and law professor Susan Koniak in a March 5 New York Times column argued that principal reductions help homeowners keep homes better than the plan's interest reductions, and do it cheaper, too, if you scrutinized the numbers. That's good oversight by economists.

But when they join with screamers like Rick Santelli to scapegoat mortgage victims, they wage class war with classic divide and rule tactics.

Socialistic and democratic forces in South America countered such class war with solidarity, expelling free marketers in country after country, following years of organization, education, and struggle.

The recent U.S. election may have rejected neoliberal economists, but they still have clutches in the current administration. Protégés of Robert Rubin, Bill Clinton's Treasury Secretary when he signed Gramm-Leach-Bliley, populate Obama's economic team. Moreover, bellicosity with Venezuela, Iran, Palestine, Iraq, and Afghanistan has barely abated. While Obama may have brought public works to the table, the maws that feed first are banking and war.

Roosevelt's New Deal recovery never took off until a coalition of trade unionists, social reformers, and organized masses made their vision felt.

So let the neoliberals debate or scream, while we who are losing homes, pensions, health care, wages, jobs, freedom, and lives unite.

On April 5, let's march on Wall Street with Unite for Peace and Justice as part of a national mobilization to end Iraq and Afghanistan wars and address the economic crisis by cutting military spending.

We have nothing to lose but neoliberal illusions, and a rebuilt America to reap.