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Neoliberalism: Political Success, Economic Failure

The invisible hand is more like a thumb on the scale for the world's elites. That's why market fundamentalism has been unmasked as bogus economics but keeps winning politically.

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Since the late 1970s, we've had a grand experiment to test the claim that free markets really do work best. This resurrection occurred despite the practical failure of laissez-faire in the 1930s, the resulting humiliation of free-market theory, and the contrasting success of managed capitalism during the three-decade postwar boom.

Yet when growth faltered in the 1970s, libertarian economic theory got another turn at bat. This revival proved extremely convenient for the conservatives who came to power in the 1980s. The neoliberal counterrevolution, in theory and policy, has reversed or undermined nearly every aspect of managed capitalism—from progressive taxation, welfare transfers, and antitrust, to the empowerment of workers and the regulation of banks and other major industries.

Neoliberalism's premise is that free markets can regulate themselves; that government is inherently incompetent, captive to special interests, and an intrusion on the efficiency of the market; that in distributive terms, market outcomes are basically deserved; and that redistribution creates perverse incentives by punishing the economy's winners and rewarding its losers. So government should get out of the market's way.

By the 1990s, even moderate liberals had been converted to the belief that social objectives can be achieved by harnessing the power of markets. Intermittent periods of governance by Democratic presidents slowed but did not reverse the slide to neoliberal policy and doctrine. The corporate wing of the Democratic Party approved.

Now, after nearly half a century, the verdict is in. Virtually every one of these policies has failed, even on their own terms. Enterprise has been richly rewarded, taxes have been cut, and regulation reduced or privatized. The economy is vastly more unequal, yet economic growth is slower and more chaotic than during the era of managed capitalism. Deregulation has produced not salutary competition, but market concentration. Economic power has resulted in feedback loops of political power, in which elites make rules that bolster further concentration.

The culprit isn't just "markets"—some impersonal force that somehow got loose again. This is a story of power using theory. The mixed economy was undone by economic elites, who revised rules for their own benefit. They invested heavily in friendly theorists to bless this shift as sound and necessary economics, and friendly politicians to put those theories into practice.

Recent years have seen two spectacular cases of market mispricing with devastating consequences: the near-depression of 2008 and irreversible climate change. The economic collapse of 2008 was the result of the deregulation of finance. It cost the real U.S. economy upwards of $15 trillion (and vastly more globally), depending on how you count, far more than any conceivable efficiency gain that might be credited to financial innovation. Free-market theory presumes that innovation is necessarily benign. But much of the financial engineering of the deregulatory era was self-serving, opaque, and corrupt—the opposite of an efficient and transparent market.

The existential threat of global climate change reflects the incompetence of markets to accurately price carbon and the escalating costs of pollution. The British economist Nicholas Stern has aptly termed the worsening climate catastrophe history's greatest case of market failure. Here again, this is not just the result of failed theory. The entrenched political power of extractive industries and their political allies influences the rules and the market price of carbon. This is less an invisible hand than a thumb on the scale. The premise of efficient markets provides useful cover.

The grand neoliberal experiment of the past 40 years has demonstrated that markets in fact do not regulate themselves. Managed markets turn out to be more equitable *and* more efficient. Yet the theory and practical influence of neoliberalism marches splendidly on, because it is so useful to society's most powerful people—as a scholarly veneer to what would otherwise be a raw power grab. The British political economist Colin Crouch captured this anomaly in a book nicely titled *The Strange Non-Death of Neoliberalism*. Why did neoliberalism not die? As Crouch observed, neoliberalism failed both as theory and as policy, but succeeded superbly as power politics for economic elites.

The neoliberal ascendance has had another calamitous cost—to democratic legitimacy. As government ceased to buffer market forces, daily life has become more of a struggle for ordinary people. The elements of a decent middle-class life are elusive—reliable jobs and careers, adequate pensions, secure medical care, affordable housing, and college that doesn't require a lifetime of debt. Meanwhile, life has become ever sweeter for economic elites, whose income and wealth have pulled away and whose loyalty to place, neighbor, and nation has become more contingent and less reliable.

Large numbers of people, in turn, have given up on the promise of affirmative government, and on democracy itself. After the Berlin Wall came down in 1989, ours was widely billed as an era when triumphant liberal capitalism would march hand in hand with liberal democracy. But in a few brief decades, the ostensibly secure regime of liberal democracy has collapsed in nation after nation, with echoes of the 1930s.

As the great political historian Karl Polanyi warned, when markets overwhelm society, ordinary people often turn to tyrants. In regimes that border on neofascist, klepto-capitalists get along just fine with dictators, undermining the neoliberal premise of capitalism and democracy as complements. Several authoritarian thugs, playing on tribal nationalism as the antidote to capitalist cosmopolitanism, are surprisingly popular.

It's also important to appreciate that neoliberalism is not laissez-faire. Classically, the premise of a "free market" is that government simply gets out of the way. This is nonsensical, since all markets are creatures of rules, most fundamentally rules defining property, but also rules defining credit, debt, and bankruptcy; rules defining patents, trademarks, and copyrights; rules defining terms of labor; and so on. Even deregulation requires rules. In Polanyi's words, "laissez-faire was planned."

The political question is who gets to make the rules, and for whose benefit. The neoliberalism of Friedrich Hayek and Milton Friedman invoked free markets, but in practice the neoliberal regime has promoted rules created by and for private owners of capital, to keep democratic government from asserting rules of fair competition or countervailing social interests. The regime has rules protecting pharmaceutical giants from the right of consumers to import prescription drugs or to benefit from generics. The rules of competition and intellectual property generally have been tilted to protect incumbents. Rules of bankruptcy have been tilted in favor of creditors. Deceptive mortgages require elaborate rules, written by the financial sector and then enforced by government. Patent rules have allowed agribusiness and giant chemical companies like Monsanto to take over much of agriculture—the opposite of open markets. Industry has invented rules requiring employees and consumers to submit to binding arbitration and to relinquish a range of statutory and common-law rights.

Neoliberalism as Theory, Policy, and Power

It's worth taking a moment to unpack the term "neoliberalism." The coinage can be confusing to American ears because the "liberal" part refers not to the word's ordinary American usage, meaning moderately left-of-center, but to classical economic liberalism otherwise known as free-market economics. The "neo" part refers to the reassertion of the claim that the laissez-faire model of the economy was basically correct after all.

Few proponents of these views embraced the term *neoliberal*. Mostly, they called themselves free-market conservatives. "Neoliberal" was a coinage used mainly by their critics, sometimes as a neutral descriptive term, sometimes as an epithet. The use became widespread in the era of Margaret Thatcher and Ronald Reagan.

To add to the confusion, a different and partly overlapping usage was advanced in the 1970s by the group around the *Washington Monthly* magazine. They used "neoliberal" to mean a new, less statist form of American liberalism. Around the same time, the term *neoconservative* was used as a self-description by former liberals who embraced conservatism, on cultural, racial, economic, and foreign-policy grounds. Neoconservatives were neoliberals in economics.

Beginning in the 1970s, resurrected free-market theory was interwoven with both conservative politics and significant investments in the production of theorists and policy intellectuals. This occurred not just in well-known conservative think tanks such as the American Enterprise Institute, Heritage, Cato, and the Manhattan Institute, but through more insidious investments in academia. Lavishly funded centers and tenured chairs were underwritten by the Olin, Scaife, Bradley, and other far-right foundations to promote such variants of free-market theory as law and economics, public choice, rational choice, cost-benefit analysis, maximize-shareholder-value, and kindred schools of thought. These theories colonized several academic disciplines. All were variations on the claim that markets worked and that government should get out of the way.

Each of these bodies of sub-theory relied upon its own variant of neoliberal ideology. An intensified version of the theory of comparative advantage was used not just to cut tariffs but to use globalization as all-purpose deregulation. The theory of maximizing shareholder value was deployed to undermine the entire range of financial regulation and workers' rights. Cost-benefit analysis, emphasizing costs and discounting benefits, was used to discredit a good deal of health, safety, and environmental regulation. Public choice theory, associated with the economist James Buchanan and an entire ensuing school of economics and political science, was used to impeach democracy itself, on the premise that policies were hopelessly afflicted by “rent-seekers” and “free-riders.”

Market failure was dismissed as a rare special case; government failure was said to be ubiquitous. Theorists worked hand in glove with lobbyists and with public officials. But in every major case where neoliberal theory generated policy, the result was political success and economic failure.

For example, supply-side economics became the justification for tax cuts, on the premise that taxes punished enterprise. Supposedly, if taxes were cut, especially taxes on capital and on income from capital, the resulting spur to economic activity would be so potent that deficits would be far less than predicted by “static” economic projections, and perhaps even pay for themselves. There have been six rounds of this experiment, from the tax cuts sponsored by Jimmy Carter in 1978 to the immense 2017 Tax Cuts and Jobs Act signed by Donald Trump. In every case some economic stimulus did result, mainly from the Keynesian jolt to demand, but in every case deficits increased significantly. Conservatives simply stopped caring about deficits. The tax cuts were often inefficient as well as inequitable, since the loopholes steered investment to tax-favored uses rather than the most economically logical ones. Dozens of America’s most profitable corporations paid no taxes.

Robert Bork’s “antitrust paradox,” holding that antitrust enforcement actually weakened competition, was used as the doctrine to sideline the Sherman and Clayton Acts. Supposedly, if government just got out of the way, market forces would remain *more* competitive because monopoly pricing would invite innovation and new entrants to the market. In practice, industry after industry became more heavily concentrated. Incumbents got in the habit of buying out innovators or using their market power to crush them. This pattern is especially insidious in the tech economy of platform monopolies, where giants that provide platforms, such as Google and Amazon, use their market power and superior access to customer data to out-compete rivals who use their platforms. Markets, once again, require rules beyond the benign competence of the market actors themselves. Only democratic government can set equitable rules. And when democracy falters, undemocratic governments in cahoots with corrupt private plutocrats will make the rules.

Human capital theory, another variant of neoliberal application of markets to partly social questions, justified deregulating labor markets and crushing labor unions. Unions supposedly used their power to get workers paid more than their market worth. Likewise minimum wage laws. But the era of depressed wages has actually seen a decline in rates of productivity growth. Conversely, does any serious person think that the inflated pay of the financial moguls who crashed the economy accurately reflects their contribution to economic activity? In the case of hedge funds and private equity, the high incomes of fund sponsors are the result of transfers of wealth and income from employees, other stakeholders, and operating companies to the fund managers, not the fruits of more efficient management.

There is a broad literature discrediting this body of pseudo-scholarly work in great detail. Much of neoliberalism represents the ever-reliable victory of assumption over evidence. Yet neoliberal theory lived on because it was so convenient for elites, and because of the inertial power of the intellectual capital that had been created. The well-funded neoliberal habitat has provided comfortable careers for two generations of scholars and pseudo-scholars who migrate between academia, think tanks, K Street, op-ed pages, government, Wall Street, and back again. So even if the theory has been demolished both by scholarly rebuttal and by events, it thrives in powerful institutions and among their political allies.

The Practical Failure of Neoliberal Policies

Financial deregulation is neoliberalism's most palpable deregulatory failure, but far from the only one. Electricity deregulation on balance has increased monopoly power and raised costs to consumers, but has failed to offer meaningful "shopping around" opportunities to bring down prices. We have gone from regulated monopolies with predictable earnings, costs, wages, and consumer protections to deregulated monopolies or oligopolies with substantial pricing power. Since the Bell breakup, the telephone system tells a similar story of re-concentration, dwindling competition, price-gouging, and union-bashing.

Air travel has been a poster child for advocates of deregulation, but the actual record is mixed at best. Airline deregulation produced serial bankruptcies of every major U.S. airline, often at the cost of worker pay and pension funds. Ticket prices have declined on average over the past two decades, but the traveling public suffers from a crazy quilt of fares, declining service, shrinking seats and legroom, and exorbitant penalties for the perfectly normal sin of having to change plans. Studies have shown that fares actually declined at a faster rate in the 20 years before deregulation in 1978 than in the 20 years afterward, because the prime source of greater efficiency in airline travel is the introduction of more fuel-efficient planes. The roller-coaster experience of airline profits and losses has reduced the capacity of airlines to purchase more fuel-efficient aircraft, and the average age of the fleet keeps increasing. The use of "fortress hubs" to defend market pricing power has reduced the percentage of nonstop flights, the most efficient way to fly from one point to another.

Robert Bork's spurious arguments that antitrust enforcement hurt competition became the basis for dismantling antitrust. Massive concentration resulted.

In addition to deregulation, three prime areas of practical neoliberal policies are the use of vouchers as "market-like" means to social goals, the privatization of public services, and the use of tax subsides rather than direct outlays. In every case, government revenues are involved, so this is far from a free market to begin with. But the premise is that market disciplines can achieve public purposes more efficiently than direct public provision.

The evidence provides small comfort for these claims. One core problem is that the programs invariably give too much to the for-profit middlemen at the expense of the intended beneficiaries. A related problem is that the process of using vouchers and contracts invites corruption. It is a different form of "rent-seeking"—pursuit of monopoly profits—than that attributed to government by public choice theorists, but corruption nonetheless. Often, direct public provision is far more transparent and accountable than a web of contractors.

A further problem is that in practice there is often far less competition than imagined, because of oligopoly power, vendor lock-in, and vendor political influence. These experiments in marketization to serve social goals do not operate in some Platonic policy laboratory, where the only objective is true market efficiency yoked to the public good. They operate in the grubby world of practical politics, where the vendors are closely allied with conservative politicians whose purposes may be to discredit social transfers entirely, or to reward corporate allies, or to benefit from kickbacks either directly or as campaign contributions.

Privatized prisons are a case in point. A few large, scandal-ridden companies have gotten most of the contracts, often through political influence. Far from bringing better quality and management efficiency, they have profited by diverting operating funds and worsening conditions that were already deplorable, and finding new ways to charge inmates higher fees for necessary services such as phone calls. To the extent that money was actually saved, most of the savings came from reducing the pay and professionalism of guards, increasing overcrowding, and decreasing already inadequate budgets for food and medical care.

A similar example is the privatization of transportation services such as highways and even parking meters. In several Midwestern states, toll roads have been sold to private vendors. The governor who makes the deal gains a temporary fiscal windfall, while drivers end up paying higher tolls often for decades. Investment bankers who broker the deal also take their cut. Some of the money does go into highway improvements, but that could have been done more efficiently in the traditional way via direct public ownership and competitive bidding.

Housing vouchers substantially reward landlords who use the vouchers to fill empty houses with poor people until the neighborhood gentrifies, at which point the owner is free to quit the program and charge market rentals. Thus public funds are used to underwrite a privately owned, quasi-social housing sector—whose social character is only temporary. No permanent social housing is produced despite the extensive public outlay. The companion use of tax incentives to attract passive investment in affordable housing promotes economically inefficient tax shelters, and shunts public funds into the pockets of the investors—money that might otherwise have gone directly to the housing.

The Affordable Care Act is a form of voucher. But the regulated private insurance markets in the ACA have not fully lived up to their promise, in part because of the extensive market power retained by private insurers and in part because the right has relentlessly sought to sabotage the program—another political feedback loop. The sponsors assumed that competition would lower costs and increase consumer choice. But in too many counties, there are three or fewer competing plans, and in some cases just one.

As more insurance plans and hospital systems become for-profit, massive investment goes into such wasteful activities as manipulation of billing, "risk selection," and other gaming of the rules. Our mixed-market system of health care requires massive regulation to work with tolerable efficiency. In practice, this degenerates into an infinite regress of regulator versus commercial profit-maximizer, reminiscent of *Mad* magazine's "Spy versus Spy," with the industry doing end runs to Congress to further rig the rules. Straight-ahead public insurance such as Medicare is generally far more efficient.

An extensive literature has demonstrated that for-profit voucher schools do no better and often do worse than comparable public schools, and are vulnerable to multiple forms of gaming and corruption. Proprietors of voucher schools are superb at finding ways of excluding costly special-needs students, so that those costs are imposed on what remains of public schools; they excel at gaming test results. While some voucher and charter schools, especially nonprofit ones, sometimes improve on average school performance, so do many public schools. The record is also muddied by the fact that many ostensibly nonprofit schools contract out management to for-profit companies.

Tax preferences have long been used ostensibly to serve social goals. The Earned Income Tax Credit is considered one of the more successful cases of using market-like measures—in this case a refundable tax credit—to achieve the social goal of increasing worker take-home pay. It has also been touted as the rare case of bipartisan collaboration. Liberals get more money for workers. Conservatives get to reward the deserving poor, since the EITC is conditioned on employment. Conservatives get a further ideological win, since the EITC is effectively a wage subsidy from the government, but is experienced as a tax refund rather than a benefit of government.

Recent research, however, shows that the EITC is primarily a subsidy of low-wage employers, who are able to pay their workers a lot less than a market-clearing wage. In industries such as nursing homes or warehouses, where many workers qualified for the EITC work side by side with ones not eligible, the non-EITC workers get substandard wages. The existence of the EITC depresses the level of the wages that have to come out of the employer’s pocket.

Neoliberalism's Influence on Liberals

As free-market theory resurged, many moderate liberals embraced these policies. In the inflationary 1970s, regulation became a scapegoat that supposedly deterred salutary price competition. Some, such as economist Alfred Kahn, President Carter’s adviser on deregulation, supported deregulation on what he saw as the merits. Other moderates supported neoliberal policies opportunistically, to curry favor with powerful industries and donors. Market-like policies were also embraced by liberals as a tactical way to find common ground with conservatives.

Several forms of deregulation—of airlines, trucking, and electric power—began not under Reagan but under Carter. Financial deregulation took off under Bill Clinton. Democratic presidents, as much as Republicans, promoted trade deals that undermined social standards. Cost-benefit analysis by the Office of Information and Regulatory Affairs (OIRA) was more of a choke point under Barack Obama than under George W. Bush.

“Command and control” became an all-purpose pejorative for disparaging perfectly sensible and efficient regulation. “Market-like” became a fashionable concept, not just on the free-market right but on the moderate left. Cass Sunstein, who served as Obama’s anti-regulation czar, uses the example of “nudges” as a more market-like and hence superior alternative to direct regulation, though with rare exceptions their impact is trivial. Moreover, nudges only work in tandem with regulation.

There are indeed some interventionist policies that use market incentives to serve social goals. But contrary to free-market theory, the market-like incentives first require substantial regulation and are not a substitute for it. A good example is the Clean Air Act Amendments of 1990, which used tradable emission rights to cut the output of sulfur dioxide, the cause of acid rain. This was supported by both the George H.W. Bush administration and by leading Democrats. But before the trading regime could work, Congress first had to establish permissible ceilings on sulfur dioxide output—pure command and control.

There are many other instances, such as nutrition labeling, truth-in-lending, and disclosure of EPA gas mileage results, where the market-like premise of a better-informed consumer complements command regulation but is no substitute for it. Nearly all of the increase in fuel efficiency, for example, is the result of command regulations that require auto fleets to hit a gas mileage target. The fact that EPA gas mileage figures are prominently disclosed on new car stickers may have modest influence, but motor fuels are so underpriced that car companies have success selling gas-guzzlers despite the consumer labeling.

Politically, whatever rationale there was for liberals to make common ground with libertarians is now largely gone. The authors of the 2017 Tax Cuts and Jobs Act made no attempt to meet Democrats partway; they excluded the opposition from the legislative process entirely. This was opportunistic tax cutting for elites, pure and simple. The right today also abandoned the quest for a middle ground on environmental policy, on anti-poverty policy, on health policy—on virtually everything. Neoliberal ideology did its historic job of weakening intellectual and popular support for the proposition that affirmative government can better the lives of citizens and that the Democratic Party is a reliable steward of that social compact. Since Reagan, the right's embrace of the free market has evolved from partly principled idealism into pure opportunism and obstruction.

Neoliberalism and Hyper-Globalism

The post-1990 rules of globalization, supported by conservatives and moderate liberals alike, are the quintessence of neoliberalism. At Bretton Woods in 1944, the use of fixed exchange rates and controls on speculative private capital, plus the creation of the IMF and World Bank, were intended to allow member countries to practice national forms of managed capitalism, insulated from the destructive and deflationary influences of short-term speculative private capital flows. As doctrine and power shifted in the 1970s, the IMF, the World Bank, and later the WTO, which replaced the old GATT, mutated into their ideological opposite. Rather than instruments of support for mixed national economies, they became enforcers of neoliberal policies.

The standard package of the "Washington Consensus" of approved policies for developing nations included demands that they open their capital markets to speculative private finance, as well as cutting taxes on capital, weakening social transfers, and gutting labor regulation and public ownership. But private capital investment in poor countries proved to be fickle. The result was often excessive inflows during the boom part of the cycle and punitive withdrawals during the bust—the opposite of the patient, long-term development capital that these countries needed and that was provided by the World Bank of an earlier era. During the bust phase, the IMF typically imposes even more stringent neoliberal demands as the price of financial bailouts, including perverse budgetary austerity, supposedly to restore the confidence of the very speculative capital markets responsible for the boom-bust cycle.

Dozens of nations, from Latin America to East Asia, went through this cycle of boom, bust, and then IMF pile-on. Greece is still suffering the impact. After 1990, hyper-globalism also included trade treaties whose terms favored multinational corporations. Traditionally, trade agreements had been mainly about reciprocal reductions of tariffs. Nations were free to have whatever brand of regulation, public investment, or social policies they chose. With the advent of the WTO, many policies other than tariffs were branded as trade distorting, even as takings without compensation. Trade deals were used to give foreign capital free access and to dismantle national regulation and public ownership. Special courts were created in which foreign corporations and investors could do end runs around national authorities to challenge regulation for impeding commerce.

At first, the sponsors of the new trade regime tried to claim the successful economies of East Asia as evidence of the success of the neoliberal recipe. Supposedly, these nations had succeeded by pursuing “export-led growth,” exposing their domestic economies to salutary competition. But these claims were soon exposed as the opposite of what had actually occurred. In fact, Japan, South Korea, smaller Asian nations, and above all China had thrived by rejecting every major tenet of neoliberalism. Their capital markets were tightly regulated and insulated from foreign speculative capital. They developed world-class industries as state-led cartels that favored domestic production and supply. East Asia got into trouble only when it followed IMFdictates to throw open capital markets, and in the aftermath they recovered by closing those markets and assembling war chests of hard currency so that they’d never again have to go begging to the IMF. Enthusiasts of hyper-globalization also claimed that it benefited poor countries by increasing export opportunities, but as the success of East Asia shows, there is more than one way to boost exports—and many poorer countries suffered under the terms of the global neoliberal regime.

Nor was the damage confined to the developing world. As the work of Harvard economist Dani Rodrik has demonstrated, democracy requires a polity. For better or for worse, the polity and democratic citizenship are national. By enhancing the global market at the expense of the democratic state, the current brand of hyper-globalization deliberately weakens the capacity of states to regulate markets, and weakens democracy itself.

When Do Markets Work?

The failure of neoliberalism as economic and social policy does not mean that markets never work. A command economy is even more utopian and perverse than a neoliberal one. The practical quest is for an efficient and equitable middle ground.

The neoliberal story of how the economy operates assumes a largely frictionless marketplace, where prices are set by supply and demand, and the price mechanism allocates resources to their optimal use in the economy as a whole. For this discipline to work as advertised, however, there can be no market power, competition must be plentiful, sellers and buyers must have roughly equal information, and there can be no significant externalities. Much of the 20th century was practical proof that these conditions did not describe a good part of the actual economy. And if markets priced things wrong, the market system did not aggregate to an efficient equilibrium, and depressions could become self-deepening. As Keynes demonstrated, only a massive jolt of government spending could restart the engines, even if market pricing was partly violated in the process.

Nonetheless, in many sectors of the economy, the process of buying and selling is close enough to the textbook conditions of perfect competition that the price system works tolerably well. Supermarkets, for instance, deliver roughly accurate prices because of the consumer’s freedom and knowledge to shop around. Likewise much of retailing. However, when we get into major realms of the economy with positive or negative externalities, such as education and health, markets are not sufficient. And in other major realms, such as pharmaceuticals, where corporations use their political power to rig the terms of patents, the market doesn’t produce a cure.

The basic argument of neoliberalism can fit on a bumper sticker. *Markets work; governments don't*. If you want to embellish that story, there are two corollaries: Markets embody human freedom. And with markets, people basically get what they deserve; to alter market outcomes is to spoil the poor and punish the productive. That conclusion logically flows from the premise that markets are efficient. Milton Friedman became rich, famous, and influential by teasing out the several implications of these simple premises.

It is much harder to articulate the case for a mixed economy than the case for free markets, precisely because the mixed economy is mixed. The rebuttal takes several paragraphs. The more complex story holds that markets are substantially efficient in some realms but far from efficient in others, because of positive and negative externalities, the tendency of financial markets to create cycles of boom and bust, the intersection of self-interest and corruption, the asymmetry of information between company and consumer, the asymmetry of power between corporation and employee, the power of the powerful to rig the rules, and the fact that there are realms of human life (the right to vote, human liberty, security of one's person) that should not be marketized.

And if markets are not perfectly efficient, then distributive questions are partly political choices. Some societies pay pre-K teachers the minimum wage as glorified babysitters. Others educate and compensate them as professionals. There is no "correct" market-derived wage, because pre-kindergarten is a social good and the issue of how to train and compensate teachers is a social choice, not a market choice. The same is true of the other human services, including medicine. Nor is there a theoretically correct set of rules for patents, trademarks, and copyrights. These are politically derived, either balancing the interests of innovation with those of diffusion—or being politically captured by incumbent industries.

Governments can in principle improve on market outcomes via regulation, but that fact is complicated by the risk of regulatory capture. So another issue that arises is market failure versus polity failure, which brings us back to the urgency of strong democracy and effective government.

After Neoliberalism

The political reversal of neoliberalism can only come through practical politics and policies that demonstrate how government often can serve citizens more equitably and efficiently than markets. Revision of theory will take care of itself. There is no shortage of dissenting theorists and empirical policy researchers whose scholarly work has been vindicated by events. What they need is not more theory but more influence, both in the academy and in the corridors of power. They are available to advise a new progressive administration, *if* that administration can get elected and *if* it refrains from hiring neoliberal advisers.

There are also some relatively new areas that invite policy innovation. These include regulation of privacy rights versus entrepreneurial liberties in the digital realm; how to think of the internet as a common carrier; how to update competition and antitrust policy as platform monopolies exert new forms of market power; how to modernize labor-market policy in the era of the gig economy; and the role of deeper income supplements as machines replace human workers.

The failed neoliberal experiment also makes the case not just for better-regulated capitalism but for direct public alternatives as well. Banking, done properly, especially the provision of mortgage finance, is close to a public utility. Much of it could be public. A great deal of research is done more honestly and more cost-effectively in public, peer-reviewed institutions such as the NIH than by a substantially corrupt private pharmaceutical industry. Social housing often is more cost-effective than so-called public-private partnerships. Public power is more efficient to generate, less prone to monopolistic price-gouging, and friendlier to the needed green transition than private power. The public option in health care is far more efficient than the current crazy quilt in which each layer of complexity adds opacity and cost. Public provision does require public oversight, but that is more straightforward and transparent than the byzantine dance of regulation and counter-regulation.

The two other benefits of direct public provision are that the public gets direct evidence of government delivering something of value, and that the countervailing power of democracy to harness markets is enhanced. A mixed economy depends above all on a strong democracy—one even stronger than the democracy that succumbed to the corrupting influence of economic elites and their neoliberal intellectual allies beginning half a century ago. The antidote to the resurrected neoliberal fable is the resurrection of democracy—strong enough to tame the market in a way that tames it for keeps.