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\*Broad and Shallow Knowledge for Intellectual Conversations\*

Vol 1. [Reality] Part 2. [Economics] Chapter 7.

> \*\*[Neoliberalism]\*\* - Give market freedom once more

This third system neoliberalism is led by Chicago school. They saw a reason of depression (long-term recession) after 1970s as excessive government intervention pursued by modified capitalism. They criticized intervention by state power and emphasized securing freedom of market and deregulation. This look of denying excessive government intervention is like early capitalism. In terms of impact, neoliberalism is the most influential economic system today.

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(3) Neoliberalism

(depression) "Market > Government"

Keynes 🛌 Chicago school🧍‍♂️🧍‍♂️Adam Smith

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C’s society was heading to economic depression from government’s strict regulations and tax policies. To solve them, government decided to reduce their interventions. So they reduced the taxes first, and lift restrictions. With less taxes, C’s net income increased that much. Not only that, C also didn’t hire full-time workers, and hired baristas as part-time workers too instead. Full-time workers are hard to fire them, but part-timers are relatively easy to do so. This made it possible for C to be flexible for ever-changing market. If the business isn’t going well, he fired part-timers, if it does, he can hire more. This brought C stable income and made him want to keep running the café.

But it wasn’t all good news. Now that the taxes are lower, problems of early capitalism started showing up again. The problem of A steeply lowering his price of coffee. A used his lowered taxes on his buildings and assets on lowering the price. Plus, with his assets, he conducted research on how to make more delicious coffee, and advertising his coffee. Both of which require lots of money, and A invested heavily on them. A naturally attracted had more customers. What about C? C was stolen a lot of customers. With his lower demands he reduced part-timers, with less workers it was hard to provide quality services, and led to even less customers. C’s concern grew. Then one day he was visited by A. A told him, “I’m here to buy your shop.” C said, “I don't understand what you're saying. This shop was made possible by my sweat and blood, and our hopes and dreams achieved through the hard work of our part-timers. Trading this shop means trading myself and my family, and our fruits of sacred labor we have protected thus far. It is unthinkable, and will not happen.” A turned around and tried to leave, “Or not.” C put his hand on A’s shoulder, "Let us start over."

C sold his café to A, and now is working as his employee. On his first day at work he also found B. B also sold his shop and became A’s worker. Unlike when B and C were running the shop, A’s business boomed. That’s because he no longer had to compete with them and lower the price. There were no more rival companies. A is now in monopolized position in coffee industry. He expanded his branch gained a lot of stores. When the business wasn’t going well, he reduced his number of part-timers and full-time employees under the name of structural adjustment. Whenever structural adjustment happened, B and C worried that they might get fired, but after that they lived a stable life receiving stable income. Now he must look like he’s working hard to not get fired. He did his best with things A checked, and not so much with other works with how busy it he is. He felt pathetic having to be conscious about A constantly, but the pay is stable so felt more comfortable than running the shop himself. Neoliberalism system with less taxes and regulations inevitably lets huge capital to exclusively lead the industry. Capital absorbs smaller capital. It doesn’t seem to be a problem. What’s so bad for C? Being absorbed? He did but his life is more stable now than running a shop himself. Of course, if unexpected things happen in the coffee market, people will get fired, but it’s not that often. You suffer either way when market crashes. So it doesn’t seem it got worse for C.

It can’t be the best economic system, but there are claims that it is the best system we have found. Monopolization and income gaps happen, but overall economy grows. Let’s push judgements to the side, and summarize problems of neoliberalism. Neoliberalism has same problems as early capitalism with no government intervention. As we’ve seen previously, monopolization happens and income gap widens. In the same vein, someone always benefits and someone always suffers.

We said that when the problem looks complicated, looking at who benefits and suffers is a good way to understand its core. In neoliberalism, people who always benefit is A, and suffer is B, C, and part-time workers. A gains income whether his coffee sells well or not. Why? He can just fire people whenever the demand lowers from recession. And, when the demand increases, he can hire more people to keep up with it.

A can secure his net income in good and bad conditions. Then what about B, C, and part-time workers? When coffee is selling well, there is no problem. They don’t necessarily get more money but get enough income to keep them alive. But when it’s not in economic recession period, they lose their jobs. It’s workers who suffer whenever economic falters.

Unfair society where only workers are sacrificed. There’s an economic system that makes us look back to this current society, and it’s communism. Let’s take a brief look, and continue our discussion.

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