

Monica Prasad.

The Politics of Free Markets: The Rise of Neoliberal Economic Policies in Britain, France, Germany, and the United States.

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This book marshals an impressive body of comparative-historical data to examine the development of neoliberal policies in four countries: Britain, France, Germany, and the United States. After three decades of planned capitalism following the Second World War, the 1970s oil crisis ushered in a new phenomenon — stagflation — and sent the world economy into a tail-spin. Prasad's investigation begins at the "experimental" phase of neoliberalism in the 1970s, which marked dramatic efforts to reduce the role of government in industry (p. 5). These initial responses, however, were not uniformly sustained among the four countries. While the Reagan and Thatcher "revolutions" took root in the United States and Britain, neoliberal efforts in France and West Germany were muted and short-lived, as in most of Europe. What explains these divergent political responses to the same economic crisis in outwardly similar industrialized countries?

Broadly, the process of neoliberalism reduces the role of the state through privatization efforts and deregulation, tax cuts and decreased state spending. This process is often attributed to a cast of usual suspects: globalization, the power of business interests, national cultures, and weak labour movements. In theory these forces are bolstered by the mounting strength of the political Right on one hand, and the diminishing influence of the political Left on the other. One by one, Prasad deconstructs these common explanations, and offers an alternative explanation for the rise of neoliberal policies — democracy. Quite simply, policies take hold when they prove popular with the electorate, and when they resonate with pre-existing institutional and political arrangements.

Through her careful and exhaustive analysis of policy documents and reforms, political speeches, business reports, surveys and voting trends, Prasad makes several important contributions. First, and most importantly, she shows that the data does not consistently support previous explanations. Some examples include: The effect of globalization on taxation and welfare policies are inconsistent and sometimes led to *increased* welfare spending to compensate for the openness of trade borders. The business interest explanation, one of more popular culprits, also proves inadequate. Historical records show that business was interested in cuts to *corporate*, not individual, taxes, as the latter was believed to lead to deficit spending. Economists are also not solely to blame for supply-side policies. Most economists in the Reagan and Thatcher administrations rejected supply-side economics (and in the case of Britain, key economists penned a letter to Thatcher to that effect). Moreover, these supply-side ideas were present in France and West Germany, yet did not give rise to similar policies. In the case of labour movements, Britain had the strongest union density but also witnessed strong neoliberal policies, while neoliberal policies have failed to take hold in France, despite substantially lower union density. This empirical reality is precisely the opposite of what has been theorized. Prasad's careful comparative analysis brings these inconsistencies into sharp relief.

Second, Prasad demonstrates that previous explanations downplay the role of institutions in which decision-making takes place in shaping political action. She argues that policy formation is not simply the totality of individual actions, but instead is negotiated within the parameters of pre-existing institutions which serve as bearers of collective memory, struggle and engagement. By adopting a state-centred approach, Prasad shows that institutions of public-decision making provide

the political framework through which policy formation and restructuring occur and become somewhat path dependent over time.

Prasad traces two distinct logics of policy development that were rooted in existing institutions: Adversarial and Pro-growth. Postwar policies in the United States and Britain that were “adversarial” included “progressive tax structures, adversarial industrial policies and more egalitarian welfare states” (p. 280). These nations also implemented adversarial policies that alienated business from labour and the middle class from the poor. During this same postwar period, France and West Germany adopted pro-growth policies, “including regressive tax structures, pro-growth policies, and less redistributed ... welfare states” (p. 280). Prasad argues that an emphasis on non-partisan experts fostered more cooperative decision-making, and that these governments provided more generous subsidies to all, especially to the middle classes. This model of “political economy as nation-building” proved resilient because its policies were popular.

It is through this lens that Prasad argues that neoliberalism flourished in the United States and Britain “not because the Left in these countries was too weak, but because it was in some respect too strong.” Prasad shows that the democratic uplift model that originally supported a more generous redistribution of wealth in the United States and Britain then crumbled in the wake of economic upheaval, and did so with the overwhelming support of the newly affluent electorate. She argues that a backlash ensued, and that “[N]eoliberal reformers could find and take advantage of the electoral dissatisfaction with the status quo” (p. 3), and mobilize support for neoliberal policies. While much scholarship has focused on how extending democracy allows the majority to resist neoliberal, free market policies, Prasad suggests that the opposite may be true in some contexts. She sheds light on how the “tyranny of the majority” (who in some contexts “win” by more economic competition) can weaken policies that protect the economically disenfranchised (p. 282). These conditions exist in the United States and Britain, and have proved to have devastating effects for some segments of their populations. In contrast, the pro-growth policy stance of France and West Germany proved more resilient to the oil crisis, and dampened the potential popularity of neoliberal policies, to the benefit of the economic minority.

While scholars will undoubtedly quibble over some of her definitions, measures of neoliberalism, or conclusions (as I certainly do), Prasad’s book makes an important contribution, and is worth reading by anyone interested in politics, policy-formation, neoliberalism and comparative-historical research. She thankfully avoids moralistically laden normative statements or conclusions, and instead gets down to the task at hand — systematically evaluating the emergence and durability of neoliberalism on the ground. Regardless of one’s personal beliefs about or interest in neoliberalism or policy formation, this book is a “how to” manual for conducting sophisticated comparative-historical data collection and analysis.

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