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Just stumbled across an amazing article.

I’ve already argued, in a subsection of Chapter 8 of Studies in Mutualist Political Economy, that there’s simply no way that neoliberal retrenchment can reduce total government spending and intervention to pre-New Deal levels. The reason is that, even in periods characterized by a crisis of under-accumulation, the fundamental underlying tendency of state capitalism is still toward over-accumulation and under-consumption.

Reaganite/Thatcherite neoliberalism, despite all its anti-“big gummint” rhetoric, must in practice maintain massive levels of government spending to buy up the corporate economy’s excess product and utilize excess capacity.

And although there have been major shifts in the direction of government intervention under neoliberalism, it’s questionable whether the net level of government activity under Reaganism-Thatcherism is lower at all. The types of government intervention and spending have changed somewhat; but overall, corporate capitalism is heavily reliant on state intervention for its very survival. I have tended to suspect that the overall level of state involvement in the economy is actually higher under neoliberalism, in many ways, than it was under the corporate liberalism of the mid-20th century.

So you can imagine how pleased I was to find my suspicions confirmed by the aforesaid amazing article: Nicholas Hildyard. "The Myth of the Minimalist State: Free Market Ambiguities" Corner House Briefing 05 (March 1998).

The political rhetoric surrounding neoliberalism, Hildyard points out, makes heavy use of terms like "laissez-faire" and "free market." The neoliberal revolution, ostensibly, aims at a "minimal state."

> Yet the practical outcome of these policies has not, in most cases, been to diminish either the state's institutional power or its spending. Instead, it has redirected them elsewhere. It has also strengthened the power of many Northern nations to intervene in the economic affairs of other countries, notably the indebted countries of the South, the emerging economies of the former Soviet Union, and the weaker industrialised partners of trade blocs such as the European Union.

For example:

> Far from doing away with state bureaucracy, free market [sic] policies have in fact reorganised it. While the privatisation of state industries and assets has certainly cut down the direct involvement of the state in the production and distribution of many goods and services, the process has been accompanied by new state regulations, subsidies and institutions aimed at introducing and entrenching a "favourable environment" for the newly-privatised industries.

> The state has actually played a central role in implementing free market [sic] policies and, moreover, has a continued "intimate and ubiquitous" involvement in regulating the minutiae of the market economy — a direct consequence of the hand-in-glove relationship that free market [sic] governments have fostered between "adjusted" state institutions and market interests…

Overall levels of government spending have, in fact, continued to rise under neoliberalism. "Deregulation" can more accurately be called "reregulation": a shift of the regulatory state's activities in a more corporate-friendly direction. "Privatization" of government activity, as Hildyard maintained above, leaves a larger share of functions under nominally private direction, but operating within a web of protections, advantages and subsidies largely defined by the state. Spending cuts on social services have been more than offset by other forms of spending that subsidize the operating costs of corporate enterprise. Subsidies from multilateral development banks, especially, which are necessary to render much overseas capital investment profitable, are on the rise. Neoliberal trade agreements include a legal framework (e.g., so-called "intellectual property" [sic] rights) designed mainly to protect big business against the market. Many such agreements require the creation of international bodies, de facto supra-national governments, to overrule the policies of signatory states.

On the whole, the neoliberal version of the "free market" is like one of those old-fashioned chess-playing machines they used to have at a county fair. It's apparently "automatic" operation, on closer inspection, was achieved by a little person on the inside busily pulling the levers. In the case of the neoliberal "free market," it is the state that pulls the levers.