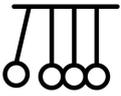


TURKEY'S UNHEARD VOICES

The History of Neoliberalism

ECONOMICS

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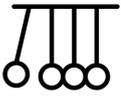


Abstract

Neoliberalism has become so widespread that many no longer recognize it as an ideology, but rather as a “natural law.” Emerging from the ruins of Keynesianism and aggressively promoted by elite interests, neoliberalism frames the market as infallible and human competition as virtuous. Despite decades of deepening inequality, deteriorating public services, and democratic erosion, its dominance remains largely unquestioned. It is provoking that at a time when economic stratification and marginalization proliferate, and when the rich grow richer at the expense of everybody else, politicians continue to ignore root economic causes and instead stir division among races, genders, and religions. This paper traces neoliberalism’s historical development, from its ideological roots and international experiments to its consolidation through Western political power, arguing that it is less a neutral economic strategy than a deliberately engineered system that consolidates elite control and undermines collective responsibility.

What is Neoliberalism?

To simply define neoliberalism, it is a political ideology that seeks to transfer control of the economy from the government to the private sector. However, in their book, “The Invisible Doctrine”, George Monbiot and Peter Hutchinson define it as “an ideology whose central belief is that competition is the defining feature of humankind. It tells us we are greedy and selfish but that greed and selfishness light the path to social improvement... ‘The market’ -if left to its own devices- will determine who deserves to succeed and who does not.” Neoliberals claim that a state that aims to alter social outcomes through public spending and social programmes rewards failure, encourages dependency, and subsidizes those who are unsuccessful. They suggest that the most effective way to promote human well-being is to liberate individual entrepreneurial freedoms within an institutional framework that is defined by the free market, strong private property rights, and free trade.



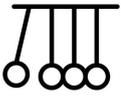
The Rise of Keynesianism

Western governments and economists were attempting to develop economic reforms in the aftermath of the Second World War to prevent the recurrence of a disaster similar to the wars they had recently experienced. Additionally, by most people, unregulated capitalism was seen as the main reason behind the Great Depression. The disillusionment and suffering of German citizens post-World War I enabled the rapid spread of Adolf Hitler's rhetoric and ideas. Western governments believed that by avoiding such economic instability in the future, they could prevent the rise of fascism. Furthermore, they also wanted to prevent socialist and communist sentiment from strengthening especially when the socialist bloc was guaranteeing employment, healthcare, and housing to its citizens. If the capitalist west did not appease its population in a similar way, it feared that revolutionary leftist movements would flourish. Western governments did not want to completely abandon capitalism; however they believed that by providing their population with basic dignities and social safety nets, it would prevent them from entertaining alternate political and economic ideas.

After the Second World War, in the 1940's and 50's, was when John Maynard Keynes' economic ideas began to rise to prominence. At the core, Keynes' theory is the belief that aggregate demand¹ is the primary driver of economic activity. When aggregate demand falls, as it did during the 1930s, the economy can enter a prolonged period of low output and high unemployment, and it may not recover on its own without external intervention.

Keynes argued that prices and wages are "sticky," meaning they do not adjust quickly to changes in economic conditions. This rigidity prevents the labor market from clearing efficiently, leading to persistent unemployment. To address this, Keynes advocated for active government intervention through fiscal policy. He proposed that during downturns, governments should increase spending and/or cut taxes to stimulate demand and boost economic output. This government spending would have a multiplier effect, where initial

¹ the total demand for goods produced domestically including consumer goods, services, and capital goods

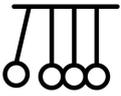


expenditures create a ripple of additional spending and income throughout the economy. Western governments started to embrace Keynes' ideas and enacted policies for what we now call social democracies.

The Rise of Neoliberalism

As the western world continued to embrace Keynesian economics and shift towards social democracies, an Austrian economist, Friedrich von Hayek, claimed that an overemphasis on collectivism would ultimately fast-track a society to totalitarianism. He believed that social democracy and expansive welfare would erode the individual and eventually turn into authoritarianism. Hayek claimed that the very essence of effective macroeconomic policies (those that balance employment and inflation through government spending) relied on using enough authority to direct economic behavior. What starts as fiscal stimulus paves the way for more intrusive measures such as price controls, production quotas, and eventually suppression of choice. In his view, these interventions cumulatively undermine the Rule of Law, subvert private property, and concentrate decision-making in the hands of planners, an opening for authoritarianism. Morally, Hayek believed that central planning eroded individual autonomy. By vesting immense discretion in planners, it treated citizens not as individuals with personal ends, but as means to collective goals. Epistemologically, he argued that knowledge is inherently decentralized. No single authority can access the dispersed knowledge of millions making daily decisions. Attempts to coordinate complex economies centrally would fail, leading to waste, coercion, and ultimately tyranny. In 1944, Hayek published a book titled "The Road to Serfdom" in which he made his argument.

While Keynesian economics improved financial stability for the average person, the ultra-rich resented it since it limited their ability to maximize profit. Subsequently, Hayek's book was embraced by business communities and influential individuals who perceived his ideas as a way to advocate for a rejection of the Keynesian era by reversing labor taxes and regulations thereby restoring an era of unfettered capitalism. Therefore, wealthy individuals determined to abolish Keynesianism started to promote the book. For example, Dewitt Wallace, the anti-communist editor and co-founder of Reader's Digest, published a condensed

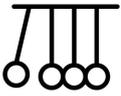


version of Hayek's book in an attempt to make his ideas more understandable to casual readers. One million reprints were ordered, many of them from companies wishing to indoctrinate their employees. The book gained even more recognition after *Look* magazine published a cartoon version of the book, which was distributed by many corporate outlets including General Motors. Additionally, Hayek was being booked for well-paying speaking gigs in America so his ideas could be propagated further.

In 1947, Friedrich von Hayek founded the Mont Pelerin Society, which was an organization where he and other like-minded individuals could use to further promote his ideas of free-market deregulated capitalism. These ideas have commonly been referred to as "Neoliberalism" and this doctrine was financially backed by some of the world's richest people and businesses including Charles Koch (Koch Industries), the Coors Brewing Company, William Volkers & Co., DuPont, General Electric, and so on. They saw in Hayek's neoliberalism a way to liberate themselves from the regulations and responsibilities Keynesianism imposed on them. Neoliberalism frames financial success as purely meritocratic while also portraying monetary gain as some sort of moral accomplishment that the state, by no means, shall interfere with, even if that gain is achieved through exploitation and injustice. Despite the millions of dollars that went into promoting Hayek's ideas, Keynesian economics remained as the mainstream economic consensus for a while.

The Chile Project

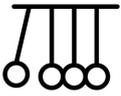
Neoliberals acknowledged that implementing their policies domestically would be challenging without prior experimentation abroad. The first country they observed was Chile. Throughout the Cold War, the US government was heavily engaged in Chile to prevent its transition to communism, employing various means to exert economic and political influence such as the Chile Project. The Chile Project refers to a US-backed initiative during the Cold War, in which Chilean students were sent to the University of Chicago to study economics. It was designed not just to teach technical economics, but to instill a specific ideological worldview rooted in neoliberalism, as developed by figures like Milton Friedman, who was a prominent member of Hayek's Mont Pelerin Society, and the Chicago School of Economics.



As this project was happening, in 1970, Chile had elected a socialist leader, Salvador Allende. The US spent millions of dollars and used every available resource to destabilize Chile and create the needed conditions for a coup, as they wanted someone else to be in charge so that they could test out neoliberalism. In 1973, president Allende was overthrown and replaced by a military junta, which eventually consolidated under the rule of Augusto Pinochet. He was a brutal dictator whose fascistic regime was marked by mass murder, torture, sexual violence, kidnappings, and the persecution of leftists. He eliminated all socialist and Marxist influences from the country and was ideally suited to implement neoliberalism in Chile. Additionally, the students who had studied economics at the University of Chicago were now fully equipped to return to their country and put their lessons of mass privatization, deregulation, and market fundamentalism into practice. As the years passed under Pinochet's regime, Chile's wealthy elite thrived along with American corporations which were free to use Chilean resources without the threat of nationalization or government regulation, as Pinochet allowed them to operate without restrictions. About Pinochet's Chile, Friedrich von Hayek said "My personal preference leans towards a liberal dictatorship rather than toward a democratic government devoid of liberalism." to a Chilean interviewer. Furthermore, in a letter to the London Times, he defended the junta, stating that he had "not been able to find a single person even in much maligned Chile who did not agree that personal freedom was much greater under Pinochet than it had been under Allende." In contrast to the corporatist combination of state and business distinctive of historical fascist regimes such as Mussolini's Italy, Pinochet's regime preserved the hyper-militaristic ultranationalist authoritarianism inherent to fascism while adjusting the state to facilitate corporate dominance. This model has laid the groundwork for what some have referred to as "neoliberal fascism".

Reaganism and Thatcherism

After the Chile Project was complete and neoliberalism was proven to treat the ruling class well, it was time to bring it to the west in the forms of Thatcherism, named after Prime Minister Margaret Thatcher, in the UK and Reaganism named after President Ronald Reagan in the US, however technically, neoliberal policies started under US president Jimmy Carter. Reaganism focused on deregulation, privatization, tax cuts, reduction in welfare spending,



and anti-union policies. A similar set of policies were enacted in Britain under Thatcher when she privatized the railways and other public utilities, implemented the poll tax², sold off public housing to private interests, privatized the prison system, and so on.

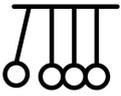
These reforms were aimed to enhance the economy; however, in reality, neither Britain nor the US achieved significant economic performance in the 1980s, indicating that neoliberalism was not the solution to capitalists' expectations. Although eventually inflation in the US fell to 9.6% in 1981 and then to less than 4%, while it fell in Britain from 22% in 1980 to 12% in 1981, 5.4% in 1982 and then to under 4% in 1983-84, neither government deserves much credit for this since inflation fell in both countries partly because of high unemployment (an average of 7.5% in the US under Reagan and over 10% in the UK under Thatcher) and recession, and because of lower prices of imported goods.

Another aspect of this neoliberal transformation are the think tanks funded by dark money that actually come up with the policies that later on get handed to governments. It has been discovered that the Koch brothers, two of the richest people in human history, developed an entire network of 'think tanks' to lobby for extreme neoliberalism.

Conclusion

This ideology treats the market as an infallible source that rewards the strong and worthy while ignoring the fact that markets are indifferent to human suffering. Since market fundamentalism is a key component of neoliberalism, markets are often forced into sectors they should not be in such as healthcare, social services, and education. This will lead to the access to vital services being tied to the ability to pay, widening inequality. Also, marketizing every aspect of life casts citizens as consumers rather than individuals, undermining the sense of collective responsibility and social cohesion.

² The poll tax, officially called the Community Charge, was a flat-rate tax introduced by Margaret Thatcher that required every adult to pay the same amount for local services, regardless of income or property value.



When society is indoctrinated to believe that financial gain is purely meritocratic and can be achieved through hard work, they often view those with lower economic status as less worthy and due to various reasons such as racial discrimination, marginalised communities have fewer opportunities and therefore are left at the bottom of the hierarchy. Because of this concentration, people view an entire community as inherently lazy and unworthy of success. Moreover, when we are conditioned to perceive that consistent work ensures success, it becomes simpler to exclude and blame others when that promise falls apart rather than to question the system itself. This creates an opening for fascistic rhetoric to rise to power. It is reassuring to believe that all we need to live a fruitful life is to work hard but those who were told to work hard did work hard and often found the results underwhelming. The promise that diligence equals prosperity is increasingly a myth in an economic system designed to reward capital over labor, privilege over equity.

Neoliberalism is an ideology predominantly financed by the rich and powerful elite and appeals to their interests. As governments deregulate, privatize, and adopt neoliberal policies, the ruling class accumulates greater wealth and enhances its influence over politicians and governmental entities. In capitalist democracies, capital functions as a form of electoral influence. Neoliberalism aims to eliminate barriers to unregulated capitalism, consequently fostering bureaucrats and oligarchs.

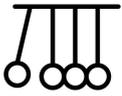
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