Epilogue

The Neoliberal Con

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In Iceland, a new class came into being, that of the super-wealthy who reduced the middle class to paupers and made fools of the lower class.

Einar Már Gudmundsson, “The White Book,” 14

In this book are the makings of a cautionary tale of the greatest importance to the world, with multiple cautionary tales embedded in it. It is a history of neoliberal conquest, writ large on a small island nation, compressed into less than thirty years’ time (from the founding of the Icelandic Stock Exchange in 1985). People need to know about it.

The participants in the National Science Foundation’s “Icelandic Meltdown” conference—Icelanders and internationals—were privileged to gather at the University of Iowa to unravel the threads of the story and begin to reweave them. Most were anthropologists who research the world from distant village peripheries through urban avant-gardes to the distant “pinnacle” of neoliberal power, Wall Street. Add to these an emerging anthropologist/recovering banker with a firsthand story of bubble-building to tell, a sociologist who balanced anthropological impressionism with...
careful quantification, a witty but no-nonsense historian, an honest professor of business, a professor of education and former member of Parliament, a public-spirited philosopher, and a great poet who kept pulling us back from the precipice of academic narcissism.

This epilogue reflects further on the Iceland story as the authors of this volume reveal it, setting their puzzle pieces in an array that shows a pattern of recklessness and bad faith of national elites. To expose that pattern is to be able to raise an alarm when smooth-talking fraudsters, eyeing your commons, your commonwealth, promise you the prosperity of your dreams.

It is those two political parties, the Independence Party and the Progressive Party, who are most culpable. They laid the foundation for the system of gifting fishing quotas. It is therefore possible to sell fish that has yet to be caught and profit thus from a communal resource of the nation. (Guðmundsson n.d., 15)

The Iceland crash started with a financial bubble. The bubble started with the “virtual fish” of the ITQ system, a so-called market-based solution that was born from the fevered brow of a neoliberal economist in British Columbia. It “solved the problem” there as it did in Iceland, by financializing the public right to fish and turning it into private tradable shares that would inevitably gather in the hands of the wealthiest participants in this new market (Pinkerton, Maguire, this volume).

It was virtual fish in Iceland, but it might have been virtual mortgages, like the bubble that neoliberals blew up in the United States. It might have been virtual tulips (Goldgar 2007). Virtual carbon credits might be next. The important point, if you want to blow up a financial bubble, is to create a large new fund of fictitious capital or virtual value that is credible enough to borrow on, that is, to collateralize new loans.

“Market-based solutions” will be the “solutions” of a neoliberal con game that will end with the marks or suckers, the targets of the con, losing their resources, public and private. So-called market-based solutions are actually faith-based. The self-correcting, equilibrium-finding, know-all, be-all Market is the cornerstone of the neoliberal faith, the conceptual framework of the neoliberal con game.

When neo-liberals speak of the market, they resort to religious terms. They say: “This is up to the market.” Or: “We’ll let the market decide that.” One only needs to replace the word “market” with “God” and the religious content of neo-liberalism manifests itself. . . . But Mammon is shrewd and assumes many forms. (Guðmundsson n.d., 14)
There is bitterness about it now, but many Icelanders lived well under neoliberal rule. They felt they worked hard. They felt they deserved to live well. They felt they had thrown off the historical curse of poverty. If they were bold enough, some said, they could throw off the yoke of peripheral status and become an important player on the international stage.

The financial bubble, like any con game, depends on credulity, the force of wanting to believe. Successful fraudsters tap into our dreams. Who could resist living better and more securely, being able to give more to their children, and being more important? If a few people of questionable character are getting insanely rich—well then, maybe it’s like those financial geniuses say: the risky deals and spectacular profits tend to benefit the society as a whole (Ho 2009).

That’s what seemed to have been happening in Iceland. Pension funds grew. Property values soared. A construction boom pulled workers from Europe and Asia (Skaptadóttir, this volume). Icelanders spent more per child on education than any other country in the European Union (Guðbjörnsdóttir and Daviðsdóttir, this volume). Iceland was a success!

Wasn’t it? Of course it was! Everybody wanted to believe in the financial miracle. Because they wanted to believe, they did not ask the hard questions. They were not put off by the improbability of Iceland’s financial resources growing to six, seven, eight times their pre-bubble values, and so were not inclined to question the miracle’s foundations in reality. The con played out by diverting public attention to a different question: “Why us? Why are we Icelanders so favored by fortune?”

The neoliberal public relations shops were ready with an answer. Icelanders were special! They were Nordic. They were bold and daring. They had a special relation with nature. They were smarter than other kinds of people (Loftsdóttir; Jónsson and Sæmundsson; Mixa; Grétarsdóttir, Ásmundsson, and Lárusson; this volume). Across the media, a new entrepreneurial Viking (a being of evolutionary superiority) was urged out of the collective unconscious.

This must be in the neoliberal playbook, this flattering of the marks to circumvent their common sense and soften their resistance. Imagine what the delegation from Goldman Sachs told the Greeks about their national genius. Or the Spanish: not since 1492 have you had a chance for such glory!

Remember, World: you will be tempted with all sorts of improvements to your status and standard of living and a better life for your children—or whatever you dream of—if you just sign here on the bottom line. You will be flattered, individually and collectively. All of your people’s traditions will be brought to bear on the task of flattering you, until you are swollen and swaggering and ready to believe the improbable.
“The last bank that couldn’t lend me any money bankrupted me!”
(Guðmundsson n.d., 25)

When the bubble burst and the banks came crashing down, what you heard in the streets was “Helvítis fokking fokk!” Icelandic Helvítis is “devil” in English. I’ll leave the rest to (English-speaking) imagination. A polite translation, Icelanders winked, is “What a shame!” But people were shocked. They couldn’t believe it at first, so well had the con been constructed.

When they found out, they felt violated, and the feeling only got stronger as more information came out. Iceland is a small country, a highly literate one, and a highly computer-literate one. Information spreads quickly—the cheating, the corruption, the cronies, the names and dates.

The miracle, the new Vikings, the new affluence, the evolutionary superiority—the whole thing was delusional. Icelanders were up to their eyeballs in debt. The emperor was naked. Those six-, seven-digit figures on your account statements? Computer-generated fantasy.

The shimmering veil of wanting-to-believe was pulled away abruptly and cruelly to reveal deceit, inequity, desperate acts of treachery, and the elegantly clothed backs of run-away billionaires. Helvítis fokking fokk!

Some quarter of Icelanders was mad enough to get out into the streets in protest, and at least that many more supported the protesters (Bernburg, this volume). Calling on a symbolic vocabulary older than history, they came out of their houses banging the pots and pans of household economies that were stressed or shattered by the crisis. The protesters banged their pots and pans until the government resigned.

With both parties implicated in the corruption, who would form a government? Who could be trusted? When a slate of public personalities, led by a beloved comedian, offered themselves as a radical alternative, the scramble to their side in the Rekjavík municipal elections was so clamorous that it looked at first like their party, the Best Party, would take a clear majority (Proppé, this volume).

Members of the Best Party wouldn’t do politics-as-usual, wouldn’t be categorized, wouldn’t play the blame-game with their opponents. They saw a new way. Best Party delegates disarmed their opponents before meetings with kisses and hugs! The Best Party organizers didn’t just talk about change, they were change.

But in the end even the Best Party had to toe the punishing line of austerity, cutting public services at a time when people were already struggling. How disappointing that must have been, like watching the newly elected Barack Obama pick his cabinet in 2008.
Wrenching self-criticism surfaces. The Vikings? They were murderous barbarians—the “terrorists of their day!” (Jóhannesson, this volume).

But Icelanders shouldn’t take it so personally. This is how the neoliberals operate. Ask the Greeks. Ask the Irish. You’ve been conned, but you’ve been conned by the best con artists in the modern world.

**BLOWING BUBBLES**

Financial bubble-blowing of course long predates neoliberalism. The outlines are always the same. It begins when a crew of financial elites seeks to generate a swirling speculative market around a credible virtual commodity—fishing quota, tulips, carbon credits, whatever. Bankers, wanting in on the action, play a crucial part. Banks allocate credit. To encourage the emerging market, they open the spigot, making credit cheap and easy.

You too can get in on the windfall, the bubble-blowers say, and make your dreams come true! Borrow, sign here! It’s easy!

If the bubble takes off, masses of people borrow to speculate on the virtual good. As long as the bubble is expanding, the speculative bets seem to be paying off—the public mood reaches euphoria (Galbraith 1994).

Then something happens. Could be a scandal. Could be a “leak.” Could have been the plan all along. Behind the scenes, the big players move to cash out and stick the multitudes with bad news. At some point, bankers close the spigot and “tighten” credit. Gamblers whose pockets are not deep enough, whose assets do not cover their debts, will not be able to hold on to what they have gained, which “flows upward” to the large creditors who put the bubble in motion and kept it going.

The great multitude of investors should not be playing in such gambling games at all because they cannot afford to lose. They are “suckers”—sucked into a con. Suckers always lose, and may lose everything. Winners, on the other hand, walk away with many times their original investment (Jónsson and Sæmundsson, this volume).

Bubble-blowing is an old game. The amazing twist of the neoliberal con has been to turn nation-states into gamblers on speculative markets and make whole peoples responsible for the debts of elite gamblers.

Among the multiple ironies, the neoliberal con wants to bring states to the rigged tables of casino capitalism because states have, or had, solvent financial commons, public investment funds that neoliberals lusted to “privatize.” They sucked states into the game through the very social insurance programs that, as politicians, neoliberals always resist and try to dismantle. Don’t they?
THE NEOLIBERAL BACKSTORY

How far back does the neoliberal story go? It must go back to a liberalism that some wanted to modernize, hence the *neo*. The term “neoliberalism” was coined by German economist Alexander Rüstow in the anti-capitalist 1930s, not as a call for privatization but as an improvement on the laissez-faire liberalism that so grandly failed in the 1930s. Don't turn to socialism, Rüstow argued, but upgrade liberalism with stronger state-imposed rules over economic activity. Rüstow believed in “freedom” and the “laws of the market” but believed that those were not enough—a “market police” would be required to enforce good behavior. His books and articles had strong appeal for anti-socialist intellectuals like Ludwig von Mises and Friedrich Hayek in Austria and Walter Lippmann in the United States (Hartwich 2009; Foucault 2010; Harvey 2005; George 1999). After World War II the neoliberal movement was joined by Milton Friedman from the United States and Ludwig Erhard, the West German finance minister and chancellor who popularized neoliberalism under the header of the “social market economy” (Henderson 2008).

It was, after all, the “Iron Chancellor,” Count Otto von Bismarck, whose government gave the world its first social welfare state in the 1880s. The original neoliberals had no objection to social programs of this kind. Their political enemies were the same as Bismarck’s—the socialists.

And this is the point. Neoliberalism is an ideological con as well. It is the ideology of money. It is whatever it has to be in any given political situation. The term lives on today, repurposed as a pejorative by Latin American intellectuals who saw their democratically chosen mixed economies overturned by military coups (Klein 2007; Guðmundsson, this volume). Meanwhile, the neoliberal movement let its old label drop down the memory hole.

What’s at stake for neoliberals today is the same thing that was at stake for their predecessors and allies. The question is not social programs, or no social programs, but how government can be used for what’s really important: maintaining the flow of wealth to the “right” people.

You can't spot neoliberals by party names or promises. Both parties in Iceland, as in the United States, came to serve high finance, helping to blow up bubbles and protect the big speculators. Promoters of social programs may not be, as they often represent themselves to the public, the loving, caring alternative to the party of the cruel rich.

It is too easy to say that neoliberalism is just a pack of lies. Even if that’s true, it is more than that. People want very much to believe that their wealth is part of a fair system, that there’s enough for everybody (unless they are “lazy”). Neoliberalism gives them what they want, a belief system in which a vastly
unequal distribution of wealth, like we see around us in the early twenty-first century, is good for society.

From boom to bust, neoliberal economic strategies take from the vulnerable and give to the powerful. They aggravate inequality. The very Icelanders who never benefited from the boom—fishing villages, “guest” workers, the structural urban poor—are the hardest hit by austerity measures (Maguire; Rice; Willson and Gunnlaugsdóttir, this volume).

The myth of industrialization, the machine age, the original “liberalism,” still held out the ideal of prosperity for all—mechanical production would bring abundance and liberate humanity from toil. Bodies politic were asked to imagine trainloads of desirable manufactured goods pouring out of the factories and into their homes. There was gritty work involved, as people knew (labor unions made sure they knew), but even factory labor could be made humane when a whole nation lived in abundance.

The neoliberal ideal, by comparison, is a cargo cult capitalism. It is the ideal of high finance, uninterested in the mess and risk of actual production. Just invest, we are asked to believe, and your money will miraculously “grow.” How cool is that!

We want to believe in financial miracles because most of us can’t quite go as far as Carnegie and his Wall Street successors. We are ripe for the neoliberal con precisely because we can’t quite abandon some shadowy ideal of equality. We just couldn’t enjoy what we have if we thought that it wasn’t fair for us to have so much.

**IT WAS A CONSPIRACY**

Banker-turned-anthropologist Mixa (this volume), working a couple of echelons down from the really big bankers, was aware of extreme imbalance in the system two years before the crash. He dutifully tried to point out the problem to those in authority, but they just looked at him, he said, like he was crazy. Everybody wanted to believe in the financial miracle, even bankers—maybe especially bankers.

But, as Mixa reports, the “highest” in-crowd knew the ugly truth, knew who really owned what, knew that the apparent prosperity was just a pyramid of debt piled on debt that would have to collapse eventually—the art of the bubble is in guessing just when the price of your holdings is as high as it will go. The in-crowd created the bubble for the usual reasons, to reel in suckers and extract their wealth. They faked exponential “growth” by lending to paper holding companies that were owned by their own family members and cronies! They committed fraud.
Identifying the conspiratorial element does not blunt the force of Árnason’s “friendly power” (this volume), the tacit agreements that normalized wild and risky behavior. So “horizontal power” was internalized and came to comprise the environment that the “Vikings” needed in order to work their miraculous schemes, and work them in the confidence of secrecy.

We can’t reject an explanation on the grounds that it is a “conspiracy theory.” Things happen in human social life because of social agents. We can fairly call it a conspiracy when those agents work in secret to cheat others.

Many of the filthy-rich have fled the country and are nowhere to be seen or surround themselves with bodyguards. They do not comment on the situation but try to wait it out in silence, many of them prepared to return home and give a repeat performance in the spirit of capitalist shock treatment which now seems to be wreaking havoc in many corners of the world. (Guðmundsson n.d., 20)

This is a dangerous situation. The bankers and their cronies will be back, unless we refuse to let them in. They are not done with you, Icelanders, not with you or any of us, not while there is a breath of air that remains unfinancialized. There’s nothing like the aftermath of collective crisis for “disaster capitalism,” poised to scoop up the wealth of the disoriented and vulnerable multitudes (Klein 2007).

The ones who gambled with the [fishing] quota were playing with something of real value not just fictive capital like the financial companies. As a result we are left with a fishing industry on the verge of bankruptcy—and the billions have disappeared. (Guðmundsson n.d., 54)

Keystrokes and electronic numbers are not real wealth. The perpetrators of the bubble floated fictitious capital on the water as bait in order to attract the big fish of the real economy. The winners filled their hulls in the messy post-bubble moment, when the suckers had to dump real wealth for a fraction of its value in order to pay off their gambling debts.

There is a great awakening taking place and many things point to that it will take place all over the world. It isn’t just the wheels of industry that need to turn. The wheels of history also turn, even if the tires are damaged and the spokes broken. (Guðmundsson n.d., 99)

Obsession with growth was the problem, Maguire (this volume) observes—now it’s being touted as part of the solution, so nothing’s changed. It does appear as though nothing has changed in the halls of power. What could change, though, is the credulity of the public, and social researchers are
uniquely positioned to move that process along. Isn’t it the basic job of the social sciences—why our societies support us—to gather together the necessary information and ponder it in order to solve social problems?

One place to start is by seeing the invisible. It comes up in almost every chapter—Skaptadóttir’s invisible immigrants, Willson and Gunnlaugsdóttir’s invisible factory workers, Rice’s invisible poor Icelanders, Maguire’s and Pinkerton’s invisible fish. What makes them invisible? Invisibility is a property of something we don’t want to believe.

Don’t shoot the messenger. The social researchers who reveal the culturally “invisible” are showing us where our model of social life does not correspond with social reality. They are our friends.

The bubble cycle is utterly predictable. It has nothing to do with economic theory, really, or the neoliberal faith. It has to do with elite competition. It is a form of organized crime. It is a power grab. Today it dresses in the neoliberalism of privatization. Yesterday it dressed in the liberalism of the industrial revolution. It will dress in whatever we are willing to believe.

It’s our choice not to believe. Let the Iceland story stand as a caution to all of us. Neoliberals do not deliver on their promise, the prosperity of our dreams. They will seem to, for a while, long enough for enough of us to believe in financial miracles that the bubble can fatten on our credulity. If we don’t believe, they cannot run the con.