

Neoliberalism is a term that can be hardly avoided in the study of the economic history of modern America. It intertwines with and manifests itself in various aspects of economic and social sphere, which makes it an important feature or even theme in the 20<sup>th</sup> century America history. This article will explore some aspects of America economic history in the 20<sup>th</sup> century, on which neoliberalism projects itself, embodies in concrete examples, and exerts influence.

To facilitate the further discussion of neoliberalism, a clear definition of the term neoliberalism is essential, which is often equivocal due to the extensive situations where the term is used and often too conveniently applied<sup>1</sup>. Since neoliberalism is used to describe a common logic behind various phenomena or changes in 20<sup>th</sup> century America, it is reasonable to formulate the term via the phenomena it attempts to summarize. Daniel Rodgers, in his article *The Use and Abuses of “Neoliberalism”*,<sup>2</sup> provides an insightful categorization of the meaning of neoliberalism into four features – finance capitalism, market fundamentalism, disaster/crisis capitalism, and self-commodification, which can be used as a framework for understanding the manifestation of neoliberalism in the 20<sup>th</sup> century America history. Those four categorizations being comprehensive, this paper, in particular, will mainly focus on the representation of neoliberalism in the economic sphere, the logic of which can be roughly summarized as the co-construction of an economic structure by both the market force and regulatory institutions that favor, protect, and sometimes initiate new market. In this paper, three aspects of the 20<sup>th</sup> century America economic history closely related to civil life will be examined—market and regulation, crisis and response, and housing and home ownership.

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<sup>1</sup> Daniel Rodgers, “The Uses and Abuses of ‘Neoliberalism’ - Dissent Magazine,” *Dissent Magazine*, January 23, 2018, <https://www.dissentmagazine.org/article/uses-and-abuses-neoliberalism-debate/>.

<sup>2</sup> *Ibid.*

## **The myth of a free market**

The worship of a free market has always had a concrete and cherished place in American popular consensus, but the existence of a free market is more or less a myth that is a product of both a heritage of liberalism and a forged narrative to pander the liberalism value. The privilege given to the market is indispensable to the emergence of neoliberalism, which, during the years of the Great Depression when government intervention is necessary, leads to a failed reform marked by the change of government priorities from equity and social welfare to reverence of private investment and economic interests<sup>3</sup>.

Housing, as an essential component of American economic citizenship, witnesses a deeply intertwined public-private partnership throughout its history of reform since the New Deal. On the one hand, the US government initiated a new housing market both in the suburbs and urban areas that benefited primarily private interests. Selective credit initiatives, such as the FHA's mortgage insurance programs introduced by the National Housing Act (NHA) in 1934 and the mortgage guarantee programs in the Veterans Administration (VA) in 1944 considerably enriched private lenders and investors by reducing or even eliminating risks in their investments in the suburban housing market<sup>4</sup>. Same story for the urban housing markets, the privatization of the urban renewal program enabled private developers to profit tremendously from the federal aid through programs such as clearance assistance and land write-downs<sup>5</sup>. On the other hand, private businesses formed professional associations and lobbying groups like the National

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<sup>3</sup> David Freund, "Marketing the Free Market: State Intervention and the Politics of Prosperity in Metropolitan America," in *The New Suburban History*, ed. Kevin Kruse and Thomas Sugrue (The University of Chicago Press, 2006), 14.

<sup>4</sup> Ibid, 16-17.

<sup>5</sup> Mary Pattilo, "Race, Poverty, and Neighborhood Planning in Chicago from the New Deal to Neoliberalism," in *Neoliberal Cities: The Remaking of Postwar Urban America*, ed. Andrew Diamond and Thomas Sugrue (New York University Press, 2020), 20, <https://doi.org/10.18574/nyu/9781479827046.003.0004>.

Association of Real Estate Boards that further bend the government policies to their favor<sup>6</sup>.

During this process, through both interest groups and personal ties, private real estate developers successfully insinuated the link between races and property values into the implementation of federal policies, which became the standards for future housing program practices.

During the process of incrementing government support of private interests in public programs, an unspoken consensus in business is formed that the market is a product that needs to be built and protected by law and policies and whose interests would be endorsed by the government<sup>7</sup>. This government-bred housing market and entangled partnership between the government and businesses contradict the popular belief of the supremacy of the free market. To avoid accusations of heavy state intervention and to garner trust among the public in this new market, the federal government launched a multi-lane, multimillion-dollar PR campaign reaching deep down to community levels that attempted to mask the housing programs as purely managed by the “free market”<sup>8</sup>. Even in the campaign to obscure the public-private tie, the federal government operated on the established channel among private businesses to expand the scope and increase the effectiveness of its promotion<sup>9</sup>.

Besides a rooted tradition of liberalism’s veneration of free markets, the global Cold War can hardly be ignored in the discussion of American economic history post WWII. The Cold War not only codified market values into American ideology, but also contributed to American suburbanization in a different way by the federal government’s deliberate placement of scientific

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<sup>6</sup> Ibid, 20.

<sup>7</sup> Pattilo, “Race, Poverty, and Neighborhood Planning in Chicago from the New Deal to Neoliberalism,” 16.

<sup>8</sup> Freund, “Marketing the Free Market: State Intervention and the Politics of Prosperity in Metropolitan America,” 23.

<sup>9</sup> Ibid, 24.

and military research industry outside of cities<sup>10</sup>, which further breaks down the myth of suburbanization as a product of pure market force involving consumer choice.

From the scrutiny of history during and after the New Deal, it can be seen that neoliberalism took root in America long before the 1980s which people normally associate with neoliberalism. Stemming from liberalism which is the foundational theme of modern Western civilization, neoliberalism can be seen as a twisted form of liberalism that remains its key value – the belief in the superiority of a free market, but undergoes heavy government intervention during the New Deal and WWII that permanently inscribed to it the feature of government role in initiating, supporting and working a “free market”.

### **In face of crisis**

Neoliberalism’s response to fiscal crisis is the policy of austerity which typically includes budget cuts<sup>11</sup> and business-friendly policies<sup>12</sup>, the local implementation of it being the intentional and sometimes selective reduction of public services. As Margaret Thatcher famously put it, “There is no alternative,”<sup>13</sup> it masks the austerity policies as a result of expediency outside the control of policymakers while leaving out the active choice of who to benefit and who will be hurt. While one can argue the link between the emergence of fiscal crises marking some of the bigger ones in New York in 1975 and Detroit in 2013<sup>14</sup> and the shift from “developmental state”

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<sup>10</sup> Margaret O’Mara, “Uncovering the City in the Suburb: Cold War Politics, Scientific Elites, and High-Tech Spaces,” in *The New Suburban History*, ed. Kevin Kruse and Thomas Sugrue (The University of Chicago Press, 2006), 57–79.

<sup>11</sup> Kim Phillips-Fein, “The Politics of Austerity: The Moral Economy in 1970s New York,” in *Neoliberal Cities*, ed. Andrew Diamond and Thomas Sugrue (New York University Press, 2020), 78.

<sup>12</sup> Rodgers, “The Uses and Abuses of ‘Neoliberalism’ - Dissent Magazine.”

<sup>13</sup> Ibid.

<sup>14</sup> Ibid.

to “fiscalist state” during Roosevelt’s New Deal<sup>15</sup>, the policies in response to those crises are nothing short of an exemplary of neoliberalism.

During the 1975 New York fiscal crisis, the consensus among elites formed quickly that the government spending in public services was too generous and they unanimously fixed their targets on budget cuts in the public sector<sup>16</sup>. Fragmented and mainly local-focused public protests and counter-measures paled within this bigger context. Most labor unions for public-sector workers saw no point in fighting back in fear of the actual bankruptcy of the city, resulting in their acquiescence to wage cuts and layoffs and sometimes active participation in the city’s agenda by purchasing city debts<sup>17</sup>. Some local protests, examples of which include the fight to keep Engine Company 212 fire station open and protests for the existence of the City University of New York, gained success or some compromise from the city government, while others like the protests over the preservation of Sydenham Hospital in Harlem—a hospital primarily serves the black communities around it failed completely<sup>18</sup>. Even the successes were decorative and did not reverse the trend of public service shrinkage.

Fiscal logic over social welfare is an inevitable consequence of the priority placed on private interests, as policymakers in cities need to prioritize the interests of private bond holders of cities’ debt. However, far from the lack of choice, which indicates the limited capacity of government in front of market force, the selective and differentiating treatment of government policies towards public and private, and among different classes of people suggests the opposite. First of all, the carrying out of the austerity program induced racial inequality in the process, as

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<sup>15</sup> Freund, “Marketing the Free Market: State Intervention and the Politics of Prosperity in Metropolitan America,” 14.

<sup>16</sup> Phillips-Fein, “The Politics of Austerity: The Moral Economy in 1970s New York,” 80.

<sup>17</sup> *Ibid*, 78–79.

<sup>18</sup> *Ibid*, 86–92.

in the case of Sydenham Hospital<sup>19</sup>. Besides, in place of welfare which was gradually curtailed with austerity policies, the government adopted a measure of punitive actions that enlarged the carceral capacities of the law enforcement institutions<sup>20</sup>. Even though this active choice of punishment over social welfare was also a response to the global Cold War that resulted in the unusual collaboration of military and welfare system<sup>21</sup>, it still indicates the capability of the government to choose its response to crises instead of being forced upon solutions necessitated by the situation.

### **Homeowner as an identity**

Homeownership in America economic history is closely linked with both class and race, both of which dictate who will become a homeowner and who will be denied even the opportunities. Conversely, homeownership transforms urban and suburban landscape and demographics, weaves into the creation of a new class, and forms a new identity of homeowners.

The process of building the new group of people as the homeowners who would later become the bedrock of the American consumer economy<sup>22</sup> was highly unequal. Dating back to the late 19<sup>th</sup> century, private developers had been practicing discriminatory policies based on race in the process of lending and selling homes. The Roland Park Company in Baltimore, as an example, used restrictive covenants that included the restriction of property owned and used by black people and immigrants. Several board members of the company, through personal ties with city officials, managed to use public resources for the company's own infrastructure

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<sup>19</sup> Ibid, 86–92.

<sup>20</sup> Stuart Schrader, "A Carceral Empire: Placing the Political History of U.S. Prisons and Policing in the World," in *Shaped by the State : Toward a New Political History of the Twentieth Century*, ed. Brent Cebul, Lily Geismer, and Mason Williams (The University of Chicago Press, 2019), 289–316.

<sup>21</sup> Schrader, "A Carceral Empire: Placing the Political History of U.S. Prisons and Policing in the World," 298.

<sup>22</sup> Freund, "Marketing the Free Market: State Intervention and the Politics of Prosperity in Metropolitan America," 16.

construction<sup>23</sup>. Meanwhile, the company disseminated discriminatory practices to more companies as the standard of the real estate industry<sup>24</sup>. The insinuation of the link between race and property values into government policies in housing programs happened with the promotion of National Association of the Real Estate Boards (NAREB) during the New Deal<sup>25</sup>, which continued through the VA all the way to 1950<sup>26</sup>, resulting in a massive suburban homeowner class predominately white<sup>27</sup>. The unequal start of the formation of a new class of homeowners not only shaped the suburban landscape but also shaped the spatial distribution of demographics into "semi-segregated" spots, making the emergence of the identity as a homeowner possible and significantly easier.

Even though the process of obtaining homeownership usually involves factors outside of individual control such as race and class, the identity formed around homeownership oftentimes excludes these factors. Homeownership as an economic status, in the context of neoliberalism, is linked to personal endeavor and entrepreneurship, further rejecting a fair redistribution policy that might benefit people and communities in need<sup>28</sup>. In the case of North Kenwood-Oakland neighborhood in Chicago, the black neighborhood which was deprived of access to loans due to the low ratings of their neighborhood in the 1930s and 1940s was denied the opportunities for compensation, and instead was expected to rely on their own community leadership in the

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<sup>23</sup> Paige Glotzer, *How the Suburbs Were Segregated: Developers and the Business of Exclusionary Housing, 1890–1960*, Columbia University Press eBooks (Columbia University Press, 2020), chap. 2, <https://doi.org/10.7312/glot17998>.

<sup>24</sup> Glotzer, *How the Suburbs Were Segregated: Developers and the Business of Exclusionary Housing, 1890–1960*, chap. 0.

<sup>25</sup> Glotzer, *How the Suburbs Were Segregated: Developers and the Business of Exclusionary Housing, 1890–1960*, chap. 5.

<sup>26</sup> Freund, "Marketing the Free Market: State Intervention and the Politics of Prosperity in Metropolitan America," 16-17.

<sup>27</sup> Pattilo, "Race, Poverty, and Neighborhood Planning in Chicago from the New Deal to Neoliberalism," 17.

<sup>28</sup> *Ibid*, 30.

Conservation Area planning from the 1950s to 1980s<sup>29</sup>. An America-initiated program the Alliance of Progress aiming to aid lower-class people in Colombia to obtain homeownership at Ciudad Kennedy tells a similar story. Even though the program failed to provide housing to real lower-class families, the people who got single-family homes with American aid protested when the Colombian government housed poor people around their neighborhood, as they felt their rights as middle class were infringed<sup>30</sup>. Even though one inside and one outside of the United States, the scenario of forming an identity around homeownership that relates to personal qualities and omits government aid or favoritism is strikingly similar.

As homeownership becomes an identification of a worthy group, a word used for exclusion, businesses and government in turn begin to leverage this to their advantage, specifically in the process of gentrification in urban areas. The South End Historical Society based in Boston, in order to stop affordable public housing being built in Boston's South End, started the process of gentrification in the area in the 1960s by rebranding the neighborhood as cultural and artistic via Victorian-style architecture that marked a unique taste and identity belonging only to middle and upper class<sup>31</sup>. Later in the 1990s, to expand the tax base by luring businesses and middle- and upper-class residents into the cities, the city municipality began further fabricating a sense of exclusivity by driving away poor population around the area and investing in a modern and sophisticated look in small businesses along the streets<sup>32</sup>. As the case

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<sup>29</sup> Ibid, 23–30.

<sup>30</sup> Amy Offner, "Homeownership and Social Welfare in the Americas: Ciudad Kennedy as a Midcentury Crossroads," in *Making Cities Global: The Transnational Turn in Urban History*, ed. A.K. Sandoval-Strausz and Nancy Kwak (University of Pennsylvania Press, 2021), 47–70.

<sup>31</sup> Sylvie Tissot, "Is Gentrification the Result of Neoliberalism? The Cultural Making of the Real Estate Market in Boston's South End," in *Neoliberal Cities*, ed. Andrew Diamond and Thomas Sugrue (New York University Press, 2020), 160.

<sup>32</sup> Ibid, 164-166.



in gentrification, homeownership not only becomes a thing where identity can be formed but also a considerable interest group in neoliberal city politics.

### **Conclusion**

From the various examples of the phenomena that neoliberalism ought to describe, one can see the constant role of government in the economic sphere, providing aid and protection to private interests, usually at the expense of the public sector. This paper examines three specific aspects of American economic history starting from 1930s in three different sections, respectively—government-bred and –protected market, the win of private interests over collective good, and the formation of an exclusive identity around economic status. With a term as amorphous as neoliberalism which is still evolving and whose definition is still not determined, the core logic of neoliberalism inheriting from liberalism can be seen from multiple examples, which is the belief and veneration in the central position of private interests in every field. Just as what Daniel Rodgers hopes to achieve by categorizing the representation of neoliberalism into four categories, understanding neoliberalism through the observation of the phenomena it incorporates can avoid the overstretching to the point of annihilating the meaning of the word and thus, point to a breakthrough, through which an alternative might be possible.

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