

Neo-liberalism and neo-slavery

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Low pay and other minimal benefits at work cause some people to be in a state of neo-slavery. They are nominally free individuals and are not the property of others, but their economic standing and power is so limited that they have to work for whatever they can get; and just put up with it. This state of neo-slavery is not accidental, it is the outcome of neo-liberalism, the economic orthodoxy that now dominates the globe. Deregulation of markets, the privatisation of publicly owned assets, the shift in the disproportionate share of income and wealth controlled by a ruling elite, together with burgeoning inequality are all advocated in the name of the free markets as a scientific reality. Neo-liberalism has such a powerful grip that it is rarely discussed by name. These are just the way things are. This paper argues that the supposed inevitability of the neo-liberal agenda is driven more by blind faith than scientific objectivity. As such it is a religion pretending to be a science. Indeed the rampant inequality resulting from the neo-liberal prayer book is counter-productive, because more egalitarian societies are more successful, and are happier places to live.

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Introduction

For much of the immediate post-1945 period, economic, social and political policy was informed by a desire not to make the mistakes of the past. The dominant view was that despite the many gains produced by capitalism, the tendency towards an economic boom followed by an economic slump had to be managed. High levels of unemployment and mass poverty were seen to be both morally undesirable and politically risky. Managed capitalism was the order of the day. But that all came to an end in the late 1970s and early 1980s with the election of politicians in both the USA and the UK who advocated a new common sense that suggested that governments should withdraw from economic management and leave the economy to the workings of the free market.

Although neo-liberalism was rarely called by this name at the time, the idea that government spending has to be kept within the limits of its income seemed to be common sense to most people. While this resulted in cuts in government spending, particularly in welfare and social benefits for the lowest income households, it also advocated tax cuts and the removal of legal obstructions for those deemed to be wealth creators. The result was an increase in inequality, the removal of state-level protections for the poorest, and a growing number of “neo-slaves” who were in effect enslaved by their low incomes and poverty.

This paper reports on a presentation made at the Academy of International Hospitality Research’s annual conference hosted by Stenden University in March 2018. While it was presented in a university in the Netherlands, many of the insights and observations quote actions and experiences in the UK. The author makes no apology for that, because the UK governments – New Labour, Coalition, and Conservative

– have with varying degrees of enthusiasm been adherents to the neo-liberal orthodoxy. My Netherlands hosts have a more egalitarian culture that has protected them, in part, from the rampant individualism of the neo-liberal mantra, but here too the nostrums of the ideology can increasingly be seen at play.

Historical background

To better understand the emergence of neo-liberalism, it is necessary to look back to events caused by financial speculation that took place in the 20th century. In the period after 1918, an economic boom created a period of high growth and almost full employment. However, the period also witnessed massive stock market speculation as individuals made money by investing in public company shares. Increasing demand for shares led to rising prices, and speculators made money by selling shares at prices higher than they themselves had originally paid for them. This “lottery capitalism” meant that speculators made money, not by investing in new production capacity to make more goods for society, but through the buying and selling of shares. Investors assumed that they would continue to make money in a market where share prices continued to rise.

Shares ultimately reach a price that way outstrips the value of the assets that they own, and a wave of share selling commences. Savvy shareowners may continue to make money via speculation on the downward spiral of prices. However, many investors lose money because the share prices fall and they sell them for less money than they originally paid. Interestingly, the “South Sea Bubble” in 1720 followed a similar path, as share values increased ten-fold in a few weeks, but subsequently collapsed with massive personal losses to many famous people, including the scientist Sir Isaac Newton. He presumably discovered that shares as well as apples can fall?

In the late 1920s, another speculative boom led to the famous “stock market” crash and the ensuing “slump” in the 1930s. Mass unemployment and reduced consumer spending was compounded by government policies based on “austerity” and seeking out “sound money”. “You can’t spend more than you have got”, makes sense on a personal level, indeed Charles Dickens has Mr Micawber making a similar point in *David Copperfield*, but this is a highly questionable philosophy when applied to the management of a whole economy.

After 1945, a new economic and political orthodoxy arose based on the work of John Maynard Keynes. Government intervention to control the more volatile tendencies within capitalist economies included investment in infrastructure to stimulate growth. The policy aims were informed by memories of the destructive and debilitating policies of the late 1920s and the 1930s. In the USA, President Roosevelt’s 1930s “New Deal” took steps to correct for the slump, and this became a post-1945 blueprint for others. High tax rates on upper income levels aimed at reducing inequality and job creation to stimulate the demand for labour via infrastructure investment created full employment and a period of economic growth up until the 1970s. Income that is shifted to the poorest households generates economic growth as these households spend on immediate needs. The Keynesian approach was unfortunately unable to cope with economic disturbance caused by the “oil price crisis” and the massive increase in oil prices, and fell victim to a new orthodoxy promoted by some key right-wing economists and politicians, and the vested interests of the ruling elite.

Neo-liberalism – The empire strikes back

In today’s world, “neo-liberalism” is rarely discussed by name, and this bears witness to its power to establish a view that it is seen as the norm, the way things are, common sense. Yet as has been observed, “Common sense is rarely common or sense”. Indeed neo-liberalism has established a worldview that seems to fly in the face of much human morality – giving to the rich and taking from the poor. Most religions, as custodians of human morals, argue the opposite, and promote charity by the wealthy to the less fortunate. In fact, the economic analysis and policies advocated by neo-liberalism represent a set of assumptions and choices that ultimately meet interests of powerful vested interests. Neo-liberal thinking reflects a push by the ruling elite to reverse the post-war consensus, and to advocate policies that systematically serve the elite’s values and priorities. The empire is striking back.

Although the term neo-liberalism was first used in 1938, the ideology that underpins the economic approach as anti-state and aggressively individualistic really became dominant in the 1980s under the influence of President Ronald Reagan in the USA, and Prime Minister Margaret Thatcher in the UK. But it was also picked up and promoted around the globe by right-wing economic think tanks, and pro-rich political parties. The “greed is good” credo argues that as the rich get richer there is a “trickle-down effect” that benefits the whole society. Gordon Gekko’s famous line in the 1988 film *Wall Street* articulates an enthusiastic part for the ruling elite’s behaviour. Greed is something to celebrate, and not condemn. In the neo-liberal scripture, greed stimulates growth and economic activity that benefits society as a whole.

The work of Fredrick Hayek, *The Road to Serfdom* (1944), and later, Milton Friedman’s *Capitalism and Freedom* (1962), argued that interventions by the state into the workings of the market stifled entrepreneurialism and growth. This in turn had a negative effect on the economy and on societies that followed the Keynesian interventionist model. As a result of the impact of Friedman and others, market regulation and legislation that interfered with the working of the “free market” were rescinded. Tax rates for the super-rich and large companies were slashed. In the UK, the top rate of tax for the rich moved from 90 per cent to 45 per cent; in the USA it fell to 37 per cent. At the same time, welfare benefits have been slashed, and rates of adult and child poverty have increased. Trade unions’ abilities to organise workers and resist impoverishing initiatives have been seriously restricted. Indeed, the 1983 miner’s strike in the UK was a hugely symbolic clash between the workforce and the pro-rich Conservative government of Margaret Thatcher. The full resources of the state were used to defeat the year-long strike by mineworkers.

While these ideas have been influential across the world, the UK has been more aggressively subject to these ideas under Conservative and “New Labour” governments. The USA has also been subject to the incantations of the neo-liberal prayer book. In the UK, the public ownership of many state assets such as energy, water, transport, and other public services were sold off to commercial firms because they were said to be more efficient. In reality, these “must have” services make ideal investment opportunities when public assets are privatised. Demand is maintained, as these services are essential to consumers, and suppliers have almost monopolistic power. The neo-liberal argument that privatisation would make public services more efficient have not been overwhelmingly confirmed over the last few decades. In many cases, consumer charges have risen above the level of inflation, while service quality levels have fallen, and profits levels for private investors have increased, along with bonus packages for CEOs (Equality Trust, 2017).

As levels of support for the poorest in society have dropped, and trade union influence has been restricted, living standards for low-income households have fallen. Cutting back on legislation to protect the most vulnerable in the name of freeing up the market has often hit those in secondary labour market positions the hardest – including many hospitality industry workers. Levels of inequality have risen. This in turn has led to the search for explanations and the need for someone to blame. The scapegoating of ethnic minorities, or migrants, or people of minority religious faiths, taps into the social psychology of “us and them”. Blaming those who appear to be different is a well-trodden path in human affairs. Indeed the recent UK “Brexit” vote, and the election of Donald Trump in the USA, echo the situation of late 1920s Germany leading to the election of the Nazi Party in 1933. In all these case, the same sorts of people were pivotal to the result. Low-income households, under-educated, secondary labour market, non-unionised members of the workforce vote in ways that are looking for someone to blame for their stretched circumstances: the European Union, Mexicans, Jews, or whomsoever. They become an easy target for the simple message: “It is all their fault”, whomsoever the “them” is, and subsequently the victims vote against their own interests because they are distracted by the “blame the stranger/other” game.

Neo-liberalism has been accepted as the new orthodoxy around the world. Economic policies that argue a Mr-Micawber-echoing mantra that “economies must live within their means” have resulted in calls for “austerity” in public spending, particularly for social benefits spending. The payment of social security benefit rates that do not rise in line with inflation, and cutting back on public services in general have been undertaken in the name of making “hard decision during tough times”, because “there is no magic money tree”. At the same time, neo-liberalism has advocated reduced taxes for the super-rich and business corporations. Oxfam’s 2018 report suggests that 82 per cent of global productivity gains in the preceding year had gone to the top one per cent of income earners. It is interesting that the politicians reciting the austerity nostrum that there is “no magic money tree” seem to have an orchard available when it comes to defence spending, involvement in illegal wars, and awarding tax cuts to the richest.

A related and significant strand in the neo-liberal narrative draws together the criticism of the state, and the need to liberate the individual, and opposes high levels of corporate and individual taxation. As was seen earlier, the levels have dropped dramatically since the post-1945 period. Tax avoidance has become the established norm for many of the richest elite. A good example is the Panama Papers that were leaked from Mossack Fonseca, a global firm specialising in advising on tax avoidance. The use of offshore tax havens and various money laundering schemes allowed the world’s richest people to pay minimal levels of taxation in individual countries, and globally. Many members of the ruling elite were shown to be using an array of strategies to avoid paying taxes by nominally shifting their business ownership to tax havens where tax laws were advantageous to them.

In the UK, a vigorously neo-liberal agenda has informed much economic thinking since 2010, though the “New Labour” policy agenda followed much of the same thinking in the preceding thirteen years, because the neo-liberal orthodoxy was well established when they took office in 1997. The result of neo-liberal thinking has witnessed increasing inequality in both income and wealth. The Equality Trust (2018) suggests

that the bottom 10 per cent of households have an average post-tax income of £9 644 per year, the top 10 per cent of households have average income of £83 875 per year, the top 1 per cent of households have an average income of £253 927 per year, and top 0.1% of households have an average income £919 882 per year. The same report suggests that salaries of the chief executive officers of the largest companies reported on the UK stock exchange massively outstripped the pay of public sector workers. The report says the average FTSE 100 chief executive officer was paid 165 times more than a nurse, 140 times more than a teacher, 132 times more than a police office, and 312 times more than a care worker.

Wealth distribution is also unequal. Figure 1 is taken from the UK Office for National Statistics for 2017. According to the official statistics, the top 10 per cent of households have 43.8 per cent of total wealth, while bottom 50 per cent of households hold just 9.9 per cent of total wealth. Further digging into these statistics reveals that the top 1 per cent of households control 20 per cent of wealth, and the top 0.1 per cent of households own 9 per cent of wealth. One in 1 000 households owns therefore almost as much as the bottom 500 per 1 000 households.

The Wealth Tracker Report (Equality Trust, 2017) suggests that 1 000 people own as much 40 per cent of the UK population,¹ and is equivalent to 3 018 853 UK² homes at an average of £218 000 per dwelling. In the year preceding the report, their wealth grew by £82.476 billion, or by £2 615 per second. The top 100 individuals saw their income grow by 17.8 per cent or £157 million per day. The richest 10 people’s income grew £19.832 billion in the year preceding the 2017 report.

Neo-liberal policies have a harmful effect in that they increase inequality and thereby reduce the quality of life of those on low incomes and with limited wealth. Apart from reductions in the “real value” of wages of those on lowest incomes, the “austerity” agenda promoted a Micawber-like living “within your means” mantra that has resulted in a steady removal of spending on public services, together with a programme of privatisation of these services. The safety net that the public sector provided for those who are most vulnerable has become

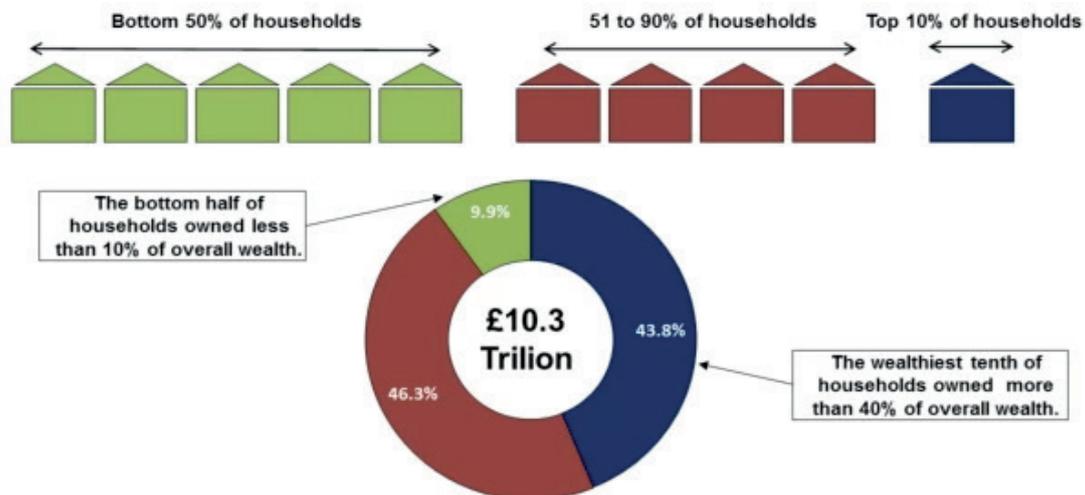


Figure 1: Distribution of total household income (Source: UK Office of National Statistics, 2017)

less secure, and more people are teetering between “just coping” and “not coping”.

Neo-liberalism has produced a state of neo-slavery for many in secondary labour market jobs, similar to those found in some parts of the hospitality industry. 25 per cent of jobs in the hospitality sector are paid at, or below, the minimum wage, and the sector has one of the highest proportions of employees receiving the national minimum wage (re-named the National Living Wage). Furthermore, an estimated four per cent of the workforce (60 000) are illegally being paid below even the level of the legal minimum wage. The full legal minimum pay rate only applies to those who are 25 years and older, yet employees in the sector tend to be younger. Fourth Analytics (Daly, 2017) suggests that 29 per cent of the workforce is under 21 years of age. As of April 2018, there are sliding rates of minimums as shown by Table 1. This states that for almost one in three workers, the legal minimum wage is £5.90 per hour, and for some the legal limit is even less.

The Living Wage Commission defines the rate at which a person can live to a socially agreed standard of living. This includes food, housing, and other essential needs such as clothing. The goal of a living wage is to allow a worker the ability to afford a basic but decent standard of living. The rate was suggested as being £8.75 per hour (Inman, 2016), though it was said to be £10.20 in London. For those workers who are under 21 years of age (29 per cent of the workforce), the legal minimum wage is £2.85 below the Living Wage Commission hourly rate. While industry apologists might argue that many are still residing with their parents, the pay rate allows young workers little freedom to set up on their own.

Neo-slavery, where a supposedly free workforce is weakened by in-work poverty pay rates, reduced trade union power, and secondary labour markets where replacement labour is plentiful for employers, creates a climate of stress and fear, and a culture of compliance and obedience. Technically free employees have few choices, and are forced to accept their lot. With limited income, there are limited savings, and so when emergencies occur, there are few, if any, savings on which to fall back. Traditional sources of finance through banks etc. are typically not available for those with the lowest incomes. Many have to rely on so-called “payday loans” where lenders make loans to the poorest employees, but at interest rates that are punitive. Although there have been some curbs on some of these worst excesses, it is not unusual for payday loans to be offered at over 1 200 per cent. A £100 loan would attract interest of £100 if kept for one month, and the borrower would need to find £200 to pay off both the loan and the interest.

For others, perhaps less on the margins of poverty, neo-liberalism has encouraged high levels of personal debt. Margret Thatcher’s call for a “property-owning democracy”, and the sale of council housing to their tenants, is classic

neo-liberalism where there is a switch in ownership from the state to individuals. People are thereby liberated from the regulation and restrictions of the state. Everyone can aspire to be a homeowner, rather than a tenant. The local state is no longer obliged to provide affordable housing for rental. It all sounds like a win-win situation, but many former tenants who bought their council home found that the mortgage provider was less understanding than their former council when unemployment or other life emergencies occurred. Many subsequently lost their homes and were forced into the private, rental property market. In fact, by 2017, around 40 per cent of former council properties were owned by property companies (Booth & Clark, 2015; Collinson, 2017).

As a further indicator of the linkage between neo-liberalism and poverty, in 2018 there are estimated to be almost 5 000 people sleeping rough on the streets, and this has more than doubled since 2010. The extreme cold weather of the early months of 2018 led to several deaths of people forced to sleep on the streets in one of the richest countries in the world. As a result, 1 182 954 three-day food packs were issued by charities in the UK. The poverty and destitution experienced by many in the neo-slave position are not, as many pro-rich politicians suggest, a by-product of tough times and circumstances beyond control. They are a direct consequence of neo-liberalism and choices that prioritise the needs of the strongest and most powerful at the expense of the weakest and most vulnerable. Since 2010, the UK government has advocated “austerity” as an economic necessity, but in reality it is a weapon of oppression, used to further browbeat and disempower the most vulnerable.

The mantra of “austerity” is accompanied by a shift of income and wealth to the richest. According to Equality Trust (2017), the growth in wealth of the richest 1 000 individuals in the UK for the year preceding 2017 (£82.476 billion) was equivalent to paying 5 143 819 living wage jobs for one year (£82.476 billion),³ the grocery bills for food bank users for 56 years (£81.5 billion),⁴ the energy bills for two and a half years for 25.6 million households (£79.15 billion) and lift 2.38 million households out of fuel poverty (£882 million), buying a house for every rough sleeper (£901.2 million) and paying two years rent for 4.5 million households (£72.1 billion), or paying the full council tax bill for every UK household (£27.6 billion), or paying 68 per cent of the annual budget for the NHS (Equality Trust, 2017).

The removal of support for the poorest and most vulnerable is not just an economic/political choice, shifting income and wealth from the poorest to the richest. It is also motivated by a desire to enslave workers through poverty. Limiting the victims’ ability to fight back produces obedience and compliance in those affected, but it also allows employers to impose employment terms and conditions that suit them best. The hospitality sector, unlike some other sectors in the economy, has an uneven demand for labour. Variations in sales at different times of the day, and across the days of the week and seasons of the year, together with the difficulty of predicting variations in demand levels, have previously resulted in staff being employed but sometimes under-utilised. They were recruited to cover a shift but demand subsequently did not need so many staff members on duty. In more recent times and as a result of neo-liberalism and labour market liberalisation, the “zero-hour contract” has allowed employers

Table 1: Legal pay rates as at 2018 in the UK

Age	Legal minimum (£) per hour
Apprentice	3.70
Under 18	4.20
18–20	5.90
21–24	7.38
25 and over	7.83

to recruit employees without an obligation to give them work and pay. Neo-liberalism represents a considerable shift in power towards employers, and has resulted in growing inequality in the UK and the USA, in particular, and growing inequality is both damaging to social well-being and ultimately counter-productive.

Pickett and Wilkinson’s (2009, p. 26) report suggest that more equal societies almost always out-perform those that are more unequal, “the pernicious effects that inequality has on societies: eroding trust, increasing anxiety and illness, and encouraging excessive consumption”. It shows that for each of the eleven different health and social problems – i.e. physical health, mental health, drug abuse, education, imprisonment, obesity, social mobility, trust and community life, violence, teenage pregnancies, and child well-being – outcomes are significantly worse in more unequal rich countries. Figure 2 compares national levels of income inequality with levels of health and social problems.

The data shows that Japan plus a cluster of Nordic countries and the Netherlands are among the least unequal, and also have the lowest number health and social problems. The USA and the UK, together with Portugal, show higher levels of income inequality, lower life expectancy, lower maths and literacy levels, higher infant mortality rates, homicides, incarceration levels, teen birth rates, obesity levels, and mental illness, together with lower social mobility and trust.

Pickett and Wilkinson’s (2009) report goes on to suggest that if the UK were more equal, the population would be better off. For example, the evidence suggests that if the UK halved inequality,

- murder rates could halve;
- mental illness could reduce by two thirds;
- obesity could halve;
- imprisonment could be reduced by 80%;
- teen births could be reduced by 80%; and
- levels of trust could increase by 85%.

It is interesting to note the shift in orthodoxy by referring back to a quotation from President Eisenhower, who after being the supreme allied commander on the Western front in World War II was the Republican president of the United States between 1952 and 1960. He said in a 1953 news conference, Corporate Tax 90%. Why? Because high corporation tax rates create incentives for big business to spend earning and expand (i.e. new locations, new hiring, new products, research and development) which are deducted from taxable earnings. Thus driving reported wealth into a lower tax bracket. Better spend earnings on expansion than to horde it and pay Uncle Sam 90%. It’s not communism, it’s responsible economics.

The last sentence is particularly insightful because under neo-liberalism such state intervention is stigmatised, because the state is said to be constraining the individual.

Conclusion

Neo-liberalism, as a set of beliefs about the nature of economic life and policies, has established a global orthodoxy, adopted with particular zeal in anglophone countries. Its prescriptions suggesting that the market knows best and that state economic interventions are inefficient and counter-productive have the



Figure 2: Comparing unequal income levels with health and social problems by country

appearance of a scientific theory. Although they have been criticised as a kind of pseudo-common sense, and “a religion posing as a science”. The narrative of neo-liberalism suggested that post-1945 attempts to maintain full employment, heavily tax the wealthy, create a welfare state, and manage capitalism’s tendency towards boom and slump, are ultimately counter-productive. Economic prosperity is dependent on enabling the wealthy to create wealth, and the benefits produced will trickle down to the rest of society.

The rituals of neo-liberalism have resulted in an implementation of policies withdrawing the state from economic intervention, and from owning assets that benefit the collective good. Policies of austerity and “living within your means” are reiterated with a religious fervour that demands compliance by the faithful. Tax cuts for the richest individuals and corporations, together with non-interventionist economic policies, and reductions in the real value of welfare benefits, have resulted in a growth in inequality. The gap between the richest and poorest in the UK, for example, is now approaching a level not seen since the eighteenth century (Equality Trust, 2018).

Many of the lowest paid members of society are in a state of neo-slavery. This means that people are free in name, but are in effect enslaved by poverty and their limited access to pay that affords a reasonable standard of living. Legally established minimum rates of pay have afforded some assistance but these are not at levels that allow a life that is beyond “just coping”. The hospitality sector has a well-deserved reputation for low pay. Indeed, one in four workers is paid rates that are at the legal minimum rate and many more are paid within a few pennies above the legal minimum. Neo-liberal scriptures have resulted in the pay of poorest to slide behind the costs of living (Equality Trust, 2018). In these circumstances, there is a need for more management of capitalism together with objectives that reduce inequality between the richest and the poorest. In the long run, increased inequality leads to undesirable consequences that increase the need for greater public spending caused by the consequences of inadequate pay rates and increased inequality.

Notes

1. ONS Wealth in Great Britain Wave 4: 2012 to 2014. <https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/incomeandwealth/compendium/wealthingreatbritainwave4/2012to2014/chapter2totalwealthwealthingreatbritain2012to2014>
2. House Price Index: Feb 2017: <https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/housepriceindex/feb2017>
3. Salary of UK Living Wage worker on £8.45/hr, assuming a 37.5 hour week and zero pay for bank holidays: £16 034. <http://www.livingwage.org.uk/calculation>
4. Full time employees: average annual pay = £28 813. This does not include NI and pension contributions. ONS Annual Survey of Hours and Earnings 2016, median gross full-time annual earnings <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/datasets/allemployeesashetable1> ^THIS URL IS BROKEN^

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