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Economic Policy and Processes of Neoliberalization

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This paper considers the fiscal and monetary policies pursued during the Obama years. It argues that notwithstanding the early hopes among the president's backers of a radical policy shift, the combined effects of the fiscal and monetary policies that were pursued bolstered the neoliberalization of the U.S. economy. Although fiscal policy was initially expansive, it quickly turned to fiscal consolidation. Such austerity policies rested very largely upon expenditure reductions disproportionately hitting lower-income groupings. In contrast, monetary policy has been expansionary. Yet, while minimal interest rates and quantitative easing may have partially ameliorated the overall impact of the recession, the distributive effects of the fiscal and monetary policy stances that were adopted hastened financialization whilst at the same time creating a particular set of "winners" and "losers". This fuelled inequalities and weakened former solidarities.Thus, whereas the New Deal reforms changed the direction of US politics and restructured and reconfigured the governing regime by laying a basis for the moderation of inequalities, the (albeit limited) socialisation or pooling of risk and the institutionalization of discretionary macroeconomic management, the net effects of the fiscal and monetary policies that have been pursued since 2009 bolstered a regime that was already in place.

Introduction

President Obama's terms of office were in large part defined by the recession of 2008 – 2009 and its prolonged aftermath.[1] Although the National Bureau of Economic Research determined that the recession had formally come to an end in June 2009 and U.S. economic performance was often stronger than that in core European countries, the recovery that followed the recession was slow, uneven and fitful. Indeed, it has been aptly termed the "Great Malaise". There were three quarterly periods of contraction between 2011 and mid-2015 and while unemployment fell, reaching five per cent in November 2015, under-employment remained high. Many withdrew from the labour market. Thus, in 2014, 12 percent of men between the ages of 25 and 54, the peak employment years, were neither in work nor searching for it (Wolf, 2015). Furthermore, even In the first quarter of 2015, the output gap, (the extent to which national output is below full capacity) was an estimated $462 billion (Center on Budget and Policy Priorities, 2015).

[1] The National Bureau of Economic Research later placed the beginning of the recession in December 2007.

This paper considers the fiscal and monetary policies pursued during this period. There had been, in the run-up to the 2008 presidential election and in the wake of the crash, hopes of a radical policy shift. There was a belief that the processes of *neoliberalization* and market excesses that had defined preceding decades would be reined in and checked. Reformers spoke of curbing finance capital, ameliorating inequalities, promoting greater regulation, bringing back fiscal policy activism, and using the powers and resources of government to develop human capital and expand the country's infrastructure.

Over time, it was said, reform would, like the New Deal of the 1930s, prove cumulatively transformative. The process would acquire its own logic. Robert Kuttner, co-editor of *The American Prospect*, emphasised the importance of temporal considerations. He observed that Franklin Roosevelt put forward relatively weak economic ideas in 1932 and early 1933 and that only later his character fused with the demands of the era to create a more radical course once he had taken office: ".. Roosevelt gradually became the man we now think of a *Roosevelt*" (Kuttner, 2008: 43).

Nonetheless, the heady progressive spirit of 2008 and early 2009 came to relatively little. Indeed, this paper argues that notwithstanding the early hopes of progressives, the net effects of the fiscal and monetary policies pursued during the Obama era hastened profoundly different forms of change than those that were widely shared in 2008 - 2009 by accelerating the *neoliberalization* of the U.S. economy. In net terms, and notwithstanding passage of the Patient Protection and Affordable Care Act (2010) that laid a basis for a large-scale expansion of the numbers enrolled in healthcare insurance schemes, economic and social life has for many become increasingly risk-laden and precarious. [2]
The paper begins by surveying the development of fiscal policy as the crisis unfolded and then as expansion gave way to consolidation and "austerity". It turns to consider the increasingly pivotal role played by monetary policy and the use of quantitative easing. Within this context, the paper then draws upon the literature associated with the study of neoliberalism to suggest that, although there is *variegation*, processes of neoliberalization in the US were more pronounced and entrenched as President Obama's period of office drew to a close than they had been when he first entered the White House.

The American Recovery and Reinvestment Act (ARRA)

While the steps that were taken seemed to run counter to the Bush administration's political instincts, measures to address the unfolding economic crisis had already been implemented before Election Day in November 2008. At the beginning of the year a limited fiscal stimulus resting upon tax rebates had been agreed between the White House and Congress. By the Autumn, as Lehman Brothers filed for bankruptcy protection and as both markets and policymakers finally began to grasp the extent to which the banking sector was exposed to the collapse of mortgage-backed securities and derivatives, the

[2] This is not of course an exclusively American story. To a greater or lesser extent, other developed countries embraced "austerity" whilst at the same time loosening monetary policy.There were however some distinctively US features stemming from the institutional character of the American state, the global position of the dollar and the nature of the party system that this paper seeks to identify.

Emergency Economic Stabilization Act which was passed at the beginning of October 2008 extended a lifeline.

Yet, although the "bailout" offered by the Act may have averted the implosion of the banking sector, the crash and the "credit crunch" that followed nonetheless triggered a major recession and the U.S. economy contracted (at an annualised rate) by at least 8.2 per cent during the last three months of 2008 (and by a further 5.4 per in the first quarter of 2009.) [3]

The task of securing a further fiscal stimulus that might begin to match the extent and scale of the recession was left to the incoming administration. A month before the inauguration on January 20th the Obama transition team considered the character that such a stimulus should take. At that point, the Democrats had solid majorities in both chambers of Congress and could draw upon the legitimacy and political capital that they had been bestowed upon them by their election victories. There was also a belief, at least within the transition team, that despite entrenched partisan tensions substantial numbers of Republicans would back a large-scale fiscal initiative.

Given this, the American Recovery and Reinvestment Act (ARRA), that was passed and signed in February 2009 , arguably constituted something of a retreat. Within the transition team, Christina Romer, who was perhaps the most economically radical of those around the President-Elect and went on to serve as Chair of the Council of Economic Advisers, was largely sidelined. The key memo that Lawrence Summers (who had been President Clinton's Treasury Secretary and was to become Director of the National Economic Council in the incoming administration) submitted to Obama in December 2008 scaled back the goals of stimulus policy. He represented the stimulus as simply an "insurance package against catastrophic failure" rather than a means of securing economic recovery and excluded the option of a 1.2 trillion dollar figure that Romer had included as a compromise in place of her belief that the US economy required a 1.8 trillion stimulus so as to close the output gap and secure recovery. Only the 600 billion dollar and 800 billion dollar options were included. The incoming White House Chief-of-Staff, Rahm Emanuel reportedly insisted, "one point two trillion dollars is nonplanetary" (Scheiber, 2012: 31).

The argument for a lower figure solidified once Obama took office. Later accounts suggest that the voices of figures such as Peter Orszag (the incoming Director of the Office of Management and Budget) and Tim Geithner, appointed as Treasury Secretary, who were both concerned about the impact of spending increases on the federal deficit secured much more of a hearing than others (Woodward, 2012: 11). At the same time, it became increasingly evident that despite initial confidence that a stimulus measure would secure an easy passage it would not only be opposed *en bloc* by Republicans but there were also grave misgivings among Blue Dog Democrats, at that time a 52-strong conservative caucus within the party's ranks (Woodward, 2012: 18).

[3] A later estimate, published in July 2011, put together figure at 8.9 per cent (Bureau of Economic Analysis, 2011). The corresponding figure for the Euro area (which included a catastrophic fall in Ireland) was just 2,1 per cent (European Central Bank, 2015).

Thus, in the form that it was finally passed, ARRA was therefore much more limited in character than some, both outside and inside the administration, had hoped. It had four structural deficiencies. First, as noted, although the Act increased the deficit by an estimated $831 billion between 2009 and 2019 it was limited in terms of scale when set against the size of the output gap and the magnitude of the crisis. Second, the scale of federal government spending brought forth by the Act has to be placed within the context of overall levels of government spending. In net terms, ARRA did little more than to compensate for cutbacks in state and local government expenditure: "The response of state and local governments will offset much of the $571 billion stimulus in ARRA for 2009 and 2010, leaving an average of $126 billion a year of government stimulus, less than 0.9 percent of GDP after spending cuts and tax increases are taken into account" (Baker and Deutsch, 2009: 7). Third, the Act's macroeconomic impact may have been limited because tax concessions constituted a substantial part of the overall package. As such concessions tend to be only partially spent, (particularly if there are widespread anxieties about the economic future), the multiplier effects, the extent to which an injection raises overall national output, are inevitably lower in value than if the resources had been assigned to infrastructural projects. As Romer and Bernstein acknowledged in their paper: "Tax cuts, especially temporary ones, and fiscal relief to the states are likely to create fewer jobs than direct increases in government purchases" (Romer and Bernstein, 2009: 2). Fourth, the spending allocated by ARRA was front-loaded and, perhaps inevitably given the assumptions upon which estimates were made in early 2009, failed to allow for the very protracted character of the crisis. The Congressional Budget Office calculated that half the impact of the ARRA would take place in 2010 and more that 90 per cent of its impact would be over by the end of 2011 (Congressional Budget Office, 2012).

Fiscal policy after ARRA

Although these criticisms led some to argue the case for a second or third stimulus package during the months that followed, such initiatives were not politically credible even before the mid-term elections of November took their toll on the Democrats' numbers in Congress. However, although there were no further overt stimulus measures, the Tax Relief, Unemployment Reauthorisation, and Job Creation Act Act passed at the end of 2010 incorporated significant expansionary elements. These included the continuation of the "Bush" tax cuts (even for the highest-income groupings), deductions and tax credits, a one-year reduction in Social Security taxes and the extension of unemployment insurance benefits from six months (plus up to twenty further weeks under the Extended Benefits programme in states with high levels of unemployment) to 99 weeks (Rothstein, 2011, 143 – 144). As Bob Woodward recorded:

> "What was noted only in passing in most news accounts was that the cost was about 900 billion over two years, more than the controversial stimulus bill. It would be funded by increasing the deficit and the national debt by that amount" (Woodward, 2012: 79)

Nonetheless, although these stimulus measures were important in both economic and social terms, it would be a mistake to focus too closely on them or fail to place them within a fuller context. If fiscal policy is considered in overall terms, the Obama years were for the most part structured around a process of deficit *reduction* rather than expansion. Indeed, as *The Economist* recorded in May 2014 and as Table 01 illustrates, US fiscal consolidation proceeded when measured as a share of Gross

Domestic Product (GDP) and in contrast with many other countries at a "breathtaking pace" (*The Economist*, 2014.) [4]

Table 01: United States: general government primary balances, 2007 – 2016 (% of GDP)

2007	2008	2009	2010	2011	2012	2013	2014	2015 *	2016 *
-2	-4,5	-7,6	-7,2	-5,8	-4,5	-2,4	-1,5	-1,1	-1

Source: adapted from Organisation for Economic Cooperation and Development (2015) *Economic Outlook Annex Tables: Annex Table 27. General government financial balances*, http://www.oecd.org/eco/outlook/economicoutlookannextables.htm

Four points should be made about the character of fiscal consolidation. First, although there are methodological challenges in making the claim, there have been suggestions that the US deficit reduction process proceeded at a faster rate than the "austerity" policies pursued by David Cameron's Conservative – Liberal Democrat coalition government in the UK between 2010 and 2015. Certainly, the pace and scale of fiscal consolidation in the US is particularly striking in comparative terms if the 2013 – 2014 period is considered, (see Table 02) (Bourne, 2013).

Table 02: Annual fall in the structural budget deficit: the UK and the US, 2010 – 2014 (% of GDP)

	2010	2011	2012	2013	2014
UK	0,9	2,7	4,3	3,9	4,5
US	0,6	1,6	3,0	6,2	6,0

Source: Ryan Bourne (2013) *Who's done more fiscal consolidation: the US or the UK?*, http://www.cps.org.uk/blog/q/date/2013/09/10/who-s-done-more-fiscal-consolidation-the-us-or-the-uk/

Second, although budget deficits can fall because of "automatic" as well as discretionary processes as increased economic growth rates increase tax revenues, this only provides a small part of the explanation during the Obama years. As has been noted, economic growth was limited and spasmodic. Productivity growth, which had been a defining feature of the 1990s boom and allowed the generation of budget surpluses during the latter half of the decade, remained low (Fernald and Wang, 2015: 1). Instead of being an "automatic" function of an improving economy, US fiscal policy had a largely discretionary character. It was consciously contractionary or to use Fed Chairman Ben Bernanke's much more cautious phrase "quite restrictive" (Bernanke, 2014). Citing the Congressional Budget Office, Bernanke observed that tax increases and spending cuts probably reduced growth in 2013 by around one-and-a-half percentage points. The process of contraction at federal level was then compounded by fiscal tightening at state and local government level (Bernanke, 2014)

[4] Nonetheless, although there was short-run deficit and debt reduction, longer-run projections suggested that, in large part because of the aging of the population (and because interest rates will at some point rise), the federal debt would begin to increase again after 2019 and reach about 78 per cent of GDP by 2025. The International Monetary Fund concluded: "Overall, despite the substantial deficit reduction achieved so far and the legislated savings in the pipeline, U.S. public finances remain on an unsustainable trajectory" (International Monetary Fund, 2015: 41).

Third, budget deficits can be reduced through revenue increases rather than expenditure reductions. During Obama's periods of office, efforts to increase tax rates and other measures that sought to increase revenue were profoundly controversial. However, those that were enacted produced some significant results. In 2013, the Congressional Budget Office (CBO) projected a fifteen percent rise in revenues while at the same time expecting only a three per cent rise in nominal GDP. Some of this came from the ending of the Bush tax cuts (originally scheduled to expire at the end of 2010) for the highest-income earners and enacted through the American Taxpayer Relief Act of 2012, the agreement that resolved the "fiscal cliff" crisis. Then, at the end of 2013, the bipartisan agreement negotiated between House Budget Committee Chairman Paul Ryan and Senator Patty Murray incorporated revenue-raising efforts including, for example, the auctioning of rights to electromagnetic spectrum by the Federal Communications Commission (Pianin, 2013).

This having been said, it should be noted that many of the increases in the tax code disproportionately hit lower-income earners. In January 2013, the temporary two per cent cut in the payroll tax was not included in the agreement that resolved the "fiscal cliff" stand-off between the White House and Congressional Republicans and it therefore expired (Congressional Budget Office, 2013: 2). Thus, while in 2011 and 2012, employees paid only 4.2 per cent of their wages in Social Security contributions, this reverted to 6.2 per cent in 2013 creating a *de facto* net wage cut. Thus, if the effects of the "fiscal cliff" deal between the parties are taken together, the effects were largely regressive as Amy Davidson pointed out in *The New Yorker*:

> "If you have a pre-tax income of $50,000 per year, the fiscal-cliff deal means that you will pay about a thousand dollars more in payroll taxes in 2013. If your income is $111,000, you will pay about two thousand two hundred dollars more. And if you earn a million dollars you will pay—also two thousand two hundred dollars" (Davidson, 2013).

Fourth, although there were these revenue increases, fiscal consolidation rested very largely on expenditure reductions. Much of that cutting was enacted through the budget *sequester*. The sequester was an "automatic" process of reducing the year-to-year increases in budget spending that had originally been envisaged. Created by the 2011 Budget Control Act that had ended the stand-off around the federal government debt ceiling, (the total amount that the government may borrow), the sequester drew equally on defence and non-defence areas of government spending ,

The sequester was initially devised as a deterrent that, as such, would not beacted upon. The Budget Control Act had established a commission (or "super-committee") to produce a bipartisan plan to reduce the federal deficit over a ten-year period. At the same time, however, it also incorporated the budget sequester as an enforcement mechanism that, it was said, would ensure that legislators themselves made the necessary agreements and compromises. Yet, in the event, there was no compromise or agreed solution and, after a short postponement, the budget sequester duly came into force on March 1st 2013.

It was eased at the end of 2013 through a bipartisan agreement reached between Paul Ryan and Patty Murray which gave rise to the Bipartisan Budget Act of 2013. This was a two-year budget agreement

that authorized about $45 billion more in spending for both defence and domestic programmes more than would have been permitted under the sequester. Nonetheless, as the Coalition on Human Needs noted, despite the relaxation brought about by the Ryan-Murray pact, spending on many programmes remained below their Fiscal Year 2010 levels (Coalition on Human Needs, 2014). Furthermore, despite the hopes of some Democrats, the agreement did not include a renewal of Emergency Unemployment Compensation (which expired at the end of December 2013) and fiscal policy remained firmly contractionary. According to the Congressional Budget Office, the agreement would despite the increased demands imposed by an ageing society lead to a reduction in the federal deficit by $85 billion over ten years. It was, in line with other deficit reduction plans and the process more broadly, heavily weighted towards expenditure cuts. It envisaged $78 billion in reductions and $7 billion in new revenues by 2023 (Everett, 2013). [5]

Explaining the turn to consolidation

Why did "fiscal consolidation" proceed at this pace and why was the process of deficit-reduction weighted so heavily towards expenditure reductions rather than revenue increases?

Much of the answer lies in ideational shifts and changing frames and those shifts and frames took shape within given institutional circumstances. Initial fiscal expansion in the wake of the crisis and the passage of ARRA had not only been brought forth by the belief that government spending could alleviate the recession and the Democrats' majorities in Congress but had also been facilitated by the global position of the dollar and the ability of the U.S. to increase deficit and debt levels without fear of provoking market anxieties or triggering exchange rate fears. Major firms, particularly the new technology sector which hoped that it would incorporate broadband expansion, lobbied for a stimulus. Furthermore, the fall in output during the final quarter of 2008 had a dramatic character. At one point it seemed that the entire banking sector might implode. Policymakers, perhaps informed by constructions and representations of the New Deal, were persuaded by the claims of sub-national governments (particularly the cities) that they could quickly offer "shovel-ready jobs. Thus, although the federal government did not have all of the tax levers held by European governments (which could, as in the UK, use national sales taxes as a quick and immediate mechanism for alleviating the drop in consumer expenditure), there was a belief that stimulus funding could have speedy macroeconomic effects.

By 2010, however, representations of both the economy and the capacities of government had changed profoundly. [6] Even before the mid-term elections towards the end of the year, the politics of

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[5] There was a further agreement at the conclusion of John Boehner's tenure as House Speaker in October 2015. The Bipartisan Budget Act boosted spending over and above the levels set by the sequester. Although supporters pointed to planned revenue increases critics of the agreement argued that the rise in spending was only partially offset. It appeared to represent a degree of fiscal relaxation so far as projections suggested that it would increase the deficit by about $500 billion (Herszenhorn, 2015).

[6] Ideas such as these, however, only secure political traction within particular institutional contexts. They are not free-floating and do not depend upon the efforts of ideational entrepreneurs alone. The relatively porous character of the US political system and the erosion of established party organizations, particularly at precinct level, facilitate the mobilisation of well-structured groupings that command substantial resources.

2010 were markedly different to the politics of early 2009. The character of the crisis was reframed and deficit reduction quickly took centre-stage.

Significantly, the changed frame within which the crisis was understood by 2010 was not simply a response to Republican demands. In part, the shift was shaped by very broadly-shared changes in perceptions of the crisis. These extended beyond the U.S and owed much to understandings of the European experience. In its early stages, the crisis had been framed as a banking crisis that in turn had devastating implications for the "real economy". By 2010, however, the recession was increasingly seen as a function of "big government" and a direct consequence of government interventionism and its efforts to buck the market as well as the growth in spending during the years that preceded the advent of the crisis. This appears to have stirred anti-government sentiments. Indeed, there are data suggesting that as a consequence popular backing for government social programmes declined sharply between 2008 and 2010: "Rather than the recession stimulating new public demands for government, Americans gravitated toward lower support for government responsibility for social and economic problems" (Brooks and Manza, 2013:729). [7] Ideational shifts such as this, can in part be attributed to the actions and initiatives of ideational entrepreneurs and brokers. Certainly, such entrepreneurs and brokers (most notably at a global level the International Monetary Fund) were highly visible during this period at both national and international levels. Amongst the Congressional Republicans, Paul Ryan who later became House Speaker established himself as the principal point-man on fiscal issues. His proposals, published in different forms as *The Path to Prosperity*, were structured around large-scale cuts to domestic expenditure. The party quickly moved towards repeated showdowns with the White House. Whereas many past presidents had been able to construct cross-partisan blocs within Congress so as to enact their legislative plans Obama faced a hostile and homogeneous bloc.

Beyond the Washington DC Beltway, the Tea Party movement emerged shortly after Obama's inauguration. Its calls for a return to "constitutional government, its capture of the Republican grassroots, and (to an extent at least) successes in at least temporarily mobilizing swathes of public opinion curtailed further steps that appeared to confirm the "big government" narrative. Through its constituent groups and networks, the movement not only drew upon invocations of American anti-government sentiments but could also point to the impact of government debt on Greece and other European nations as evidence of the fate awaiting the U.S. if it failed to rein in spending. "'Becoming Greece' became a scare story to justify cutting back at home" (Blyth, 2013: 72). Amongst some policymakers and policy advisors there was also a change in perceptions of risk. Whereas the debt – GDP ratios incurred during the pre-crisis years had seemed legitimate at the time given the expectations of growth, they were with hindsight regarded as perilous. In sum, there was a broad consensus that post-crisis long-run debt ratios had to be lower.

Alongside this, constructions of the Clinton years (and some of Obama's most well-placed advisers were White House veterans from that period), suggested that the pace of recovery from the recession at the beginning of the decade owed much to fiscal restraint and the corresponding ability of the

[7] Brooks and Manza attribute this however to prior beliefs, which were largely structured by the effects of partisanship, rather than changing economic variables. ".. population layers defined by their partisan biases responded heterogeneously when exposed to the same conditions, adopting divergent attitude patterns. (Brooks and Manza, 2013: 741).

Federal Reserve to reduce interest rates. [8] There was furthermore a widely-shared understanding that there were long-term pressures on fiscal balances. Even if the deficit was quickly brought down, the crisis had left a legacy of debt that had to be serviced or reduced. And, as has been widely noted, the ageing of the population placed a growing burden on long-run entitlement spending.[9]

Against this background, and although Congressman Paul Ryan's deficit-reduction plans were to play a part in setting the overall agenda, there was also a drive for substantial deficit reduction and expenditure cuts from within the Obama White House. Members of the administration shared the concern that relatively high deficit and debt levels would erode the confidence of international creditors and thus prove economically destabilizing. There was talk of a possible default and fears (which were to be realized) that even if the U.S. met its obligations, its debt would be downgraded by the credit ratings agencies. Republican opposition to tax rises and doubts about whether Congress had the collective capacity or will to enact large scale expenditure cuts added to the growing belief within the White House that a decisive initiative was required if market anxieties were to be assuaged.

Within this setting, as Bob Woodward recorded in *The Price of Politics* and in his articles published by *The Washington Post*, plans for the budget "sequester" emerged. The sequester was, Woodward suggested, the "brainchild" of White House Chief-of-Staff Jack Lew and Rob Nabors, the White House Congressional relations chief who took the idea to the president before reaching out to Harry Reid, then serving as Senate Majority Leader (Woodward, 2013). [10] In their meetings, Vice-President Biden and Treasury Secretary Tim Geithner echoed the call for a sequester if cross-partisan agreement on future expenditure cuts could not be secured. Geithner was among those arguing that a strict enforcement mechanism backed by law would provide political commitments with essential credibility: "we have to have a real trigger" (quoted in Woodward, 2012: 114). He tied this to calls a short-run reduction of deficits to 3 per cent of GDP (at that point the deficit was at about 10 per cent) and sought a goal of securing a primary surplus (a budget surplus that excludes interest payments on existing debt) by 2015 (Woodward, 2012: 113 – 114).

Although there were differences about the form that cuts should take, the belief that deficit and debt levels had to be reduced substantially and that there was a need for an enforcement mechanism if commitments to reduce spending were to be credible therefore stretched across significant parts of the political spectrum. Like Republicans (although it was not an unassailable article of faith) many Democrats also embraced the argument that deficit reduction had to rest very largely upon expenditure cuts. While, as noted above, the Republicans opposed all tax increases as a matter of political principle (asserting that all changes in the tax regime had, at the least, to be revenue-neutral), the administration

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[8] The process of causation is however contested. It could well be argued that during that period economic growth led to a fiscal improvement.

[9] CBP projections suggest that the federal deficit will rise again from 2016 and debt levels will remain high as a proportion of GDP. The CBO warns that this may place long-run growth rates in jeopardy (Congressional Budget Office, 2013),

[10] There were also memories of the Gramm-Rudman-Hollings Balanced Budget and Emergency Deficit Control Act of 1985 which although partially struck down by the US Supreme Court, sought to impose "automatic" cuts if expenditure exceeded specified levels. The Congressional "super-committee" was unable to reach agreement.

nonetheless accepted that tax increases could only provide a limited contribution to the deficit reduction process. Vice-President Biden spoke for many (including, he said, the president) when he committed himself to a three-to-one formula. In other words, four trillion dollars of deficit reduction would be funded by three trillion dollars of expenditure cuts and one trillion of revenue increases (Woodward, 2012: 112).

Partisan consensus and partisan conflict

It has been argued that there was a significant measure of agreement around the need for deficit reduction and that this should be very largely funded through expenditure cuts that the differences between Democrats and Republicans were not as substantial as committed partisans have claimed.

Nonetheless, despite this, there was a succession of embittered partisan showdowns and stand-offs between the White House and the House of Representatives. These included the battles around the "debt ceiling", the "fiscal cliff" and the federal government shutdown in September – October 2013 (which was tied, in part, to a further debt ceiling crisis). Furthermore, efforts to find a broadly-accepted, long-run "fix" or reach a "grand bargain" between the parties so as to address long-run fiscal challenges foundered although accounts suggest that Obama and House Speaker John Boehner came close to agreement (Bai, 2012). The National Commission on Fiscal Responsibility and Reform (headed by former White House Chief-of-Staff Erskine Bowles and Senator Alan Simpson) and the Congressional commission (or "super-committee") charged with producing a bipartisan plan to reduce the deficit over a ten-year period failed to provide a basis for compromise. [11]

How should this seeming paradox between a loosely-defined ideational framework that was widely shared across the partisan divide and the intensely polarised and confrontational politics of the period be explained? Much of the answer lies in the institutional structures that underpin contemporary US politics and the ways in which those holding or seeking public office must answer to relatively narrow groups of activists and primary voters. Morris Fiorina and Matthew Levendusky are among those arguing that there is a divide between the political elites (including activists) and the broader American public. Whereas there is little evidence for polarization among the public, activists and strong party identifiers are intensely committed to partisan causes and take "extreme" positions. Office-holders and those seeking public office must accommodate these identifiers and activists and the views they hold if they are to win primaries or fend off primary challenges (Fiorina and Levendusky, 2006: 70).

Both Democratic and Republican office-holders accepted the logic of fiscal retrenchment but at the same time had to bring their activists and identifiers with them. Grassroots loyalties had to be retained. That having been said, however, candidates and office-holders in the two parties faced different incentive structures. Republicans had to be acutely sensitive to the challenges posed by the Tea Party movement and were compelled to adopt its forms of discourse. Although Tea Partiers are often supportive towards particular entitlement programmes, many framed fiscal issues in terms of constitutional government and the survival of liberty. Their narratives tied fiscal issues, the 2010

[11] The report issued by the Bowles-Simpson Commission did not secure the backing of at least fourteen of its eighteen members and there was therefore no requirement to send it to Congress for consideration.

Affordable Care Act ("Obamacare"), the character of the president and the future of the republic together.

Although they were not as pronounced and politically visible, the Democrats also faced dilemmas. Whereas Democratic supporters rallied around the prospect of higher tax rates for those at the upper-end of the economic scale, and backed cutbacks in military expenditure, relatively few accepted the logic or wisdom of expenditure cuts in other policy areas. [12] indeed, they continued to seek increased levels of expenditure on infrastructure and the nurturing of human capital.

In such a febrile atmosphere, there was inevitably a sense that agreement or compromise would be perceived as a form of betrayal by core activists and supporters. Thus, although the differences between policymakers were relatively limited in character, and there was broad consensus around the principle of fiscal retrenchment, both sides sought to evade responsibility for any form of bipartisan agreement. Republican policymakers attempted to distance themselves from measures that still left major social reforms and "big government" intact while leading Democrats hoped to evade political responsibility for the expenditure cuts that they regarded as in many cases necessary.

Thus, as a device, the budget sequester provided significant political advantages for both Democratic and Republican elites. It enabled them to hold the other responsible for the sequester and the budget reductions that it brought forth. Furthermore, the "automatic" character of the expenditure cuts, the relatively low political visibility of the issue and the potency of the narrative that much government expenditure was wasteful and excessive contributed to ensuring that public attitudes remained largely quiescent. . A Pew Research Center poll conducted in February 2013, just before the sequester came into effect, found that barely a quarter of respondents had heard "a lot" about the impeding cutbacks while 40 per cent of respondents (including about a third of Democrats) believed that the cuts should begin immediately (Pew Research Center, 2013). [13]

Monetary policy and Quantitative Easing

Paradoxically, fiscal contraction has been matched by monetary expansion. Monetary policy is the prerogative of the Federal Reserve System and, in particular, the Federal Open Markets Committee (FOMC). From September 2007 onwards, the FOMC reduced the interest rate (the federal funds target rate), traditionally the principal monetary policy tool, from 5.25 per cent to a range of 0% to 0.25% in mid-December 2008. It remained at that level thereafter until there was a tentative move upwards of 0.25 per cent in December 2015.

It quickly became evident however that "zero lower bound" interest rates were necessary but insufficient. The Federal Reserve turned to quantitative easing (large-scale purchases of securities).

[12] A 2014 Pew Research Center poll suggested that just twelve per cent of Democrats believed that defence expenditure should be increased compared with 37 per cent of Republicans (Drake, 2014).

[13] Although overall political responses to the sequester were muted, there were some voices of protest. The left pointed to the impact of the cuts on the poor (Cook, 2013). Some on the right emphasized the toll that the sequester took upon the armed forces and the failure of sequester to address long-run entitlement spending (Kristol, 2013).

Although the initial launch of quantitative easing (QE) has sometimes been described as a "hail Mary pass", it may also have been an attempt to allow space for the fiscal stimulus and assuage fears that fiscal expansion might have inflationary consequences (Schwartz, 2016: 36).

it quickly secured a logic of its own and the Fed undertook three rounds of QE between 2009 and 2014.[14]

These three rounds rested upon large-scale market purchases by the Federal Reserve of longer-term Treasury bonds, securities issued or guaranteed by government-sponsored agencies such as Fannie Mae and Freddie Mac, (which have long offered a secondary market for mortgages) and other financial assets By 2014 the Fed's balance sheet was $4.5 trillion, a sum five times the figure it had been before the crisis broke. Their size was ".. designed to get markets' attention" (Bernanke, 2015: 420). QE went far beyond, in terms of both scale and duration, the open market operations customarily conducted by the Fed so as to maintain a particular interest rate. It also began at the same time to issue forward policy guidance (by stressing that policy would be expansionary for a long period) so as to guide and structure market expectations.

The Fed had played a pivotal role in earlier periods, but these measures moved it still further centre-stage. The process can be represented in terms of "reactive sequences":

> "Reactive sequences are chains of temporally ordered and causally connected events. These sequences are "reactive" in the sense that each event within the sequence is in part a reaction to temporally antecedent events. Thus, each step in the chain is 'dependent' on prior steps" (Mahoney, 2000: 509).

Thus, credit creation, the Federal Reserve's role in facilitating the purchase of Bear Stearns by JP Morgan Chase, its failure to rescue Lehman Brothers and then, at a later stage, the absence of an expansionary fiscal policy stance established the Fed as the principal actor.

Alongside this chain, particular institutional variables also allowed the Federal Reserve System to come to the fore. Whereas fiscal policy is shaped by the legislative and executive branches of government, the Federal Open Market Committee (FOMC) that sets the federal funds target rate is institutionally separate. Its membership includes the seven members of the Federal Reserve System's Board of Governors who serve fourteen year terms, the president of the Federal Reserve Bank of New York, and (on a rotating basis) four other Reserve Bank presidents. The composition of the FOMC and gives the Fed two defining features. First, by assigning places on the FOMC to the Reserve Bank presidents, there is a direct relationship with the private financial sector. Indeed, as Senator Bernie Sanders pointed out in a *New York Times* op-ed column, four of the twelve Reserve Bank presidents due to serve in 2016 would be former Goldman Sachs executives (Sanders, 2015).

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[14] The third round (QE3), announced in September 2012, was dubbed "QE infinity" because it had an open-ended rather than a time-limited character.

In *The Unsustainable American State*, Lawrence Jacobs and Desmond King have described the porousness of the American state apparatus and the degree to which the state is exposed to penetration by corporate interests (Jacobs and King, 2009: 9). Through its structures which are based upon member banks, the Federal Reserve System and the FOMC show this at its starkest. Furthermore, given the long periods of tenure given to Governors, the Fed is insulated from immediate partisan pressures and thus has a greater degree of policy flexibility than the Treasury.

Opposition to quantitative easing thus remained largely fragmentary, spasmodic and muted. Although there was some resistance to Ben Bernanke's nomination as Fed Chairman for a second term, sustained opposition to Fed policy was for the most part confined to those sections of the right that looked to the Austrian School, most notably Congressman Ron Paul and his supporters. Taken together, these factors facilitated and encouraged the Federal Reserve's embrace of quantitative easing. The Fed largely escaped close political scrutiny and, in contrast to the policies pursued by the Bank of England, the Fed's asset purchases included mortgage-backed securities as well as Treasury bonds. Many on the left thus saw QE as another bank "bailout".

Ideational variables also played a role in shaping the character of US monetary policy although ideas only secure traction in particular institutional circumstances. Widely-shared representations of the Fed stressed its earlier history of being tough on inflation (a policy associated with Paul Volcker's tenure as Chairman) thus allowing it the space for later monetary experimentation. Those who drew upon the history of the 1930s feared deflation, perhaps above all else. The Federal Reserve could also cite the Japanese experience. Japan had zero or near-zero interest rates for most of the period from February 1999 onwards and a number of rounds of QE from March 2001. Beyond this, QE offered the prospect of alleviating the "great malaise" without risking the forms of social change and shifts in the role of government that large-scale fiscal expansion seemed to hold. [15]

"Working in opposite directions"

Thus, for much of the Obama era, the US ran (like many other countries) a contractionary fiscal policy and an expansionary monetary policy. [16] This had macroeconomic consequences. As Federal Reserve Chairman Ben Bernanke rued, this limited the efficacy of overall government policy: ".. with fiscal and monetary policy working in opposite directions, the recovery is weaker than it otherwise would be" (Bernanke, 2014).

Yet, although it was argued that the recovery might have been stronger had fiscal and monetary policy been working in tandem, the Federal Reserve asserted that the application of repeated monetary stimuli through QE prevented deflation and particularly when taken together with forward guidance maintained demand and boosted overall market confidence. QE, it was said, encouraged investors to

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[15] See below, p.000

[16] There were however those who saw the initial moves towards "tapering" as unduly contractionary (Yglesias, 2014).

change the holdings within their portfolios and acquire more corporate bonds, thereby depressing yields and reducing the cost of borrowing for firms (Todd, 2013: 46).

Other commentators are however more critical. They have questioned the extent to which QE affected real economic variables and suggest that, instead, "natural" recovery processes played more of a role. Furthermore, the effects of QE may have been muted by earlier legislation. The Financial Services Regulatory Relief Act of 2006 allowed the Federal Reserve to pay interest on reserves thus returning excess liquidity to the Fed (Stiglitz, 2016). Others have warned of longer-run inflationary hazards of QE and point to the dangers of malinvestment through the portfolio effect. Minimal interest rates and QE ".. caused lenders and investors reach for yield, for example by taking greater risks through lower quality loans with fewer lender protections .." (Feldstein, 2014). In sum, the argument suggests, there are profound market distortions and risk becomes mispriced. Sentiments such as these were not always confined to those on the conservative right who had been influenced by the Austrian school and were at times expressed at senior levels within the Obama Administration. Larry Summers was for example among those arguing that QE would ".. lead private firms to undertake costly, inefficient boondoggles" (Salam, 2013). Alongside these arguments, the search for yield that QE generated may also have led to capital outflows from the US to developing economies. Much of this was directed towards the housing markets in these countries thereby laying a basis for the type of asset bubble that had preceded the financial crisis in the US (Schwartz, 2016: 42).

The concept of neoliberalization

There is however a strong case for taking discussion beyond a simple charting of pros and cons. The impact of a prolonged period of minimal interest rates and QE can also and more usefully be considered by drawing upon the literature, approaches and concepts associated with the study of *neoliberalism*. Within the framework of this literature, neoliberalism or more accurately, processes of *neoliberalization*, have defined the making of economic policy and shaped politics from the late 1980s onwards.

At this stage, some distinctions should be introduced.First, neoliberalism has often been understood, to cite an influential definition, as resting upon ".. liberating individual entrepreneurial freedoms and skills within an institutional framework characterized by strong private property rights, free markets, and free trade" (Harvey, 2005: 2). It is more than a policy paradigm or political ideology. It is also an economic theory and a social imaginary (Evans and Sewell, 2013: 36). Second, both before and after the publication of Michel Foucault's 1979 lectures as *The Birth of Biopolitics*, there has been a stress upon the multiplicity of forms that neoliberalism can take and claims that it constitutes more a reconfiguration of the state than a withdrawal or abdication of the state. From this perspective, although a contrast can be drawn between the constrained markets (or "welfare capitalism") in many western countries during the mid-century years and the processes of privatization and deregulation that took place in the closing decades of the century, neoliberalism should not be represented as the shrinkage of state. Instead, there has been more of a reorientation (Weaver, 2014: 8). Neoliberalization has brought forth an expansion of state boundaries and power both because deregulation has often been followed by processes often-regulation. Third, generalizations about processes of neoliberalization or representations structured around simple policy agendas can be hazardous. There are very significant

differences between neoliberalism's impact in different national and sectoral settings. The impact of neoliberalization has been uneven, subject to contestation and often held back by well-located interests or processes of path dependency. Often, neoliberalism exists in a hybrid form along with institutional arrangements and other ideational orders. New and old exist alongside each other sparking tensions, friction and abrasion. Indeed, the process of American political developments during recent decades can be seen, at least ideationally, as ".. an intercurrent clash of the New Deal liberal, conservative, and neoliberal political orders" (Weaver, 2014: 13).. Neoliberalism is, as Jamie Peck, Nik Theodore and Neil Brenner suggest, not so much a state of being but an ongoing process. It is thus more usefully described in terms of "neoliberalization" (Peck, Theodore and Brenner, 2012: 271).

In sum, neoliberalization is a *variegated* process (Peck, Theodore and Brenner, 2012: 269). Furthermore, whereas it is usual to consider the complementarities and the degree of "fit" between different economic and political processes, there is a case for also considering the gaps, tensions and *dis*complementarities between such processes.

Distributive effects and the bolstering of neoliberalization

Nonetheless, although all these qualifications and caveats have to be entered, broad conclusions can be drawn. While neoliberalization has many other defining features, six (albeit inter-related) processes appear in many of the commentaries on neoliberalization.. Taken together, fiscal consolidation when undertaken in tandem with an expansionary monetary policy bolstered and in some instances accelerated them.

First, neoliberal rationality rests upon an ".. extension of market-based competition and commodification processes into previously relatively insulated realms .." (Peck, Theodore and Brenner, 2012: 268). That extension of the market is tied to the assumptions that underpin supply-side economics. Increased marginal tax rates, supply-side approaches suggest, ,create disincentives that restrict or distort factor supply, deter economic activity and therefore impede growth.

Thus, fiscal consolidation has largely been based upon expenditure reductions rather than revenue increases. The process has inevitably taken a disproportionate toll on the provision of services directed largely towards lower-income groupings. Although some of the expenditure cuts mandated by the sequestration process were modified at an early stage in the wake of lobbying, other programmes were not spared:

> "But programs outside of D.C. for low-income or distressed people -- such as Head Start, Meals on Wheels, or federal unemployment benefits -- have suffered as the cuts kicked in, leading to cancellations, fewer meals, smaller checks, and staff layoffs" (Cook, 2013).

The impact of expenditure reductions was not only felt by program recipients but also by those employed in the public sector. By November 2014, the number of civilian federal government employees had fallen the level it had been in July 1996. Alternatively, if the number of federal employees are considered as a proportion of the total workforce, it was the lowest since the Second

World War (Zumbrun, 2014). The U.S. Postal Service shed 18.3 per cent of its jobs between April 2009 and April 2013. The picture was even bleaker for workers at sub-government level. If education is excluded from the figures, 5.7 per cent of state government employees lost their jobs during the same period.

In all, 835,300 government posts, (taking federal, state and local governments together), were lost during this period (Desilver, 2013). Furthermore, within these totals (and if government employment at federal, state and local level is taken together), there were significant gender and racial differences. Between June 2010 and June 2014, 418,000 women lost their jobs (compared with 268,000 men) (Hartmann, Shaw, and O'Connor, 2014: 6-7). African-Americans also faced substantial challenges. A University of Washington study found that ".. the protective effect public-sector employment has long offered black workers dropped dramatically after the Great Recession, while white workers remained fairly insulated" (Bach, 2015).

Second, income inequality, already the highest in the developed world, continued to rise during Obama's period of office. The Gini index increased from 0,463 in 2007 to 0,476 in 2013 (United States Census Bureau, 2014). [17] Although there are debates about the extent to which this is a direct function of quantitative easing (QE) and shifts in the occupational structure should also be factored in, there is a strong case for arguing that the effects of QE have been marked. By maintaining rates of interest at levels that were negative in real terms, QE encouraged those who were relatively large asset-holders to seek higher yields by purchasing stocks or looking towards the emerging markets. They thereby made significant gains. The Dow Jones Industrial Average rose by almost 80 per cent during the five year period ending in June 2015 (CNNMoney, 2015). [18] Given that only about half of US households hold equities (and large holdings are concentrated amongst a much smaller grouping) they benefited disproportionately.

Third, neoliberalization is widely associated with processes of *financialization*: ".. the shift in gravity of economic activity from production (and even from much of the growing service sector) to finance.." (Foster, 2007). This takes different forms. In some accounts, financialization is represented as the growing economic and political weight of finance capital whilst others point to the interpenetration of finance and industrial capital. [19] It is also tied, in many commentaries, to the speculative excesses and mismanagement of risk that appeared to characterise Wall Street during the period preceding the 2007 crash.

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[17] Much the same can also be said about holdings of wealth. Although higher wealth families experienced larger absolute declines, at least up until 2011, the relative or percentage declines were greater for minorities, the less-educated, and those with less income and lower wealth holdings (Pfeffer, Danziger and Schoeni, 2013: 98).

[18] Although QE and ultra-low interest rates played their part, other factors also contributed to the rise in stock values. There were "natural" processes of recovery after the crash as shares were for a period relatively cheap. There were also inflows of funds from Europe where there often seemed to be greater levels of risk.

[19] The 111th Congress also enacted the Dodd-Frank Wall Street Reform and Consumer Protection Act (2010) which has been represented as a taming of the financial sector in the wake of the crisis. Nonetheless, the lacunae in the Act, many of whjch were a consequence of intense lobbying processes, may have limited its impact.

These financialization processes not only continued but were reinforced and extended during the Obama era. As noted above, the largest banks were bolstered because QE has been structured around capital transfers to them through either market purchases of financial assets (including mortgage-backed securities) or through lending "on the cheap" (Spitznagel, 2012). The banks gained in other ways. Despite, despite the prevailing economic conditions, there was still substantial "spread". US banks were able to charge relatively high rates of interest on the loans that they extended. An estimate suggests that the effective net interest margin increased by 63 basis points between 2007 and 2012 (McKinsey Global Institute, 2013: 17). Indeed, despite the broader economic malaise, bank profits soared. As *The Wall Street Journal* noted: "..U.S. banks posted $40.24 billion in net income during the second quarter, the industry's second-highest profit total in at least 23 years" (Sidel and Chaudhuri, 2014). Against this background, there was further oligopolization. Indeed, the absorption of firms such as Lehman Brothers (as well as the substantial barriers to entry that define the sector) created still larger companies thereby again raising the question of whether such institutions are "too big to fail". At the same time, non-financial firms appear to have added to their financial holdings thus blurring the distinction between finance and "productive" capital still further. They used low interest rates to buy their own stocks. As one commentator noted, the Federal Reserve was watching much of its money ".. flow straight into risk assets and common stocks instead of productive plant and equipment" (Dohmen, 2013). Furthermore, given the low yields offered on many financial assets because of QE, and despite all the collective memories of 2007-2008, there has been a renewed demand for the type of relatively risky assets that triggered the financial crisis. By early 2015, the yield on junk bonds, (those that carry a low credit rating), was about six per cent, an indication that there was substantial demand (Cohan, 2015).

Fourth, financialization has a corollary and neoliberalization has not only boosted finance capital but has also been tied to the expansion of private debt. For many, real earnings have as a result of labour market shifts been stagnant or falling since the 1970s (DeSliver, 2014). At the same time, the globalization of capital flows and financial deregulation facilitated credit expansion to fill the gap between earnings and consumer demand. Thus, if the ratio between household debt and personal income is considered it increased from around 31 per cent in 1952 to 81 per cent in 2000. It peaked in 2008 at about 120 per cent (Garriga, Noeth, and Schlagenhauf, 2015).

The crash was followed by significant deleveraging as credit availability was tightened and households sought to reduce their debt burden. However, real earnings fell in the wake of the recession and only increased slowly from late 2012 onwards. Their sluggishness owed much to fiscal consolidation and the structural weakness of the recovery. Given this, credit and debt levels began to rise again. In 2015, CBS reported that although levels were still below the pre-recession figure, the average household credit card balance was about $7,200, not far below the amount considered unsustainable (Picchi, 2015).

Fifth, neoliberalization has also been defined by a shift in the locus of policy making processes away from the political sphere and towards "technocratic" institutions. Put another way, over recent decades, elected officeholders and partisan politics have, to some degrees and at least in some spheres, been displaced by the qualified expert or the imposition of "rules" that bind office-holders and restrict the range of credible and legitimate policy options. Although the shift towards technocratic forms of

governance has been more visible in some European countries, the pursuit of an expansionary monetary policy and, in the absence of a reflationary fiscal policy, the dependence of the administration upon the actions of the Federal Reserve necessarily increased its leverage and political weight within the state apparatus. Thus the process of recovery and the management of macroeconomic policy was placed at more of a distance from the day-to-day political arena. [20]

Sixth, neoliberalization has been tied to processes of political reconfiguration and in particular the erosion of class-based politics. This has been expressed in the decline of the unions and, in the countries of Europe, the crisis of social democracy and the growth of populist politics (particularly right-leaning populism) (Albo, 2009). Class politics have of course always been relatively muted in the US but nonetheless had a presence in some sectors and regions. Nonetheless, from the 1970s onwards, class was increasingly supplanted by group-based identities based upon for example gender, race, ethnicity or region. At the same time, long-established groupings saw themselves threatened by the the loss of traditional status boundaries, the aggrandizement of the "political class" and demands posed by immigrant newcomers.

These reconfiguration processes accelerated from the time of the crash onwards. From late 2008, quantitative easing had significant distributional effects leading some to "win" while others "lost". Interest rates that were negative in real terms for a prolonged period led those able to pay the transaction costs to shift into property or stocks and shares. There were as a result significant increases in asset prices from which holders gained significantly.From February 2009 onwards, the Dow Jones Industrial Average rose dramatically as share values more than doubled. While residential property prices did not match their 2006 peak, they recovered much of the ground that had been lost in the crash. There were however differences between homeowners. Some, typically those who owed less than 80 per cent of the value of their homes, could refinance and thereby increase their spending on for example cars. Others, who owed more, could not do this. The net effects amplified regional inequalities (Beraja, Hurst, Fuster and Vavra, 2015: 6). Insofar as QE has for the most part maintained a degree of inflation and averted deflation, it has had other differential impacts:

> ".. middle-aged, middle-class households, who tend to have big mortgages, benefit at the expense of wealthy retirees, who have a lot of their savings in bank accounts and bonds. Poor and young households are less affected because they are less likely to own homes and their debt burdens are low" (Doepke, Schneider and Selezneva, 2015: 1).

[20] The shift towards technocratic governance should however be placed in perspective. It took a different and perhaps less overtly neoliberal form in the U.S. to that found in Europe. Whereas the European Central Bank attached overriding importance to price stability, the Federal Reserve continued to respect the "dual mandate" bestowed by the 1946 Employment Act which although falling far short of the language sought by reformers committed the federal government to maximizing employment as well as seeking price stability. Although it was never brought fully into the open, the Fed appeared to embrace the "Evans rule" between 2012 and 2014. First outlined by Chicago Federal Reserve President Charles Evans, the rule ensured that the Federal Open Market Committee would hold interest rates at "zero lower bound" at least until unemployment fell below 6.5 per cent or inflation rose above 2.5 per cent (Irwin, 2012). The Fed's decision to continue with minimal interest rates and QE even when unemployment fell below 6.5 per cent suggests that the reduction of unemployment remains a policy consideration.

Others lost out badly. Those with small savings, facing negative real interest rates and relatively high transaction costs if they sought a higher rate of return, were hit. One estimate suggested that between 2009 and 2014 savers lost $757.9 billion in additional purchasing power (PRWeb, 2014). Some lost out more than others. Although US households are in aggregate net savers (because they hold more interest-bearing assets than debt), there are wide differences between households depending upon demographic factors such as the age profile and income level.

Young people faced distinct challenges. They deleveraged at a more rapid rate than older age-cohorts but had, as a consequence, to cut their consumption levels. The proportion of households headed by an adult younger than 35 carrying credit card debt, from 48 per cent in 2007 to 39 per cent in 2010 (Fry, 2013). At the same time, because interest rates were so low, financial institutions adopted other forms of credit "rationing". Many younger people therefore encountered difficulties securing a mortgage and instead remained in the parental home. Indeed, by 2015, the proportion of women living with their parents had returned to the level that it had been in 1940 (Fry, 2015). Similarly, minorities may also have encountered particular difficulties. In the crash, African American and Latino homeowners faced foreclosure or lost more home equity than white homeowners and would therefore have faced substantial difficulties in regaining a place on the housing ladder (Owens and Cook, 2013: 275).

Some senior citizens were exposed to very much higher levels of economic risk. For decades, retirees had largely depended upon three sources of income: Social Security, employer-based defined benefit pension plans (providing a guaranteed payout in retirement) and individual savings or investments. However, changes were underway from the 1970s onwards. The proportion of those working in the private sector with a employer-based defined benefit pension plan fell from 40 per cent in 1980 to fifteen per cent in 2006 (Lind, Hill, Hiltonsmith and Freedman, 2013: 4). In place of defined-benefit schemes, many have become more dependent upon defined contribution plans such as Individual Retirement Accounts and 401(k)s. Their retirement income is unpredictable and individuals are vulnerable to the uncertainties of the market.

The crash then took a further toll on many seniors. Those holding IRAs or 401(k)s lost an estimated 2.8 trillion dollars in early phases of the crisis (Lind, Hill, Hiltonsmith and Freedman, 2013: 6). Over a quarter of households had to withdraw funds from their retirement accounts as the economic malaise continued (Lind, Hill, Hiltonsmith and Freedman, 2013: 8). At the same time, savings did not keep pace with inflation and despite significant bubbles in some cities and regions in many parts of the country, house prices failed to recover from the crash. Thus many within the older age-cohorts faced severe difficulty and became, in proportionate terms, more dependent upon Social Security. Certainly, attitudinal surveys suggest that there was serious anxiety amongst large numbers of those contemplating retirement and the amount of income that they could then expect to receive (Pew Research Center, 2010: ii).

Many large corporations were however "winners". They could take advantage of minimal interest rates to issue bonds in debt capital markets. Because of their size, they were able to access bank loans at low rates of interest. Many smaller companies however faced significant higher charges for credit or encountered difficulties in securing it. According to the McKinsey Global Institute, low interest rates and

QE provided "a cumulative benefit" of $310 billion between 2007 and 2013. This accounted for just over 20 per cent of the growth in corporate profits during this period (McKinsey Global Institute, 2013: 15).

Reconfiguring politics

There have been, as noted above, processes of political reconfiguration. Many of these processes were long-run and had preceded the financial crisis by several decades but they were nonetheless, through the creation of winners and losers, bolstered by the combined effects of fiscal consolidation and QE.

Having said this, reconfiguration was far from straightforward or a simple function of economic gains and losses. Perceptions and constructions of winning and losing may not always correspond with empirical data. Furthermore, as behavioural economics suggest, individuals regard and experience processes of winning and losing in different ways. The belief that losses are likely or are being imposed may trigger much sharper reactions than the possibility of gains. Nonetheless, although contemporary politics are often described in terms of a clash between "establishment" and the grassroots, they have been characterized by increasingly marked social cleavages as a constellation of different and fragmented groupings jostle with each other amidst fears of losses or perceptions that others, perhaps with less of a claim, have gained illegitimately.

The tensions and strains between different groupings appears to have informed and structured political discourse. The Tea Party movement, the radical right movement that mobilized many grassroots conservatives from early 2009 onwards, can be understood in these terms. Theda Skocpol and Vanessa Williamson have noted the presence of the older generations in the movement and the extent to which inter-generational anxieties and resentments gave the movement traction:

> ".. young people feature prominently in the stories Tea Partiers tell about undeserving freeloaders, and anecdotes about people in their own families sometimes stand in for larger generational tensions" (Skocpol and Williamson, 2012: 72).

There were also "crossover" effects as some of those associated with the Republican right reached out in a bid to secure popular backing to the many "losers" within their natural constituencies. This is not entirely new. There has long been a populist edge to conservatism In recent times, however, this has moved beyond hostility to established political and educational elites as some have lashed out at corporate elites. At the beginning of 2015 Texas Senator Ted Cruz, a 2016 presidential contender and a figure who had been closely tied to the Tea Party movement, spoke in terms more closely associated with the radical left:

> "Those who are doing well are "the top one percent, the millionaires and billionaires the president loves to demagogue … The people who have been hammered for the last six years are working men and women … I chuckle every time I hear Barack Obama or Hillary Clinton talk about income inequality, because it's increased dramatically .." (quoted in Gold, 2015).

There were other reconfigurative consequences as political actors sought out the "losers" and navigated around the cleavages that defined the post-2008 landscape. The early stages of the 2016 presidential campaign suggested that while Republican "outsiders" traditionally perform relatively well during the sixth month period preceding the beginning of the formal nomination process when the first primaries and caucuses are held, they had much more of an enduring impact on the 2016 race. Furthermore, Donald Trump's campaign broke with the radicalism of the Christian right that had defined earlier outsider campaigns within Republican ranks since the 1970s and instead the seemed to have associations with European populism insofar as it sought to protect existing entitlements against newcomers. The exit polls from the South Carolina Republican primary in February 2016 suggested that although Trump's voters did not necessarily regard themselves as "very conservative" they saw immigration as the issue that mattered most (*The New York Times*, 2016).

The reconfigurative effects of macroeconomic policy were compounded by the direct impact of the crisis and its aftermath. In place of collectivist or solidaristic responses, many of those living in localities most severely hit by the recession not only appear to have held the the federal government and organized labour responsible for labour market conditions but were also increasingly distrustful of each other:

> "The strongest effect is the negative effect of county-level poverty on perceptions that others are helpful and fair … In precisely the situations in which social assistance from those in one's local area is needed, people are not as trusting of others and view them as less likely to help" (Owens and Cook, 2013: 296).

Qualifying partisanship

Other conclusions can also be drawn when the character of contemporary macroeconomic policy from 2008 onwards is considered. Policy processes are almost always represented and understood through a partisan prism. Contemporary politics are seemingly defined by the bitter stand-offs between the Obama White House and the Congressional Republicans and the extent to which there is intractable polarisation..

Against this background, the Democrats are often portrayed as a party that is committed to fiscal expansion and willing to embrace the Keynesian paradigm. Having said this, however, the recent history of fiscal and monetary policy suggests that many Democrats, and certainly those in the administration, accepted the overall logic of the "austerity" argument. Although there have been bitter partisan conflicts they have taken place within common ideational territory.

This us event when the history of policy responses is considered. As noted above, accounts suggest that the White House sought to assuage the markets by limiting the size of the fiscal stimulus and it was the administration that first put forward proposals for the budget sequester. Furthermore, the Obama administration acquiesced in the economic argument for the trimming of Social Security and Medicare. It placed the prospect of cuts on the table in the 2011 discussions about a long-run "Grand Bargain" on fiscal policy between the parties. Although House Speaker John Boehner conceded much in the negotiations with the administration, Obama also offered to go a very long way:

> "Obama was risking an insurrection in his own party once the details of their plan became public. For a lot of Democratic lawmakers, even conceding the central Republican point about the debt — that it was the hallmark of unsustainable government spending — was a kind of apostasy" (Bai, 2012).

The inability of Obama and Boehner to secure the "Grand Bargain" was in the end due to Republican intransigence. Boehner could not secure backing from even his closest associates. In contrast, there was confidence that the Democrats (whether in the executive or legislative branches) were much more willing to give political ground:

> "Obama managed to persuade his closest allies to sign off on what he wanted them to do, and Boehner didn't, or couldn't. While Democratic leaders were willing to swallow either a deal with more revenue or a deal with less, Boehner's theoretical counteroffer, which probably reflected what he would have done if empowered to act alone, never even got a hearing from his leadership team" (Bai, 2012).

Conclusion: comparing crises

This paper has argued that when fiscal and monetary policies are surveyed, the neoliberalization processes that were a defining feature of preceding decades accelerated during the Obama years. Inequalities and sectionalism grew thereby displacing the residual effects of class-based politics. Fiscal policy activism was quickly displaced by monetary policy and efforts to re-establish Keynesian approaches to policymaking foundered. The scope and scale of government provision shrunk and deficit reduction was largely secured, because of fears that the private sector would be "crowded out", through expenditure reductions rather than efforts to raise greater revenue. There was greater financialization and at the same time a swing towards more technocratic forms of governance although the process was less pronounced than in some other nations. And, while the process of neoliberalization was variegated in character, significant numbers were exposed to intensified economic risk or at least perceptions of greater risk. Furthermore, there was a broad political consensus around many of the policies and mechanisms that gave rise to these processes.

A contrast can therefore be drawn between the Obama era and the history of the New Deal in the 1930s. Although the policies popularly associated with the New Deal era only emerged over time and were pursued much more unevenly than some histories suggest, the New Deal (and the effects of the Second World War) transformed the nature of the governing regime and inter-class relationships through the bolstering of the labor unions, the adoption of social reform, and the pursuit of contra-cyclical economic management. All of this constituted a political sea-change and laid a basis for the long-run amelioration of inequalities, the reduction of social risk and and crowned the US president as what Clinton Rossiter termed "the manager of the economy".

The history of the fiscal and monetary policies that have been pursued since 2009 have been very different. Instead of transforming they bolstered the pre-existing governing regime. Indeed, they

accelerated rather than tempered many of the economic and political trends that defined that regime. All this happened because processes and logics largely consigned pivotal actors and discretion to the sidelines. This does not however mean that the hopes and aspirations of those actors were invariably frustrated by structural circumstances. Instead, although there were many frustrations, those hopes and aspirations were often so limited in in terms of their economic scope that they made few significant departures from neoliberal orthodoxy and did little to counter, challenge or contest the circumstances in which actors found themselves.

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