

UNDERSTADING NEOLIBERAL POLITICS BY THE MEDIATION OF INSTITUTIONAL ECONOMICS

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Abstract

Neoliberalism, which cannot be described by a certain rule, includes a wide range of perspective. Therefore, it is a highly effective notion in terms of economics and politics. This efficiency has a mutual meaning in socio-cultural area. However, it is obvious that the most effective area of neoliberal politics is economics, because intended efficiency in politics and socio-cultural levels are provided through applicable economics politics. Although it has some certain notions derived from all the economics premises, neoliberalism fundamentally forces financial market orders and thus requires the use of state power systematically.

Institutional economics is the economics stream established by Thorstein Veblen, linking man's nature of society with economics affected by Darwin's ideas of the origins of species. Thus, institutional economics claims that the economics behavior cannot be thought separately from all institutional forms such as social, cultural and politics of the society. So, economics can vary between societies, depending on time and place.

This study focuses on two main premises: Putting forward the relationship between mainstream economics (neoclassical economics) and neoliberal economics politics, and the criticism of institutional economics on this. Firstly, relationship between neoliberalism and mainstream economics will be analyzed, then the nature of institutional economics will be examined especially in terms of the thoughts of its founder Thorstein Veblen and finally relationship between neoliberalism and institutional economics will be discussed. By the mediation of new aspects provided by institutional economics to neoliberal economics politics, the applications of economics can be better maintained, and this can create more fair steps towards economics politics.

Key words: neoliberalism, institutional economics, Thorstein Veblen, neoclassical economics, mainstream economics

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1. INTRODUCTION

Neoliberalism's appearance in our lives as a concept that affects any moment and embraces us has seriously accelerated starting from 1980s. The discussions on the concept and its intervention in every part of life are the results of a range of economic and social events.

All of the economic and social events after 18th century have created two opposite poles: Capitalism and Socialism. The two opposing systems have brought along destructive crises. While socialism collapsed in 1990s, capitalism seriously stumbled with 1929 crisis, and then went through a recovery period thanks to Keynesian economics; but economical problems were seen again in 1960s and 1970s.

Capitalism, which could find a way out from every problematic situation, but created a new problem, saved itself for a while with the new invention called 'neoliberalism'. But it also caused new problems similar to the other cumulative problems.

In this study, the views of Thorstein B. Veblen, founder of Institutional Economics, will be discussed besides the dilemmas of neoliberalism. Institutional Economics firstly appeared in USA as an opposition to the theoretical and practical side of neoclassical economics which started with Marshall Economics. The views included in Institutional economics and Thorstein Veblen has been a source of light for this study. Besides the identity and thoughts of Veblen, the question of '*why did this movement start in USA*' is significant. Situation of USA during Veblen's life formed his sharp views. It can be said that, this is the first movement that opposed to mainstream economics and he is the first one that did this in USA. On the other hand, if Keynesian economics hadn't marked the world just after 1929 crisis, Institutional economics could carry out his mission.

In this study, firstly historical development of neoliberal theory will be shortly examined, its connection with neoclassical economics, which is called mainstream economics, will be discussed and then its connection with Institutional economics will be presented. While doing this, the ideas of Thorstein Veblen, the founder of Institutional Economics, will be used in order to discuss the nature of neoliberal hegemony. By the mediation of new aspects provided by institutional economics to neoliberal economics politics, the applications of economics can be better maintained, and this can take more fair steps towards economics politics.

2. NEOLIBERALISM: NEW, BUT DIFFERENT PRESENTATION OF THE OLD

Although 'liberalism' and 'neoliberalism' are theoretically similar concepts, they express completely different situations. On the other hand, when they are analyzed in terms of history, while liberalism goes back to 17th century, neoliberalism entered community life in 1980s.

"[...] It includes the views defending that individual freedom and social activity can be ensured through private ownership and

functioning of the market, so opposing to state intervention and planning; the views defending liberal approach which sees individual and firm as the basic unit in economic analysis while including the issues of justice in land reform, income inequality, monopolization and full employment according to the process since classic liberalism and classic economics, and accordingly vary in terms of state-economics relations; the views that mostly support liberalization of international trade and globalization.” (Emiroğlu & Danişoğlu & Berberoğlu, 20006: 630, 61).

The basic discussion topic is state-market dilemma. The basic axis of this discussion is state intervention. It can be said that neoliberalism both has a serious distance with state and expects it to come and help when necessary. Especially after 1970s, when the Pandora box of finance capital was opened, the need for state increased. In this process, state was blessed as an actor with the Washington agreement and it was empowered as the operator of reform policies (Demircan, 2010: 205).

“The bases of the fact called globalization were laid in 1648, with the Peace of Westphalia and Bretton Woods Agreements at the end of the 2nd world war.” (İrge, 2005: 59).

Contributions of two significant thinkers to the development of liberal thought are very important: John Locke and Thomas Hobbes.

“In the 17th century, the British philosopher John Locke saw people as free and equal by nature, being opposed the theory that God created humans as subordinate to the monarch. In addition, Locke introduced the concept of natural rights - the right to life, liberty and property that have a foundation which is independent of the laws of any society. [...] John Locke is also important for this analysis because he discussed the distinction between natural and positive rights. As previously mentioned, natural rights are the right to life, liberty and property, and are based on certain moral truths that apply to all individuals, regardless of their background or social conventions. [...]unlike Locke, Hobbes sees human beings as evil by nature, and contrasts the society that is created through the social contract to a state of nature that hinders human development through the lack of security. In such a state, people could not live in a civilized comfort. In Hobbes' theory, the state is given a great importance and obedience to a higher undivided and unlimited authority is supported.” (Stanford Encyclopedia of Philosophy, available on Stanford Encyclopedia of Philosophy: <http://plato.stanford.edu/>; Tatulescu, 2013: 75, 76).

Liberalism has started to be rooted in Enlightenment thought and French Revolution. Namely the above mentioned world is the world of A. Smith, D. Ricardo and D. Hume. This was a period when economics relations were reorganized and a fast entrance to the capitalist world was made. So, a world in which capitalist relations were determined with ideological relations hadn't started yet. But the process when ideological relations started and market mechanism was introduced as the one and irreplaceable world started with neoliberalism.

State's role is the most commonly discussed issue in neoliberalism. Namely, if a state doesn't intervene in any economic event, but take precautions that remove the problems in the functioning of market mechanism, it is a tool that gives any kind of support in order to ensure that market mechanism functions properly while not directly getting involved with organizing economic relations. The difference between

liberalism and neoliberalism's point of view about the tool of state is that, neoliberalism supports the idea that the tool of state is unnecessary for market mechanism which will solve problems when necessary.

“The two fundamental criteria of classical liberalism are individual freedom and efficiency, while the intervention of the public authority in the economic area is almost completely rejected (Iancu, A., Bazele teoriei politicii economice, IRLI & ALL BECK Publishing House, Bucharest, 1998, p. 82-87.) [...] the representatives of this doctrine generally support a form of minimalist state, where the state's powers are limited to certain areas, such as defense and contract enforcement institutions. [...] Representatives of the neoliberal doctrine assign a more important role to the state, because they believe that the existence of market failures justify the need for interventions in the economy, which are encouraged by social pressures and by the specificity of certain goods.” (Tatelescu, 2013: 78, 79).

As can be understood, the point of minimalist state is shared by classical liberalism's economic side with neoliberalism. State has the role of an observer, a referee and watches the course of economic events. But there is one point that shouldn't be ignored. Minimization of the existence of state tool is expected and wanted in economic relations, removing of problems in the market is expected from the state. In other words, in liberalism, state is responsible for education, health, security etc. services but will not intervene in economic relations, but in neoliberalism, besides the same responsibilities, state is necessary for producing some assets or removing problems in the market.

“[...] Neoliberalism takes a quite different view, inspired by similar ideals and aspirations, but heavily influenced both by the example of social liberalism and social democracy in according a more positive role to state institutions, and by the political success of various forms of collectivism - fascist, socialist and communist - in the early and mid-twentieth centuries.” (Gilbert, 2013: 8, 9).

Especially after the destruction of the 2nd World War, social state's development was fast. But when the cost of social state was a significant burden, in 1960s and 1970s, neoliberalism created a solution to this too starting from the beginning of 1980s. State institutions intermingled with social democracy. These institutions continued to meet the demands of society while following a strategy opening the way to capital group economically. Of course the demands of society were met after many cutbacks.

In terms of neoliberal theory, monetarist economics, which was created in 1970s for suggesting solutions to economic problems of the era, was one of the most significant supporters of the endless profit motive of neoliberal hegemony.

“ ‘Monetarism’ expressed the new theoretical and policy trends. [...] The 1970s stand out as a transition decade. In the late 1960s, the first lasting deficits in the balance of trade since the Second World War appeared in the United States. This was obviously related to the ongoing catching up by European countries and Japan. Surplus of dollars was accumulating in the rest of the World and, thus, the threat of conversion into gold was increasing.” (Duménil & Lévy, 2004: 9, 10).

This was a transition period as Keynesian economics couldn't meet the requirements of global capital and there was trade deficit, accumulation of surplus dollar, changing from dollar convertibility to floating rate etc. Difference(s) between

liberalism and neoliberalism can be analyzed by looking at the periods they existed. Although liberalism can go back to old times, it mainly made its mark in 20th century. Neoliberalism, on the other hand, was seriously respected starting from 1980s. Surely if the reasons of results aren't carefully analyzed, cause and effect relation will be missed and definitions will not be correct.

There was "Keynesian model" existed right after the World War and continued until mid 1970s. There were continuous technological developments, increase in purchasing power, and comfort in health services, education services and retirement and low unemployment rates in central countries such as USA, Canada, Europe and Japan. But all of these decreased interest rates after a while and put economic activities into a 'structural' crisis. Neoliberalism, which firstly started in central countries and then exported to other countries, started at this point.

"Today's underdeveloped countries must acquire market-supporting institutions under particularly difficult conditions-in a global competing with already developed countries (North 2004 forthcoming). Globalization also aggravates the difficulties of building strong institutions by making capital flight and brain drain easier. [...]" (Shirley, 2008: 612).

So, we can say that there is an intense connection between neoliberalism and globalization. This close relation is established with arguments such as neoliberal discourse, freedom and strengthening of competition. But in practice, firstly troubles in economic incidents and then reflection of them on social events caused reviewing of this discourse. So, a short definition of neoliberalism can be made:

The distinction between political and economic liberalism as theories is not easy to draw historically. This is why, political and economical factors are tightly intertwined. Political factors can be determined by economical factors as well as economical factors. However one condition is necessary for both of them: liberty.

"[...]The theoretical history of liberalism is composed of political writers who espoused the right to private property as much as rule of law, and political economists who helped solidify liberal individualism as much as market exchange. While more recent writers like John Rawls and Robert Nozick might be easier to distinguish as political liberals from so-called neoliberal scholars like F. A. Hayek and Milton Friedman, I argue that it is best to understand economic and political liberalism as loose and contingent threads of a single theoretical legacy. For example, while it might seem logical to suggest that David Hume, Adam Smith and David Ricardo inaugurated economic liberalism while John Locke, Benjamin Constant and J. S. Mill articulated political liberalism, different historians of liberalism disagree. Richard Bellamy (1992) associates Smith, Herbert Spencer." (Hardin, 2014: 200, 201).

Looking at historically different philosophers, it can be seen that economic liberalism supporters are at one side, while supporters of political liberalism are at the other side. While David Hume, Adam Smith are the supporters of economic liberalism, John Locke, Benjamin constant, J.S. mill are the supporters of political liberalism. Although these thinkers stated different views about economic theory, it can be said that they have a common point. State doesn't intervene in economy for public welfare; market mechanism is the best method for public welfare. Especially when the era of the first generation of thinkers, Adam Smith, David Hume etc., are taken into consideration, it can be said that their views about the economic conditions of the era supported the increase of public welfare. But it is important to know that there were some factors in the background such as unfair distribution of income, illnesses and poverty. Welfare of the increasing public transformed into a crisis after a while and this

brought two world wars. Although the process of recovery right after this era and Keynesian policies ensured prosperity again, increasing interest rates triggered new crises. This situation created the new concept neoliberalism.

The emphasis made by Neoliberalism on the issue of free market is giant companies rather than market. “[...] (‘we are increasingly told to welcome “more market” in our lives but “more market” really means “more giant firms”’) these historians turn to the archives in order to detail the origins of neoliberal thought and the nature of its transition into the mainstream of political life. They share the assumption that neoliberalism’s tenacity cannot be wholly accounted for by either the left’s analysis of class elites nor by the right’s proclamations about the self-evident efficiency of the market itself: they offer instead a reading of its historical development and complexity. Yet what is necessarily left out from this historical approach - an understanding of how neoliberalism migrated into the discourses and mimetic assumptions of everyday culture - is also key to understanding its longevity. [...]” (Marsh & Crosthwaite & Knight, 2013: 209).

So why the concept of market instead of giant companies? Because, although there were many companies at the beginning of 19th and 20th century in all of the production phases, few of them could survive after crises and there was a significant monopolization as these companies purchased other companies after a while. So, in order to minimize possible reactions, the concept of market was used instead of the expression ‘giant companies’. On the other hand, continuance of neoliberalism despite all of the pains caused by it can be explained by the fact that it has some mechanisms for reproducing itself. This mechanism can not be separated from historical conditions and reproduction of production among classes. This mechanism, in which people are surrounded economically and with social networks in every field of life, reproduces neoliberalism. Its continuity originates from the continuity of people’s production relations.

When significant thinkers such as Hayek, Friedman etc., who contributed to the development of the concept of neoliberalism both in terms of intellectual and conceptual levels, are analyzed, it can be said that they suffered from the concepts of 1930s such as Fascism, Communism, socialism or Nazism.

“[...] Built upon the classical liberal ideal of the self-regulating market, neoliberalism comes in several strands and variations. Perhaps the best way to conceptualize neoliberalism is to think of it as three intertwined manifestations: (1) an ideology; (2) a mode of governance; (3) a policy package. [...]” (Steger, 2010: 11). Neoliberalism, imposes itself as an ‘ideology’ instead of a system whose adaptation will be good. Imposing as an ideology requires –not going beyond the limits-, because, ideology, in fact, means bending the truth. So, neoliberalism twists inequalities, unemployment etc. with market impositions as if they are not real. While doing these, “[...] These claims are assembled by codifiers of ideologies to legitimize certain political interests and to defend or challenge dominant power structures. [...]” (Steger, 2010: 11). Shortly, legal basis is the protective shield of neoliberalism. “[...] The ideological claims are laced with references to global economic interdependence rooted in the principles of free-market capitalism: global trade and financial markets, worldwide flows of goods, services, and labor, transnational corporations, offshore financial centers and so on. [...]” (Steger, 2010: 12).

Government style is the second feature of Neoliberalism. “[...] A neoliberal governmentality is rooted in entrepreneurial values such as competitiveness, self-

interest, and decentralization. It celebrates individual empowerment and the devolution of central state power to smaller localized units. Such a neoliberal mode of governance adopts the self-regulating free market as the model for proper government. [...]” (Steger, 2010: 12). Government that is preferred by neoliberal practices is open to competition, contains selfishness and decentralization, because big and strong governing style is the biggest supporter of increasing interest rates of the structure called ‘market’, which is controlled by a few big companies and makes mass production.

Shortly, neoliberalism is a concept that domineers both developed and developing countries, it uses individual and company in main analyses and it often uses concepts like liberation, democracy etc. but in fact it is far from actualizing them completely. Liberalism, which is the origin of it, agrees to the logic of opposing to government intervention. But it doesn’t completely exclude cooperation with state when necessary. Of course all these are the sources of criticisms about neoliberalism.

3. MISCHIEVOUS CRITICISM OF INSTITUTIONAL ECONOMICS NEOLIBERALISM

Homeland of institutional economics is USA. Its founder is the scientist Thorstein Veblen. The reason why this doctrine was born in USA and the reason why Veblen’s original ideas caused serious criticisms about the logic of neoliberal theory are significant; because when the eras they were born are taken into consideration, the question of how can it criticize a thought that occurred half century after, occurs a significant and serious question.

“American economy experienced a very fast development between Civil War and 1st World War. The biggest and strongest economy of the world rose in this country. But this immense economic power wasn’t reflected equally on all of the parts of society. Moreover, it deepened the difference among income groups. Especially living conditions of working class were much under expectations [...] Tax load were mostly on the shoulders of workers, usury was becoming a very common institution. [...]” (Savaş, 2007: 645, 646).

Thorstein Veblen, was born in 1857, as a child of a Norwegian immigrant family in USA. The most significant feature of him was that although he was a citizen of USA, he was strictly connected to his Norwegian origin, had a cold personality, used to read a lot speak little and make seriously harsh criticisms about the society he lived in (Heilbroner, 2013: 186, 215). But most of these criticisms reflected the era with a very realistic view and it can be said that they were early predictions of many problems caused by the neoliberal hegemony of today.

In fact, many concepts developed by Veblen oppose to neoclassical economics which has rooted in 20th century and affected social life. It is a fact that neoliberal hegemony grounds its economic route to neoclassical economics. So, creating counter arguments will help examining neoliberalism better.

During the era of neoliberal hegemony, discussions in the process of state’s capitalist development process were formed in a way that neoclassical economics misses the theory of state. Neoliberal interpretation attempted to remove this deficiency in mainstream economics by developing “a unified theoretical viewpoint for politics and economics” (Von Mises, 1960: 146; Baysinger et. Al. 1980; Alt & Shepsle, 1990; Yalman, 2007: 64).

As is known, the biggest contribution to the development of neoliberal theory was made by Friedrich August von Hayek. While shaping the development of the theory, Hayek opposed to any kind of action that blocks the market. One of these is dealing with the problem of social optimum defining. Preferences of individuals are significant for producing social optimum. If static prosperity criteria are used in order to reach optimal results in general economics, it is necessary to make a reference to the social prosperity function. “Hayek really opposed to the efforts of developing optimal solutions that assume the probability of maximizing total real social income for designing or evaluating economic policies (Barry, 1979: 106, 107).” (Yalman, 2014: 70).

At this point, it is possible to say that there is a dilemma between Veblen and Hayek: When maximization of social income is evaluated in terms of Veblen’s general view about economic events, it may not be possible to put forward it according to the injustice in income distribution among classes; because, when the income gap between rich capital group and working class is taken into consideration, maximization of social income will already be created on a problematic basis. But according to Hayek, attempting to create social optimum on the basis of individuals requires the use of static prosperity criteria. This situation blocks creating correct economic policies.

Institutional economics mentions the institutional dimension of economic behaviors. Neoclassical economics causes losing institutional features by focuses economics to the market and naturalizing it. Removing institutional economics leaves only one institution behind: ‘company’, according to Veblen ‘business’. The problem here is that company is accepts company like individual. If a company can do what an individual can not do, it has an institutional identity and accepting it in a limited scope creates problems (Coase, 1937; Özveren, 2007: 22).

Intensely market oriented logic of neoliberal view can be evaluated at this point. As is known, neoliberal policy’s being market-oriented is a dimension that it took from neoclassical economic policy. Being completely market-oriented pushes individual towards behaving like an individual. Being completely profit-oriented brings along involving state as an observer in order to remove obstacles on the way to make profit.

“Veblen sees state as a discriminatory tool of profit groups that have capital and unions as a discriminatory tool of prominent workers that imitate them (Özveren, 2007: 24).

When we look at the process of neoliberal notion until today, it can be seen that it observes the relation between profit groups that have capital and state with a quite different viewpoint; because, refusal of state’s intervention in economy with liberal thinking has transformed into reducing of state with neoliberal thinking.

But if we carefully observe the formation of state in history, the notion of bourgeoisie, which has a big role in the rise of “nation-state”, deeply affected the relation of state-capital owner. Especially after 18th century, it was expected from the state to open the way of capital owner in every field. This was the basic for “freedom” defended by the ‘liberal’ discourse. Namely, state was accepted as a tool for its benefit and continuity, by capital owner class. In neoliberal age, this self-interest relationship was moved one step forward.

Capital owner groups expected state not to intervene in economic events. But this time, non governmental organizations were organized and they could directly intervene in people’s lives under the title of ‘privatization’. This is why, according to Veblen notion, the relationship between capital owner groups and state functions for the benefit of investors in the age of neoliberalism too.

Political meaning of the concept of liberalism was born with Enlightenment and French revolution. "Liberalism can be defined as a political thinking movement defending individual freedom and emphasizing that individual shouldn't be subject to any higher institution or will beyond its own will. [...] The economical ones among individual freedoms are private ownership and free enterprise. [...] Economic freedom of an individual can not be separated from social and political freedom." When this issue is historically analyzed, it can be said that the crises started with the 1st World War were crowned with 1929 Crisis. In addition to this, the 2nd World War caused additional problems crises all around the world. So, it can be said that historical process that affected viewpoints about the tool of state was partially born at this point. While a person who can critically think about economic liberalism says that the main problem is market principle, there are also some people who play between the thought that all these wars were caused either by the incapable nature of human or incapable state tool that doesn't let market mechanism function properly. Two thinkers, who were born in the same country but defended these two different views can enlighten the basis of this point: Friedrich August Hayek (1889-1992) and Karl Polanyi (1886-1964). "Hayek defends that a disaster occurs as the rules of market heaven were ignored and they were broken through the compromises resulting from the political power of crowds represented by newly emerging mass parties. [...] According to Hayek, any socialist, collectivist ideal can not put the equality and freedom goals into practice. When the objective equalitarianism of the market is left, any community (rank, class, intellectuals, technocracy etc.) will not be able to attain an equalitarianism that can replace it. As a result, the mechanism of society will have to make powerful selections. It will only be resulted with slavery. [...] Polanyi succeeded in presenting that market doesn't follow a natural development process. Polanyi stands against Hayek's dogma of market's indestructible objectivity by showing that the self activating market which was created in XIX. century in historical development was an institution that hadn't existed before and it was deliberately created. [...] Market is a tool that can be manipulated just like planning. But Polanyi doesn't need such a claim. The reason of this is that Polanyi defends that even when the market is left to its fate –in fact, at that point- makes wounds in the organization of human society and the reaction of this unacceptable situation is the determiner of political economic history of XIX century and after." (Eres, 2008: 758, 759).

At this point, it can be seen that there is a logical connection between Veblen and Polanyi despite their differences: "The dilemma of industry-business is one of the original ideas of Veblen. According to him, industry is a physical concept that is basically similar to a productional engineering. Business on the other hand, is a directly profit-oriented capitalist organization style. According to Veblen, the understanding of business subdues the physical production power of industry in line with its goal of profit. It prefers decreasing the use of capacity use, increasing prices, thus disrupts production which is named 'sabotage' by Veblen." (Özveren, 2007: 26).

Polanyi's understanding of market independence and Veblen's industry-business dilemma are the concepts that successfully reflects the nature of neoliberalism; because market's self-organization and the fact that it has no limits caused limited resources' being collected in some specific institutions. This brought capital hegemony. The logic of liberalization of the market in the historical process until today, wasn't created with the idea of increasing competition, which is the argument of mainstream economics. It is created with in order to continue the hegemony of limited capital hegemony. Veblen's point of view about business is in fact, 'profit' greed of market which loses its institutional features. Business yoked the physical production power of industry. This view summarizes neoliberal hegemony with one sentence. Neoliberal hegemony monopolizes the production power, seriously disrupts competition conditions. Shortly, in Veblen's words; a disruption that can be called 'sabotage' is formed.

But in neoliberalism, in case of a market trouble, state helps the market by monetary and fiscal policies and by controlling law of contracts with serious precautions. What we want to point is that, state interventions aren't wanted in neoliberalism, but it has a role of observer, a 'saver' when market faces difficulty.

"These events cannot be assessed independently of the failure of Keynesian policies to stimulate the economy. Keynesianism could not solve the structural crisis of the 1970s. But the neoliberal offensive against alternative models in which state intervention was strong, as in Europe and Japan and many countries of the periphery, was already under way. European 'socialism' rapidly conformed to the rules neoliberalism; these included the framework of international capital mobility and the accompanying macro-policies; the privatisation of public firms and the diminished involvement in the provision of public services; and the favorable attitude towards mergers and acquisitions. However, in Europe, popular resistance conserved much of the framework of social protection. Thus emerged a hybrid social configuration, that of 'social neoliberalism'. [...] One of the primary effects of neoliberalism was the restoration of the income and wealth of the upper fractions of the owners of capital, whose property is expressed in the holding of securities, such as shares, bonds or bills. This confers a financial character to their ownership. Broader segments of the population hold such securities and receive the corresponding income, in particular within their pension funds, as in the United States. Obviously, according to national and, above all, international standards-these intermediary classes enjoy a comparatively favorable situation. This is the neoliberal method of providing retirement benefits. These social groups are led to believe that they are richer, and now part of the capitalist class." (Duménil & Lévy, 2004: 12, 14).

According to industry-business analysis of Veblen, privatizations, especially merging and purchases are about turning all of the public sector into corporation logic. Evolution from state-citizen identity to state(=corporation)-citizen(=client) logic will broaden the power field of neoliberal hegemony. But, for example injustice in the distribution of income, which caused creation of institutional economics in USA at the beginning of 20th century, couldn't be determined with specific lines in Europe. Income gaps gained a 'social' dimension with the understanding of a state that continues public service, and continued as 'social neoliberalism'. So, it is possible to claim that neoliberalism increased inequalities among classes. Although liberalization of markets, which is the basic argument of people who defend neoliberalism, is nothing but hiding the interclass conflicts behind the curtain. While increases in the values of stock certificates, bill of exchange and coupons of individuals create the impression that income level of individuals are increasing, in fact they are nothing but transferring income to the upper classes that monopolize all of them. A financial expansion that is created without relying completely on production is a situation that is expected to create problems.

Predictions of neoliberal world were summarized by Steger as:

"[...] (1) deregulation (of the economy); (2) liberalization (of trade and industry); and (3) privatization (of state-owned enterprises). Related policy measures include massive tax cuts (especially for business and high-income earners); reduction of social services and welfare programs; replacing welfare with 'workfare' use of interest rates by independent central banks to keep inflation in check (even at the risk of increasing unemployment); the downsizing of government; tax heavens for domestic and foreign corporations willing to invest in

designated economic zones; new commercial urban spaces shaped by market imperatives; anti-unionization drives in the name of enhancing productivity and 'labor flexibility'; removal of controls on global financial and trade flows; regional and global integration of national economies; and the creation of new political institutions, think tanks, and practices designed to reproduce the neoliberal paradigm." (Steger, 2010: 14).

As can be seen, hegemony doesn't actualize above mentioned assumptions such as being more equalitarian, fair, etc. and transferring it to lower income classes. Besides affecting developed countries, this will increase injustices in allocation of resources, which are already limited, in developing countries. The first expectations of the citizens of a country are state's meeting requirements in the most basic fields such as health, education, security etc. Cuts in these fields may not take effect in a short time, but will cause many socio-economic problems in the long term. In terms of tax conditions, competition with foreign goods will increase in developing countries and national industry of countries will be disrupted in the long term. One of the most significant points for our topic is the 'flexible labor'. According to Veblen, unions are a group created by prominent workers who imitate capital owner groups. 'Flexible labor' practices will seriously damage unionization besides disappearing of institutional features.

Of course neoliberalism uses an original language in its practices: 'Meritocracy'. Through this language, it reproduces itself and can answer opposing arguments.

"To begin with, the logic of meritocracy assumes that 'talent' or 'intelligence' is inborn from birth: it depends, in other words, on an essentialised conception of intellect and aptitude. It primarily assumes an ability which is inborn and either given the chance or not to 'succeed'. This notion of intelligence is singular and linear. It is in opposition to conceptions of intelligence as multiple and various, which can change and grow in numerous directions." (Littler, 2013: 54).

The golden concepts used by neoliberalism are often heard by individuals and people who want to practice and experience such as freedom, democracy, market, liberalization, adaptation to increasing competition conditions, civil society, market instead of state etc. When we move away from the magical world of concepts and look at the real practices of them, and when the situation is discussed in terms of economy, we see that there are economic events that deeply disturb society such as injustice in income distribution, unemployment, failures in macro equilibriums etc. Besides these, it shouldn't be forgotten that there is a social dimension of these; as a result of all these, value judgments in a society are lost.

'Meritocracy', the language of neoliberalism creates two significant problems. "The second key problem with meritocracy is that it endorses a competitive, linear, hierarchical system in which by definition people must be left behind. The top cannot exist without the bottom. Not everyone can 'rise'. Unrealized talent is therefore both the necessary and structural condition of its existence. [...] The third key problem with the ideology of meritocracy is in the hierarchical ranking of professions and status it endorses. Certain professions are positioned at the 'top', but why they are there - and whether they should be there - tends to be less discussed. Why does a singer or entrepreneur become roles to aspire to above those of a vet or a nurse? Why, as income disparity widens, are celebrity-based professions

rising in ascribed status? Whilst one obvious answer is 'income', these questions are not ones that the contemporary neoliberal logic of meritocracy foregrounds." (Littler, 2013: 54).

All of the discourses like liberalization of markets, increase in the power of non governmental organizations, increase in the mobility of people etc. are a part of showing hierarchical dilemmas as if they don't exist. If a part of society doesn't benefit from the most basic duties of state such as equal education conditions, equal health conditions, and equal security conditions, it will create interclass inequality. So, the discourse of competitive equality was born disabled at the beginning.

This discourse of neoliberalism, based on meritocracy, is similar to Veblen's criticisms about the multitudes suffering from income gaps in USA. There is a world economy, in which workers who try to recover from this situation establish a union, but can not reach the goals they want and imitate the class of capital owners; this world is squeezed between the wheels of neoliberalism.

In order to be freed from this situation, the key of Institutional Economics should be used: Institutionalism. Namely, if neoliberalism really wants situations such as freeing of society on the basis of freedom of individuals and profiting of the whole industry on the basis of one company etc., institutional features of these should be taken into consideration. Instead of being completely based on profit, attention given to institutionalism will ensure social prosperity more.

4. CONCLUSION

Development of capitalism deeply shocked the entire humanity. This process sometimes occurred as Industrialization, sometimes it is experienced with suffocative economic crises. Thoughts if liberal thinking in 18th century shed light to the development of capitalism. But thoughts that are put forward mostly caused destruction in the economic and social dimensions of social life.

Especially the years after the 2nd world war proved the rightness of Keynes once more and a mechanism that was ignored in liberal thinking was added into the approach of economics. The tool of state. Macro equilibriums, which were good at the beginning started to signal in mid 1970s. An old friend was remembered with new arguments: neoliberalism. This new notion containing deregulation, liberalization and privatization practices was started to be practiced in developed and developing countries; although this new notion had given positive results at the beginning, it caused problems and crises in the economic equilibrium of countries in time. 2008 crisis is the most dramatic example of this.

Then, we should seek an answer to the question of “*Is it impossible to remove these destructive effects of neoliberalism?*” One of the best answers to this question can be found in the thoughts of a long forgotten scientist: Thorstein Veblen, the founder of Institutional Economics, will shed light to neoliberalism with some of the concepts he put forward.

In Veblen’s industry-business dilemma, the role of industry is a productive engineering while the role of business is to make direct profit. Neoliberalism will be able to find a way out when businesses remember that they are institutional establishments instead of only pursuing profitability, and when physical production power of them is used for ensuring the best for society instead of only making profit.

Another solution is about changing the language of neoliberalism. It is necessary to develop a more ‘social’ language by pulling away from the ‘individualism’ analysis imposed by neoclassical economics. Every individual is necessary for society as long as there is a fair and equal income distribution in society. Of course, for this, neoliberal hegemony needs to change its viewpoint completely. It looks like this is not possible in today’s conditions. But as all of the experiences economic crises will cause learning lessons, they will bring a more social and relatively fair new viewpoint.

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