

Neoliberalism is often characterized in terms of its belief in sustained economic growth as the means to achieve human progress, its confidence in free markets as the most-efficient allocation of resources, its emphasis on minimal state intervention in economic and social affairs, and its commitment to the freedom of trade and capital. Neoliberalism is contemporarily used to refer to market-oriented reform policies such as "eliminating price controls, deregulating capital markets, lowering trade barriers" and reducing state influence in the economy, especially through privatization and austerity. By the 1970s, however, world economic crisis leading to economic stagnation and increasing public debt prompted some economists to advocate a return to classical liberalism, which in its revived form came to be known as neoliberalism. The intellectual foundations of that revival were primarily the work of F. A. Hayek, Robert Nozick, Milton Friedman etc. Their views were enthusiastically embraced by the major conservative political parties in Britain and the United States, which achieved power with the lengthy administrations of British Prime Minister Margaret Thatcher (1979–90) and U.S. Pres. Ronald Reagan (1981–89). Hayek's book "Road to Serfdom" and Karl Popper's "The Open Society and its Enemies" played an important role in the development of neoliberalism. Milton Friedman (known as "the Chicago School" or "monetarists") made the case not only for a different approach to monetary policy in order to solve stagflation, but also for the idea that many forms of governmental involvement in the economy are in fact harmful. Others, like James Buchanan pioneered a field known as "public choice theory," which made the case to the economics profession that government bureaucrats acted in personal self-interest, not in the public interest, and thus that policy prescriptions should be much more cautious in calling for governmental solutions to economic issues.

During her tenure as Prime Minister, Margaret Thatcher oversaw a number of neoliberal reforms, including tax reduction, exchange rate reform, deregulation, and privatisation. These reforms were continued and supported by her successor John Major. Often identified in the 1980s with the conservative governments of Margaret Thatcher and Ronald Reagan, neoliberalism has more recently been associated with so-called Third Way politics, which seeks a middle ground between the ideologies of the left and right. Reagan also gave emphasis on the monetary reformation and reformation of financial policies.

In the beginning of 1990s, disintegration of Soviet Union as well as the decreasing popularity of communism resulted in the increasing popularity of neo-liberalism and free market economy. Free trade and free market policy gained popularity with the LPG (Liberalisation, Privatisation and Globalisation) policy adopted by western countries.

One of the earliest and most influential turns to neoliberal reform occurred in Chile after an economic crisis in the early 1970s. The crisis led to a backlash against the socialist economic policies of the deposed president Salvador Allende and the rapid implementation of the neoliberal economic proposals promoted by a group of Chilean economists educated under Milton Friedman. Following British and American reform, neoliberal policies were exported abroad, with countries in Latin America, the Asia-Pacific, the Middle East, and even communist China implementing significant neoliberal reform. Additionally, the International Monetary Fund and World Bank encouraged neoliberal reforms in many developing countries by placing reform requirements on loans, in a process known as structural adjustment. India has been implementing neo liberal policy since 1991. Thus the neo liberal ideology gained popularity throughout the world.