

The SAGE Handbook of  
Neoliberalism



Edited by  
Damien Cahill,  
Melinda Cooper,  
Martijn Konings and  
David Primrose



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# Preface: Naming Neoliberalism

**Jamie Peck**

Only rarely, it seems, does neoliberalism actually speak its name. A deeply entrenched and normalized policy paradigm-cum-ideological commonsense, neoliberalism nevertheless remains quite perplexingly elusive. According to some accounts virtually omnipresent, neoliberalism has no fixed address. Some see the malign effects of this free-market credo all over the place; there are others who claim that it is no more than a political apparition, or some figment of the left imagination. Debates around the origins, reach, direction, and ultimate fate of neoliberalism are hardly any less fierce today than they were back in the 1970s and early 1980s, when an identifiable family of context-specific ‘neoliberalisms’ first began to take shape – as concerted state projects and (anti)social programs – in locations like Chile, New Zealand, the United Kingdom, and the United States. Pronouncements of the death of neoliberalism, while in each case misconceived or premature, have been around for more than a quarter-century now too. Meanwhile, the veritable explosion in social-scientific deployments of the term *neoliberalism* has been rather curiously belated – picking up only in the period since the late 1990s, in part through critiques of orthodox globalization narratives, the follies of deregulation, and the failures of structural adjustment, but also paralleling the rise of global justice movements. It should come as no surprise, then, that this rascal signifier remains contested, divisive, controversial, and for some, downright confusing. As a critics’ term, its purchase can seem tenuous and one-sided.

On those rare occasions when some are prepared to ‘come out’ as neoliberals, there are consequently reasons to be grateful – not least because these can serve as navigational coordinates of sorts for those attempting to plot this ceaselessly shifting terrain. The functionally neoliberal *Economist* magazine has, from time to time, contemplated reclaiming the unloved moniker, evidently irked at an almost entirely pejorative (if not derogatory) pattern of usage in the hands of a motley crew of intellectual critics and political foes. Yet the magazine prefers to remain wryly aloof. Not the free-market

comrades at the Adam Smith Institute (ASI), however. Despite being there at the birth of Thatcherism and for decades an arch advocate of privatization and deregulation, the London-based free-market think-tank has only recently decided that it is time to wear the neoliberal badge with pride. 'Nothing has changed about what we believe about the world,' Sam Bowman of ASI has written, '[but] after thinking about it and discussing it among ourselves we decided that this was a clearer label for what we already believe and do.' Here, from the free-market horse's mouth as it were, neoliberalism denotes a positive political-economic posture, one that is:

1. Pro-markets
2. Pro-property rights
3. Pro-growth
4. Individualistic
5. Empirical and open-minded
6. Globalist in outlook
7. Optimistic about the future
8. Focused on changing the world for the better (Bowman, 2016: 1).

As neoliberals loud and proud, the ideational activists at ASI stand resolutely, as one would expect, for low taxes, free trade, competition, choice, and private initiative in the delivery of public services; they are fine with 'some measure of government', just as long as it is 'built on market-based lines'; and they purport to see the world (and their place within it) as clear-thinking and intellectually consistent pragmatists, favoring 'experimentation and evidence' over dogmatism or unbending 'ideological purity' (Bowman, 2016: 1).

While there are evidently some in the class of London intellectuals who have decided that it is time to come out as neoliberals, over in Beijing there have been no less strenuous efforts to ensure that neoliberalism remains firmly in the closet, or at least safely sequestered as an offshore other. In 2013, a leaked edict from the Central Committee of the Chinese Communist Party known as Document 9, which was concerned with 'noteworthy problems related to the current state of the ideological sphere', sought to refine the party line by railing against an externalized version of the 'market omnipotence theory'. Framed as a corrupting Western construction, neoliberalism is portrayed here as a program antithetical to the cause of Sino-

socialism:

Neoliberalism advocates unrestrained economic liberalization, complete privatization, and total marketization and it opposes any kind of interference or regulation by the state. Western countries, led by the United States, carry out their Neoliberal agendas under the guise of 'globalization', visiting catastrophic consequences upon Latin America, the Soviet Union, and Eastern Europe, and have also dragged themselves into the international financial crisis from [which] they have yet to recover. (ChinaFile, 2013: 4–5)

Paradoxically, these demands for ideological purification from the party leadership have coincided with a practical redoubling of pro-market reform efforts under President Xi Jinping, as increasingly restive political conditions have accompanied the faltering slowdown of China's growth model. This prompted Daniel Drezner (2013: 4) to wonder aloud 'how Xi was going to [be able to] reconcile a critique of neoliberalism while pushing ... er ... neoliberal-friendly reforms onto China's economy'.

Another sign, perhaps, of 'problems [in] the ideological sphere' has to be the curious alignment of the Document-9 doctrine of the Chinese Communist Party with the revisionist stance of prominent figures within a visibly splintering Washington consensus, now that a group of senior economists at the International Monetary Fund have broken with their organization's party line, autocritiquing what they now recognize as a proneness to self-deluding 'groupthink' and free-market 'intellectual capture', while daring to question central tenets of the neoliberal policy orthodoxy itself, such as capital-market liberalization and public-sector austerity (IEO-IMF, 2011; Ostry et al., 2016). Confronting the now well-established facts that programs of neoliberalization have wrought rising social inequality, increases in social exclusion, and (even) suppressed rates of economic growth, these IMF economists have been moved to proclaim publicly, if belatedly, that policymakers 'must [now] be guided not by faith, but by evidence of what has worked', even as they acknowledge that their dissenting position remains a minority one within the organs of the Washington consensus (Ostry et al., 2016: 41; see also Donnan, 2016). True indeed, there are many at the IMF, the World Bank, and in

commanding heights who continue to trumpet the supposed benefits of trade liberalization, open borders, and financial integration, more recently in the face of resurgent currents of protectionism, nativism, and nationalism in the United States and in parts of Europe – clearly fearful that the project of free-market globalization is being challenged as never before. Most conspicuously, consensus seems to be in especially short supply in Washington, DC itself, as the Trump administration has ignited a bonfire of regulations at home while threatening to careen into all manner of wars, economic and otherwise, abroad. Once more, some are jumping to the conclusion that this might be a(nother) terminal crisis for neoliberalism, while others believe that they are witnessing an authoritarian course adjustment, an extended legitimacy crisis, or the onset of some otherwise unclassifiable interregnum (see Fraser, 2017). Business as usual, quite clearly, it is not, but the flexible credo of neoliberalism has never been reducible to that.

And so it goes on. The task of placing, parsing, and positioning neoliberalism continues – a task that the contributors to this volume engage with dexterity, perspective, and creativity. They take aim at a still-moving target, one that will not be fixed or easily pegged, but on the other hand still cannot be ignored. In their various ways, the contributors name and confront neoliberalism at a time when some of its longtime advocates are coming out, others seem to be beating a retreat, and still others are striking out in radically new directions. The resulting map of neoliberalization keeps on moving. Pocket guides, we have learned, are inadequate for the task of tracking this always variegated and persistently terraforming process. *The Sage Handbook of Neoliberalism*, in this respect, is both timely and necessary. In these times of confusion in the ideological sphere, who knows who might find a need to consult it?

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# **Introduction: Approaches to Neoliberalism**

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‘Neoliberalism’ is a relatively new (and hotly contested) scholarly term. And yet, as many of its sceptics note, the term has experienced a dramatic inflation in the last five years or so, rapidly migrating from the far corners of critical political economy to colonize disciplines as diverse as cultural studies, anthropology, science and technology studies, and critical public health studies. In turn, this burgeoning literature is now exploring the complex relations between neoliberalism and phenomena from ‘cities to citizenship, sexuality to subjectivity, and development to discourse to name but a few’ (Springer, 2012: 135). This volume is an attempt to represent the diversity of scholarly perspectives on this proliferating concept and to present the ‘state of the art’ in research within the field. In this introductory chapter, we sketch some of the trajectories of scholarly understandings of neoliberalism. We consider the attempts by scholars to come to terms with and make legible this phenomenon, ongoing and emerging debates and differences of interpretation, and the complex implications of the ongoing crisis of neoliberal capitalism for contemporary political processes.

## **The Development of ‘Neoliberalism Studies’**

Alongside its proliferation, the scope of the term has also dramatically fluctuated. Harvey's landmark, *A Brief History of Neoliberalism* (2005), published at a time when the term ‘neoliberalism’ was still fairly exceptional in Anglo-American scholarship at least, used the term to describe an era (the 1970s until today) and an ensemble of regimes and policy styles defined more by their reaction to the Fordist industrial regime of the post-war era than any intrinsic qualities of its own. Harvey's choice of the term ‘neoliberalism’ reflected its widespread political usage among the anti-

capitalist left in the countries of Latin America, parts of sub-Saharan Africa and France (where the term has long been in use on the left). This particular use of the term remains extremely valuable in as much as it reflects a political intervention from the left – a will to name and resist a set of forces that wished to present itself as ineluctable, without alternative, and thus not open to resistance.

Yet, although it is barely more than a decade old, it is remarkable how little historiographical work on neoliberalism was available at the time Harvey was writing. Published a few years later, Mirowski and Plehwe's edited volume, *The Road from Mont-Pèlerin: The Making of the Neoliberal Thought Collective* (2009), opened the way to a more capacious historiographical reading of neoliberalism, since it saw neoliberalism as both an intellectual movement and a political project that was liable to shape-shift as it evolved in response to different times and settings. In this volume, Dieter Plehwe provides an expanded reflection on the notion of the 'neoliberal thought collective', a concept derived from the work of sociologist Karl Mannheim and which he and Mirowski have convincingly leveraged as a way of accounting for both the cohesion and internal differentiation among neoliberal thinkers.

With its close attention to epistemological and historical detail, *The Road from Mont-Pèlerin* can be credited with kick-starting a genre of neoliberal historiography that is in rapid expansion. We now have a much clearer sense of the different schools of thought that shaped the rise of neoliberalism, the different national histories and policy trajectories of these influences, and their migration into transnational spaces of global private law and regulation. We now have stand-alone studies of the Chicago school of neoliberalism, a burgeoning literature on Ordoliberalism and a nascent one on the Virginia school of public choice theory (Maclean, 2017; Stedman Jones, this volume). Historians have begun to explore the influence of the Mont-Pèlerin Society on the making of global order from as far-back as the end of World War II (Slobodian, 2018) to the end of Bretton Woods in the 1970s (Schmelzer, 2010). We also now have a much clearer sense of the political flexibility of neoliberalism with regard to the partisan categories of left and right. The Anglo-American scholarship has long assumed that right-wing political parties were the natural bedfellows of neoliberal reformers in their first entrée

into politics, with third-way variants only emerging in a second phase as a kind of compromise gesture from the social democratic left. This template makes obvious sense when one considers the history of New Labour in the United Kingdom or Clinton's New Democrats in the United States. But it makes much less sense when applied to Australia, France or Italy, where neoliberal reforms were first set in motion by left-wing, trade union-affiliated governments (Prasad, 2006; Humphrys and Cahill, 2016; Massini, 2016). The case of China, of course, represents the most serious challenge to the idea that neoliberalism comes with in-built partisan preferences; the resulting political hybridization between Communism and neoliberalism is masterfully analysed by Isabella Maria Weber in her contribution to this volume.

An unexpected influence on the field of neoliberalism studies came from the posthumous publication of Foucault's lectures at the Collège de France. The appearance in 2008 of the English translation of Foucault's *Birth of Biopolitics* lectures of 1978–1979 revealed that one of the most respected and influential theorists across the humanities and social sciences was also one of the most prescient analysts of neoliberalism. These lectures coincided with the neoliberal turn of the Carter administration and the election of Margaret Thatcher in Great Britain, and preceded the election of Ronald Reagan by one year. Foucault's remarkable intervention focused on two elements of the neoliberal thought collective that have long been marginal to scholarly debates but which have drawn increasing interest in recent years: Ordoliberalism in Europe (rendered more pertinent than ever by the rise of the European Monetary Union and its mismanagement of the Eurozone crisis) and the 'new home economics' of Gary Becker, who was responsible for popularizing the neoliberal theory of human capital (as analysed in Carbone's chapter in this book).

Although excavated from the archives, then, Foucault's contribution to the literature on neoliberalism yielded all kinds of unexpected insights that greatly stimulated the emerging field of neoliberalism studies. Beyond the field itself, however, Foucault's lectures on neoliberalism have also reinvigorated debates within Foucault studies itself, not least the English governmentality school, which had long shunned the word 'neoliberalism' in favour of 'advanced liberalism' and had tended to distance itself from the existing social science literature on neoliberalism. Building on Foucault's

(2007, 2008) genealogy of liberal governance, in which neoliberalism is conceptualized as a particular mode of governmentality, this approach emphasizes the historical materialization and diffusion of a nexus of governmental practices and rationalities seeking to govern individual citizens and populations through a filter of economic incentives rather than direct coercion (Dean, 2010). From this perspective, neoliberal governmentality marks an *epistemic shift* in the manner in which governments interact with and organize the social terrain through an economistic governmental matrix which is, in turn, structured around the presupposition that agents are calculatively rational and receptive to incentives (pecuniary or otherwise) (Read, 2009; see also Madra and Adaman's contribution in this volume). Foucault's lectures have also stimulated a minor literature on the subject of his own alleged proximity to neoliberalism, a literature that not only targets Foucault, but implicitly a whole genre of micropolitical social theory that has thrived in his wake (Behrent, 2009; Zamora and Behrent, 2015). Again, Mitchell Dean (this volume) provides a thorough overview of these debates.

## Debating Neoliberalism

Scholarly analysis of neoliberalism is characterized by several distinct conceptual approaches. Such analyses are typically differentiated according to their broader methodological commitments, as well as by their particular understanding of power and processes of social and economic transformation. Birch (2015) usefully identifies seven distinct approaches to understanding neoliberalism:

1. A Foucauldian approach, which understands neoliberalism as a historically specific form of governmentality (Dean, this volume).
2. A Marxist approach, which focuses on neoliberalism as a hegemonic or class-based project benefiting capital at the expense of labour (Davidson, this volume).
3. An ideational analysis, which views neoliberalism as the product of normative neoliberal doctrines expounded by think-tanks and intellectuals, including Hayek, Friedman, Becker and Buchanan (Schmidt, this volume).
4. A history and philosophy of economics approach, which examines neoliberalism through detailed analysis of the evolution of particular

strands of liberal economic thought and the organizational forms developed to proselytize them (Van Horn and Nik-Khah, this volume).

5. An institutional approach, which takes institutions as the key variables which determine the form that neoliberalism has taken in different locales (Babb and Kentikelinis, this volume).
6. A regulation theory approach, which views neoliberalism as the institutional ensemble which cohered after the economic crisis of the 1970s and which, over time, came to facilitate capital accumulation up to the 'great recession' from 2008 to the present (Jessop, this volume).
7. A geographical approach, which understands neoliberalism as an always emerging and contested process, and focuses on its inherent unevenness and variegation (Peck et al., this volume).

While it is perhaps unsurprising that there is a high degree of incommensurability between these different understandings of neoliberalism (Venugopal, 2015), more noteworthy is that there has been little direct engagement between them. Even critical engagements with alternative conceptions of neoliberalism often proceed by way of caricature. One of the goals of this volume, if not to bring these perspectives into dialogue, is at least to present them side-by-side and allow readers to reflect upon the variegated approaches to understanding neoliberalism. We aim not to present a particular interpretation of neoliberalism, but rather to reflect the breadth of contemporary scholarship on this contested concept. Through the inclusion of a diversity of perspectives on the phenomenon from across the social sciences, this volume seeks to take a step back and avoid adopting the term *ceteris paribus*, instead intending to stimulate deliberation over its properties, applicability and ongoing epistemological utility.

It is only relatively recently that scholars have begun to cast a critical gaze upon the concept of 'neoliberalism' itself (see Cahill and Konings, 2017). This has led some to express dissatisfaction with the descriptor 'neoliberal'. In part, this is due to the lack of agreement among scholars as to the meaning ascribed to 'neoliberal'. Beyond a focus of the increasing salience of markets since the latter decades of the twentieth century, and on the ideas of the small group of intellectuals who, from the mid-twentieth century, sought to rescue capitalism from the rise of economic planning through a critique of both collectivism and *laissez-faire*, there is little commonality among the

competing definitions of neoliberalism (Birch, 2015). The upshot of this is that ‘an extraordinary number of different and often contradictory phenomena have come to be identified as neoliberal’ (Venugopal, 2015: 169). An unfortunate by-product of the proliferation of the term across the social sciences has been that, in many cases, the conceptualization of its effects becomes so totalizing and monolithic that it has progressively been imbued with its own causal properties – ‘that is, it becomes the “it” which does the explaining, rather than the political phenomenon that needs to be explained’ (Phelan, 2007: 328).

Another source of dissatisfaction with the term stems from its circulation within social science and humanities scholarship more generally, that it is ‘an oft-invoked but ill-defined concept’ (Mudge, 2008: 703). Notwithstanding its original deployment by those seeking to shape state power to impose a competitive market order, it is nowadays used almost exclusively by its critics. There is a tendency for neoliberalism to be used as a signifier simply for ‘things we don't like’, or, as Peck (2010: 14) perceptively notes, ‘*neoliberalism* seems often to be used as a sort of stand-in term for the political-economic zeitgeist, as a no-more-than approximate proxy for a specific analysis of the mechanisms or relations of social power, domination, exploitation, or alienation’. Similarly, Boas and Gans-Morse (2009: 138–139) are surely right to argue that ‘neoliberalism is often left undefined in empirical research, even by those who employ it as a key independent or dependent variable ... the term is effectively used in many different ways, such that its appearance in any given article offers little clues as to what it actually means’.

For some, the implication is that the concept needs to be specified more tightly. Yet, for others, the very nature of neoliberalism renders such a task inherently problematic. While Peck (2010: 31) argues that neoliberalism needs ‘to be more than a placeholder term. The word must have content’, he simultaneously recognizes that ‘crisply unambiguous, essentialist definitions of neoliberalism have proved to be incredibly elusive’ (Peck, 2010: 8). For Peck and his authorial collaborators, this difficulty is deeply embedded within the constitutive features of neoliberalism itself, which they view as characterized by ongoing and highly variegated processes of market construction, which in turn generate feedback loops and contradictions,

prompting further responses by policy makers and elites, thus rendering neoliberalism effectively indeterminate as a political project. Indeed, the foregrounding of variation, difference and a critique of ‘master narratives’ of neoliberalism has been a feature of recent scholarship (e.g., Ong, 2006). However, this often leaves unspecified the core around which variation occurs.

Central to the analysis of neoliberalism is the tendency for scholars to define it with reference to neoliberal doctrines. It is not uncommon within the social sciences to label a social system with reference to the normative doctrines to which its adherents allegedly profess allegiance. This is true of socialism, liberalism and Keynesianism as much as it is of neoliberalism. Yet, within the field that might loosely be defined as ‘neoliberalism studies’, this tendency seems to be particularly pronounced. The normative doctrines of Friedman, Hayek and others occupy a central place in most accounts of neoliberalism, even if they are not foregrounded within the analysis. Indeed, this is evident across the range of conceptual frameworks deployed to understand neoliberalism.

However, there remains debate within the literature concerning the ontological import of neoliberal ideas. At one pole of debate is a thesis of ideational causation, in which neoliberal transformations of states and economies are understood as reflecting the normative doctrines of neoliberal theorists, and as being driven by their strategic political mobilizations. One of the most influential, and innovative, examples of this position is Mirowski's (2013: 86) concept of the ‘double truth’ doctrine: ‘namely, an elite would be tutored to understand the deliciously Schmittian necessity of repressing democracy, while the masses would be regaled with a ripping tale of “rolling back the nanny state” and being set “free to choose” – by convening a closed Leninist organization of counter-intellectuals’. Neoliberalism does not entail advocacy of small states and free markets. Rather, according to Mirowski (2013: 68), this is simply the neoliberal thought collective's own ‘exoteric’ propaganda about themselves. While fundamentalist neoliberal intellectuals might publically advocate a withering away of the state, in private, they develop quite a different ‘esoteric’ doctrine – that the state should be used to enforce competition and market rule even if this entails suppressing democracy or expanding the size and scope of government – and this hidden

approach has shaped the course of late-twentieth century history.

At the other pole of debate is a more materialist position, exemplified by Harvey:

We can therefore interpret neoliberalization either as a *utopian* project to realize a theoretical design for the reorganization of international capitalism or as a *political* project to re-establish the conditions for capital accumulation and to restore the power of economic elites. In what follows I shall argue that the second of these objectives has in practice dominated. (Harvey, 2005: 19)

In this approach, neoliberal ideas are understood primarily as discursive frames that legitimize the pursuit of capitalist class interests.

Between these is a range of distinct formulations of the significance of neoliberal ideas which are perhaps best exemplified by Burgin's (2012: 223) conclusion that: 'the relationship between abstract ideas and processes of political change is challenging to represent. The modes of transmission that the [Mont-Pèlerin] society's members employed were varied and diffuse, and public manifestations of their policy ideas always followed processes of mediation and contestation that rendered them irrevocably transformed.' Much of the recent scholarship in neoliberalism studies has been dedicated to illuminating precisely such 'processes of mediation and contestation' as they play out in the policy arena. Important work has been done, for example, on the impact of George Stigler and other Chicago school economists in challenging food and drug regulations and other consumer protections (McGarity, 2013; Nik-Khah, 2014), the impact of the law and economics movement on the legal profession (Teles, 2010), the contribution of the Virginia 'public choice' school to constitutional budget amendments and school choice (Maclean, 2017), and the effects of Chicago school human capital theory on the funding of higher education (Marginson, 1993; Cooper, 2017: 215–258).

The significance of markets to neoliberalism is also a subject of ongoing scholarly debate. Until relatively recently, there was a pronounced tendency



among scholars to interpret neoliberalism as entailing the rise of free markets and the corresponding retreat of the state. This (mis)understanding likely arose from the normative commitment by key neoliberal advocates to free markets, as well as from empirical observation from the 1970s onwards of the roll-back of existing state institutional arrangements and the engagement of private sector firms in the provision of public services through privatization, deregulation and marketization. More recently, this perception has given way to a recognition that the state has played an integral role in constituting neoliberalism. Concurrently, there has been a growing appreciation both of the diversity within neoliberal thought and of the positive role accorded to the state by leading neoliberal intellectuals. Particularly relevant here is the critique mounted by neoliberals in the 1930s and 1940s of *laissez-faire* and the consequent normative vision for a competitive market order constructed and facilitated by states. Indeed, these were among the principal concerns of the first Mont-Pèlerin Society meeting in 1947, which provided the context for the development of a global network of neoliberal think-tanks in the second half of the twentieth century. Certainly, neoliberals such as Hayek called for the devolution of key state functions to private agents. Yet they did not view the state as inimical to freedom, nor to markets. Nonetheless, there remains a pervasive tendency to define neoliberalism with respect to markets (even if most scholars have been disabused of the notion that they are properly characterized as 'free'). Descriptions of neoliberalism as 'market-led' or 'market-based' abound, prompting at least two lines of critique. The first is to question the unit of analysis. A focus on markets, it is argued, obscures the role of the large corporation in both the exercise of political power and in the distribution of economic resources (Crouch, 2011; Birch, 2015). It is on corporations, not markets (at least not as typically conceived), that people (and states) have come increasingly to depend under neoliberalism, and this has been facilitated by neoliberal processes of privatization and deregulation. The second critique of the 'market-led' conception of neoliberalism is to question whether this provides sufficient analytical purchase for delineating neoliberalism from capitalism more generally. If capitalism, as Wood (2002: 134–142) argued, is a system of 'market-dependence', then surely a focus on markets highlights a recurrent feature of the capitalist mode of production rather than something unique to the last four decades?

As editors of this volume, we each have our own distinct understanding of the nature of neoliberalism, and distinct positions within the aforementioned debates. However, criticisms of the concept notwithstanding, each of us views neoliberalism as a useful descriptor of real-world phenomena. While no concept can hope to capture the complexity of actual social processes, the strength of the term 'neoliberalism', to our minds at least, is that it effectively identifies a new set of ideas that rose to prominence across the capitalist world from the 1970s onwards, and a particular set of institutional transformations over the same period which are rendered at least partially legible through an engagement with neoliberal ideas.

## **The Scope for Resistance**

We write the introduction to this volume at a time of transition. With the unexpected victory of Donald Trump in the US presidential elections, the resounding 'no' vote that led to Brexit and the rise of far-right movements around the world—from France, Italy, and Greece to Hungary, Turkey and the Philippines—there is a palpable sense that we are now definitively departing the 'great moderation' of the neoliberal era to enter new and uncharted waters. For anyone who has followed the intellectual convulsions of the past few years, this experience has something of the *déjà vu* about it. After all, many critical thinkers responded to the global financial crisis of 2007/08 by sounding the death knell of neoliberalism. Remarkably, most of these pall-bearers seemed to assume that the anti-capitalist left would be the chief beneficiary of neoliberalism's demise. Over the last few years, this assumption has slowly come undone, and nowhere more painfully than in Greece, where Syriza – one of the most capable and pragmatic of far-left movements in the face of neoliberal austerity – was brutally defeated by the Troika. We have no wish to write off the future and no wish to discount the organizational powers of the left in the years to come, but what is clear in the current conjuncture is that the far right – not the far left – has thus far most clearly benefited from the global crisis of neoliberal capitalism.

As devastating as it has been, the Eurozone crisis has at least had the merit of clarifying the political premises of neoliberal financial order. When the European Central Bank cut off funding to Greek banks a week before the referendum and the European Monetary Union casually overrode the 2015

Greek referendum against austerity, imposing even greater budget cuts than those that the people had voted against, we were reminded that the defence of sovereign creditworthiness – and hence austerity – would always take precedence over the democratic wishes of the people. This truth becomes painfully apparent in moments of crisis, when budget cuts must be enforced against democratic process. Yet, as others have long noted, it is by no means exceptional. Rather, the need to impose a state of ‘permanent fiscal austerity’ on public services (Pierson, 2001) functions as the default setting of neoliberal budget politics, and is present in both moments of crisis and normality (Streeck, 2014).

The response of the Troika to the sovereign debt crisis of the European peripheries has generated a burgeoning literature on the relationship between neoliberalism and democracy, as many question whether there might be some elective affinity between neoliberalism and authoritarian rule (Ayers and Saad-Filho, 2015; Biebricher, 2015; Brown, 2015). Historians of neoliberalism would perhaps want to remind us that the lesson should have been obvious from the start. After all, the incompatibility between political freedom and neoliberalism was made abundantly clear in the Chilean coup of 1973, which brought General Pinochet to power with the help of Friedman's Chicago boys, and has been rehearsed many times over in the Global South and former Soviet Union, where endless rounds of structural adjustment have divested the state of any power to represent or redistribute. Economic freedom and so-called ‘state failure’ have long been partners in crime; and the so-called failed state is more often than not a purely authoritarian, police state. When asked to comment on the seeming contradiction between the dictatorial powers of General Pinochet and the neoliberal rhetoric of freedom, Friedrich von Hayek proffered the opinion that ‘it is possible for a dictator to govern in a liberal way’ and ‘it is also possible for a democracy to govern with a total lack of liberalism’, before concluding that ‘a liberal dictator’ was preferable to a ‘democratic government lacking liberalism’ (1981: D9).

Hayek's reflections cast an interesting light on early neoliberal debates at the Mont Pèlerin Society, which, after all, was born out of a critique of fascist ‘totalitarianism’ and its supposed twin, welfare state capitalism. Is authoritarianism only problematic when it overrides the rules of the free market order, as the Nazis did when they abandoned the gold standard regime

of classical liberalism? And what can we expect of the far-right movements that are on the rise across Europe, North America and Turkey, movements which seem to oscillate between neoliberal and protectionist authoritarianism? In the contemporary context, where resilient neoliberal regimes appear to coincide with the resurgence of far-right movements across the globe, such questions are especially pertinent once again. Yet, rather than implying that neoliberalism may be largely equated with authoritarianism (e.g., Couldry, 2010: 47), the individual contributions to this volume collectively draw attention to the complex dynamics between these two phenomena (see also Davidson and Saull, 2017, forthcoming). For instance, Rodrigues' detailed comparison of the political economic contributions of Milton Friedman and Friedrich von Hayek presents these authors as representing a tradition of neoliberal theorists who largely posit the *supplementation* of market coordination in place of democratic procedures. In contrast, the important contributions of Young, on the relevance of ordoliberalism and Virginia school neoliberalism to explaining the political economic crisis in Europe, and Swyngedouw, on the post-politicization of climate change governance, each evaluate whether neoliberalism may also be compatible with a *restriction* of democracy, via the configuration of largely undemocratic decision-making procedures and institutions ranging from constitutional amendments to technocratic management, problem-fixing governance structures and populist discursive regimes (see also Biebricher, 2015). Thus, rather than positing 'neoliberalism' as a cohesive phenomenon characterized by uniform political propositions and stable spatial and temporal effects, any critical examination must first recognize its multiplicity of forms – both in theory and in practice – in order to critique its specific theoretical tenets and normative implications.

Such reflections on the inherent complexity of neoliberalism also have political implications beyond those associated with academic deliberation. For the past four decades, neoliberalism has promulgated a radical restructuring and reorganization of the economy, politics, society, culture and the environment. Within this context, as Worth's contribution illustrates, the materialization and promulgation of myriad social movements across the political spectrum – ranging from 'anti-globalization' and 'Occupy' to the re-emergence of the far right and Trumpism – constitute an important field within which to identify the thinking behind the action. For Gramsci (1971:

365), questions of theory and practice are raised particularly when the 'movement of historical transformation is at its most rapid'. The point of such questioning, according to this line of thought, is to make the 'political forces unleashed' more 'efficient and expansive', while concomitantly making the 'theoretical programmes' more realistically justified. Following this line of reasoning, the chapters comprising this volume also collectively contribute insights to analysing and responding to changes in the neoliberal era, both within and beyond this status quo.

More specifically, the variegated and multifarious accounts of neoliberalism presented herein demonstrate that this phenomenon cannot be reduced to a collection of policies, which would imply that the transformations wrought over the last four decades could be reversed or transcended through implementation of alternative policy initiatives and programmes alone. While necessary, the capacity for such initiatives to engender fundamental change are limited by the political channels open to opponents of neoliberalism and the ability of coalition forces to utilize them, particularly in light of the extensive transformations in production and reproduction processes, the state, ideology and society propagated during the neoliberal era (Fine and Saad-Filho, 2017, forthcoming). Consider, for instance, the demonstrations that took place in Seattle in 1999, in which myriad trade unionists, indigenous groups, environmentalists, farmers, women's organizations and faith-based groupings marched in a bid to halt the World Trade Organization talks. This, in turn, gave rise to the 'alter-globalization' movement in the early twenty-first century. Despite garnering impressive levels of attention to and public action against the uneven effects of globalization and its enabling institutions, the movement largely failed to articulate collective resistance transcending multiple spatial scales and gradually faded away following its role in inaugurating demonstrations against the Iraq War in 2003. This was primarily due to the persistence of extant antagonisms among its constitutive activists and organizations across lines of national and social oppression, in conjunction with its inability to construct a cohesive global political economic programme or suite of collective demands (Prashad, 2013). Assessment of the potential effectiveness of such resistance measures and their contemporary manifestations thus requires consideration of their organizational character, in conjunction with analysis of how the systemic operation of neoliberalism has wrought transformations in class relations,

ideology and institutions and processes of economic, social and cultural reproduction.

Following the global financial crisis, the renewal of diverse forms of resistance to neoliberalism – from socialist, anarchist, feminist, environmentalist and anti-racist organizations to far-right nationalist and populist movements – suggests that consideration of such factors is timely once again. In this context, the contributions to this volume demonstrate how progressive corrosion of the ideological foundations of neoliberalism, its persistent political economic contradictions and the rigidity of its underlying regulatory institutions have produced a complex state of affairs in which the system is resistant to change, yet increasingly vulnerable to myriad political challenges. On the one hand, Swyngedouw's account details the 'post-political' framing of climate change under the neoliberal mode of governmentality, which has sought to foreclose politicization and evacuate dissent over market-based socio-economic organization of the issue through a regime of environmental governance centred on consensus and technocratic management. This example reflects a broader trend towards depoliticization under neoliberalism, whereby the scope and ambition to express collective objectives and dissenting opinions, and thereby construct programmes seeking to transcend the status quo, have been systematically hindered by transformations in institutions, structures of political representation and processes of socio-economic (re)production over the past four decades (Wilson and Swyngedouw, 2014).

On the other hand, as detailed by Springer, Worth and Bailey, the effects of these same neoliberal developments have simultaneously stoked new forms of dissent and calls for emancipatory struggle, as the efficacy of markets to secure a range of socio-ecological objectives and the widening gap between rich and poor have received increasing scrutiny in light of the global financial crisis and the pervasive imposition of austerity measures (McNally, 2011). Progressive movements such as Occupy, the Spanish *indignados* and the myriad groups driving the Arab Spring in Egypt and Tunisia have sought to openly challenge the material and ideological foundations of neoliberalism – as embodied in the slogan 'we are the 99%', which has come to symbolize an emerging global challenge to the excesses of neoliberalism. However, such struggles have yet to extend beyond defensive actions to pose a more

comprehensive alternative to neoliberalism. Concurrently, the material changes wrought over the last four decades and the growing crisis in their legitimacy have also produced conditions ripe for the cultivation of populism. Reactionary sentiments of nationalism, racism, sexism and anti-intellectualism have been seized upon and fostered by the political Right – exemplified most recently by the election of Donald Trump, the successful ‘Brexit’ vote and high electoral support for far-right candidates in countries such as Austria, France, Hungary, Germany and Sweden – to buttress a new protectionist agenda and a new monetary sovereignty while leaving largely untouched the systemic inequalities created by decades of neoliberal rule.

As demonstrated across the chapters in this volume, the tenacity of neoliberalism and its capacity for adjustment at the margins has been repeatedly evident, at both the level of theory and in practice, throughout its evolution. In this respect, there is no inevitability that persistent contradictions in its material and ideational foundations will instigate the transcendence of neoliberalism. Nevertheless, its persistent contradictions and crises have, at least, re-opened an opportunity for diverse movements to work collectively to delegitimize neoliberalism and envision the emergence of multiple alternatives. Through reflecting on the complexity of its theoretical underpinnings and multiplicity of its political implications, it is hoped that this book will productively contribute to such struggles.

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# Part I Perspectives

# 1 Actually Existing Neoliberalism

**Jamie Peck**

**Neil Brenner**

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## Introduction: Definitions

The notion of ‘actually existing neoliberalism’ would hardly be necessary were it not for the marked *but also constitutive* discrepancies between the utopian idealism of free-market narratives and the checkered, uneven, and variegated realities of those governing schemes and restructuring programs variously enacted in the name of competition, choice, freedom, and efficiency. Understood as a ‘strong discourse’ deeply enmeshed with the primary circuits of financial, cultural, and corporate power (Bourdieu, 1998), neoliberalism tells a self-serving story of free markets and small states, selective deregulation and targeted reregulation, low taxes and lean administration, in which privatized and market-like arrangements are presented in positive terms, in contrast to the corrupt and bloated objects of reform – most notably ‘big government’ and ‘big labor’. This said, ‘neoliberalism’ itself has practically no officially sanctioned status, rarely crossing the lips of even the most ardent of free-market reformers. Some time around the middle of the twentieth century, when the ideational project of neoliberalism was confined to a fringe network of conservative intellectual and renegade economists, the term fell out of use among proponents, to be replaced by an altogether more euphemistic vocabulary. This has made analyzing the dimensions and characteristics of market rule all the more complicated.<sup>1</sup> In the age of actually existing neoliberalism(s), since the 1970s, when the project has rarely spoken its name, academic critics and political foes resuscitated this terminology and began to define, place, and position neoliberalism. It is to this task to which we devote this chapter.

The ‘flexible credo’ of neoliberalism has been realized through a somewhat improvised and shape-shifting repertoire of pro-corporate, pro-market

programs, projects, and power-plays, variously founded on a sympathetic critique of nineteenth-century liberalism (or *laissez faire*), on an uncompromising Cold-War repudiation of socialism and communism, and on a decidedly antagonistic relationship with post-Second World War modes of liberal regulation (notably, Keynesianism and developmentalism, represented as perilous compromises on the slippery slopes of totalitarianism, statism, and serfdom). While sharing some common points of reference, programs of identifiably neoliberal state and societal transformation, as they began to gain traction in the 1970s, did not emerge in a singular or uniform manner, shaped as they (each) were by context-specific crises, struggles, and experiments. What began as a loosely articulated cluster of state projects, in countries such as Chile, the United Kingdom, New Zealand, and the United States, would subsequently morph into an adaptive matrix of market-oriented and pro-corporate regulatory norms. Read as a free-market policy paradigm, this would inform the operating manual developed by the architects of structural-adjustment programs among the ‘Washington consensus’ institutions; as a transnational political project, it would cumulatively reshape rules of the regulatory game on a much more generalized basis, seeping and sprawling into something resembling a normalized commonsense, or practical hegemony. In the process, neoliberalism has gone from a vanguardist political project to an entrenched mode of regulation – indeed, in some respects both an ‘ordinary’ and a ‘constitutionalized’ one (see Brenner et al., 2014; Gill and Cutler, 2014; Peck, 2017).

Understood as an ideological matrix and as an adaptive rationale for ongoing projects of state and societal restructuring, fortified and guided by a strong discourse of market progress, neoliberalism plainly cannot exist in the world in ‘pure’, uncut, or unmediated form. Instead, its ‘actually existing’ manifestations are – and *can only be* – partial, polycentric, and plural; its dynamics of frontal advance and flawed reproduction are marked by friction, contradiction, polymorphism, and uneven geographical development, and not just because the project-cum-process has been somehow ‘blocked’ or half-cocked – in that it remains incomplete – but because volatile hybridity is the condition of existence. It is for these reasons that we have long made the case for processual understandings of neoliberalization, coupled with a recognition of the *necessary diversity* of its actually existing forms, the combined and uneven development of which is enduring but also mutually conditioning

(Brenner and Theodore, 2002a; Peck and Tickell, 2002).

As critical social scientists have wrestled with the complex connections between the ideological, ideational, institutional, and often-idiosyncratic manifestations of the free-market project, the term ‘neoliberal’ gradually came to assume a quite determinate political meaning within the radical lexicon. For many on the left, it has become a byword for marketization, privatization, commodification, and the rule of the 1%, but quite often as more of a slogan rather than a precisely specified term. Along the way, the terminology of neoliberalism has been variously invoked – increasingly liberally, one might say – sometimes as a shorthand signifier of the free-market zeitgeist of the post-1970s period or the pressures of global competition, sometimes as a political attack term or everyday pejorative, and in other cases as an analytical frame, covering concept, or diagnostic device. In a quite extraordinarily diffuse way, different readings and renderings of ‘neoliberalism’ can now be found ‘all over the place’. They will be invoked in microsociological studies of shifting subjectivities and in the cultural critique of social codes and governing rationalities; they have become adjectival commonplaces in work that spans the scalar spectrum, from localized institutional reforms through projects of national (state) transformation, to global rule regimes and geopolitical orders. The politically charged label will be broadly (and sometimes quite indiscriminately) applied to the institutions and interests of the Washington-consensus agencies or those of Wall Street, but also to a diverse array of ‘deregulation’, privatization, market reform, and structural-adjustment policies. In more or less oblique ways, it may be attached to the initiatives of reforming social-democratic governments in northern Europe and also to certain actions of the Chinese (communist) party state. And yet, perhaps most paradoxically, the lingo of neoliberalism remains difficult to ‘translate’ in what many consider to be the ‘home’ of this Washington-and-Wall-Street worldview, the United States, partly thanks to the left-of-center connotations of the word ‘liberal’ in that country, not to mention the contradictory gyrations of the Trump administration.

In light of the arguments that we will develop in the remainder of this chapter, however, it is quite appropriate that the tangle of meanings attached to ‘neoliberalism’ remain both somewhat ambiguous and situationally specific, spanning as they do a rash of promiscuously ‘global’ applications



and a constellation of quite particular local translations. This may be a little perplexing from an analytical point of view, but it arguably says something about how neoliberalism exists in the world – as a presence seemingly oppressive, real, and immediate in some respects, but at the same time one that can also be considered to be diffuse, abstract, and liminal. Due in no small measure to these wheels-within-wheels puzzles of semantics and signification, the problems associated with defining and delimiting neoliberalism are arguably more daunting now than ever before. Some will confidently proclaim that they know the telltale signs of neoliberalism whenever and wherever they see them, and they will see them practically everywhere; others insist no less emphatically that the recognition of this connective, enveloping concept is constraining (if not suffocating) in both analytical and political terms, opting to hold it at a skeptical distance, or perhaps to spurn the formulation altogether. To be sure, it is one thing to apply the label to the radical restructuring programs initiated by Augusto Pinochet or Margaret Thatcher or Ronald Reagan, quite another to account for a bewildering array late-stage mutations, ambient traces, local hybrids, incipient tendencies in these same (or similar) terms, interpretative and classificatory challenges that have prompted some analysts to question the utility of the concept, just as others continue to find it necessary, while wrestling with its rascal character (see Clarke, 2008; Ferguson, 2010; Peck et al., 2010; Hall, 2011; Peck, 2013; Vengopal, 2015; Le Galès, 2016).

Among those who find continuing utility in the concept of neoliberalism, as an analytical frame and as a necessary (if awkward) conceptual formulation, the notion of actually existing neoliberalism has served the significant function of signaling and problematizing the enduring discrepancies between the idealized and universalizing language of market reform (neoliberalism as stark utopia, to borrow Polanyi's prophetic phrase) and the path-dependent, pragmatic, and contextual embeddedness of extant programs of neoliberal transformation (neoliberalism as stark reality, one might say). This is a way of acknowledging, at the outset, that the strong discourse of neoliberalism itself has generative and constitutive effects, not least by virtue of the ongoing effects of naturalization and normalization, but also through the creep of policymaking contagion and the colonization of commonsense understandings. Furthermore, invoking actually existing neoliberalism reflects the recognition that real-world programs of neoliberal restructuring

are never unfurled across a tabula rasa, nor are they entrained on a convergent transformational course. Rather, they are forged (and often forced) in dialectical tension with inherited social and institutional landscapes, and through an array of situated political struggles and strategic maneuvers, such that neoliberalism ‘can never be understood in radical separation from historical [and geographical] configurations’ (Hilgers, 2012: 81; see also Brenner and Theodore, 2002a; Peck and Theodore, 2012; Ban, 2016).

Eschewing ‘flat’ readings of totalizing convergence (where neoliberalism exhibits a singular and rigidly imposed global form) as well as ‘centric’ models of coercion and diffusion (where neoliberalism is read as a top-down imposition, or as a phenomenon radiating unidirectionally out from ‘heartlands’ to ‘peripheries’), the concept of actually existing neoliberalism is a provocation to theorize – continually – through and across historical and geographical difference. It explicitly problematizes an ongoing interpretative dialogue between critical investigations of material and discursive projects of political-economic transformation ‘on the ground’, many of which are routinely distorted even if they are not all that regularly thwarted, and the ‘complex unity’ of neoliberalism in its abstracted form, which is plainly not reducible to some Chicago School, Thatcherite, Wall Street, Mont Pèlerinian, third way, or Washington-consensus form, but which exists as more than the sum of these (and other) always-moving parts. The position that we advocate here cannot be reduced to a mere acknowledgment of ‘varieties’ or ‘localizations’ of neoliberalism, in a static sense of cross-sectional or planar difference; it is a matter of problematizing constitutive and articulated differences in motion, and the cumulative and combinatorial character of neoliberalization as an unevenly developed and reproduced historical process. The notion of actually existing neoliberalism therefore confronts uneven spatial development, nonlinear evolution, variegation, polymorphism, and polysemism, not as empirical concessions or constructivist caveats, nor as merely contingent variations found in the wake of some presumption of structural dominance, but as constitutive properties of the contradictory process that is neoliberalization (see Brenner et al., 2010b; Peck and Theodore, 2012). Abstract theorizing and contextualized investigations are therefore not alternative pursuits, in this respect, but opposite sides of the same methodological strategy, each calling upon the other.

The origins of the concept of actually existing neoliberalism can be traced, to the best of our knowledge, to an *Antipode* workshop convened in the Fall of 2001 (see Brenner and Theodore, 2002b). The remit of that meeting was to explore the emergent dynamics of North American and Western European patterns of neoliberalization, with particular reference to the geographically uneven and multiscalar character of these transformations. Needless to say, 'actually existent' forms of neoliberalism were hardly a novelty at the time, especially in the United States and the United Kingdom, but there were vexing questions around the conceptualization and specification of this would-be political-economic keyword, which had yet to acquire anything approaching a widespread intellectual currency, even in critical circles. Most of those attending the meeting were by inclination skeptical of formulations derived from overarching or archetypical models of neoliberalism, the singularity of which echoed the euphemistic (mis)representation of universal market freedoms on the part of reform advocates. Instead, the shared project initiated at the workshop involved a *simultaneous* concern with the transnational reach of neoliberal rationalities and reform models and the grounded particularities of actually existing programs of restructuring.

Tracking between some of these longstanding concerns and subsequent lines of work on the variegation of neoliberalism, the arguments in the remainder of this chapter are pursued in two steps. First, the concepts of neoliberalism, neoliberalization and actually existing neoliberalism are elaborated and extended. This involves movements between more 'generic' readings of neoliberalism and its evolving, unevenly developed, and site-specific form(s), culminating in a discussion of the temporality of actually existing neoliberalism. Second, and building upon these foundations, the implications of a conjunctural understanding of neoliberalism are further explored, focusing on the issue of uneven geographical development, not as a measure of how some once-pure neoliberalism became complicated or sullied 'in the world', but as a matter of its very circumstances of existence. The chapter's conclusion returns to these knotty problems of definition. Here it is suggested that the notion of actually existing neoliberalism has played a role in problematizing the embedded spatiality, adaptive capacities, stubborn normalization, and shape-shifting dynamics of neoliberalization in a way that provides both a rationale and a receipt for transcendent, critical, and open-ended modes of analysis.

# Concepts

The tasks of unpacking and repacking the concept of neoliberalism, its ongoing deconstruction and reconstruction, are destined to remain ongoing ones – rather like the radically ‘incompletable’ project of neoliberalism itself, perhaps – even if, from our perspective, these tasks continue to be necessary. In approximately descending levels of abstraction, neoliberalism can be taken to refer to: an historically ascendant pattern and hegemonic ideology of capitalist development, organically linked to a host of post-1970s tendencies towards global economic integration, financialization, and normalized practices of ‘market rule’; a political-economic philosophy, with a predisposition for liberal economics, encompassing a naturalized understanding of market forces and rationalities, together with a license for market-complementing state interventions; a pervasive rationality of lean- or small-state transformation, modeled on the principles of entrepreneurialism, efficiency, cost control, privatism, and competition, but speaking more to a strategically selective approach to governmental restructuring than to a comprehensively achieved institutional condition; and an umbrella term for a programmatically connected family of pro-market, pro-corporate, and pro-choice policy measures, including the sale of state assets and services, regressive tax reform, programs of ‘deregulation’, the granting of corporate concessions and exemptions (even from market rule itself), the penal or paternalist management of poverty, the commodification of social life and natural resources, and the (often technocratic) imposition of fiscal discipline, structural adjustment, market tests, and devolved austerity.

Fundamentally, the ideology of neoliberalism is founded on an idealized vision of market rule and liberal freedoms, combining a utilitarian conception of market rationality and competitive individualism with deep antipathies to social redistribution and solidarity. Notwithstanding the utopian appeal to free markets and individual freedoms, unencumbered from regulatory constraints and state ‘interference’, in practice these doubled-edged reforms very often entail a significant intensification of coercive, proactive, and invasive forms of state intervention in order to *impose* versions of market rule, to discipline unruly subjects – and then to manage the ensuing contradictions, environmental externalities, and social fallout. One of neoliberalism's founding myths is that ‘rolling back the frontiers of the state’,

to borrow one of Margaret Thatcher's turns of phrase, will more or less on its own be sufficient to animate a spontaneous competitive order, to liberate latent market forces, and to activate suppressed entrepreneurial spirits. Experience shows that this, however, is never the end of the story, as neoliberal reformers have been repeatedly drawn, sometimes reluctantly, into the work of making markets work, initiating new rounds of institution building and pro-market 'governance'. This speaks to the complex reality of neoliberalization as a jarring, non-teleological, and contradictory process of creative destruction, comprising alternating moments of deregulatory 'rollback' and reregulatory 'rollout', amounting to an interventionist mode of regulation 'in denial' (Peck, 2010). Furthermore, whereas neoliberal ideology implies that self-regulating markets generate optimal allocations of investment and resources, neoliberal political practice has itself been a cause of pervasive market failures, new forms of social and environmental degradation, increased socioeconomic inequality and uneven spatial development, and endemic conditions of governance failure.

The manifold disjunctures and discrepancies that have accompanied the transnational extension and progressive deepening of neoliberalism – between ideology and practice; doctrine and reality; objective and outcome – cannot be glossed over as merely accidental side-effects or failures of implementation; rather, they are among its most diagnostically and politically salient features. For this reason, an essentialized or reductionist approach to the political economy of neoliberal restructuring can never be sufficient (and neither, for that matter, are strictly parsimonious definitions of neoliberalism ever really adequate). This is not a coherently bounded 'ism', a functional system, a stable regime, or an historical 'end-state'; neither, for that matter, does it take the form of a fixed set of policy preferences and technologies. Instead, the rolling and contradictory process of neoliberalization should be understood as an uneven, frustrated, creatively destructive, adaptive, and open-ended process of transformation (in other words, it names the change process, not simply its outcome). This is why, for present purposes, the somewhat elusive phenomenon in need of definitional clarification must be interpreted as an historically specific, fungible, volatile, and unstable process of market-driven sociospatial restructuring (for all its imperative manifestations and alignments with contemporary power-geometries), rather than as a fully actualized policy regime, complete institutional apparatus, or

stabilized regulatory framework. ‘Equilibrium’ is not around the corner. Furthermore, neoliberalization is both predicated on and realized through uneven spatial development, its ‘natural state’ being characterized by an intensely variegated and persistently dynamic topography. Therefore, uneven spatial development does not signal some way-station *en route* to ‘full’ neoliberalism; it is not an interruption or mere complication, but is integral to the character of process of neoliberalization itself and its contradictory conditions of existence. Convergence on a unified, monolithic neoliberal end-state should not be anticipated, let alone held up as some kind of test of the ‘degree’ of neoliberalization. Indexing as it does a qualitative process of transformation, neoliberalization cannot be reduced to a question weighing the size of the state or the extent of the market, as if the two spheres existed in a zero-sum relationship.

As we formulate it here, then, neoliberalization refers to a frontal process of always-incomplete transformation, to a *prevailing pattern and ethos* of market-oriented, market-disciplinary, and market-making regulatory restructuring, one that is being realized, never more than partially, across a contested, uneven institutional landscape, in the context of heterogeneous, coevolving, and often countervailing political-economic conditions. From this perspective, an adequate understanding of ongoing processes of neoliberalization demands more than a familiarity with the founding ideas and ideologies of the free-market revolution, which have themselves evolved considerably since their canonization by the likes of von Hayek and Friedman. Just as important are probing, multidimensional, and systematic inquiries into the multifarious institutional articulations and developmental tendencies displayed by actually existing neoliberal formations, into their diverse sociopolitical effects and local configurations, and into their inherent limits and cumulative contradictions. While the ideology of neoliberalism defers to the sovereignty of a singular, transhistorical, and uniquely efficient market, the inescapably more murky reality is that actually existing programs of neoliberal transformation are always contextually embedded, institutionally grounded, and politically mediated – for all their generic features, family resemblances, patterned dynamics, and structural interconnections. Adequate analyses of neoliberalization must therefore confront this *necessary hybridity and complex spatiality*, since it is not only problematic, but analytically and politically misleading, to visualize

neoliberalism purely in ideal-typical terms, as if characterized by incipient or extant functionality. Programs of neoliberal restructuring are not lined up on a pathway to complete or total neoliberalism, even if they will often derive ideological inspiration, strategic direction, and political purpose from this (imagined, utopian) destination. Just as the notion of a free-standing, self-regulating market has been exposed as a misleading but productive myth, it must be recognized that characteristically neoliberal evocations of a spontaneous and superior market order operate as a strong discourse – that is, a somewhat self-actualizing homily, rather than an accurate portrayal of neoliberal statecraft (see Bourdieu, 1998; Cahill, 2012; Brown, 2015). For this reason, processes of neoliberalization are inescapably embedded and context-contingent phenomena – even as their own discursive (mis)representations routinely seek to deny this very contextual embeddedness.

Even if, in an abstract sense, the broad contours of neoliberal projects can be said to exhibit a host of recurring features and family resemblances – such as an orientation towards export-oriented, financialized capital; a preference for non-bureaucratic and flexible modes of regulation; an aversion to progressive sociospatial redistribution and institutionalized social entitlements; the masking of elite power, ongoing dispossession, and upward redistribution by ideologies of competitive fairness and trickle-down economics; and a structural inclination in favor of market-mimicking governance systems, corporate concessions, and privatized monopolies – the actually existing neoliberalisms of today *cannot but* display their deeply path-dependent origins and the ongoing effects of their contradictory and conflictual cohabitation with non-neoliberal others. Not only do they (continue to) differ from one another, they each have come to differ in quite significant ways from the first generation of vanguard projects originating in the 1970s. And even if these latter-day actually existing neoliberalisms coexist in an operating environment marked by an array of generalized disciplines, pressures, and incentives – such as those stemming from financialization, regime competition, geopolitical coercion, and fast-policy modeling – it would be going too far to claim that this is resulting in a consistent pattern of unidirectional convergence. The neoliberal world order remains a multipolar one, and the various leading fronts of active neoliberalization at the present time include a range of socially ameliorative, reactionary, technocratic, and

authoritarian forms. Furthermore, even as these display a hegemonic reach – for instance, as a policymaking common sense and as a processual common thread – this most certainly does not mean that ‘the neoliberal’ is always and everywhere the most active and predominant source of transformative change. The moving terrain is also being remade by countervailing and alternative projects, by pulses and cycles of active resistance, by obstruction and opportunism, and by recurrent crises of varying scale and scope, some of which are systemic, others much more situational.

An enduring source of path dependency across this diverse family of variably neoliberalized social formations and state projects stems from the creatively destructive character of market rule itself. To ‘define’ neoliberalism, then, means dealing with the dialectics of creative destruction. On the one hand, the reactionary moment of neoliberalization entails the (partial) destruction or dissolution of extant institutional arrangements and social compromises through market-oriented reform initiatives; on the other hand, its proactive face involves the (tendential) formation of new regulatory infrastructures and norms for market-oriented development and capital-centric rule (Brenner and Theodore, 2002a). The arc of the neoliberal restructuring process extends across both of these moments, across context-specific *rollbacks* of antithetical institutional forms and oppositional power centers through the dismantling and ‘deregulation’ of collectivist, progressively redistributionist, and developmentalist systems, and the subsequent *rollout* of new modes of institutional regulation and novel styles of statecraft, many of which stem from the need to manage the contradictions and negative externalities of *earlier* rounds of neoliberalization (see Peck and Tickell, 2002; Brenner et al., 2010a; Hall and Massey, 2010).

This is not just to make the point that neoliberal strategies echo domestic politics or that they are path-dependent in a contingent manner, but rather to issue the stronger claim that neoliberal strategies are deeply and indelibly shaped by diverse but formative acts of *institutional dissolution*. The protracted rollback moment of neoliberalism is more than simply a ‘brush-clearing’ phase; it is effectively internalized into the dynamics, logics and trajectories of subsequent regulatory transformations. Furthermore, the geographies of actually existing neoliberalization have been mashed up, from the start, with the crisis-riven geographies of ‘state failure’ that they were



designed to exploit and, ultimately, supersede. Consequently, all actually existing neoliberalisms strongly bear the imprint of past regulatory struggles, which recursively shape political capacities and orientations, as well as future pathways of (neoliberal) restructuring. And no single path or model should be considered paradigmatic (from which ‘deviations’ can be measured), since actually existing neoliberalisms are always, necessarily, conjuncturally specific, as well as mutually articulating. There is no *locus classicus*. Conceptually, this echoes our claim that neoliberalization is an open-ended process, and not a clearly demarcated phase or end state. Politically, this underlines the character of neoliberalization as a set of intersecting *strategies of restructuring*, rather than a stable and freestanding system, the outcomes of which are also open-ended rather than preordained.

This emphasis on the tendentially adaptive and creative capacities of neoliberalism may be at odds with some accounts of its destructive and intrinsically unsustainable character, but we would maintain that this more dialectical reading can help illuminate the complex, often highly contradictory trajectories of what have proved to be quite doggedly persistent, and yet continually evolving, programs of neoliberal restructuring. Furthermore, the destructive and creative moments of neoliberalization are not separate and literally sequential; in practice, they are intimately and inextricably entangled. (They are ‘moments’ in that they represent conflictual yet mutually related aspects of a dynamic, dialectical process.) Actually existing neoliberalisms exhibit deeply reactionary currents in the sense that they are shaped as much by their antipathies and antitheses as by their publicly declared but often frustrated goals of market-oriented transformation, the projected ‘end point’ of which remains not only socially and ecologically unsustainable, but also politically and economically unrealizable. This is a utopian end-point, nevertheless, that continues to inspire, animate, guide, and occasionally ‘correct’ programs of neoliberal transformation – a source of its elemental ‘drive’.

While every (particular) experience of neoliberalization is marked by its own temporality – its own calendar of key events, confrontations, and crises – with the benefit of hindsight it is possible to determine several course corrections of a more general variety. At the very least, these speak to the adaptive nature (and political resilience) of the project. More telling, perhaps,

is the fact that while neoliberalism has displayed – so far – an ability to adapt and evolve in the face of crises, increasingly these are crises of its own making, arising from its aggravated, internal contradictions and limitations. The following midcourse adjustments, in this sense, are most certainly not merely oscillations around some equilibrium point or simply the fine-tuning of a stable set of neoliberalized governance arrangements. First, the failure of monetarism in the early 1980s, coupled with the shortcomings of the first generation of experiments in privatization and deregulation, prompted a series of turns towards pragmatism and prudence, subsequently to morph into new rounds of experimentation in market-complementing, institutionally flanking, and ameliorative modes of governance. At the international scale, this shift was echoed in the move away from loan-based structural adjustment models, focused on the macro-regulatory ‘fundamentals’, to the so-called post-Washington consensus, with its emphasis on institutional reform, local empowerment, and poverty alleviation (see Naím, 2000). Second, the ‘third way’ projects that were launched, from the mid-1990s onwards, presaged a significant international realignment of center-left governments, signified by accommodations to freer-trading forms of globalization, to financialized models of growth, and to the need to confront ‘hard choices’ in social-policy reform. For a time, it seemed like this Clinton–Blair style of ‘soft neoliberalism’ might even constitute the ‘best political shell’ for the project of market-oriented governance (see Hall, 2003). Third, the Wall Street crash of 2008, which was initially marked by a series of premature announcements of the ‘death’ of neoliberalism, led instead to a widespread turn towards devolved austerity governance and selectively applied ‘stimulus’ spending, the limitations of which were to be revealed in patterns of sluggish growth, spiraling inequalities, and increasingly restive politics. Real-time interpretations of this inflection point in the political economy of neoliberalization were initially divided between relatively optimistic visions of ‘post-neoliberalism’ and forecasts of a retro-neoliberal turn (back) to revanchism, with the latter proving to be the predominant course (see Peck et al., 2010). And fourth, just as the proximate origins of the Wall Street crash were located in the United States, the centers of finance capital, New York and London, so the Brexit referendum result and the Trump election came as further signs of trouble in the supposed ‘heartlands’. The future course of events is inherently unpredictable, perhaps profoundly so, but early indications are that the center-left model of ‘soft neoliberalism’, or what

Nancy Fraser (2017) has called 'progressive neoliberalism', could now be facing a terminal crisis, as new governing paths are improvised in the context of surging currents of right-wing populism, cronyism, authoritarianism, protectionism, and kleptocracy.

## Conjunctures

Accounting for neoliberalism 'in the wild', and across its many domesticated, conflicted, hybrid, contested, and crisis-prone manifestations, has been a challenge for as long as there have been (critical) theories of neoliberalism. A longstanding concern has been to account for the revealed, and very real, 'diversity of "actually existing" neoliberalisms [while also attending to] why and how the diffuse system of power that lends them a certain unity has managed to implant itself with such apparent success in such a wide range of circumstances' (Gledhill, 2004: 336). By the same token, it is also the case that actually existing neoliberalisms are 'more than curious local manifestations of global norms', as Daniel Goldstein (2012: 305) has pointed out; more than 'locally variegated instantiations of global ideas [they are also] fully lived realities in which people and states have their own theories, and elaborate their own discourses and critiques, about the worlds they inhabit and the ways in which these should be organised'. Furthermore, none of these local, lived, and hybrid formations exists as if hermetically sealed from one another; they *coexist* in the context of relational, more-than-local fields of isomorphic institutional change, fast-policy mutation, iterative (re)articulation, and competitively induced adaptation. We have argued elsewhere that it is not helpful to reduce this finely granulated, if deeply striated, landscape to some kind of binary geography in which neoliberalization is naturalized in some sites (its ostensibly paradigmatic locations), while being rendered exceptional or abnormal in others (Peck et al., 2009; Brenner et al., 2010b). Instead, neoliberalism might be said *only* to exist in a multiplicity of 'discrepant' formations, in a range of antagonistic, conflictual, or at least 'frictional' situations – its local conditions of existence being those of contradictory coexistence.

But if neoliberalism can never entirely monopolize the social field, what are its conditions of (actual) existence? Since it does not and cannot stand alone, the circumstances of neoliberalism's (co)existence comprise an array of

troubled and turbulent marriages with its decidedly unloved others, including a host of residual, competing, and alternative social formations, such as those grounded in neoconservatism, authoritarianism, social democracy, developmentalism, left reformism, and so forth (see Brenner et al., 2010b; Peck, 2013). If neoliberalism cannot exhaustively occupy the social field, it must *share* that field, even as it may often do so under conditions of dominance or even hegemony. Furthermore, if neoliberalism exists as a frustrated universal found only in stressed hybrids and discrepant formations, its transnational (and translocal) patterning cannot be reduced to variation around a common theme or norm. Consequently, since neoliberalism exists as a series of unhappy marriages, the resulting family tree does not have a singular neoliberal taproot, but rather a diverse array of roots and branches.

As a restructuring ethos, neoliberalism is always defined – at least in part – by the social worlds and state spaces that the project itself seeks to restructure. Each and every such program will therefore exhibit deeply constitutive (if not ‘genetic’) forms of path dependency, with the scope, sites, targets, and trajectories of neoliberal transformation all being shaped, as we have argued, by the institutional, social, and political-economic inheritances that not only predate some initiating ‘moment’ of market-oriented reform, but *predicate and propel* it, imparting shape, momentum, and purpose. In this context, pre- or non-neoliberal institutions are more than anachronistic institutional residues, for their interpenetration with situated modalities of neoliberal restructuring will configure pathways, strategies, and outcomes in distinctive, generative, but also contradictory ways. It follows that the hybrid presences of neoliberalization – each actually existing formation being a *more-than-neoliberal* formation – will each be associated with their own, conjuncturally and locally distinctive clusters of emergent properties, potentialities, and frailties. The evolving geographies of neoliberalism consequently amount to more-than-contingent variations around the same basic theme; they represent contextually embedded and yet transnationally articulated formations, the *coexistence* of which makes a difference even if it does not imply convergence. Hence the need for situated analyses of specific hybrid formations in relation both to one another and to broader tendencies and patterns, as distinguished from attempts to catalogue, side by side, different ‘varieties’ of neoliberalism, or to assess degrees of divergence from an ideal type or putative (American) ‘norm’.

It follows that it is something of a fool's errand to set out in search of an ideal-typical or 'pure' form of neoliberalism, against which varieties or deviations might be calibrated. Neoliberalization cannot be measured against a paradigmatic case (for there has been no 'original', exclusively pattern-setting transition); and to reduce this qualitative process to a matter of degrees is analogous to the category error of measuring the 'amount' (or level) of marketization (see Krippner, 2002; Peck, 2017). Rather, actually existing neoliberalisms (can only) exist as conjuncturally specific forms and therefore in the plural – albeit as a relational, interconnected, mutually referential plurality. Hence the apparent paradox that neoliberalism can appear to be 'all over the place', if not almost omnipresent, while at the same time it is found nowhere in 'undiluted' or replicated form. As an always compromised, discrepant, context-dependent, contradictory, and shape-shifting presence, neoliberalism is found – indeed, *can only* be found – in an array of governance regimes, social formations, political-economic settings, and conjunctural articulations. Analytically inconvenient as this may be, neoliberalism cannot be fixed. As a result, we maintain that adequate conceptions of neoliberalism must not only be contextualized, they must be *cross-contextual* too, spanning and accounting for both spatial differentiation and temporal evolution; accounting for the specificities of embedded formations, theorization must also reach across a multiplicity of these formations in both time and space; and they must be attentive to the constitutive connections and regulatory relays between actually existing formations, which are the source of more-than-local dynamics and a plethora of citational, cumulative, and combinatorial effects.

The nonlinear, polycentric, and path-making course of real-world neoliberalization cannot be reduced to a singular process of enacting a preordained plan or grand design. From the beginning, the idea of actually existing neoliberalism was an attempt to underscore this condition. Since neoliberalization is not trending towards a unified, 'advanced', or global state, it characteristically exhibits a roiling dynamic, marked by serial policy failure and improvised adaptation, and by combative and combustible encounters with obstacles and counter-movements. Its determined yet meandering course therefore cannot be reduced to one of manifest destiny. Instead, it has been forged through a wide range of opportunistic offensives, path-testing experiments, pragmatic workarounds, and on-the-hoof improvisations, which

in practice will depart significantly and repeatedly from the idealistic visions of neoliberal theories, even as these theories retain a tutelary significance, as guideposts to a *proper course*, if not a practically attainable destination.

This is one reason why it can be helpful to place, in dialectical tension, the conditions of situated or actually existing formations with ongoing programs of neoliberal restructuring, and indeed to define neoliberalism with respect to the wave-like but contradictory dynamics of the latter (as a restructuring ethos and programmatic rationality), rather than in relation to an idealized end-state, or some supposedly ultimate form. The zigzagging course of neoliberalization never describes a tidy transition from regulated to deregulated markets, or from big government to smaller states, but is more likely to result in a plethora of contradictory gyrations, u-turns, and midcourse adjustments around and across the terrains of social regulation, institutional reinvention, and political contestation. In this respect, neoliberalism can be understood to be both a crisis-making and a crisis-managing project. It is prone – and not by accident but by design – to internally generated crises of malregulation, excess marketization, and overexploitation, just as it has demonstrated capacities for resilience and reinvention, and an ability to *exploit* these same crises in the course of (and indeed in the service of) its own adaptive reinvention.

Analytically speaking, this is Polanyian territory. As Damien Cahill (2012: 115) has argued, ‘the discrepancy between neoliberal theory and practice [lies in] the failure of neoliberal theory to recognize the inherently socially embedded nature of the capitalist economy’. Programs of neoliberal reform may be consequential in terms of reshaping social reality, but this does not mean that they can deny or defy this reality. The fact that these transformative programs are *antagonistically* embedded demands that attention is paid, simultaneously, to transformative rationalities and prosaic practice. On their own, purely abstract or ideational accounts are insufficient, but so are those resolutely concrete analyses that detach social and institutional specificities from wider fields of ideological and institutional reproduction. Even though neoliberal theories are destined always to be frustrated, over and over again they have demonstrated a capacity to inspire, direct, and prioritize programs of socioeconomic transformation and state restructuring; their effect is to invoke a programmatic course of action. This

is something that those skeptical of critical theories of neoliberalization repeatedly miss in their complaints about a tendency to exaggerate the political-economic coherence of the process/project, while underestimating the inherent ‘messiness’ of social and institutional life. Actually existing neoliberalizations are dialogically connected with what remain aspirational, frontal, and strategic visions, even as they are never reducible to them. Hence the need to hold the theory (or strong discourse) of neoliberalism in dialectical tension with an extant (and moving) array of actual outcomes. Actually existing neoliberalisms do not exist, in this sense, ‘downstream’ from the founding ideational texts or ideological commanding heights; their necessarily prosaic and somewhat wayward existence speaks to the ways in which neoliberal nostrums have been repeatedly adjusted very much in conjunction with the vagaries of practice, political opportunism, and chance discovery, comingling and combining with their others, even as they remain in dialogue with a matrix of policymaking principles, received axioms, and idealized commitments. To invoke ‘contradictions’ here is not just an explanatory get-out clause; it speaks to the character of neoliberalization as a realized process.

Defining and delimiting neoliberalization can never be ‘quite as simple as lining up a list of attributes [like] privatization, deregulation and the limited state, and showing whether or not they correspond to the current “institutional reality” of state’ (Dean, 2012: 75). Consistent with its logic of restructuring, neoliberalization *acts on and through* these institutional landscapes; it is not a static neoliberalism. Consequently, theorizing exclusively within the domain of concrete state or social forms is necessary, but it is not methodologically sufficient. It may be helpful to recall that neoliberalism should not be *presumed* to display an incipient unity or emergent coherence; but it is also important to recognize the extent to which the hegemonic grip of neoliberal ideology is manifest in the form of sustained political pressure and entrenched strategic incentives for market-oriented, competitive, and voluntarist modes of governance, based on the principles of devolved and outsourced responsibility – working, in effect, to shape an ideologically circumscribed regulatory solution space. This is how neoliberalism frames, constrains, and channels the field of the politically visible and tractable. The post-2008 global financial crisis was a case in point: within months of the Wall Street crash, the spectrum of politically

acceptable (even viable) policy solutions collapsed into a familiar package of tax cuts, austerity budgeting, monetary manipulation, devolved financial discipline, and light-touch intervention, while relatively mainstream options like Tobin taxes, debt cancellation, grassroots stimulus programming, and (even) assertive reregulation of the banking sector were promptly deemed beyond the pale (see Peck et al., 2010; Peck and Whiteside, 2016).

Yet the neoliberal project visualizes a future that cannot be born, even as it doggedly pursues the path of dismantling and disabling antithetical social and state formations (including collective provisioning, deliberative planning systems, and regimes of progressive redistribution). It may go a long way towards dismantling 'Leviathan', while never approaching the promised land of market freedoms. On the contrary, some trajectories of 'late' neoliberalism may be systematically prone to its very own forms of technocratic and (super)managerial bloat, such that they come to resemble not so much a new Leviathan as a 'Behemoth' (see Chaudhary and Chappe, 2016). The vagarious and crisis-strewn course of neoliberalization invariably trims sharply away from *certain forms of* 'statist' social formations, even as its branching trajectories do not resemble a royal road to free-market nirvana. This also accounts for the fact that neoliberalism has never been associated with a stable or tendential institutional core, but instead adapts and improvises within ideological and fiscal parameters, routinely resorting to channeled and filtered forms of experimentation and opportunism – governed by a regime of socio-regulatory selectivity favoring market-based and market-like strategies, supplemented with an allowance for corporate and elite states of exception. For these reasons, the project of neoliberalism continues to evolve, both as a governing strategy and as a policy package, lurching into and through moments of crisis and reinvention. This can be seen as a reflection of its own limitations, frailties, and blindspots (such as tendencies for short-termism and speculative excess, indifference toward social and ecological externalities), but also a proclivity for working around, selectively undermining, and tactically targeting sources of opposition and resistance.

This said, while the evolving geographical dynamics of neoliberalization may be complex and conjunctural, this does not mean that they are chaotic, unprincipled, and unpatterned. To the contrary, the long arc of neoliberal



intensification since the 1970s has been associated with a regressive deepening and cumulative embedding of market-oriented norms of governance, which have recursively remade reality, if not exactly in their own image, in ways that have become mutually congruent on a transnational scale. What we have elsewhere explored under the rubric of variegated neoliberalization (see Brenner et al., 2010b) entails more than the unruly proliferation, or random sprawl, of geoinstitutional difference, but results from the interplay of two modalities of uneven development. First, we have argued that uneven development is a *necessary condition* of neoliberalization: the earliest (state) projects for neoliberalization were launched under quite particular circumstances (compare, for example, Chile circa 1973 with the United States circa 1980). These frontal programs of restructuring displayed a number of family resemblances (in terms of shared rationales, techniques, and reform repertoires), but in as far as they were also profoundly reactionary projects, attacking, reforming, and replacing an array of ‘inherited’ institutions and social settlements, their revealed geographies echo a path-shaping array of ‘legacy struggles’ with enduring consequences for the course and character of subsequent reform programs. These and other projects of neoliberal transformation consequently took root in different soils, with implications for the sequencing of reforms, for the patterning and outcome of social struggles, for political opportunism and strategic experimentation, and for the construction, consumption, and circulation of policy models that have proved to be anything but transitory or trivial. And since all such projects are ultimately ‘incompletable’, no matter how deeply inscribed or mutually referential they become, the resulting geographies are never to be completely washed away under a tide of convergent development.

Second, while neoliberalism can only exist, in this sense, in unevenly developed form, it is also necessary to recognize that there has been (in parallel with these multiple neoliberalizations at the scale of particular social formations) an ongoing neoliberalization of *uneven development itself*. Here we refer to the constitution and continual reconstitution of market-oriented and corporate-centric frameworks for macrospatial regulation, or what we have called rule-regimes, which govern processes of regulatory experimentation and the cross-jurisdictional movement of policy models (Brenner et al., 2010b). If each program of neoliberal reform is contextually specific, these developments refer to the (macro or meta) context for those

contexts, and include the ‘constitutionalization’ of market-oriented rules of the game, not least through a web of treaties, accords, and sanctions; the build-out of soft infrastructures for policy learning and exchange, accompanied by the thickening, channeling, and intensification of (fast) policy ‘transfers’; and the financialization and heightened ‘competitiveness’ of interjurisdictional relations, extending to patterned regimes of fiscal disciplines, incentives, and modes of governance (see Duménil and Lévy, 2011; Theodore and Peck, 2012; Gill and Cutler, 2014; Kotz, 2015; Peck and Theodore, 2015).

Over time, these interlinked processes – concerning the uneven development of neoliberalization on the one hand and the neoliberalization of uneven development on the other – have shaped a meta-geography of neoliberalism marked not by incipient homogenization but by combinatorial intensification *across* conjunctural formations. This shift, from an emergent and archipelagic to an integrated and hegemonic pattern, we have elsewhere characterized as a cumulative movement from ‘disarticulated’ to ‘deepening’ neoliberalization (Brenner et al., 2010a). The disarticulated neoliberalism(s) of the 1970s and early 1980s made up a non-contiguous map of ‘local’ transformations, among which there was hardly a shared or singular template. Further rounds of neoliberalization have been layered over and across this patchwork pattern, over time contributing to the entrenchment of a widely generalized, indeed tendentially globalizing, market-disciplinary operating environment, jointly constituted with a plethora of subsequent neoliberalizations. Both in principle and in practice, these ‘later’ neoliberalizations are no less context- and path-dependent than their predecessors, even as they have been interdigitated with different rounds of regulatory experimentation, favored policy models, and market opportunity/pressure. Under these conditions of ‘deepening’ neoliberalization, market-oriented regulatory transformations have become reflexively interlinked and interpenetrated, as regimes of meta-governance have been variously consolidated, knitted together, shored up, and adapted. To refer to these as quasi-constitutional settlements arguably confers upon what remain contested and crisis-prone arrangements an exaggerated degree of institutional stability, the period since the Wall Street crash of 2008 seeming to confirm *both* the extent to which neoliberal orthodoxies have become entrenched in dominant circuits of financial and political power *and* the apparent brittleness of these ruling schemes in the face of persistent

policy failure and intensifying political discontent.

## **Conclusion: Redefinitions**

As we indicated at the beginning of this chapter, the working concept of actually existing neoliberalism was originally formulated as a device for grappling with the confounding complexities of neoliberalism as an unruly, polymorphic, and discrepant social formation, as a mode of regulation wrapped in (self) delusion and (purposeful) misrepresentation, and as an historical-geographical process (re)produced through uneven development. From this point of departure, the notion of actually existing neoliberalism would subsequently come to serve a threefold analytical purpose. First, it called attention to the necessary (but still generative) discrepancies between neoliberalism as a tutelary theory and its evidently variegated practice, between the utopian ideology of the free-market counter-revolution and its earthly manifestations, and between the programmatic ambition of this frontal discourse and its frustrated, compromised, crisis-prone and yet restlessly experimental form. Second, it problematized the complex, contingent, and contested ways in which neoliberal restructuring strategies interact with pre-existing and coexisting uses of space, institutional configurations, and constellations of sociopolitical power. And third, it underscored the basic claim that uneven spatial development has all along been integral to the conditions of existence and relational dynamics of neoliberalization as a polymorphic historical process, and not merely a source of contingent variation or downstream 'after effects'. Neoliberalization was never about the straightforward implementation of a prescribed template or policymaking fix; it was constructed conjuncturally, through situated struggles and conflicts, and it has functioned, adaptively, through trial-and-error experimentation, more often than not under conditions of aggravated stress, political conflict, or outright crisis, such that endemic policy failure, emergency governance, and pathfinding exploration have become normalized conditions, for all of their dysfunctional and disruptive consequences.

It follows that critical analyses of neoliberalism, neoliberalization, and neoliberal hegemony must be attentive to the constitutive and structuring forces of combined and uneven development – not as mere variation found after some originating, singular moment, but as a 'baked in' condition.

Neoliberalism can only exist in conjunctural form(s), and it can only be properly understood by way of cross-conjunctural analysis: in this context, it is necessary, but not entirely sufficient, to theorize *from* sites of divergence or discrepancy (recognizing that this can serve as a constructive antidote to paradigmatic or centric theorizing); theorization must also extend *across* these sites of divergence or discrepancy (each and every site of actually existing neoliberalization displaying differences, both from the textbook vision and from other actually existing cases, these being differences nevertheless made 'in connection', and over time, through increasingly intense forms of interconnection). These are the grounds on which we have made the case that critical studies of neoliberalism must not only be contextualized, for instance, through the recognition of 'local' conditions and distinctive hybrids; they must also attend to the more-than-the-sum-of-the-parts context of those particular contexts, and to the wider patterning of restructuring dynamics exhibited across cases, sites, and conjunctures.

Furthermore, because neoliberalism is destined to remain a thwarted totality and never-to-be-realized universal, dwelling in a typically antagonistic fashion with its others, these critical investigations must always extend into extra-neoliberal terrains, to take account of the character of the volatile hybrids that are the (often unwilling) hosts for, and victims of, programs of neoliberal transformation. The dynamic mapping of these mongrel formations and the connective relations between them – that is, tracing the uneven spatial development of neoliberalization *among its others* – holds the key to understanding how neoliberalism has been reproduced, systematically, through and across a wide range of discrepant formations. It follows that critical analyses of neoliberalism, neoliberalization, and neoliberal hegemony must also seek to encompass two principal arcs of difference – one temporal, the other spatial. In the temporal domain, these analyses should take account of both the destructive (or roll-back) moments of neoliberalization and its creative (or roll-out) moments, jointly constituted as these have so often become. In the spatial domain, they should attend to the geographical variegation that is revealed across the processes, projects, and practices of neoliberalization, and to what are always moving terrains of transformation.

While it is sometimes (ab)used in such ways, it should be clear now that the concept of neoliberalism is not really conducive either to shorthand or to

broad-brush application. Rather, processual understandings of neoliberalization, married to the notion of actually existing neoliberalism as a marker of (inescapable) uneven development, enable the ongoing *problematization* of neoliberalism, both theoretically and politically. In this context, the decidedly unloved and inelegant rascal concept, neoliberalism might still be the least-bad formulation that we have to describe the hegemonic space that Stuart Hall once called the 'market-forces conjuncture', acknowledging that this 'inadequate word [remains] the only one we have for characterising what defines the whole arc' (Hall and Massey, 2010: 66). If neoliberalism defines, at least provisionally, a political and analytical problem space, shaped as much by enduring contradictions as by incipient logics, the conjunctural understanding of actually existing neoliberalism offered here carries with it an active presumption against foreclosure. Even as neoliberalism may have come to dominate so many of the terrains of social struggle, it can never fully monopolize those terrains; alternative social and institutional arrangements are both co-present and omnipresent, even if they have been subject to subordination and suppression. Furthermore, the very geographical unevenness of this terrain means that the potential for transcendence is similarly ever-present, if intrinsically unpredictable in form, timing, and effect (see Sader, 2011). As Stuart Hall (2011: 727) always maintained, this is one reason why our social theories, like history itself, must retain 'an open horizon towards the future'.

## Note

1. For a notable 'countercultural' example, an exception that effectively proves the more general rule, see the Adam Smith Institute's recent effort to reclaim and recuperate the moniker neoliberal, on behalf of its rightful owners, one might say (Pirie, 2014; Bowman, 2016; cf. Peck, 2010, and Preface in this volume).

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## **2 International Financial Institutions as Agents of Neoliberalism**

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### **Introduction**

International financial institutions (IFIs) have been described as ‘the world's most powerful agents of economic reform’ (Halliday and Carruthers, 2007). These organizations provide financing to national governments – usually, although not exclusively, the governments of developing countries. The two most prominent IFIs, by far, are the International Monetary Fund (IMF) and the World Bank.<sup>1</sup> In the 1980s, these two organizations began to enjoy unprecedented influence over the economies of the countries that turned to them for support. At that time, IFIs made access to their resources conditional on extensive domestic policy reforms, including opening to trade and international finance, privatizing natural resources and state-owned enterprises, deregulating economic activities, reforming the provision of social services, and a range of market-oriented institutional reforms (Stiglitz, 2002; Summers and Pritchett, 1993; Toye, 1994).

In this chapter, we revisit the relationship between the two most powerful IFIs – the IMF and the World Bank – and neoliberalism. The term ‘neoliberalism’ has lost precision in recent years due to overuse and conflicting definitions (Boas and Gans-Morse, 2009). Indeed, IFIs and their supporters reject the ‘neoliberal’ label, which was originally coined to refer to the extreme pro-market philosophies of figures such as Friedrich Hayek (Williamson, 2003). For the purpose of this chapter, we employ a more expansive definition: by ‘neoliberal policy’, we mean any measure intended to lessen the role of states and enhance the role of markets in at least one national economy. In the sections that follow, we begin with an overview of the origins and mandates of the IMF and World Bank. Second, we examine

how they have promoted policy reforms across the world. Subsequently, we focus on the ways in which IFIs have been critical to the emergence of neoliberalism, and ask whether they are still neoliberal today. We conclude with an assessment of recent transformations in the field of international economic policymaking.

## **The IMF and the World Bank: A Short Introduction**

In July 1944, representatives from 44 countries gathered in Bretton Woods, New Hampshire, to lay the foundations of the postwar economic order. One of the key failures of the League of Nations – the precursor to the United Nations – was in the field of international economic cooperation. The Bretton Woods conference was intended to address the issue by putting in place a system of global financial and monetary governance (Mazower, 2012). The basic contours of the agreement had been negotiated in the midst of the Second World War by the Americans and the British (Ikenberry, 1992; Steil, 2013). These world leaders envisioned a system of ‘free and stable exchanges’: freedom was guaranteed by the removal of exchange controls and other restrictions; stability was underpinned by adjustable pegs to the US dollar, and ultimately backed by gold (Cooper, 1975). At the same time, countries were guaranteed adequate policy space to adjust their exchange rates and to keep their economies at full employment (Ruggie, 1982). In addition, these leaders acknowledged the need for international public financing for economic development and postwar reconstruction (Ruggie, 1982). Famously, the Bretton Woods conference led to the establishment of the so-called Bretton Woods twins: the IMF and the International Bank for Reconstruction and Development (IBRD, soon known simply as the World Bank).

The job of the IMF was to oversee and support the Bretton Woods system of pegged exchange rates. It did so by performing two key functions: overseeing the exchange rates of member governments; and making its financial resources ‘temporarily available to [members] under adequate safeguards, thus providing them with opportunity to correct maladjustments in their balance of payments without resorting to measures destructive of national or

international prosperity' (IMF, 2011: 2). However, following the United States' decision in 1971 to suspend the convertibility of dollars into gold, international monetary relations became unstable and by 1973 countries moved towards floating exchange rates. As a result, the first component of the IMF's operations became redundant (de Vries, 1986). It is only the second aspect of the Fund's original mandate that survives today. Yet, as we discuss below, there has been sustained controversy over how to put this mandate into practice.

For its part, the World Bank was set up to provide investment capital for postwar reconstruction and economic development. Although development was a major aspect of its mandate, the World Bank's impact on developing countries was initially quite limited – partly because the Bank was at first focused on postwar reconstruction, and partly because poorer countries could not afford IBRD interest rates (Mason and Asher, 1973). At that time, the World Bank specialized in lending for tangible, profitable infrastructure projects, such as ports, railroads, and hydroelectric dams. In response to demands of developing countries for greater financing, in 1960 world leaders established an additional organization within the World Bank, the International Development Association (IDA). Unlike the IBRD, the IDA had a mandate to improve living standards in the least developed countries, and provided loans at subsidized interest rates. The addition of the IDA made the World Bank more of a development-focused organization. Under the leadership of World Bank president Robert McNamara, from 1968 to 1990, the Bank's mandate expanded beyond the initial focus on infrastructural development to encompass the eradication of global poverty (Kapur, Lewis and Webb, 1997). However, McNamara's Bank continued the tradition of focusing overwhelmingly on project lending – for example, making loans to build roads or schools – rather than so-called 'program' lending to support policy reforms (Kapur et al., 1997: 487).

## **How IFIs Promote Policy Reforms**

Despite common origins, the Bretton Woods twins' mandates have given rise to different staff priorities. The IMF is focused primarily on addressing short- and medium-term issues, like pressing financial crises, while the World Bank's development and poverty eradication objectives have a longer-term

outlook. These priorities – in turn – have given rise to distinct organizational cultures. As Kapur et al. (1997: 622) report, ‘in contrast to the Fund, which is often caricatured as the multilateral equivalent of the Catholic Church, the Bank has been likened to a contentious collection of Protestant sects’: IMF staff are notorious for their discipline, in contrast to the more open culture prevalent at the World Bank (Boughton, 2001; Woods, 2006).

Nonetheless, the IMF and the World Bank have always exhibited important organizational similarities. Both are staffed by bureaucrats trained in elite universities, commonly in North America or Britain (Chwieroth, 2009; S. C. Nelson, 2014). Each bureaucracy is headed by an individual – a Managing Director at the IMF and a President at the Bank – with considerable authority in world economic affairs. By convention, the IMF's leader is European (currently, Christine Lagarde of France) and an American heads the World Bank (currently, Jim Kim). The day-to-day activities of these organizations are governed by their Executive Boards, which are composed of member government representatives who decide on a range of key issues, including the approval of loans and the establishment of new organizational policies (Kentikelenis and Seabrooke, 2017).

Perhaps most importantly, both the Bank and the Fund are located in Washington, DC and dominated by the United States, as well as other wealthy countries that contribute most to their capital base. Since the founding of these organizations, the United States has held the largest block of weighted voting shares in both (as of 2015, 16.7% at the IMF and 16.1% at the World Bank), followed by other developed countries, such as Japan, Germany, France and the United Kingdom, who together control more than 60% of voting shares (Vestergaard and Wade, 2015). In practice, votes rarely take place and both organizations have a strong emphasis on building consensus on the Executive Boards (Portugal, 2005). The US Treasury – the federal agency in charge of American policy toward the IFIs – exercises considerable influence not only because of its voting share, but also due to geographical proximity and the credible threat of withholding approval for IFI contributions (Babb, 2009; Evans and Finnemore, 2001; Woods, 2006).<sup>2</sup>

The two organizations also possess a similar array of tools for persuading governments to adopt reforms. Unlike colonial administrations, IFIs lack

immediate control over national governments' policies. IFIs must therefore rely on indirect forms of influence, the best known of which is conditionality: the practice of requiring policy reforms in exchange for access to resources. In conditional lending arrangements with IFIs, policy reforms are outlined in documents specifying timetables for their introduction and are assessed on a regular basis. Non-implementation can result in delays in loan disbursements and – ultimately – the suspension of lending altogether. Conditionality became much more important in the 1980s, when it was used by the IMF, the World Bank, and other multilateral and bilateral lenders as a means of promoting neoliberal policies (Stallings, 1992; Williamson, 1990).

While conditionality is the best-known mechanism via which IFIs affect domestic policies, these institutions also rely on subtler means of persuasion. IFIs are powerful not only because they can withhold access to their resources, but also because they possess considerable expert authority (Barnett and Finnemore, 2004: 24). Both the World Bank and IMF are permeated by professional expertise: currently, the IMF employs about 2,400 individuals, mostly economists, and the World Bank has a more diverse staff of over 10,000, including economists, social scientists and engineers (IMF, 2015; Thornton, 2013). Both organizations have research departments – commonly headed by prominent academic economists – that produce a torrent of influential research papers and reports. The World Bank's annual *World Development Report* is probably the most widely-read publication in the development field, and World Bank research is recognized by supporters and critics alike as setting the terms of international development debates (Broad, 2006; George and Sabelli, 1994: 194; Mallaby, 2004: 71; Pincus and Winters, 2002: 219–20; Ranis, 1997: 73; Stern and Ferreira, 1997). Similarly, the IMF's flagship publication, the *World Economic Outlook*, is highly influential among policy elites as it presents short- and medium-term forecasts for economic growth and inflation (IEO, 2014). World Bank and IMF publications are widely read by scholars and policymakers around the world. However, they are not vetted through a scientific peer-review process, and have been observed to gravitate toward positions officially endorsed by each organization. For instance, a recent IMF assessment of its own research output found that 'many studies had conclusions and recommendations that did not appear to flow from the analysis and other studies seemed to be designed with the conclusions in mind' (IEO, 2011: vii). One study of the

World Bank similarly found that the Bank discouraged ‘dissonant discourse’ through selective hiring and promotion, through its process for reviewing research, and through selective framing of research results (Broad, 2006).

IFIs’ well-established expertise provides them with opportunities to influence policies through means other than conditionality. For example, Kedar (2013) shows how Argentinian officials in the 1960s and 1970s agreed to IMF recommendations in their routine encounters with IMF officials, who had far greater knowledge and experience. Governments often invite IFIs to participate in technical assistance missions designed to transfer knowledge and skills – for example, in the 1990s many member governments transitioning from state socialism asked for IMF missions to help them reform their central banks and financial institutions (Wallace, 1990). The expert reputation of IFIs also allows them to engage in the transnational socialization of government officials. The World Bank's Economic Development Institute (now the World Bank Institute) has been an important source of training for senior government functionaries since its establishment in 1956 (Stern and Ferreira, 1997: 526). The IMF has similar programs, run by its Institute for Capacity Development, that are primarily intended for Ministry of Finance and Central Bank officials (IMF, 2008). Rather than disseminating abstract policy ideas, these socialization programs tend to inculcate norms, or taken-for-granted, routine practices that inform policymakers’ work (Broome and Seabrooke, 2015). Such training programs allow IFIs to accumulate social capital in the form of a network of like-minded officials throughout the governments of medium- and low-income developing countries. Once back home, these officials may serve as ‘sympathetic interlocutors’, in their governments’ negotiations with IFIs, a factor observed to make compliance with IFI-prescribed policies more likely (Babb, 2001; Henisz, Zelner, and Guillén, 2005; Woods, 2006: 72–6).

## **IFIs and the Emergence of Neoliberalism**

For more than three decades after their founding in 1944, neither the World Bank nor the IMF was in the business of promoting neoliberal policies. The World Bank, as described above, specialized in financing development projects rather than making policy-conditional loans. In contrast, the IMF was well known for practicing conditionality in its infamous stabilization



programs, which were designed to steady the value of national currencies within the Bretton Woods system. In exchange for emergency loans, the IMF required austerity measures, such as reductions in the fiscal deficit and the money supply. Intended to control inflation and stabilize currencies, these policies also lowered growth and raised unemployment (Vreeland, 2003). Yet while painful, these programs were short-term, and the Fund retained a neutral stance about the relative role of states and markets in national economies – a matter that was considered beyond its mandate (Babb and Buira, 2005).

In the 1980s, however, both organizations became famous for using conditionality to promote market-liberalizing reforms. The political context for the shift was the rise of neoliberal conservative governments in the US and the UK and the Third World debt crisis that coincided with the Reagan years. Compared to earlier administrations, both Reagan and Thatcher espoused a greater faith in the ‘magic of the marketplace’ and the private sector. With the outbreak of the Third World debt crisis, governments, such as those of Mexico and Brazil – which had borrowed from private banks when interest rates were low in the 1970s – suddenly found their debts to be unpayable with the higher interest rates of the 1980s. To manage the multiple crises that ensued, governments turned to the IMF, which coordinated creditors’ claims, lent to allow governments to keep servicing their debts, and required its familiar belt-tightening stabilization, leading to a ‘lost decade’ for growth in Latin America (Haggard and Kaufman, 1992; J. M. Nelson, 1990).

It was in this context that US Treasury Secretary James Baker proposed his ‘Program for Sustained Growth’ in 1985. Under Baker's plan, private banks would increase their lending to developing countries, and the IMF, World Bank, and regional development banks would engage in coordinated ‘structural adjustment’ lending aimed at market-liberalizing policy reforms. The premise was that by accessing more liquidity and liberalizing their economies under the supervision of IFIs, these countries would be able to restore growth – and this growth, in turn, would make their debts sustainable once again (Babb, 2009: 128–31).

The Baker Plan failed to get private banks to significantly increase their lending to developing-country governments, and ultimately failed either to

solve the debt crisis or restore growth in indebted countries (Cline, 1989; Krugman, 1994). However, it led to the legitimization of a new role for IFIs, the basic contours of which were immortalized as the 'Washington Consensus', a term coined in 1989 by a close observer of the US Treasury and international financial institutions (Williamson, 1990). The Consensus was a list of market-liberalizing policy reforms that Washington policymakers – especially at the US Treasury, World Bank, and IMF – were recommending to developing-country governments. According to John Williamson, the inventor of the Washington moniker, '[t]he economic policies that Washington urges on the rest of the world may be summarized as prudent macroeconomic policies, outward orientation, and free-market capitalism' (Williamson, 1990: 1). Washington's recommendations had assumed greater importance than ever because they were now tied to the practice of policy leverage, in line with the vision of the Baker Plan. In Williamson's (1990) words: 'No statement about how to deal with the debt crisis in Latin America would be complete without a call for the debtors to fulfill their part of the proposed bargain by "setting their houses in order," "undertaking policy reforms," or "submitting to strong conditionality".'

Meanwhile, the research publications of the World Bank became the most important platform for Washington Consensus norms and ideas. During the 1970s, Bank research output had included a diversity of points of view on the role of the state in economic development and had emphasized the goal of reducing global poverty. In contrast, starting in the 1980s the diversity of World Bank research narrowed. Ann Krueger – a leading public choice economist and critic of 'distortionary' state economic interventions – replaced Hollis Chenery as the Bank's Vice President for Research; there was a major upheaval in the Bank's research personnel, and the department became less tolerant of dissent (Kapur et al., 1997: 1193–4). As one observer noted in 1986, 'In recent years, the Bank's research has ... gained a reputation for reduced diversity of approach and increased predictability of results. It has devoted quite disproportionate effort to the documentation of the errors of governments and the advantages of reliance upon markets' (Helleiner, 1986: 62). The anti-poverty theme that had dominated the Bank of the 1970s was muted. Although the scope of World Bank research broadened once again in the decades that followed, the Bank nevertheless maintained a reputation for its skilled 'paradigm maintenance' (Wade, 1996, 2002).

During this era, the World Bank began to devote a much larger proportion of its resources to ‘program’ lending – that is to say, lending for policy reforms rather than for development projects (Babb, 2009: 152). For its part, the IMF became, for all intents and purposes, a development institution that collaborated with the World Bank to require its borrowers to engage in ‘structural’ reforms, such as privatizing state-owned industries and lifting trade barriers (Babb and Buira, 2005). Compliance with these reforms was encouraged not only by a closer relationship between the IMF and World Bank, but also between the World Bank and regional development banks, which harmonized and upheld one another's conditions, and between the IMF and private creditors (Babb, 2009: 139–41; Dell, 1988; Weisbrot, 2007). The presence of IFI agreements also served as a ‘stamp of approval’ that translated to additional aid flows, such as bilateral assistance from donor governments (Stubbs, Kentikelenis and King, 2016). Among the World Bank and regional development banks, policy leverage was also implemented through greater ‘selectivity’ – the awarding of project loans to countries that were demonstrably compliant with Washington Consensus policies (Dollar and Levin, 2006; Lewis, 1993).

Washington Consensus policies were widely criticized in subsequent years, and labeled ‘market fundamentalist’ (Stiglitz, 2002, 2008). In response, Williamson pointed out that none of the ten policies listed in his original article was particularly radical or controversial among economists – it was a capitalist program, to be sure, but hardly a revolutionary one (Williamson, 2003: 11). Yet the most significant feature of the Washington Consensus was perhaps not the original list of policies prescribed to governments, but its innovative premise: namely, that IFIs should be using their resources to transform the policy architecture of developing economies around the world. This new role for IFIs opened the door to market fundamentalism, since conditionality could be used not only to promote trade liberalization, but also more radical policies – such as public pension privatization (Orenstein, 2008), replacing progressive tax systems with more regressive value-added tax systems (Fjeldstad and Moore, 2008), or health policy reforms (Kentikelenis, 2017; Kentikelenis et al., 2014; Kentikelenis, Stubbs and King, 2015).

The Washington Consensus tasked the World Bank and IMF with the highly-

visible job of persuading governments to make politically difficult and painful structural reforms – with the promise that the short-term pain would be justified ultimately by ‘sustained growth’. This set up a natural experiment on the effectiveness of neoliberal policies in developing countries. A series of devastating financial crises – in Mexico, East Asia, Russia and Argentina – suggested to some that the Consensus was flawed (Stiglitz, 2008; Weisbrot, 2007). Perhaps, most strikingly, in Latin America, where Washington-inspired reforms had been widespread, economic growth mostly failed to materialize (Rodrik, 2007). Faced with apparently disconfirming evidence, the new mainstream view in Washington became that the Consensus, while essentially correct, had paid insufficient attention to ‘governance’, or the institutional frameworks that allow markets to function, such as laws and judicial systems. Another addition to the original Consensus was establishing and strengthening social safety nets and reducing poverty. In this way, the Washington Consensus soon evolved into the ‘augmented Washington Consensus’ or ‘second generation reforms’ (Kuczynski and Williamson, 2003).

The augmentation of the Consensus was widely viewed in Washington as signifying a kinder, gentler Consensus – one that did not assume that markets worked perfectly or that they could adequately address the issues of the poor. Yet augmenting the Consensus only caused the list of reforms required by IFIs to become steadily longer and more constraining (Naím, 2000: 506). For example, during the Asian financial crisis, the IMF ordered the South Korean government to make its central bank independent, and specified the level of debts that Korean companies were allowed to accrue (Chang, 2006). One IMF Letter of Intent in 1997 committed the Indonesian government to more than 100 policy conditions – including, for example, privatization, the removal of price controls and trade barriers, the revision of national bankruptcy legislation, and changing laws governing corporate mergers and acquisitions (Indonesia Letter of Intent reproduced in US Congress (1998: 80–5)). The World Bank’s Country Policy and Institutional Assessment (CPIA) index, which is still used today to determine eligibility for World Bank loans, rates potential borrowers according to a detailed list of measures of market friendliness, institutional quality, and social inclusion/equity (Hout, 2012). With the end of the Cold War, international financial institutions could be less shy about explicitly using their resources to leverage sensitive and

potentially political policy reforms (Dollar and Levin, 2006).

## **Are IFIs Still Neoliberal?**

The IMF's role in the Asian financial crisis in the late 1990s caused IFIs to come under greater scrutiny. Academics and policymakers strongly criticized the IMF for its handling of the crisis and its promotion of policy reforms far removed from its core areas of expertise (Chang and Grabel, 2004; Feldstein, 1998; Meltzer, 2000; Radelet and Sachs, 1998; Seabrooke, 2010). This poor track record also resulted in a set of challenges to the Fund's US-dominated governance structures (Buirra, 2003b, 2003c, 2005; Carin and Wood, 2005; Portugal, 2005; Stiglitz, 2003; Van Houtven, 2004; Woods, 1999, 2000). Such criticisms – stemming from all sides of the political spectrum – presented a direct threat to the credibility of the organization, and marked the onset of a period of organizational crisis. By the mid-2000s, middle-income and rapidly-growing countries, such as China, had stopped relying on the IMF for managing their balance-of-payments, choosing instead to ‘self-insure’ by accumulating large stocks of hard currency (Bello and Guttal, 2005; Buirra, 2005; Grabel, 2014). Faced with a dwindling customer base, the Fund made the unprecedented move of cutting its own workforce by about 13% in 2008 (Faiola, 2008). Criticisms of the World Bank were more diffuse, but over time it became clear that emerging-market governments with access to private capital markets were similarly avoiding the Bank's conditionality: they had become ‘increasingly selective about the [policy-conditional lending] areas in which they invite Bank engagement’ (World Bank, 2009: 16).

In response to these and other challenges, the Bretton Woods twins embarked on a range of organizational changes, intended to challenge the perception that they were single-minded advocates of one-size-fits-all neoliberal economic reforms. Both adopted the language of country ‘ownership’, on the theory that reforms could only succeed where they had strong support from domestic governments and other stakeholders (Buiter, 2007), as well as the language of making reforms ‘pro-poor’. The IMF acknowledged that the practice of conditionality had become unwieldy and unfocused, and embarked on attempts at ‘streamlining’ it (IMF, 2001), with the aim of providing valuable policy space to countries with lending programs. There

was also a notable shift in the two organizations' research publications. For example, a World Bank report issued in 2005 acknowledged that 'there is no unique universal set of rules,' and called for humility and respect for diversity in the prescription of development policies (Nankani, 2005: xii). More recently, the IMF partially disavowed its previously militant stance toward eliminating inflation, and called for fiscal stimuli to forestall global economic recession (Andersen, 2008). Indeed, it even acknowledged that imposing controls on the movement of capital in and out of countries in economic crises could under some circumstances aid recovery (Gallagher and Ocampo, 2013; Grabel, 2011). This policy remedy was strongly opposed by IMF staff in previous decades.

As part of these transformations, the IMF and the World Bank rebranded their 'structural adjustment' facilities, opting for the nondescript terminology of 'extended credit' and 'development policy' loans. In 2014, IMF Managing Director Christine Lagarde appeared puzzled by a journalist's question over the organization's conditional lending: 'Structural adjustments? That was before my time. I have no idea what it is. We don't do that anymore' (IMF, 2014). Yet, it can reasonably be asked how much substance lies behind these rhetorical changes. After all, the IFIs are complex organizations that must negotiate and adapt to conflicting forces in their environments, including the political demands of wealthy shareholder governments, damaging criticisms from academics, activists and NGOs, and the desires of a dwindling base of borrowers (Kentikelenis, Stubbs and King, 2016; Seabrooke, 2010; Weaver, 2008). Under such circumstances, organizations are famous for engaging in 'loose coupling', or 'ceremonial conformity' – creating gaps between the activities of different subunits, or between rhetoric and reality (Meyer and Rowan, 1977; Oliver, 1991; Babb and Chorev, 2016). Weaver (2008) argues that the World Bank has historically responded to such forces by engaging in 'organized hypocrisy'.

It cannot be denied that there have been some real changes in IFI practices. For instance, the World Bank targeted more of its lending toward programs that would directly benefit the poor (Babb, 2009: 167–8), and the IMF began to embed social spending targets in its loan conditionality (Grabel, 2011). However, the evidence suggests that behind the IFIs' post-neoliberal rhetoric and well-advertised reforms, a great deal of neoliberal substance remains

(Stubbs and Kentikelenis, 2017; Stubbs et al., 2017). A recent study of IMF conditionality through 2014 concluded that the advertised organizational changes represent window-dressing, with few departures from the IMF's standard neoliberal policy advice (Kentikelenis et al., 2016). An important example is labor market reforms – a cornerstone of neoliberal restructuring across the world – which are still part of IMF lending programs and include public sector layoffs, pension reductions, and the dismantling of collective wage agreements. The IMF's own Independent Evaluation Office found that conditionality remained 'very detailed, not obviously critical, and often felt to be intrusive' (IEO, 2007: vii). At the World Bank, 'development policy loans' – the Bank's new term for policy-conditional lending – have averaged nearly 30% of its total portfolio since 2005 (World Bank, 2015). One study on World Bank conditionality from 2006 to 2008 found that 19% of the Bank's conditions related to privatization or commercialization (Alexander, 2009). The Bank also continues to allocate access to loans on the basis of the Country Policy and Institutional Assessment (CPIA) rating system, which places considerable weight on the degree of market liberalization (in order to get access to World Bank program loans governments usually need to receive an average or better CPIA rating) (Alexander, 2009; EURODAD, 2010; World Bank, 2005). The Bank's 'Doing Business' report, which similarly ranks countries' business environments based on such factors as corporate taxation and labor market policies, has drawn criticism from civil society groups for its emphasis on market deregulation (Stichelmans, 2014).

## **The Future of IFIs and Neoliberalism**

Over the past decade, there have been important shifts in the global political economy that appear to be eroding IFIs' role as promoters of neoliberalism around the world. Some countervailing forces have strengthened IFIs – most importantly, the global financial crisis that started in 2008, which presented the IMF with an opportunity to re-establish itself as the central crisis-management institution. The loans to Greece, Portugal, Ireland and Cyprus – in collaboration with European Union institutions – have been among the largest loans ever disbursed by the organization.

However, at the same time, both the IMF and World Bank have been facing pressures from powerful emerging economies – often referred to as the

BRICS countries (for Brazil, Russia, India, China, and South Africa), but in reality including a wider array of emerging-market governments. These governments have been empowered by their rapidly increasing share in the global economy, as well as by their ability to avoid IFI conditionality – whether through accumulating central reserves (rather than relying on the IMF), or by borrowing from private capital markets (rather than from the World Bank) (Birdsall, 2006; Grabel, 2014). At the same time, BRICS nations have become aid donors themselves, and provide development assistance to low-income countries, thereby weakening the influence of IFIs in the world's poorest regions (Dreher, Nunnenkamp and Thiele, 2011; Naím, 2009; Woods, 2008). Significantly, such ‘South–South’ development assistance is entirely focused on financing lucrative projects, and eschews making policy recommendations to recipient governments (Zimmermann and Smith, 2011).

For more than a decade, these governments have pressed repeatedly for reforms in the governance structures of IFIs to grant greater representation and voice to developing countries (Buirá, 2003a; Ocampo, 2015; Portugal, 2005). Thus far, however, the reforms have been disappointingly modest, and resulted in small voting realignments that nonetheless preserved the power of Western countries (Vestergaard and Wade, 2015). Neither Bretton Woods institution has even contemplated removing the traditional veto power of the United States.

Frustrated by their lack of progress in reforming the Bretton Woods institutions, and in the face of a vast unmet need for development financing, BRICS nations have been setting up parallel IFIs to provide balance-of-payments and development assistance. The first step was the creation of the New Development Bank (NDB) – better known as the ‘BRICS Bank’ – that has both a development finance arm (similar to the World Bank) and a balance-of-payments support mechanism (akin to the IMF's operations). These functions lead influential observers to suggest that this Bank would be a catalyst for further reforms ‘in the international financial and development architecture that favor developing and emerging countries’ (Griffith-Jones, 2014: 17). The second key organization established by BRICS countries is the China-led Asian Infrastructure Investment Bank (AIIB). By 2015, the AIIB had already raised \$100 billion of seed capital for infrastructure projects



in Asia (Magnier, 2015). In a sign of shifts in the global balance of economic power, both new organizations are headquartered in China – in contrast to the Washington-based Bretton Woods institutions.

Do these South-led IFIs represent the dawn of a new era, beyond the Bretton Woods IFIs and beyond neoliberalism? As this chapter goes to press, the role and implications of these novel organizations remain to be determined. Yet, what is clear is that the NDB and AIIB will pursue a mission focused on lending for infrastructure projects rather than for policy reforms, much like South–South bilateral lenders described above. This suggests that, also like South–South bilateral lenders, these institutions will offer alternative financing untrammelled by Bretton Woods conditionality. Ironically, more competition in the international financial institution arena promises to make it much more difficult for the traditional IFIs to promote market-liberalizing reforms.

Yet although we may be witnessing the end of the era of the undisputed dominance of the Western-dominated World Bank and IMF, it would be premature to announce their demise. Over the decades, these organizations have shown themselves to be remarkably agile at adapting to major changes in their environments – perhaps most strikingly, the IMF was able to survive the collapse of the Bretton Woods monetary agreement and to remake itself into a promoter of market liberalization around the world. Whether or not they remain agents of neoliberalism, we can expect the two organizations to endure.

## Notes

1. Some of the less well-known IFIs include the European Investment Bank, regional development banks (such as the Asian, African, and Inter-American Development Banks), and sub-regional banks.
2. The US is uniquely positioned to make this threat because of its presidential system, which allows for divided government and the possibility that Congress will block appropriations for IFIs. This threat has been wielded most effectively by Congressional Republicans (see Babb, 2009).

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### 3 Neoliberalism in World Perspective: Southern Origins and Southern Dynamics

Nour Dados

Raewyn Connell

#### The Problem of Global Perspective

Towards the end of his life, the great development economist Raúl Prebisch sat down to write a synthesis of his theoretical and practical experience. It was called *Capitalismo periférico: Crisis y transformación*, and was published in Mexico in 1982. That was about seven years into the neoliberal experiment in Chile, just after its first economic crisis, and just as the debt crisis years and the ‘lost decade’ of Latin America were beginning.

Prebisch could look back on a lifetime of political and intellectual engagement, from his time as president of the central bank of Argentina, to the founding of the famous CEPAL (the United Nations think-tank for economic development of Latin America, which he headed in its formative years), to the years of struggle establishing the UN agency for trade and development across the global South (UNCTAD, which he headed in its formative years). He had gathered one of the most remarkable think-tank teams ever put together, and promoted the development strategy of import replacement industrialization that was attempted around the global periphery from Australia to Brazil. He was a key figure in economic structuralism, godfather to the ‘dependency’ school, and co-author of the Prebisch-Singer thesis on long-term shifts in the terms of international trade.

Prebisch's book is therefore a very interesting point to begin thinking about Southern perspectives on neoliberalism. He was one of the first economists to doubt the universality of economic reason. In his remarkable 1950 report, *The Economic Development of Latin America and its Principal Problems*, he had



expressed scepticism that the economics dominant in the global North could work for the periphery. His career at CEPAL and UNCTAD was, in a sense, an attempt to produce an economic reason and development strategy that *would* work for the periphery.

In *Capitalismo periférico*, Prebisch does not use the term 'neoliberalism', which was not in common use at the time, but he certainly has a conception of neoliberalism. One of the six sections of the book is called 'The neoclassical theories of economic liberalism', and in this he makes a sharp distinction between political liberalism and economic liberalism. Though both originate in a concept of freedom, they now point in different directions.

Prebisch's target is not exactly neoclassical economic theory, for which he (like Keynes) had considerable respect – 'a great scientific advance', as Prebisch (1982: 280) calls it, seeing the mathematical formalization as precise and impressive. Rather, the problem, as he sees it, is the simplistic application of this admirable theory to the real world, and especially the world of the global periphery.

Here Prebisch's argument rests on a theme he had emphasized since his experiences in the 1930s and 1940s: the structural differences between centre and periphery. This was not only a matter of differences in industrial composition, but major differences in history and social structure. The capitalism of the periphery, Prebisch argued, operated in a political and social environment that negated the assumptions underlying free-market economics. This environment was characterized by great concentrations of land, wealth and power in the hands of small elites. With social mobility and income redistribution held down, peripheral capitalism was in practice *exclusionary* rather than dynamic. The benefits of technological advance and productivity growth were appropriated by entrenched elites or transferred to the global centre.

In this situation, neoclassical free-market economics comes to play an ideological rather than a scientific role. To understand the force of Prebisch's words, one must know that after a lifetime of bureaucratic work, his prose is usually extremely drab. But he calls economic liberalism, in this context, *falseamiento* – distortion of reality. Because it ignores social structure and the relations of power, it becomes hypocritical: 'There, economic freedom is the

freedom to be poor' (Prebisch, 1982: 273).

Prebisch was not much kinder to Marxism. Though he respected Marx as a great critic of capitalism, he considered Marx's analysis also to be specific to the global centre, and he considered Leninism an unacceptable model of forced accumulation. His general view was that 'Conventional theories do not represent reality' (1982: 322).

Indeed, reality was changing. When Prebisch died, four years after this book was published, a neoliberal development agenda was getting a grip around the global periphery, while the Reagan/Thatcher attack on the Northern welfare state deepened. Transnational corporations and financialization, which had never figured much in Prebisch's economic thinking, were on the upsurge; and the technical underpinnings of the internet were already established.

## Origin Stories

Neoliberalism's origins are usually narrated starting with the role of anti-communist economists in Europe and the United States in creating a theory exalting free markets. Initially Hayek and Friedman argued with little success against Keynesian economics, state control of the economy and a welfare state. In the 1980s, however, the policy framework changed. Reagan and Thatcher created the political conditions for the free-market economists' theory to be put into practice. A wave of monetarist policy, privatization, deregulation, tax reduction and attacks on welfare-state 'entitlements' followed.

In the usual story, through the political power of the United States and Europe, neoliberalism was imposed on the rest of the world in the 1980s and 1990s via the IMF and World Bank, under the rubric of structural adjustment programmes. This pressure was made effective by the growing integration of the world economy and by the collapse of the Soviet Union and its satellites. Finance capital emerged as the dominant sector of capital and unregulated financial markets – in currencies, shares, credit, and derivatives – have grown on a huge scale.

This story is told, with differing emphases, in several bodies of writing about neoliberalism. One school treats neoliberalism centrally as a system of ideas, amounting to a shift in the dominant ideology of capitalist society, ‘the ruling ideas of the time’ (Harvey, 2005: 36; Klein, 2007). Another treats neoliberalism as governmentality, a regime of power/knowledge that constitutes the economic subject as an ‘entrepreneur of himself’ (Foucault, 2004; Dean, 2012). Another school focuses on economic mechanisms. The most influential text here is perhaps Gérard Duménil and Dominique Lévy's *Capital Resurgent: Roots of the Neoliberal Revolution* (2004), arguing that a crisis of profitability emerged in the USA and western Europe in the late 1960s and 1970s, and neoliberalism expressed the ‘political will’ of the capitalist class to restore their revenues and power. The idea of crisis and mutation is also the basis of the prescient analysis of neoliberalism by Antonio Negri, in Italian-language work now largely forgotten. Negri's argument centred not on the strength of capitalism as a system, but on its weakness. The economic mechanisms of capitalism had been so de-structured by working-class struggle that new means of valorization had to be created, which could only be done ‘within a project that is qualitatively different from that of reformist planning’ (Negri, 1973, 1977; Connell, 2012).

All these origin stories share a geopolitical perspective. The cultural stories focus on the intellectuals of Europe and the USA; the political-economy stories focus on the economy of Europe and the USA. When neoliberalism appears elsewhere, it is an export from the North or a copy of Northern policies (e.g., Peck et al., 2009: 50). The critical literature on neoliberalism thus follows a familiar pattern in social science, finding the causal dynamic in the North and treating the rest of the world as the scene of application of Northern ideas. This pattern is reproduced in much of the literature on neoliberalism that comes from the global South, even from Latin America, where debate about neoliberalism has been intense (e.g., Gómez, 2004; Hernandez et al., 2010).

But are these stories right? The first substantially neoliberal regime, after all, was in the far South – Chile under Pinochet. In legend, this is attributed to the ‘Chicago Boys’ bringing Friedman from the North. But that ignores the question why Pinochet, a very conservative military man, should have taken up these policies at a time when they were *not* hegemonic in the North. He

must have had solid reasons for doing so.

In fact, an economic strategy had been articulated by the Chilean right before the 1973 coup against Allende (in a document nicknamed ‘The Brick’).<sup>1</sup> There was already an active discussion of neoliberalism going on in South America. A study of neoliberal politics across Latin America in the 1960s documents the diffusion of neoliberal ideas through organizations involving businessmen and industrialists (Bailey, 1965). Still before the hegemony of neoliberalism in the North, Roberto Calvo (1979) published a whole monograph on neoliberalism and authoritarianism in the Southern Cone, starting the story in Paraguay in 1961 and linking economic agendas to the military ideology of national security. When an academic literature on neoliberalism grew in the 1980s, a significant part of it addressed this experience. Of 73 studies that named neoliberalism, published between 1980 and 1989, 27 were about Latin America, with a significant portion focused on agriculture (e.g., Silva, 1987, 1988). Regrettably but typically, these earlier publications were *not* referenced in the Northern critical literature on neoliberalism in the 1990s and 2000s.

Nor was South America the only part of the periphery to move towards neoliberalism before Reagan came to power. Neoliberal initiatives were being promoted in Turkey in 1978–79 and were turned into a national policy framework by Turgut Özal in the ‘January 24 package’ of 1980 (Ozel, 2003). In the settler-colonial state of Australia, an across-the-board cut to tariffs was enacted as early as 1973, by a Labor government – a key step towards abandoning state-supported industrialization.

So there are reasons to be sceptical of the notion that world neoliberalism derives from the brains of Northern economists or from an economic crisis internal to the global North (Connell and Dados, 2014). How then can we understand the emergence of a global regime in which Europe and North America are undoubtedly hegemonic, but where most of the population and growing proportions of economic activity are found in the postcolonial world?

## **Southern Situations**

Perhaps the most important background to neoliberalism was the debate on economic development around the postcolonial world in the mid-twentieth century. Two main development strategies were adopted by postcolonial elites at this time. One was capitalist import-replacement industrialization (IRI), the strategy famously urged by Raúl Prebisch and CEPAL, and pursued, with variations, by México, Australia, South Africa, Brazil and Argentina. The other was industrialization within a Soviet-inspired state-centred command economy, followed in Egypt and Algeria, China and Vietnam. In India, a shifting mixture of the two strategies was attempted. It was these strategies, not a bloated welfare state (which hardly existed in much of the South), that neoliberals in the periphery had to contest.

Over time, neoliberal economists, journalists and politicians by sheer repetition created an impression that these alternatives had failed. There is considerable evidence that IRI, at least, did not fail economically (Vellinga, 2002). But there is no doubt that both IRI and command economies involved unequal distributions of income, technocratic views of the state, and small local markets, making them prone to local crises (Kay, 1998; Vellinga, 2002). Celso Furtado, the great Brazilian development economist, made a famous distinction between 'growth' and 'development'. Aggregate growth in national economic indicators need not mean an improved life for the majority of the people (Furtado, 1974; for an admirable English-language introduction to his thought, see Mallorquín, 2007). The social settlements around growth strategies, including labour rights and informal redistributive networks, were at stake. By the 1970s there were clear political vulnerabilities in the leading development strategies.

Neoliberalism gained a political grip in the majority world because it offered an *alternative development strategy* that broadly served the interests of local ruling classes, while having some attractions to wider constituencies. This strategy offered economic growth to a peripheral country by opening the economy to international capital and building export industries based on comparative advantage in global markets.

In different countries, comparative advantage might be found in mining, commercial agriculture, manufacturing using cheap labour, or even business services. The key point was that an orientation to global markets could yield

rapid growth in those sectors, regardless of stagnation in others. With this orientation came the need for cheap and easy international transport of commodities (discussed below), and cheap and easy movement of finance, essentially the deregulation of capital movements.

A striking example is provided by settler-colonial Australia, where the main deregulation measures were brought in by the Australian Labor Party federal treasurer Paul Keating. In 1986 Keating, defending deregulation, famously declared that Australia had to become more internationally competitive or it would become a 'banana republic', a 'third-rate economy'. In the neoliberal decades that followed, Australian secondary industry was allowed to collapse and the economy was restructured around mining for export. In countries of the periphery where poverty remained widespread, neoliberalism offered the hope of a new wave of growth, by 'joining the tracks of the world' – a Chinese phrase applied to the Deng-era strategy of development.

Antonella Attili Cardamone (2010: 102–3) notes, in relation to Mexico, that state intervention in the economy is not an aberration but the norm. Indeed, neoliberal transition in the global South is part of a longer history of coercion. Colonial society was not so much regulated by the state as *produced* by the state – created by the massive violence of conquest and the installation of what Valentine Mudimbe (1994) calls the 'colonizing structure'. By this he meant an apparatus of rule that undertook the domination of space, the integration of local economies into a capitalist system, and the re-forming of the natives' minds via missions and schools.

Such structures were contested but not destroyed by decolonization, and they have underpinned the power of postcolonial elites (Mohamadieh, 2008; Mbeki, 2009). Moeletsi Mbeki argues that Africa today is ruled by 'a purely government class' that is parasitical on the rest of the population, acting as consumers rather than producers and employing state violence to stay in power. Achille Mbembe's celebrated *On the Postcolony* (2001) paints an even grimmer picture of predatory postcolonial regimes aided by international support for trade and minerals concessions. Violence, corruption and deregulation have led to 'indirect private government', in Mbembe's phrase, where the state has lost its capacity for redistribution but continues to operate as an instrument of coercion.

The postcolonial state's capacity for coercion of the labour force is particularly visible, and important, in Korea and China, where it underpinned export industrialization surges such as the 'South China Miracle'. State power also made possible the reorganization of space to create a typical neoliberal device, the export processing zones (discussed below). These, alongside indirect private government and the rise of the military as an economic power, represent a blurring of public and private sectors rather than a retreat of the state.

The power of the postcolonial state, then, is one of the key conditions of the global neoliberal regime. From this point of view, it was not accidental that the first substantially neoliberal regime in the world was a dictatorship. But coercion cannot be sustained indefinitely without mechanisms of hegemony; thus, the legitimization of neoliberal development is also an important issue.

Legitimation is difficult because neoliberalism in most places has widened gaps between rich and poor. Structural adjustment has disrupted some of the accommodations on which local elite power rested, such as the 'tacit social contracts' between society and authoritarian state in north Africa, whose failure led to the Arab Spring (Mohamadieh, 2008; Jamshidi, 2011). Mbembe (2001) points out for central Africa that the postcolonial state, as it ceased to be a guarantor of profits for colonizers, became a means of informal redistribution locally through kinship and political networks. But to neoliberal reformers, especially those in international agencies, these arrangements appeared as corruption, nepotism and unproductive state employment.

The legitimacy of neoliberal solutions has never been guaranteed. The rising of the 'pink tide' in South America in the early 2000s saw widespread anti-neoliberal campaigns. A serious breakdown of legitimacy for a neoliberal regime occurred in 2014–15 in Greece, formally a part of the European Union but in practice in a semi-colonial situation.

## **Labour**

Global corporations have been 'offshoring' their operations from the global North for several decades now, an important part of a worldwide

restructuring of labour and labour relations. In this familiar pattern, companies move manufacturing or service operations to another country with lower wages and a workforce with fewer legal protections. Alternatively, manufacturing may be abandoned and supply outsourced to a complex of smaller manufacturers in the global South, as in the clothing industry. The reason given is always that continued production under current conditions is not profitable. From the point of view of the receiving country, poor labour conditions are a comparative advantage.

In the global North, this shift has been understood as an attack on unions and on the pay and conditions of workers under the banner of increasing productivity. Campaigning by business lobbyists, corporate interests and right-wing think-tanks uses the possibility and the fact of such shifts to generate pressure to restructure labour relations in the North.

In the global South, where a much larger informal economy and greater rates of poverty are typical, the state's quest for survival and legitimacy is of a different magnitude. It is often this quest, rather than corporate interests alone, that has driven the global reorganization of labour (P. Silva, 1988; Toye, 1992; E. Silva, 1996; Mbembe, 2001; Mbeki, 2009). Offshoring by transnational corporations suits the interests of Southern elites if the process creates local jobs, however poorly paid and precarious. While this may not be real or sustainable development in the sense proposed by Furtado and Amin (see below), together with extractive industries it is often enough for a favourable change in key development indicators maintained by organizations like the IMF. These indicators are attached to global development credits and the chances of private overseas investment.

But Southern difference takes several forms and labour costs are only one among them. Add space, land tenure, climate, mineral deposits and local power structures to this list and we get a different picture of how labour has been restructured globally. The combination of several Southern differences led to the most distinctive feature of neoliberal geography, the export processing zone (EPZ). Often cited by the international financial institutions as examples of successful restructuring, these zones are established through coalitions of state officials, local business elites and international corporate actors (Nazzari, 2005; Aggarwal, 2006; Keshavarzian, 2010). Not all such



initiatives worked, as shown by Kesharvazian's striking study of two export processing zones on the Persian Gulf, one set up by Dubai and the other by Iran. But the idea remains a feature of neoliberal development strategy. In India, legislation to facilitate special economic zones was proposed in 2000, and agricultural land has been seized to implement such zones (Aggarwal, 2006; Banerjee, 2010).

The exploitation of labour as a source of comparative advantage has been achieved through varied levels of coercion (Kumbetoglu et al., 2010; Selçuk, 2011; Velasco Ortiz and Contreras, 2011). In some parts of the South, the military has historically been one of the largest employers in the economy, partly through a welfare regime dependent on conscription (Baylouny, 2008), and partly through the creation of secondary businesses that are wholly or partly owned by the armed forces (e.g., Jordan, Egypt). The strength of the military and the surveillance regime in many parts of the Arab world produced a situation in which states rely on repression (Rabbani, 2011), while economic growth depends on a large informal sector that may comprise 50% of the entire national economy, as it does in Tunisia (Boughzala and Kouki, 2003; Aksikas, 2007). This is not a situation likely to generate a high volume of growth, even if it sustains a tacit social contract between state and people (Jamshidi, 2011). Unstable balances have developed in various parts of the Arab world as governments attempt to promote growth and generate jobs, hold down social turbulence, maintain surveillance, create EPZs, find export staples, and satisfy the military.

The restructuring of labour has created a world of new social relations that have not only meant a reorganization of elites, but also a world of greater uncertainty for those without economic and political power (Bayat, 2004; Sundaram, 2010). In many parts of the South where there is no welfare system to speak of, the huge numbers of the 'permanently unemployable' barely budge despite concessions made by states to facilitate business and investment for international firms (Boughazala and Kouki, 2003; Aksikas, 2007; Chatterjee, 2008). The informal sector continues and for many it is the only means of survival.

## **Land**

Commercial agriculture and pastoralism as export industries have histories going back to colonial times – in the case of agriculture, to the ancient world. Much of the world's wool production was relocated from Europe to colonial Australia and New Zealand in the nineteenth century, when much of the world's beef production was similarly relocated to the southern-cone countries of South America and western North America.

In these fields, neoliberalism has not meant a new beginning but an acceleration of trends and an extensive restructuring. There has been an increase in industrialized food production, a displacement of small producers and cooperatives by corporations, and an integration of Southern and transnational corporate agriculture with Northern technoscience. This is seen in initiatives like the 'green revolution', dependent on artificial fertilizers and high-yield strains, and, more recently, genetically modified crops such as soya beans. Deregulatory policies, and free-trade agreements between states, have provided the political space in which these changes can occur.

Rather than a blanket neoliberal reform agenda imposed from above, the reshaping of land use in the global South is a product of multiple factors. They include the failure of state-building initiatives, military intervention and violent repression, and a shift in government policy away from less wealthy, independent operations towards multi-million-dollar projects that require finance on the scale of transnational corporations (Zghal, 1985; Silva, 1987; Bellisario, 2007; Chatterjee, 2008; Zurayk, 2012). Private sector finance has mainly moved in the same direction, despite the emergence of 'micro-finance' models.

The result has been a significant shift in land ownership and use away from smallhold independently-owned or leased farms towards agribusiness and large global corporations (which may employ displaced farmers) (Amin, 2006; Amanor, 2012). Most importantly perhaps, the nature of agricultural production has been drastically reshaped so that farm operators produce primarily for export to global markets (Amin, 2006; Zurayk, 2012). Remaining smallholders are less able to weather the fluctuations of global markets and survive downturns.

But agricultural production is not the only means by which states seek to exploit land for comparative advantage. The establishment of free-trade

zones, special economic zones, export processing zones and similar initiatives is another, which is also linked to the pivot towards export markets (Nazzari, 2005; Aggarwal, 2006; Banerjee, 2010; Keshavarzian, 2010). This has been a notable neoliberal strategy for achieving development in parts of a country where economic activity is poor. While special trade zones epitomize the excesses of capital accumulation, creating areas of exception from labour and environmental regulation, research has emphasized the role of states in initiating, promoting and administering them (Keshavarzian, 2010; Kumbetoglu et al., 2010; Sathe, 2011). Often, they are linked with specific development initiatives of governments that coincide with the economic objectives of local elites and their links to global capital, rather than being proposals from transnational capital looking for fresh fields to exploit.

Sometimes, however, rather than developing land themselves, states simply sell off agricultural land, or offer long-term leases, to foreign corporations or firms acting on behalf of other states (Amanor, 2012; Zurayk, 2012). Such land purchases and leases to large corporations have been increasing in parts of Africa and Latin America, in particular. The purpose of acquiring this land is often to boost food production for consumption elsewhere. While the leasing state extracts rents on the land, these land deals reduce the land available for local food production, sometimes producing the paradoxical situation where a food exporting country needs to import its own primary nutritional requirements.

## **Resource Extraction and Production for the Global Market**

We have mentioned the tremendous importance of international trade for the way neoliberalism has worked in the global South. It is arguable that the most important neoliberal institution of all is not the IMF or World Bank, nor the OECD, but the World Trade Organization.

There were non-neoliberal approaches to world trade. One of Prebisch's main concerns was to open Northern markets to industrial products from the periphery (Prebisch, 1964). But a strategy of 'comparative advantage' that leveraged Southern *difference*, rather than attempting convergent

development, had quicker and easier access to growing global markets.

Massive growth of material trade was made easier by new technology, though not the high-technology ICTs. A key change was the rise of the humble freight container (Cudahy, 2006; Levinson, 2006). This began in 1956 with the voyage of the ship *Ideal-X* from Newark carrying 58 containers. It went on to increase the speed and sharply lower the cost and labour demands of freight handling, integrating land and sea transport systems. Together with super-tankers, bulk ore carriers and jet air cargo, this changed the economic and social significance of international trade.

Today, seaborne traffic accounts for about 90% of total global trade, and its volume has nearly quadrupled since Prebisch's time, rising from 2,566 million tons in 1970 to 8,408 million tons in 2010 (UNCTAD, 2011: 7). In 2008, world trade amounted to more than 50% of world GDP (databank.worldbank.org). The new transport technologies created conditions favourable for the restructuring of domestic economies, not by local social settlements, but via transnational markets.

Minerals, including oil, are very prominent in the comparative-advantage strategy. Extractive industry had been a feature of imperial economies, from the fabulous silver mines of Potosí onwards. Dutch and British settlers fought several wars over the diamonds and gold of South Africa. As the internal combustion engine became vital for war-making and civilian transport, the British seized the easily-available sources of Middle Eastern oil in the early twentieth century. Persian Gulf oil continues to be globally important, an enclave development on a massive scale (Askari, 2006), based on tripartite deals between local rulers, transnational corporations and Northern military power.

Across most of Africa, Moeletsi Mbeki (2009) argues, similar deals are the mode of contemporary articulation with the global economy. In most cases, the mining and oil-pumping industries have little payoff for the peasant and urban majority. Here the idea of neoliberalism as a development strategy reaches a logical limit. Growth takes the form of rents extracted by predatory elites, who, Mbeki argues, are not a productive bourgeoisie. The principal exception in the continent is South Africa, where a degree of industrialization and local corporate development did occur, crystallized in the 'minerals-

energy complex' at the centre of the national economy. Since the ANC's dramatic neoliberal turn in the 1990s, South African manufacturing has been devastated by cheap imports, especially from China. This keeps mining wages down, but gives no capacity to soak up mass unemployment. Twenty years after the end of Apartheid, a quarter of the labour force is *officially* counted as unemployed (Statistics South Africa, 2013).

The growth of world trade, the material side of global markets, and the turn to comparative advantage across most of the periphery, a development strategy which presupposes the continued presence of global markets, has produced an expanding and deeply heterogeneous global capitalism. Some parts of the periphery have deindustrialized in favour of primary export industries, including Chile and Australia as well as South Africa. This risks a long-term deterioration in the terms of trade, the problem that was warned against in 1950. Civil war and social devastation have followed extractive-industry deals with transnational capital in countries as far apart as Nigeria and Papua New Guinea.

Wealth is available for political elites that can position themselves favourably in these trade and financial flows. They include Singapore's People's Action Party and the monarchy in Morocco, both of which are in a sense family companies controlling a small state. On a larger scale, the post-communist power elite in Russia attempted a similar role based on fossil fuels. The post-authoritarian regimes in Brazil and India have managed a more balanced development at the cost of deep social inequalities. Though one would hesitate to call the Chinese regime neoliberal, it has certainly adapted to the neoliberal trade regime. Its unique combination of command economy and robber-baron capitalism has produced spectacular industrial growth, as well as social tension and environmental devastation.

However, dependency is no longer one-way. The relocation of world industrial production towards low-wage economies and the diversity of elite strategies in the periphery show this. Neoliberalism on a world scale seems to have produced a more diversified and chaotic economic process, but one that is far from the 'weightless economy' invoked by Northern commentators on financialization. It rests on a massive weight of material trade and on the reorganization of economies at all levels of wealth towards production for

global markets.

## Producing Theory in the South

The impression that neoliberalism originated within the North and was then exported to the South is reinforced by the fact that the best-known theorists of neoliberalism, both pro and con, come from the global North and naturally write about their own societies. Indeed, much of the discussion proceeds as if Northern authors were the *only* theorists of neoliberalism.

But intellectuals across the global South have been concerned with neoliberalism, have tried to understand what is happening, and are an important source of theory. Across the social sciences, there is increasing concern with the pattern of knowledge flows, the creativity of intellectual workers in the South, and the need to decolonize Northern-dominated disciplines (Connell, 2007; Bhabra, 2014). Accordingly, we present here brief sketches of ideas from several parts of the South that show the diversity of approaches to understanding neoliberal society.

As noted above, food production is one industry where the neoliberal transformation of trade and land use has had a strong impact. Rami Zurayk, a professor of agricultural and food sciences at the American University of Beirut, has written extensively about the reliance on intensive, export-oriented food production based on monocultures in the Middle East and North Africa (MENA). Zurayk points out that export-oriented agriculture in Lebanon precedes the neoliberal era, but the consequences for smallhold farmers and peasants have intensified as control of agricultural markets, land ownership and production moves into the hands of commercial ventures that rely on aggressive agrochemicals and damage biodiversity (Zurayk, 2000, 2012).

As one of the founders of the Slow Food Movement in Lebanon, Zurayk is concerned with the impact of export-oriented agriculture on food security and small farming communities. He writes, ‘export-oriented farming is good for business, but only that of a few people’ (Zurayk, 2000: 23). Producing for global markets has paradoxically made the MENA region one of the most food-scarce in the world. Zurayk argues that the question of environmentally

sound practices that has dominated the discussion of sustainability is not enough. For agriculture to be sustainable, it must pay farmers a sustainable livelihood and ensure food security for the poor (Zurayk, 2000, 2012). Much of Zurayk's activism has been in helping set up food co-ops and farmers' markets as well as documenting local practices of food production.

The famous Egyptian Marxist Samir Amin is also critical of mainstream environmental discourses. Amin draws attention to the massive disparity in consumption patterns between North and South that is concealed by standard development indices.

The centre–periphery relationship has long been the focus of Amin's analysis and informs his work on the global dimensions of unequal development. As suggested by the title of his most famous book, *Accumulation on a World Scale*, Amin (1974, 2007) sees capitalism as global and imperialist by nature. The process requires spaces across the periphery to be economically exploited (Amin, 2010). Amin revises many of Marx's theories accordingly. For example, he diverges from Marx's theory of primitive accumulation that sees the periphery as being in a pre-capitalist state.

Rather than seeing the periphery as a space yet to be subjected to a homogenizing project of capitalist development, Amin helps us to understand it as a space that is integral to the hegemonic ascent of the centre. The continued extraction of resources from the periphery creates the necessary conditions for ongoing domination by the centre.

Like many Northern Marxists, Amin emphasizes crisis tendencies within capitalism. Unlike their focus on crisis tendencies within the North, Amin focuses instead on crisis at the global level. He understands neoliberalism explicitly as a response to global crisis tendencies, being the 'return to the exclusive domination of capital' following the collapse of the Bandung-era alternatives (Amin, 2010). There were, in his view, other possible paths of economic change; and in this, if not much else, Amin agrees with Prebisch.

The Peruvian sociologist Aníbal Quijano is one of the key thinkers in the decolonial school and the author of its most famous concept, the colonality of power. The underlying colonial logic of power, created in the European colonization of the Americas, persists globally after political independence.

Quijano (2000) argues that it was no coincidence that capitalism, as a project that produced hierarchies based on economic and social status, emerged at the same time that colonization was producing a world organized around hierarchies of race.

Consequently, work as a productive activity is structured by the category of race at the same moment that work as an economic activity is articulated to a world market. Race as a concept permeates all modern European thought and contributes to the eurocentricity of knowledge. Classes in Latin America 'have colour', says Quijano. This leads him to conclude that all forms of government across the continent, whether bourgeois-democratic or socialist, will fail as state-building projects if they do not acknowledge the coloniality of power.

The social struggles of the neoliberal era are similarly structured by the coloniality of power and its attendant racial hierarchies. Quijano's (1995) close study of the rise of the Fujimori government in Peru is the clearest indication of his thinking on this. The Fujimori regime used military force backed up by international institutions like the IMF to implement a programme of massive social and economic reorganization. A re-concentration of wealth and economic power and the dispossession of the productive bases of society followed, along with the stagnation of production, unemployment, underemployment and increased informalization of the economy. Wages were frozen for the poorest, while prices were internationalized. This polarization was reflected politically with dramatic consequences. The gains of earlier political mobilizations against the colonial character of state power were reversed, with *mestizos*, *indios*, and *negros*, 'the very people who reflect the colonial character of power', being the principal victims (Quijano, 1995: 60). All forms of social inequality were re-legitimized, including those of colonial origin and character, as the political discourse of capital in its neoliberal form became hegemonic.

A similar picture of neoliberal hegemony across South America is given by Brazilian Marxist scholar Emir Sader, though without the same focus on the colonial and racial dimensions of power. Sader (2008a, b) presents neoliberalism across the Latin American continent as a hegemonic project which violently destroys alternatives and disrupts the social base on which



struggles for justice can be built. The advent of neoliberalism coincided with the destruction of the democratic process and the overthrow of governments such as Allende's in Chile, followed by authoritarian regimes operating under the approving eye of the North.

Sader characterizes the destructive force of neoliberal hegemony in terms of the way it shifted the balance of social power. Repression reorganized social relations and created extreme inequality because people were physically no longer able to defend their rights and interests. It subsequently delivered the sphere of rights and interests to the market, setting up two 'enemies of the people' – the repressive state and the greedy market. In contrast to many Northern Marxists, who are sceptical of democracy, Sader wants to reclaim democracy from the neoliberal paradigm of freedom for the market, and redefine it in terms of a strengthened public sphere (Sader, 2008b).

Sader's (1999) earlier writing on Brazil studied more closely the implementation of neoliberal policies. He argued that the realization of a coherent neoliberal project began with the Collor government (1990–92) but only fully materialized under the presidency of Itamar Franco (1992–94), when the then Finance Minister Fernando Cardoso implemented the 'Real Plan'. This included familiar neoliberal measures of fiscal and monetary discipline, restrictions on state expenditure, deregulation and privatization. More significantly, it featured abandoning the principles of state planning and a return to a primary resources-oriented export regime. Among the consequences were an increase in unemployment, the growth of the informal economy and a severe curtailing of social rights, particularly for Indigenous people. Sader (1999: 68) paid some attention to class, arguing that the Real Plan, though implemented by a social democrat, was a pact among the elites that consolidated the hegemony of the Brazilian ruling class.

A closer look at the class dimension is found in the work of Armando Boito, the editor of *Crítica Marxista* and a political scientist at the University of Campinas in São Paulo state. In his paper 'Class relations in Brazil's new neoliberal phase', Boito (2007) grapples with the question of neoliberalism's appeal and power over the political system despite its evident social destructiveness. Boito complicates Sader's claim of a pact among elites by examining the fractions in the ruling class (Boito, 2006, 2007). He argues that

industrial capital declined in the period of neoliberal ascendancy in the 1990s as the financial segment of the bourgeoisie became hegemonic. Finance capital was able to take advantage of the core neoliberal package pursued by successive administrations in the 1990s, promoting deregulation, high interest rates and stability of currency. A major rise in bank profits was one palpable outcome of this struggle.

Like Sader, Boito sees the struggle within the bourgeoisie as creating opportunities for social change. One outcome was the growth of the labour movement headed by Lula. The PT (Party of Labour) ran a successful campaign against 'speculators' and went on to win the 2002 presidential election. Once in office, however, the PT feared the wrath of international capital and, in Boito's view (though not everyone's – see Emir Sader's work (2006, 2008a) for a more sympathetic view of the Workers Party and Lula's time in office), there was little policy change. In the last stages of the Cardoso government and in Lula's government, industrial and agricultural capital were again integrated into the bloc in power under the hegemony of finance capital. In Boito's account, neoliberalism leads in the end to a unification of the various fractions of the Brazilian ruling class. The outcome for the workers has been much less favourable. Former activists comprise a new labour elite but little real change flows to the larger population (Boito, 2006).

Changes in rural society, and the informal urban economy, have been more central to Indian debates on social change in the neoliberal era. Somewhat like Boito, the well-known historian Partha Chatterjee argues that corporate capital gained hegemony in the 1990s over other sectors of the ruling class, specifically the landed propertied class and the state administrative/professional class who had dominated post-independence politics in India. Peasant society was being transformed by the market so that it was no longer able to reproduce itself. The large urban informal sector becomes the domain of non-corporate capital, oriented to subsistence rather than accumulation. The management of non-corporate capital occurs in the domain of 'political society', where subaltern groups mobilize to ensure their own survival, and where government is required to 'preserve' peasant society under altered conditions (Chatterjee, 2008: 53). There is a gulf between this world and the formal economy and civil society. Corporate capital, operating in the formal economy and oriented to global markets, now controls the

narrative of neoliberalism as a depoliticized development agenda (Chatterjee, 2011: 232).

Perhaps the most interesting dimension of Chatterjee's understanding of neoliberalism is his reconceptualization of the role of the state and of the way different social classes relate to it. In market society, the state becomes a negotiator between the interests of various social classes and the corporate world. While the educated middle classes control the domain of civil society and look on party politics as a zone of corruption and clientelism, the breakdown of peasant society means that the state is no longer an external pressure on the peasantry, extracting rents as the old order did. Rather, the state has become internal to peasant society, which must now lobby for the provision of services to survive. This has led to the emergence of 'globally circulating technologies of poverty management' that characterize neoliberalism (Chatterjee, 2008: 55–6), both state-provided services and market-based programmes, such as microfinance.

Chatterjee's argument provoked considerable debate in India, and is certainly not universally accepted. Baviskar and Sundar (2008), for example, reject the characterization of the spheres of political influence that Chatterjee attributes to the middle classes and impoverished peasants, respectively. They argue that it is not the peasantry who are outside the law, although they do actively work to be legally recognized by the state, but that it is the middle-class members of civil society who frequently break the law and get away with it. The ideas of the other theorists mentioned in this section are not universally accepted either. Given the chaotic global process discussed above, and the immense diversity of postcolonial thought, debate and diversity can be expected. What we hope to have shown in this section is the wealth of ideas coming from Southern experience and intellectual work with respect to neoliberalism.

## **Conclusion**

As our overview of some major Southern theorists demonstrates, class conflict and social struggles in the three strategic areas of labour, land and resource extraction are an important part of the global dynamics of neoliberalism. The impact of neoliberalism's new development strategies on

land use and agricultural production has been most sharply felt in the global South, where a greater proportion of the population is rural. The flow-on effects of these changes can be seen in the growth of the informal economy, the reorganization of social classes and the restructuring of labour. The strategic emphasis on resource extraction has had similar effects on rearticulating society towards the world economy, while reshaping social relations, with the effect of intensifying inequality between social classes.

Putting market society in world perspective raises serious doubts about the tendency to view the transformation of the global economy as one driven by changes in the global North. The perspective that we present here shows how the new development strategies of post-independence political elites, centred on comparative advantage in global markets rather than autonomous industrial development, were significant factors in the reshaping of North/South relations and the remaking of the world economy. While there is not, and cannot be, a uniform Southern theory of neoliberalism, these considerations place the global dimensions of knowledge production at the centre of our account of the creation of market society on a world scale.

## Note

1. 'The brick' or 'El Ladrillo' was originally published as Programa de desarrollo económico and distributed in September 1973 by Oficinas de Planificación Nacional (ODEPLAN), Santiago. Reprinted as *'El Ladrillo': Bases de la Política Económica del Gobierno Militar Chileno*, Centro de Estudios Públicos, 1992, with preface by Sergio de Castro.

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## 4 Foucault and the Neoliberalism Controversy

**Mitchell Dean**

In order to understand Foucault's relationship to neoliberalism, we need to understand not only his distinctive contribution but also what he tried to do in addressing the question of neoliberalism. That brings in questions of context and of his key interlocutors, of not simply the meaning of his words but what he intended to do with them. This is not a straightforward matter. Foucault's lectures on neoliberalism, *The Birth of Biopolitics*, delivered in early 1979, would appear in English only in the fateful year 2008. As a result, destiny has tied these lectures, which were concluded a month prior to the election of the Thatcher government in the United Kingdom and almost two years before the Reagan administration took office in the United States, to a wholly different context. That was the worst economic crisis in the North Atlantic world since the Great Depression and the subsequent revaluation of the legacy of neoliberalism and its poster girl and boy.

A second complication is that these very lectures are made available under the general editorship of his former student and assistant François Ewald, thus making him perhaps Foucault's most influential follower and operator of what constitutes Foucault's oeuvre. The apparent irony here is that Ewald, in his work with the employers' association, *Medef*, would promote what Maurizio Lazzarato describes as the 'policies and mechanisms for ... reconstructing society according to neoliberal principles' that were first revealed to him in Foucault's very lectures of 1979 (Lazzarato, 2009: 110; see Behrent, 2010). By the end of the millennium, he would become the most important intellectual advocate of the boycott by employers of French corporatist arrangements in the name of the vitality of civil society. While the case of Ewald as a neoliberal has been raised for some time in Parisian circles by Lazzarato, Antonio Negri (2001), and Jacques Donzelot (Donzelot and Gordon, 2008: 55), among others, the question of Foucault's own relationship to neoliberalism has been put on the agenda by none other than Ewald

himself. Ewald suggested in 2012 at the University of Chicago, in conversation with the economist, Gary Becker, that Foucault had offered an 'apology of neoliberalism' (Becker et al., 2012: 4; Dean, 2014).<sup>1</sup> Indeed, both major branches of neoliberalism have now endorsed Foucault's presentation of the thought of their schools. Representatives of the Ordoliberals have lauded Foucault's lectures on their school (Goldschmidt and Rauchenschwandtner, 2007), and Gary Becker himself admitted to being hard pressed to find anything critical of his own work or that of his colleagues, emphasizing to a somewhat confused Foucauldian interlocutor after reading the lectures, 'I don't *disagree* with much' (Becker et al., 2012: 3).

The questions surrounding Foucault's relationship to neoliberalism are, if anything, intensifying. Recently, two books appeared in French that suggest some degree of endorsement of neoliberalism by Foucault, although drawing the opposite political conclusions from them. The first is Geoffroy de Lagasnerie's *La dernière leçon de Michel Foucault* (2012), which argues that Foucault's 'final lesson' for the Left concerns the necessity of embracing neoliberalism. This short book is a brief, polemical essay rather than a scholarly monograph and perhaps should be addressed as such. It adopts a breezy and accessible style and runs through a range of affinities between Foucault and neoliberalism. These include a common rejection of the juridical-political vocabulary and orientation of state and sovereignty; an embrace of plurality (or multiplicity), immanence and heterogeneity; a suspicion of the concept of society, totalizing knowledge and theory more generally, including the social and behavioural sciences; and an anti-totalitarianism that asserts a fundamental ungovernability that vitiates the vanity of state planning and the normative focus on order.

Foucault, Lagasnerie argues (2012), attempts to read neoliberalism affirmatively and uses it to develop a critical approach. In doing so, he 'transgressed a boundary deeply inscribed within our intellectual space' (p. 19). The 'great audacity' of Foucault is that he was not content to simply follow neoliberalism's dogmas but to adopt the far 'subtler idea' of 'using neoliberalism as a test, as an instrument of critique of both thought and reality' (pp. 28–29). By reading neoliberalism in its own terms and not as a foil for his own position, Foucault moves to engage neoliberalism as a 'kind

of experimental dispositive' (p. 29), as a form of critique and as 'the instrument of the renewal of theory itself' (p. 35). Lagasnerie claims then to read Foucault from the Left as someone who seeks to unlock the possibilities of neoliberalism for Leftist thought, critique and politics. Foucault's engagement with neoliberalism for him thus points the way to a new critical theory and a 'project of renewing what Pierre Bourdieu called "the libertarian tradition of the Left"' (p. 16). In this sense, Lagasnerie reads Foucault as an early adopter of neoliberalism and its use of market rationality as a way of reinventing the Left, and – we can assume – thus an intellectual who prefigures the Anglo-American Third Way politics of the 1990s and beyond.

While the book does offer a trenchant argument, it suffers from a number of striking deficiencies. It is mostly decontextualized, and largely ignores either Foucault's own relationship with the Left or the role of neoliberal rationalities and Left politics in the years since Foucault wrote. It is as if the Third Way, New Labour and Bill Clinton's administration never happened and Foucault was somehow speaking in 2012, not 1979. Furthermore, the essayistic and polemical character of the text means that it insufficiently engages with Foucault's work itself. English-language readers are likely to be much more familiar with Foucault's work on governmentality and the large secondary literature on neoliberalism, and thus may find themselves dissatisfied at many points. For example, the book fails to distinguish between the various schools of neoliberalism or between neoliberalism and classical economic liberalism (after Adam Smith). These distinctions are key to Foucault's analyses. Neoliberalism often appears as a rather elastic term and one chapter focuses on concepts of liberty in Isaiah Berlin – not someone who is usually mentioned as a neoliberal thinker.

The biggest howler in this sense occurs when the author claims, amid exegesis of Foucault's *Birth of Biopolitics* lectures, that '*Homo oeconomicus* thus appears, in a proper sense, as an ungovernable being' (Lagasnerie, 2012: 155). Yet, Foucault's point (2008: 270–271) concerning neoliberalism and its difference from classical liberalism is precisely the opposite:

*Homo oeconomicus* is someone who is eminently governable. From being the intangible partner of laissez-faire, *homo oeconomicus* now becomes the correlate of a governmentality which will act on the



environment and systematically modify its variables.

In other words, Foucault contrasts the quasi-naturalistic and ungovernable status of the economic subject in classical economic liberalism with the constructed and manipulable status of the economic subject in neoliberalism, the case in point being that of Gary Becker. At the least, Foucault's interest in neoliberalism is partially driven by the idea that the economic subject opens the way for new forms of power and regulation, and hence in some respects reverses its place in classical economic liberalism. Anglophone readers, schooled in the governmentality literature, starting with Colin Gordon's seminal introduction (1991), will thus find Lagasnerie's arguments deficient from a simple scholarly perspective, whatever the merits of the overall intervention he seeks to make.

The second book, *Critiquer Foucault* (Zamora, 2014b), contains various perspectives by different contributors. What perhaps unifies them is that while they observe similar affinities between Foucault and neoliberalism as Lagasnerie, they largely register this as a matter of concern for the intellectual Left and an occasion to reflect on its recent theoretical trajectories. I shall draw on some of its themes in what follows. Needless to say, the ensuing debate has added both heat and light. By late 2014, a debate with its editor, Daniel Zamora – then a PhD candidate at the Free University of Brussels – had emerged over an interview in the online journal *Jacobin*, in which Zamora (2014a) claimed that Foucault was ‘highly attracted to economic liberalism’. This led to quite intense postings in the intellectual blogosphere in Europe at least, and by March had reached the pages of the *Los Angeles Review of Books* (Steinmetz-Jenkins and Arnold, 2015) under the title ‘Searching for Foucault in an Age of Inequality’. The mention of inequality is here on point: unlike the concerns of our present, Foucault barely raised problems of economic and social inequality. By the end of 2015, *Foucault Studies* had published a defence of Foucault against the ‘seduction thesis’ – or the claim of a ‘flirtation’ – contained in both books (Hansen, 2015). With the English publication of Zamora's book under the title *Foucault and Neoliberalism* (2016), co-edited now with American intellectual historian, Michael Behrent, the story would seem far from over.

This literature ranges from modest, quite limited and historically well-

documented arguments concerning Foucault's relationship with specific events and interlocutors, and public association with political policies, parties and their factions (Behrent, 2016), to 'near-sublime' speculations (Hansen, 2015: 295) that he sought to combine libertarianism and self-development in an ultra-conservative new age 'spiritualization of philosophy' or that he was a power-enjoying fan of S&M (Amselle, 2016). Despite such occasional over-zealous flourishes, there is a healthy debate to be had concerning Foucault's relationship to neoliberalism given his centrality in contemporary critical thought and in the humanities and social sciences. As such, I shall devote this chapter to consider first the strengths of Foucault's approach to neoliberalism broadly and, second, to place this approach within his intellectual-political field and the implications for us. In respect to the first task, I suggest three key strengths of his approach and critically investigate one that is generally accepted as such, his emphasis on neoliberal subjectivity. In respect to the second task, I shall, with the help of the literature I have just cited, move from considering Foucault himself as an intellectual, to his context and the historical events and concrete politics he was located in and engaged with, and finally to his legacy. While neither habitus nor context explain his relationship to neoliberalism, they help us understand the conditions that would make a certain affirmative receptiveness possible. I then argue that there are three demonstrable and limited senses in which Foucault can be said to have made an endorsement of specific aspects of neoliberalism.

## **Foucault and the Liberal Arts of Government**

To start with the obvious, Foucault's analysis alerts us to the plurality of forms of neoliberalism, their emergence within but movement across particular national borders and temporal contexts. Foucault demonstrates the worth of an intellectual-historical and even biographical study of the variants of neoliberalism and their key figures (2008: 10). This brings neoliberalism down to earth as something that is identifiable and study-able, as something that is more plural, contingent and historically rooted than a narrative of neoliberalization might indicate.

With the recent publication of excellent intellectual-historical studies of neoliberalism, such as those found in Mirowski and Plehwe (2009) and Jamie Peck (2010), this point might seem redundant. But if we allow Foucault the

status of a thinker of the Left, this project was almost unique at the time of his lectures. In England, there was Andrew Gamble's paper in *The Socialist Register* in 1979. But what is interesting is that despite Laclau and Mouffe's (2001: 175) recognition in 1985 that neoliberalism was a 'new hegemonic project', there was little Left engagement with the sources of this project. This was despite the fact, as Foucault's lectures would report, that such a project had become a practical doctrine of government from the very beginning of the Federal Republic of Germany, that is, some almost forty years before. For Foucault, this neglect was due to mistaking neoliberalism as a mere revival of classical liberalism or simply another ideology of market capitalism. The Left, still in thrall to a complex version of the base-superstructure model of ideology, was not able to develop a project to try to grasp neoliberalism 'in its singularity' (Foucault, 2008: 130). As Foucault puts it: 'Neo-liberalism is not Adam Smith; neo-liberalism is not a market society. Neo-liberalism is not the Gulag on the insidious scale of Capitalism' (2008: 131).

In paying serious attention to the intellectual-historical sources of neoliberalism, Foucault anticipates those who would regard neoliberalism as a 'thought collective' (Mirowski, 2009: 428; 2013), that is, as I understand it, as an empirically and historically identifiable group of thinkers pursuing a common intellectual project and political ambition but within a certain space of conversation and dissension. As the contributors to *The Road from Mont Pèlerin* (Mirowski and Plehwe, 2009) have shown, the neoliberal thought collective proved to be one of the most successful, if not the most successful, political movements of the second half of the twentieth century in the influence, capture and appropriation of the powers of national states and other governmental organizations above and below the nation-state.

Yet almost contrary to this careful intellectual-historical method, with its emphasis on the plurality and historical contingency of the various strands of the neoliberal thought collective, is another of Foucault's bold masterstrokes, the identification of neoliberalism – and indeed classical liberalism – as an 'art of government', something he announces at the very beginning of *The Birth of Biopolitics* (2008: 1–2). Citing Benjamin Franklin's notion of 'frugal government' (2008: 319, 322), Foucault defines liberalism as neither philosophy nor ideology but as an art of government animated by the suspicion that one always governs too much. This general framework allows

him to distinguish between classical economic liberalism (of Adam Smith in particular) and among the varieties of neoliberalism. Whereas classical liberalism seeks the limitation of the state in the face of the necessary and natural processes of the economy, neoliberalism will either attempt to found the legitimacy of the state on the market, as the Ordoliberals would in reconstructionist West Germany, or to extend the market and its rationality to all forms of social existence and to test and evaluate every single act of government, as in the case of American neoliberalism. But to regard neoliberalism as an art of government is to shift the frame decisively from the theory of ideology to the practical orientation of neoliberalism as a form of governmentality. To put this in other words, neoliberalism is a form of *statecraft*. What is important about this move is that it displaces the tendency to view neoliberalism as something merely super-structural in relation to the capitalist economy and forces us to look at it as a practical and technical exercise concerned with governing states. Neoliberalism is not simply a philosophy of freedom and the market that happens to have implications for governing states. It is all about governing states – or about governing states and other organizations. It is a doctrine, or set of doctrines, concerned with a practice centred first and foremost on the exercise of political sovereignty (Foucault, 2008: 3).

Foucault makes a third set of distinctive contributions concerning the critical ethos of neoliberalism. Here we find that at least one part of his orientation to neoliberalism is the identification of what it criticizes or, to put it even more bluntly, what it problematizes. These problematizations are of course national-context-dependent – the Ordoliberals (Foucault, 2008: 107–108) oppose ideas of national economy derived from Friedrich List in the 1840s, Bismarkian state socialism and the wartime planned economy, for example, while Hayek displays a particular animus towards the New Deal and the programmes of Beveridge in England (Foucault, 2008: 110). The American school opposes both the latter and the economic and social programmes of the post-war federal administrations in the United States, particularly Democratic ones (2008: 217). However, their common enemies are even more interesting – particularly the economics and policy prescriptions of John Maynard Keynes. This approach to neoliberalism underlines its political nature and the relations of antagonism that animated it, against all those who would reduce its concerns to economic, technical or even ethical ones.

These three points derived from Foucault emphasize the political character of neoliberalism as a diverse movement or network with no doubt differences of opinion but united by common aims and enemies seeking to institute a particular regime of government of various organizations but most particularly of national states and their agencies. A putative fourth strength of Foucault's contribution concerns the production of neoliberal subjectivity.

If one consults contemporary books on neoliberalism, whether they are sympathetic to Foucault (Dardot and Laval, 2013) or more critical (Lazzarato, 2011; Mirowski, 2013), they all concur that one of the strengths of Foucault's work on neoliberalism is that he concerned himself with the production of neoliberal subjectivity. Dardot and Laval devote a chapter to 'Manufacturing the Neoliberal Subject' (2013), while Mirowski writes of an 'everyday neoliberalism' that takes its cue from his appraisal of Foucault's view of neoliberal identity (2013: 89f.). Mirowski (2013: 95–96) even allows that Foucault 'got there first' with regard to key propositions about this neoliberal subjectivity, including the fragmentation of identity attendant upon the neoliberal version of the self, the indefinite extension of the entrepreneurial regime of the self to all aspects of life, the relationship of the entrepreneurial self to risk and the general malleability of the self.

Mirowski's point is that many critical thinkers – whether Marxist or otherwise – want to portray neoliberalism as something more than a deployment of class power and use Foucault to specify 'the chains of causality stretching from the executive committee of the capitalist class to the shopper at Wal-Mart' (2013: 99). For them, Foucault presents a sophisticated take on how neoliberal governmentality reaches into the very 'relation of self to self', of every individual as worker, consumer and just about any other social identity they might find themselves inhabiting.

My reservation here is that while Foucault sometimes described his general project as one concerned with the ways in which the subject is produced, there are only two sets of indications about the theme of neoliberalism and subjectivity in *The Birth of Biopolitics*, which we shall now summarize in order to investigate this claim a little more closely. Before we get too carried away with the theme of neoliberal subjectivity in Foucault, we should at least examine what he actually said.

## Foucault on Neoliberal Subjectivity

The problem of neoliberal subjectivity does not appear until half way through the ninth lecture of the *Birth of Biopolitics*, which is also the first lecture concerning American neoliberalism. Even here it does not constitute the main topic, which is simply an exposition of the central components of American neoliberalism and the differences between it and Ordoliberalism. It is introduced in the discussion of the theory of human capital, associated with Theodore Schultz, Jacob Mincer and Gary Becker, and first emerges in the account of the worker's relation to work.

Foucault contrasts the treatment of labour in Marx and the human capital theorists. In Marx, abstract labour is a result of the logic of capital and of its historical reality; for American neoliberalism, this abstraction is a product of the economic theory that has been developed upon capitalist production (Foucault, 2008: 221). The latter 'adopts the task of analyzing the form of human behavior and the internal rationality of this human behavior' (Foucault, 2008: 223). In other words, it takes the viewpoint of the worker in economic theory rather than regarding labour as simply one of the variables that enters into production. Foucault concludes that these American neoliberals 'for the first time, ensure that the worker is not present in the economic analysis as an object – the object of supply and demand in the form of labor power – but as an active economic subject' (2008: 223).

It is at this point that Foucault announces that American neoliberalism undertakes a new approach to the economic subject. *Homo oeconomicus* is no longer 'a partner of exchange', explicable in terms of 'the theory of utility based on the problematic of needs' (Foucault, 2008: 225). Rather *homo oeconomicus* is 'an entrepreneur, an entrepreneur of himself' (Foucault, 2008: 226). This means that whether we approach them as producers or consumers, economic subjects should be regarded as their own capital, which is the source of both their own income and satisfaction. Even consumption must be regarded as an activity and consuming individuals are producers of their own satisfaction.

Foucault then goes on to show the breakdown of human capital into innate and acquired elements. With respect to the former, he suggestively argues

that even the genetic makeup of individuals and its manipulation will come to be regarded as a component of human capital. After discussing the augmentation of the acquired elements of human capital through education, parenting, maternal care, family life, migration and mobility, he concludes that all these aspects of human life can enter into economic analysis 'as behavior in terms of individual enterprise, of enterprise of oneself with investments and incomes' (Foucault, 2008: 230). In this lecture, then, the entirety of Foucault's analysis of neoliberal subjectivity concerns human capital theory. The lecture concludes with an analysis of the implications of this theory for problems of economic growth and development, but there remains no discussion of the strategies and programmes that might seek to enhance human capital nor technologies that work on what he would later call 'the relation of self to self'.

At the beginning of the next lecture, the second on American neoliberalism, Foucault returns to Ordoliberalism in order to contrast it with the American use of the market economy to decipher all aspects of non-market relations. In the course of a discussion of the promotion of small and medium-size enterprises in Ordoliberal social policy (*Gesellschaftspolitik*), he again raises the question of the generalization of the enterprise to all aspects of 'the individual's life itself – with his relationships to private property ... family, household, insurance, and retirement' (Foucault, 2008: 241). The individual becomes 'a permanent and multiple enterprise'.

Again, Foucault's principal concern is not with the formation of neoliberal subjectivity but with the contrast between Ordoliberalism and American neoliberalism. On the one side, there is the 'economic-ethical ambiguity' of Ordoliberalism with its idea of a 'society for the market and a society against the market, a society oriented towards the market and a society that compensates for the effects of the market in the realm of value and existence' (Foucault, 2008: 241–242). On the other, this ambiguity will be resolved by the radical nature of American neoliberalism that seeks an 'unlimited generalization of the form of the market' and uses the economic form of the market as 'a principle of decipherment of social relationships and individual behavior' (Foucault, 2008: 243). In so far as Foucault is concerned with something like a neoliberal subjectivity, it is as but one feature of the broader generalization of economic rationality he finds, to varying extents, in the

texts of the different schools of neoliberalism.

Foucault finishes this lecture by discussing questions of crime and punishment. This part of the lecture is crucial because it makes clear what he derives from American neoliberalism. It also shows that what is at stake is definitely *not* the production of neoliberal subjectivity.

Here, Foucault argues that early penal reformers, such as Jeremy Bentham and Cesare Beccaria, advanced a notion of *homo penalis* that is a kind of correlate of *homo oeconomicus* in so far as the objective of their reform is ‘to find the least costly and most effective form of obtaining punishment and the elimination of conducts deemed harmful for society’ (2008: 249). However, the search for this ideal legal framework has a ‘paradoxical effect’ in that it opens the possibility of a subjectification of the offender. Penalty and law have meaning not only as punishment of an act, but also as a treatment of ‘an individual, an offender who must be punished, corrected and made to serve as a possible example to other offenders’ (Foucault, 2008: 249). In the course of the nineteenth century, and under the effect of multiple and reciprocal problematizations of the different social sciences, *homo penalis* gives way to *homo criminalis*. The idea of the criminal is thereby born: someone who through their innate makeup or environment, through their deviation from a norm, their membership of a population or a class, their social deviance or psychopathology, embodies a certain identity. There is thus ‘an inflation of forms and bodies of knowledge, of discourse, a multiplication of authorities and decision-making elements, and the parasitic invasion of the sentence in the name of the law and the norm’ (Foucault, 2008: 250). Foucault concludes, almost as an afterthought, that ‘[a]nyway, this is how I would see things were I to adopt a neo-liberal perspective on this evolution’ (2008: 250). Nevertheless, such a perspective bears a strong resemblance to the emergence of the ‘epistemological-juridical complex’ of the power to punish addressed in *Discipline and Punish* (1977: 23).

According to Foucault, the genius of the human capital or neoliberal approach to crime and punishment is precisely that it forgoes the translation of economic theory into an ideal legal-institutional form. The source of the problem is that by invoking the principle of utility, Bentham and Beccaria had thought they had found a justification for the exercise of authority by the



state. Becker, by contrast, will keep to a purely economic analysis in which crime is simply that which makes the individual run the risk of penalty. By adopting the point of view of the person who commits the crime, Becker moves to the side of the individual subject in a manner that evades the determinations of subjectivity found in disciplines such as psychopathology or criminal anthropology. Foucault argues that considering the subject as *homo oeconomicus* neither means that the whole subject becomes *homo oeconomicus*, nor is it based on an anthropological theory of the subject. It simply means that 'economic behavior is the grid of intelligibility that one will adopt on the behavior of the new individual ... power gets a hold of him to the extent, and only to the extent, that he is *homo oeconomicus*' (Foucault, 2008: 252).

What we might call a neoliberal *desubjectification* of the idea of the criminal leads Foucault to draw some larger implications regarding the forms of power he had been pursuing in the previous decade: sovereignty, discipline and biopolitics. Because of his supposition that power is omnipresent, Foucault's problematic is not one that seeks a freedom from *all* sorts of power, but rather an alternative to *particular kinds* of power and regulation. At the end of the lecture in question, Foucault (2008: 259) finds in American neoliberalism a rather precisely defined alternative to the other kinds of power and regulation he had analyzed:

...you can see that what appears on the horizon of this kind of analysis is not at all the idea of a project of an exhaustively disciplinary society in which the legal network hemming in individuals is taken over and extended internally by, let's say, normative mechanisms. Nor is it a society in which the mechanism of general normalization and the exclusion of those who cannot be normalized is needed.

This statement directly addresses the governing of crime, but not simply that. It generalizes from that arena of governing and can be read in terms of the movement of Foucault's thought through forms of power. What is envisaged by American neoliberalism, then, is a form of regulation that is not one of a *sovereign* power exercised through law, or of *disciplinary* society with its norms, or even of the general normalization of a *biopolitics* of the population.

It is not one of the major forms of regulation discussed by Foucault prior to these lectures on governmentality in 1978 and 1979, and nor is it the framework of biopolitics still attributed to the 1979 lecture course (no doubt due to its rather misleading title). Rather, it is a new programme and vision:

On the horizon of this analysis we see instead the image, idea, or theme-program of a society in which there is an optimization of systems of difference, in which the field is left open to fluctuating processes, in which minority individuals and practices are tolerated, in which action is brought to bear on the rules of the game rather than on the players, and finally in which there is an environmental type of intervention instead of the internal subjugation of individuals (*de l'assujettissement interne des individus*). (Foucault, 2008: 259–260, 2004: 265)

It would be mistaken to suggest that Foucault does not have reservations about the project of the manipulation of choice through environmental interventions of the behavioural type – as he indicates at the beginning of the next lecture (Foucault, 2008: 271). Yet these would seem simply to be the costs – in his language, the ‘dangers’ – of a form of neoliberal regulation that he finds has certain benefits – or ‘potentials’. Chief among these potentials is that regulation no longer entails the internal ‘subjectification’ (*assujettissement*) of the individual. We need to attend to the French phrase translated in English as ‘of the internal subjugation of individuals’. ‘*Assujettissement*’ has a specific dual meaning in Foucault’s thought: it is not only subjection in the sense of ‘submission to’ or ‘subjugation’, but also entails the fabrication or production of subjectivity. This dual meaning is underlined by the adjective ‘internal’ that emphasizes not the mere external forms of subjugation (as the equivalent of domination), but the internal forms of subjugation as ‘subjectification’, as the fabrication of subjectivity through relations of power and knowledge. Thus, Foucault here distinguishes the neoliberal programme from those forms of regulation and power, such as discipline, that subjugate individuals through the production of subjectivity, that is, through tying individuals to the truth of their identity, for example, the ‘occasional criminal’, the ‘recidivist’, the ‘dangerous individual’, etc. For Foucault, in this passage neoliberalism does not subjectify in this sense. In doing so, it opens up the space for tolerating minority individuals and

practices and optimizing systems of differences.

For a thinker who had spoken of a 'society of normalization', the discovery of a form of regulation that does not subjectify or normalize through the fabrication of subjectivity is, as Foucault himself might have said, a colossal conclusion. It is thus mistaken to think that Foucault offers us an account of neoliberal practices of subjectification or of neoliberal subjectivity. What he thinks that neoliberalism offers us instead is a way out of subjectification, a way out of the double-bind that ties the production of who we are to our domination, the making of subjectivity to subjugation.

Having proposed some strengths of Foucault's approach to neoliberalism, and offered some scepticism towards a commonly accepted strength, we now turn to the second task of this chapter. That is, to locate Foucault as an intellectual and his work on neoliberalism in their intellectual-political context.

## **The Intellectual<sup>2</sup>**

How should we think about the lives of intellectuals, and particularly ones who gain fame and recognition for their work and ideas in and beyond academic circles? Some will say that this is a profoundly un-Foucauldian question, but we should note that, unlike some of his followers, Foucault was not bound dogmatically to method when it came to his own account of neoliberalism and its progenitors, announcing that he 'would break a bit from habits and give a few biographical details' (2008: 102). Of course, there is the question of how should we maintain the correct distance between life and work. If we propose to read the intellectual's contribution in terms of biography, then we are in danger of missing the contribution itself. If we divorce them too far, then we are in danger of universalizing a thought that was specific to particular debates, and of mistaking local insight for global truth. Both extremes also miss the problem of intellectuals themselves, and what might be called their persona or habitus,<sup>3</sup> a feature of which is precisely a form of this universalization, even when, as in Foucault's case, they theorize themselves as 'specific intellectuals'.

In *Foucault and Neoliberalism*, Michael Scott Christofferson (2016) approaches this latter problem when analyzing the unqualified endorsement

Foucault gave (the now recently deceased) André Glucksman's *The Master Thinkers* (1980) in a review also included in the same collection. Glucksman's identification of critical theory (of Hegel, Fichte, Marx and Nietzsche) with Reason, and Reason with domination located in the binary logic of State and Revolution, neither acknowledged the dispersed character of power relations uncovered by Foucault nor the specificities of forms of rationality and science in his genealogies. Why then was Foucault moved to write so laudatory a review of a writer who would only offer a vulgar interpretation of his own work and who gave so bombastic a view of the Enlightenment in which 'to think is to dominate'? Christofferson (2016: 11) indicates the 'cultural celebrity' at stake and 'Foucault's use of the mass media in his strategy of intellectual consecration'. This analysis reminds us that academic and intellectual activity is firmly rooted in matters of status or honour and the desire for recognition, as Max Weber would have pointed out. In a relatively short time, Foucault was able to parlay cultural celebrity in France – along with his training and capacities, of course – into formal academic status (a Chair at the *Collège de France*) and via the United States to global fame by the time of his death at the age of fifty-seven. Even he, I suspect, would not have guessed at the extent of that fame today.

Status-seeking is neither a positive nor negative feature of the habitus of the intellectual. Rather, it defines it. While an intellectual and academic career might lead to greater material reward, its main ambition is to gain access to the very outward symbols of status, prestigious posts, awards and honours, high-level fellowships and invitations, and so forth, and the personal, emotional and even erotic benefits that accrue from fame and hosts of followers. The other side of the coin to status-seeking is a resentment to all those who represent obstacles to this recognition and honour.

In respect to the latter, we should mention Foucault's remarkable and persistent animus towards the French Communist Party, many of its intellectuals and, to a lesser extent, certain forms of Marxism. He speaks in an interview from April 1978, made available only recently, of the absence of a Marxist review or reaction to his *History of Madness* (2006) almost two decades previously (Foucault et al., 2012: 103). Somewhat later that year, in conversations with an Italian journalist (Foucault, 1991: 79, 82), there is a more nuanced account on this reception: here the Marxist psychiatrist Lucien

Bonnafé and the *Evolution psychiatrique* group are said to show initial interest but decide to ‘excommunicate’ the book after 1968, and ‘placed it on the “index”, as though it were the gospel of the devil’.<sup>4</sup> This self-narrative of the failure of Marxist psychiatry to welcome his own work, and then to violently reject it, perhaps explains little except a sense of personal injury. It does indicate an important site of inquiry about his relation to a movement he claims had some potential to pose those problems later dubbed ‘antipsychiatry’ but reached an ‘impasse’ due to the ‘Marxist climate’.<sup>5</sup> It also fits in with a larger personal narrative he often gave. In the same interviews, he recounts his two-year membership of the Communist Party in the early 1950s, and the discovery that the so-called ‘doctors’ plot’ against Stalin was a fraud that French apparatchiks refused to explain or condemn, leading him to leave the Party. ‘The fact is from that moment on I maintained my distance from the P.C.F.’ (Foucault, 1991: 80–81). A stronger version of the same affect is captured in Christofferson's citation (2016: 16) of Foucault's biographer, Didier Eribon, who suggests that ‘since he quit the communist party and especially since he lived in Poland, Foucault developed a ferocious hatred of everything that evokes communism, directly or indirectly’. Where Foucault seems most hostile towards Marxism is towards its ‘totalizing’ theoretical status manifest in its claims to scientificity and, most particularly, its institutionalization and effects on intellectual culture. He speaks (Foucault et al., 2012: 107), for example, of the ‘odious character’ of the diffusion of a ‘Soviet model’ of denunciation and enmity through French political groups and intellectual life.

Status-seeking is closely related to distinction, and one way of gaining that distinction is by avant-gardism. As Christofferson again notes (2016: 12–13), Foucault was something of a master at participating in the *avant-garde* without acceding to its ideologies or trying to offer a philosophical justification for them. Witness his use of *marxisant* vocabulary and sympathy for the revolutionary Left in the early 1970s, at the time of his association with the Maoist *Gauche prolétarienne* in the prisoners’ action group, the GIP (*Groupe d'information sur les prisons*). We can perhaps gloss this as a canny philosophical approach. Rather than looking for a practice that was consistent with his own theoretical position, Foucault adopts (1991: 27) an ‘experimental attitude’ which consists of participating in a practice, or starting with an ‘experience’ as he would put it, or adopting a position that

appears on the horizon, and then working out the conceptual, theoretical and philosophical implications. He can thus participate in and explore the new and interesting without identifying himself wholly with it. His deliberate withholding of normative judgements in his presentation of arguments – of, for instance, neoliberalism – is offered in the service of this experimental attitude rather than an attempt at a value-free social science. 'In this sense', he avows (Foucault, 1991: 27), 'I consider myself more an experimenter than a theorist'. Foucault has been described in the title of an article by Colin Gordon (1996) as a 'man of action in a world of thought'.

There are costs and benefits of this adventurous and experimental ethos. At the same time as his lectures on neoliberalism, Foucault would undertake his quite extensive journalism on the Iranian revolution based on two journeys to Iran. His observations here would yield early insight into the global ramifications of political Islam, and produce new concepts of a revolutionary action animated by 'political spirituality'. At least initially, however, he underestimated the repressive impacts of the mullahs' regime for women, religious and ethnic minorities and homosexuals.<sup>6</sup> Not unlike the case of his relation to neoliberalism, the willingness to embrace and experiment with the new within the political field, and to derive new intelligibilities and theoretical positions and concepts from it, often has a downside: a reluctance or slowness with respect to the forms of domination it installs and the violence it engenders. Broadly, then, we can say that Foucault's anti-communism and his experimental attitude are lenses with which to view his relation to neoliberalism.

## Context

Michael Behrent's work, both in his article reproduced in *Foucault and Neoliberalism* (2016) and in a companion piece on Ewald (Behrent, 2010), has lucidly forced into focus not only the world that Foucault worked in, but also his forms of action in it. To grasp that world is something like peeling the layers of an onion. The outer layers include the end of the *trente glorieuses*, France's Long Boom, in the early 1970s, the ensuing economic and fiscal crisis, and the beginnings of the breakdown of the state-led settlement that followed the Second World War. This is accompanied by the reception of American economic ideas and policy in France. Domestically,

there is the long-delayed coming to power of the Left and the programme of the Union of the Left between the Socialists and Communists.

Internationally, there is the Cold War, the division of Europe, and the Soviet Union's interventions in Eastern European politics from Hungary and Czechoslovakia to Poland.

A more inner layer would be the history of French militancy from May '68 to Maoism, the worker experiments with 'self-management', such as at the Lip factory at Besançon,<sup>7</sup> and the critique of Soviet 'totalitarianism' condensed by the figure of the Gulag with the publication of Aleksandr Solzhenitsyn's *The Gulag Archipelago* in 1974. Closer to the core there are Foucault's own commitments and political actions: collaboration with the Maoists in prisoners' actions (Karlsen and Villadsen, 2015); support for Soviet 'dissidents'; the Croissant Affair and the European Left terrorism of the Red Army Faction (Sennelart, 2007); and his journalism on the Iranian Revolution (Afary and Anderson, 2005).

At the core of all this, we find Foucault the political activist pursuing his ideas and research in public, through his lectures, interviews and newspaper articles, and often with key interlocutors, which included his peers and colleagues, his audiences, his assistants and research students, and participants in his seminars. To say that the language in which this discussion took place is not immediately transparent to us is not to say that it was deliberately obfuscatory, although Foucault admits to 'secret citations' on at least one occasion (Foucault et al., 2012: 101). Rather, it is to say that it is not possible to understand this idiom without understanding the kinds of action that were performed with words, to what they were a response, the reception they received and how they were interpreted. And yet it would be wrong to assume that all this was univocal. Even among politically mainstream or even conservative interpreters of Foucault, there would be some disagreement. Consistent with Foucault's engagement with Glucksmann and the *nouveaux philosophes*, Ewald would understand Foucault as replacing the Revolution/State couple with the question of power. This would form at least part of the story of Ewald's own long trajectory from Maoist militancy to the advocacy of the restructuring of the welfare state in the name of the forces of civil society (Behrent, 2010). In contrast, Blandine Kriegel, an earlier student and assistant of Foucault, would read Foucault's lectures of 1976 as

reasserting the importance of sovereignty and law on her way to a republican statist position (Barret-Kriegel, 1991; Kriegel, 1996). We can more broadly say that Foucault's lectures would be interpreted and used by French neoliberals and autonomist Marxists, several varieties of anti-statists and those who would endorse and practise a state-focused politics as high-level public servants and political advisors.

We have already noted Foucault's animus towards official Marxism and communism as a recurring theme. We perhaps should be careful in specifying Foucault's relationship to Marxism and to Marx. Foucault engages with many Marxisms and in different discussions and contexts. As Etienne Balibar put it (1991: 39), this engagement 'is rather like an X-ray of the tissues of Marxist thought and an evaluation of Marxism in contemporary knowledge'. Moreover, Foucault professes an admiration for Marx's historical analyses on more than one occasion (e.g., Foucault, 2012; Foucault et al., 2012: 100–101) and both *Discipline and Punish* (1977) and the first volume of *The History of Sexuality* (1979) try to link his power analyses to the accumulation of capital and formation of capitalist production and class hegemonies. Christofferson describes a Marxist turn around 1970, in which Marxist references begin to enter his vocabulary. Balibar has again recently noted a trace of Althusser in the 1971 course (Elden, 2015), and we know that the *Archaeology of Knowledge* name-checks that thinker in its Introduction (Foucault, 1972: 5). Nonetheless, it is possible to distinguish between Foucault's consistent attitude to 'institutional' and 'official' forms of Marxism and his engagement with the various intellectual currents aligned with it.

While neither the affective and acting individual nor the political and intellectual context allow us to explain anything, including his relation to liberalism, they do circumscribe the space in which the emergence and reception of 'neoliberalism' would occur for Foucault. There is an enduring open hostility to communism and institutional forms of Marxism and his critique of its totalizing claims to scientificity, placing him within the more general French anti-totalitarianism milieu. Related to this are his reservations about the Union of the Left (of the Socialist and Communist Parties) and thus the Mitterrand government, particularly at the time of the government's accusation of a 'silence of the intellectuals' in the early 1980s and the Polish Solidarity uprising (Eribon, 1991: 296f.). There is also his continued



scepticism towards socialism as a body of thought: for its inherent racism when it stresses the problem of struggle in 1976 (Foucault, 2003: 262), and presumed inability to generate an autonomous governmentality in 1978 (Foucault, 2008: 92). These are all the surfaces on which the question of the renovation and the revival of liberalism came to be posed and the framework of governmentality developed.

## Neoliberalism

Behrent's discussion (2016) of neoliberalism and the 'Second Left' is perhaps the most instructive recent addition to our knowledge of these contexts of Foucault's thought. The early moves towards eliminating longstanding price controls under Prime Minister Raymond Barre, the academic and publishing inroads made by economic liberalism during the crisis, and the popularization of quite a bit of the American neoliberal canon by Henri Lepage in his 1978 essay, *Demain le capitalisme* (Behrent, 2016: 35), a key source for *The Birth of Biopolitics*, all form part of a broad picture. However, Foucault's active engagement with these themes and literatures comes via another trajectory, more firmly located on the Left and descended from the legacy of '68. The Second Left, as Behrent tells us (pp. 36–37), was a faction of socialists and unionists, under Michel Rocard, that sought a new approach to socialist politics based on the decomposition and distribution of the state into a voluntary association according to the principle of 'self-management', *autogestion*. Their main concern was to free the Socialist Party, on the verge of forming a government for the first time, from its 'social statism'. But the key here for Foucault's relation to neoliberalism is that *autogestion* is not a movement of the economically liberalizing Right attacking the welfare state, but of a Left interested in a post-individualistic, collective autonomy. It has its lineage in the cultural elements of '68, the struggles against social institutions and the state by post-68 Maoism, militancy such as in the prisoners' movement, and the themes of a politics of everyday life posed by the women's and gay movements. Most directly, the term emerges from the workers' occupation and collective takeover of workplaces, such as occurred at the Lip factory in 1973–74.

Behrent (2016: 36–39) points out that Foucault participated in Second Left conferences and mobilizations and praised the work of its major theorist,

Pierre Rosanvallon, who would later join his seminars. His view finds confirmation in the Course Summary of *The Birth of Biopolitics*. There Foucault (2008: 320) credited Rosanvallon with the discovery of liberalism as a critique of government that deploys the market as a site of truth production or 'veridiction'. Rosanvallon thus suggested the core of Foucault's approach to liberalism as an art of government in which the market functions as a 'test' and a 'privileged site of experiment'. The Second Left would have shared Foucault's astonishing claim that there is no 'autonomous socialist governmentality' and that the only alternatives were to latch socialism onto a liberal governmentality or ones akin to those of the 'police state' (p. 92). In this sense, Foucault's engagement with and, at times, affirmative reading of aspects of American neoliberalism in his lectures is not, then, a simple 'seduction' by neoliberalism argument. It is about how certain currents on the Left, immersed in anti-totalitarianism, defining themselves in opposition to the mainstream 'social statism' of the large Socialist and Communist parties, and consciously adopting an experimental ethos, came to appreciate the opportunities provided by new ways of governing associated with market rationalities.

One objection to this argument would be that not all anti-statisms are equivalent and that an economic-liberal critique of the state is not identical to anarchist, other workerist anti-statisms and the French Maoist combination of hyper-populism, voluntarism and spontaneism. This should again qualify any over-identification of Foucault with neoliberalism. What, we might ask, is the nature of his anti-statism? Does his persistent analytical anti-statism translate into a normative and political anti-statism? And what are we to make of his theme of 'state-phobia' and attempt to defuse it by tracing its genealogy?<sup>8</sup> Foucault's critique of the discourse of the state tries not simply to pose the problem of how to limit the Leviathan, but also to remove 'the state' altogether from the centre of political analysis and discourse, repurposing the concept as 'nothing but the mobile effect of a regime of multiple governmentalities' (2008: 77). Perhaps we have to find a way to describe a certain 'elective affinity' that obtained between Foucault's own political-intellectual trajectory and neoliberalism. Behrent's 'strategic endorsement' suggests an affirmative relation but within a political field. By contrast, Andrew Dilts's (2011: 133n) 'sympathetic critique and indebtedness' at first sight might appear more nuanced. If one accepts his argument that Becker

and his colleagues' theory of human capital formed a key pathway to Foucault's later work on the 'care of the self', however, then neoliberalism enters the very core of Foucault's intellectual trajectory. While Behrent suggests that Foucault adopted something like the position Lagasnerie has sought to perform in his book, Dilts would thus appear to confirm Ewald's own diagnosis of this shift in Foucault's work, when the latter claimed that Foucault's reading of Gary Becker and his conception of *homo oeconomicus* was 'like a step between his earlier theory of power and the later lectures about subjectivity and so on' (Ewald, in Becker, Ewald and Harcourt, 2012: 7).

Daniel Zamora (2016: 74–75) draws attention to Foucault's rejection of the 'right' to health in an interview entitled 'A Finite Social Security System Confronting an Infinite Demand' in a Second Left collection published in 1983 (Foucault, 1988), and his exploration of taxation policy in the 1979 lectures. He shows parallels between specific arguments regarding health-care by Foucault and certain theses of Hayek and Friedman. He further traces the 'negative income tax' proposal from Friedman, via Lionel Stoléru in France, to Foucault's account in his lectures (Zamora, 2016: 76–79). Interestingly, he views Foucault in the context of the rejection of conventional working-class politics in favour of the 'marginals' by post-Marxist figures such as André Gorz (Zamora, 2016: 65–67). These are provocative and important theses that demand discussion. They again offer us contextualization of the shifts on both the French Left and in Foucault's thought.

At a somewhat more modest level, it is the very diagnostic language by which Foucault problematizes the welfare state that is most striking to a student of millennial social policy. In this interview, Foucault diagnoses the current problems of social security as ones of 'facing economic obstacles that are only too familiar', as being limited against the 'political, economic and social rationality of modern societies' and having the 'perverse effects' of 'an increasing rigidity of certain mechanisms' and a 'growth of dependence' (Foucault, 1988: 160). This dependence arises not only from marginalization, as it historically had, but also from 'integration' in the social security system itself (p. 162). His answers to these problems are framed in terms of a 'way of life' and deploy the language of 'lifestyles' (pp. 164–165). They demand a

‘security that opens the way to richer, more numerous, more diverse, and more flexible relations with oneself and one's environment, while guaranteeing to each individual a real autonomy’ (p. 161). To combat welfare dependency, as many would later call it, Foucault also suggests ‘a process of decentralization’ that would lead to a closer relation between users of services and ‘decision-making centers’ (p. 165). In short, the structural economic problems of the fiscal crisis of the welfare state of his time were to be met with new forms of personhood and the decomposition of the state. In fact, he concludes, the welfare system should become a ‘vast experimental field’ and the ‘whole institutional complex, at present very fragile, will probably have to undergo a restructuring from top to bottom’ (pp. 165, 166).

It is the costs of Foucault's experimental ethos that are revealed in this diagnosis: the critique of welfare dependency and the demand for a thoroughgoing restructuring of the welfare system may have suggested positive alignments with demands for greater autonomy and self-management, but they also became the mainstay of neoliberal critiques of the welfare state. Moreover, this is combined with a kind of confidence in Foucault's lectures that the neoliberal government of unemployment and poverty, for example, can go beyond what he elsewhere describes as ‘dividing practices’, with their disciplinary normalizations and inquisitions. This would lead him to anticipate a somewhat benign form of neoliberal regulation, assisting without ‘all those bureaucratic, police or inquisitorial investigations’ (Foucault, 2008: 205), that Loïc Wacziarg (2016) will interpret as a complete misjudgement of the role of punitive practices and workfare in neoliberal social welfare regimes.

If we are prepared to adopt a certain modesty, I think we can at least provisionally resolve this question of the relationship between Foucault and neoliberalism – which is at the core of the current controversy. One way would be to break down this relationship into three elements: the programmatic claims of neoliberalism, its policy diagnosis, and its concrete political manifestations. First, as we observed in relation to the question of neoliberal subjectivity, while somewhat critical of its reductive elements, Foucault found certain attractive features in the ideal or programmatic form envisaged by American neoliberalism, namely, that it envisages a kind of regulation outside sovereign, disciplinary and biopolitical forms, that it

regulates without the fabrication of subjectivities and in a manner which optimizes difference and tolerates minority groups and practices (Foucault, 2008: 259–260; see Dean, 2014: 436–437). Second, from a policy perspective, Foucault showed a certain acceptance of a neoliberal diagnosis of current problems of the welfare state as creating dependency, and as being unresponsive and costly, without offering an explicit endorsement of its reconstructions of health and social services as a series of markets. Finally, from the perspective of concrete political alignments, he displays an affinity with the ‘Second Left’, those elements within French social democracy that opposed the statism of the ‘First Left’ and displayed a willingness to adopt neoliberal ideas and solutions.

At the start of this chapter, I mentioned some of the problems with the inflationary critique of everything as a form of ‘neoliberalism’. One can imagine, as a consequence, an obvious objection to the observations I have just made. This would be that the term is so nebulous and overblown that its application to Foucault can only take the form of a denunciation. While we can accept the general point about current uses and abuses of the term ‘neoliberalism’, its use is rather more precise in the three theses I have just proposed. Intellectually, Foucault expresses most affinity with American neoliberalism of the Chicago School in respect to the way it imagines a post-sovereign and post-disciplinary form of regulation. The textual evidence we have cited simply cuts against the commonly assumed claim that he felt greater sympathy towards the more welfare-state friendly Ordoliberals, a point recently repeated by Ewald (2016). From a public policy perspective, he offers critiques of the welfare state found in the principal members of the Chicago School and explores technologies, such as negative tax, that are sourced from such critiques. And from a concrete political perspective, he most clearly aligns himself with specific factions of the French Left open to ideas and solutions borrowed from American neoliberalism. To note this threefold affirmative relationship is not to denounce Foucault as a neoliberal, or argue that his thought has become tainted with neoliberalism. It is simply to indicate his much more serious and fundamental engagement with a contemporary form of economic liberalism than is usually allowed in Foucauldian commentary as a condition of working out our own relation to present-day political formations and rationalities. It is also to note that Foucault's own political engagements meant that his reading of neoliberalism

went well beyond an entirely value-neutral interest in it.

## Conclusion

Where does that leave us with Foucault today? He will remain enormously influential at the theoretical end of the humanities and social sciences but perhaps his influence is changing in form. We might, however, have finished with David Halperin's (ironic or not) 'Saint Foucault' (1995) who could do no wrong and who mysteriously appeared as the grad school icon on the correct side of every political debate and who stood, as Sartre would have put it, as the 'unsurpassable horizon' of a certain critical and radical thought. We are moving to a much more detailed understanding of how Foucault acted in and responded to the world in which he lived, and the strengths and the downsides of his experimental ethos. For a multitude of important thinkers, he has become the starting, not the end, point for coming to grips with the problems and problematizations of our present. Foucault's engagement with forms of economic liberalism, and his triple affirmation, however qualified, of ideals, policies and positions associated with different aspects of what he himself called 'neoliberalism', was an important moment in his work and perhaps even a step in its trajectory. This does not mean that Foucault was a card-carrying member of the Neoliberal Thought Collective, that he was seduced by neoliberalism, or that the entirety or essence of his work is tainted with neoliberalism. Nor does it mean that the use of his work necessarily carries the assumptions of neoliberalism with it behind our backs. When we use Foucault today we can no longer imagine, however, that we have entered a position of safety or that his name invokes an intellectual insurance policy against analytical missteps and naïve political enthusiasms. We should also be aware that there is a struggle going on over Foucault's legacy, including by those who would give us a Foucault consistent with economic or political liberalism.

Like Ewald (1999), there are those who will tell us that Foucault drew the lesson from '68 that the Revolution was over and that a politics of the state, parties and class was henceforth permanently displaced by one of multiple relations of power, local struggles and the politics of everyday life. In doing so, they open us up to a Foucault entirely compatible with the narrative of the end of history (Ewald, 1999: 85). It is up to us to reclaim the political from its

economic neutralization by neoliberalism and to reconnect what Foucault called the 'technologies of governmentality' and 'pragmatics of the self', to an analysis of state and sovereignty, of changing forms of capital, and their consequent modes of domination and hegemony. In some sense, Foucault's attack on the normalizing and disciplinary expertise that had colonized the institutional structures of the post-war Welfare State was already fighting the previous generation's war. He had found an unlikely and unsettling ally in that fight in the history of neoliberalism itself, and was able to engage in his own self-critique. But the remnants of his anti-statism, and his enduring suspicion of conventional state-centred politics rooted in French anti-totalitarianism and his opposition to the Communist Party, do not serve us well in engaging with the consequences of the most effective and political thought collective of the last 40 years, that has contributed to rising inequality, austerity and public penury, the corrosion of public services and public office, and the capacity of actual existing democracies to address the problems of economy, security and environment that confront them.

Perhaps the wider implication of this is that Foucault to some extent both foresaw and participated in the formation of a certain alliance between two critiques of the welfare state: one that would seek a transformation of the public sector through the generalization of a market rationality and one that sought a maximization of autonomy, self-government and difference outside institutional knowledge and practices. While closer to the latter, he came to recognize the similarities of both as critiques of the state in the 1970s. While neoliberalism is often imagined as an ideology imposed by the Right or its agents, its most effective agents have often been precisely those elements and parties of the Left that managed to articulate the desire for autonomy from the disciplinary forces within the welfare state with the new forms of regulation rooted in a market rationality. It is perhaps up to us, in an era in which inequality and public austerity are at the centre of the political agenda, to prise these two critiques apart, to demonstrate the socially destructive effects of neoliberal policies and to rearticulate a liberatory ethos with the strengthening of social rights and protections. As a first step, we must first recognize the extent to which those ways of thinking we have made our own have played their own small part in our pervasive and disabling contemporary anti-statism.

## Notes

1. However we might interpret such a phrase, which is no doubt ambiguous (Dean, 2014: 434), we should note that Ewald (2016) has recently attempted to retract its implications but in terms that affirm Foucault's anti-statism and seem to confuse the question of his affirmation of aspects of neoliberalism with that of whether he had become 'liberal'.
2. This and the following two sections draw upon Dean (2015).
3. I use these terms broadly to refer to an articulated ensemble of comportments, affects and dispositions, characteristic of members of social groups, and acknowledge inspiration from their very different theoretical uses in sociologists, such as Marcel Mauss, Norbert Elias and Pierre Bourdieu.
4. Lucien Bonnafé is misnamed in the English text as 'Bonafé'.
5. Michael Behrent provided a detailed account of Foucault's relationship to Marxist psychiatry of the 1950s in a PhD seminar, 'Foucault, Governmentality, Context', Copenhagen Business School, 27–29 October 2014.
6. See the texts by Foucault in Afary and Anderson (2005).
7. Foucault visited the Lip factory in July 1973 and commented: 'This isn't about an anti-authoritarian struggle, it's about unemployment' (Defert, 2013: 54).
8. Questions examined in Dean and Villadsen (2016).

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# 5 Neoliberalism as a Class-Based Project

Neil Davidson

## Introduction

At first glance, neoliberalism is so obviously a ‘class-based’ project that the phrase is redundant. Neoliberalism is a historical variant of capitalism, and capitalism, whatever else it might involve, is a form of society based on the exploitation of one class by another. By definition, then, *any* form of capitalism maintains the interests of the ruling class. The only reason for regarding neoliberalism as a special ‘project’ would be if these interests had been fundamentally denied or undermined. Such a claim was advanced by David Harvey in his foundational work, *A Brief History of Neoliberalism* (2005), where he argued that neoliberalism can be seen ‘either as a *utopian* project to realise a theoretical design for the reorganisation of international capitalism or as a *political* project’. The former is expressed in neoliberal theory or, more accurately, ideology, as it emerged from the work of the Austrian variant of neoclassical economics. The second has two aspects, ‘re-establishing the conditions for capital accumulation’ and ‘restor[ing] the power of economic elites’. The term ‘economic elites’ is a curiously un-Marxist one for Harvey to use, but let us treat it here as synonymous with ‘ruling class’. These three elements are at least partially distinct: it is by no means clear that the utopian project was the inspiration for the political one; and the two aspects of the latter are at least partially separable from the other – indeed, as we shall see, Harvey was right to observe that neoliberalism, ‘has not been very effective’ in relation to ‘re-establishing the conditions for capital accumulation’ (Harvey, 2005: 19).

Some writers influenced by Harvey, like Naomi Klein, follow the logic of his argument and treat the post-war period as one hostile to capitalism (Klein, 2007: 190, 532; Klein and Smith, 2008: 583). For her, the utopian and political projects are indissoluble: neoliberalism was the application of a doctrine, lovingly preserved by ideologues like Milton Friedman, which



capitalists had been waiting their opportunity to apply since the introduction of the American New Deal or the creation of the European welfare states. Klein therefore sees neoliberalism as the manifestation of the inner logic of corporate capitalism (although perhaps not of capitalism itself) and ‘shock’ as the means by which it can be realised. She quotes Friedman's statement that ‘only a crisis – actual or perceived – produces real change’ and argues that neoliberalism is a ‘shock doctrine’ which takes advantage of disaster (a ‘crisis’) in order to impose the idea of the new market order (Klein, 2007: 6–7, 140–141). As a result of this perspective, Klein has a tendency to treat every geopolitical event since 1973 as one either consciously undertaken or opportunistically manipulated to impose neoliberalism, a fixation which imbues neoliberal policies with a strategic coherence they never possessed in practice. This perspective has been adopted, in even more extreme forms by her followers (see, for example, Loewenstein, 2015: 6–8, 11). But even if we accept that neoliberals have opportunistically intervened to take advantage of disaster situations in recent decades, why was it only at a certain stage in post-war history that crises were manipulated to produce these outcomes?

Some of Harvey's other supporters recognise the difficulty this poses for his thesis and tend to shift ground, arguing instead that neoliberalism has ‘undermined the potential of “bourgeois democracy” to return critics of the market [to office]’ and has involved ‘taking back most of the gains made by the trade union movement and the forces of popular democracy, minimal though they might be argued to be’ (Miller, 2010: 39). But this is a different and more defensible position, concerned with the balance of power between the main social classes during the Great Boom. In what follows I will draw on the experience of the United Kingdom and the USA to argue that the ‘class project’ thesis is based on a misunderstanding of the period which preceded neoliberalism.

## **Restoring Power to Economic Elites?**

In the context of the West, ‘restoration’ can have two meanings. One is that capitalists were excluded from power during the post-war boom, and that neoliberalism brought this exclusion to an end. But capitalists hardly ever exercise power directly and the post-war period was no exception. As Fred Block has written, politically ‘the [capitalist] ruling class does not rule’

(Block, 1987a [1977]). Only the very earliest capitalist formations, like the Italian city states or the Dutch Republic, are exceptions, and in both cases it was one of the reasons why they failed to consolidate into viable nation-states (Davidson, 2012: 563–564, 580–582). The competitive nature of capitalism virtually ensures that business decisions are made without reference to any broader social interest, but capitalists are also generally incapable of correctly assessing their *own* overall collective class interests, as many of the great social theorists have pointed out from the late eighteenth century onwards (see, for example, Smith, 1976 [1776]: Book I, Chapter XI, 278; Marx, 1976 [1867]: 606–610; Schumpeter, 1994 [1944]: 138–139). As a result, two other forces have tended to rule jointly in place of the capitalists themselves: politicians and state managers – the senior component of the permanent state bureaucracy. In both cases the very distance of the groups involved from direct membership of the capitalist class allowed them to make assessments of what was required by the system as a whole. Politicians need not belong to the same class as the capitalists: indeed, it was landed aristocracies who played this role for much of modern European history down to 1945, and Social democracy – originally a working-class political tendency at least nominally committed to overturning capitalism – intermittently did so afterwards.

In some senses, however, the state managers are more important than politicians, not only because they tend to be more enduring, but also because they tend to be closer to capitalists in social terms. Their incomes are paid from state revenues that ultimately derive from the total social surplus value produced by the working class, as are the profits, interest, and rent received by different types of private capitalist. In other words, the relatively high levels of remuneration, security, and prestige enjoyed by these officials depend on the continued exploitation of wage labour. At this fundamental level, then, the interests of state managers and capitalist are the same. They also have a shared ideological commitment to capitalism, but their particular interests arise from distinct regions of the totality of capitalism, in its various national manifestations. A common background in institutions like schools, universities, and clubs helps to consolidate a class consciousness that articulates these interests, but a more fundamental reason is that the activities of states are subordinated to the accumulation of capital. Regardless of their class origins, state managers and capitalists are drawn together into a series of

mutually supportive relationships. The former need the resources provided by individual national capitals, principally through taxation and loans, in order to attend to the needs of the national capital as a whole; the latter need specific policy initiatives to strengthen the competitive position of their sector of the national capital within the global economy. State managers may not do this as successfully as the capitalist class might wish, and it is always possible to misjudge what capitalist interests are at any point, but error is not antagonism and does not mean that the state managers have different goals. The two therefore arrive at what Block (1987b [1980]: 84) calls a *modus vivendi* that is highly favourable to the owners of capital. Yet this *modus vivendi* is permanently under threat, since state managers have both to facilitate the overall process of capital accumulation and ameliorate its effects on the population and environment: 'The consequence is that many of the state actions that have served to strengthen capitalism have been opposed by large sections of the capitalist class because they are seen as threats to class privilege and as steps towards a Leviathan state' (Block, 1987b: 86–87). Hostility to the state has always been more general among the capitalist class as a whole in the USA than anywhere else in the world. On the eve of the neoliberal era, David Vogel correctly ascribed this attitude to a failure by American capitalists to understand, not their *individual* business interests, but the *collective* interests of their class (hence their overwhelming opposition to the New Deal), to the relative absence of the state in the initial process of industrial development, and to the sheer dominance of US capital: '*In this sense, an anti-state ideology is a luxury that can only be enjoyed by a relatively powerful and successful bourgeoisie*' (Vogel, 1978: 78, italics in the original). Of course, capitalists seek to influence what states and governments do, but since capitalists had never possessed political power in the sense required, it is difficult to see how it could be restored. There is a different argument, which I will address later, that neoliberalism has allowed for the first time the capitalist class more direct access to power, but that involves an innovation, rather than a restoration.

A second meaning of 'restoration' is compatible with my critique of the first, but involves a different claim: that the politicians who governed Western nation-states after the Second World War were not primarily interested in promoting business interests. To claim that a 'restoration' took place in this sense is, however, to inadvertently perpetuate the neoliberal myth that

developments during this time were ultimately detrimental to capital, when in fact this was the period when it enjoyed the highest levels of growth in the history of the system, 'twice as fast between 1950 and 1964 as between 1913 and 1950, and nearly half as fast again as during the generation before that' (Kidron, 1970 [1968]: 11); and that growth was largely uninterrupted by cyclical business fluctuations, let alone recession (Maddison, 1976: 477). A return to recession after the Second World War was averted by an unintended consequence of the Permanent Arms Economy which accompanied the Cold War, namely the absorption of capital which would otherwise have re-entered the circuit of productive capital into what was – in strictly economic terms – waste. This led to important constraints on the growth of the organic composition of capital and, consequently, counteracted the tendency of the rate of profit to fall (Kidron, 1970: chapter 3; Harman, 1984: 78–84). Other mechanisms had performed the same function earlier in the history of the system, notably investment in colonial possessions outwith the reproductive circuits of capital and luxury spending by the ruling class, but none of these involved expenditure on a comparably massive scale. Nevertheless, preventing a slump is not the same as causing a boom, although high levels of arms spending did contribute towards it by feeding through to other sectors of the economy through the so-called 'multiplier effect'. Leaving aside the short-term effects of post-war reconstruction, two other processes were required. One was the generalisation of 'Fordist' high-productivity, mass-consumption regimes across the core of the system, above all in the production of cars and electrical household goods (Davis, 1986: 195–201). The other was the industrialisation of those areas of Europe and North America which had previously been based on small-scale, family-based agriculture or petty commodity production, effectively bringing millions of new productive workers into the labour process and consumers into the market for mass-produced commodities. In the Stalinist regimes of Eastern Europe very similar processes were at work as in the West, including industrialisation, economic growth and, less often noticed, the increased availability of consumer goods (Maddison, 1976: 491; Therborn, 1995: 131–146).

Were these developments against the interests of capital? There was an occasion, surprisingly soon after the end of the Second World War, when a British government considered adopting measures we would now recognise as neoliberal. Britain had massive unresolved economic problems, the

immediate expressions of which were a balance-of-payments deficit and declining reserves of sterling – not helped by a massive rearmament programme, the costs of which began to erode the welfare state within a few years of it being initiated. When the Conservative Party was returned to office in 1951, some members of the new administration, led by the unlikely figure of RAB Butler, drafted a proposal ('Operation ROBOT') to simultaneously float the pound and make it convertible against other currencies, which would have immediately led to sterling falling in value against the dollar. The central intention here was to resolve the balance-of-payments crisis: exports would be given a massive boost, while at the same time imports would fall; domestic prices would be high, but wages would have to be held down to avoid inflationary pressures, not least by allowing unemployment to rise. In effect, the government would be forced to cut funding of the welfare state, especially the housing programme, as well as its overseas military commitments. The plan was dropped, largely as a result of the nervousness of Churchill and his closest allies over the likely electoral consequences of a policy which was so redolent of those followed during the depression years of the 1930s (Hennessey, 2006: 199–217; Kynaston, 2009: 74–75).

Historians have tended to treat this episode as a typical example of the consensual thinking which supposedly prevented deep-seated problems from being tackled before the election of Margaret Thatcher in 1979 (see, for example, Marr, 2007: 131). Neoliberal politicians who served in her Cabinets, like Nigel Lawson, have similarly argued that many of the problems they were forced to deal with might have been avoided had a stand against interventionism been taken at this time (Kynaston, 2009: 75–76). The point, however, is that an experiment of this sort would have been, in capitalist terms, both destructive and unnecessary. Destructive, because it is contrary to the types of economic structure being put in place in the advanced capitalist West; most obviously, it would have wrecked the Bretton Woods agreement, the only components of which to have been put in place at this point were precisely the fixed exchange rates that British actions would have undone. Unnecessary, because from the end of the Korean War in 1953 the British economy began to experience boom conditions, which meant that any attempt to limit trade union power or redefine the limits of the welfare state could be postponed. British capitalism did indeed have serious underlying

problems, but in conditions of generalised expansion, very few members of the British ruling class felt it was necessary to take the course of action later initiated by the Thatcher Governments. Those who did argue for proto-Thatcherite solutions in the 1950s, like Enoch Powell or Ralph Harris, were marginal to political and intellectual life and remained so until the 1970s. Few members of the bourgeoisie, let alone the wider population, took seriously the arguments produced by these institutions at the time. Harris, the first Director of the Institute of Economic Affairs, unsuccessfully stood as a Conservative candidate in Scotland during the 1951 and 1955 General Elections, despite the latter being the only occasion when that or any other party has won an absolute majority of votes anywhere in Britain since the achievement of universal suffrage. 'The atmosphere was wholly hostile to the right-wing position', he recalled (Beckett, 2009: 272).

It is certainly true that a number of concessions were won by or granted to the working class, and it is for this reason that the reputation of what Eric Hobsbawm calls 'the Golden Age' remains high, particularly in contrast to 'the Landslide' that followed (Hobsbawm, 1994: 403–416). It rests on two main factors. One was high, indeed for practical purposes full, employment. The other was the expansion of the 'social wage', meaning not only transfer payments in the form of unemployment benefits and pensions, but also subsidised housing and health, and social service provision free at the point of use. Both of these factors were necessary to capital: on the one hand, to gain the support of the labour force, thus helping to ensure social stability; on the other, to aid increases in productivity, thus contributing to international competitiveness. Consequently, these measures were not necessarily dependent for their introduction on social or even liberal democratic governments. In most of Western Europe outside Scandinavia, it was Christian Democrat governments who were instrumental in establishing welfare states. Even in Britain, where post-war social welfare was at least partly initiated by the local representatives of Social Democracy, the process began under the Conservative-dominated wartime coalition and was inspired by Liberals like William Beveridge (Judt, 2008: 10). For some writers, this does not represent a particular problem, since they regard all political parties at the time as sharing the same essentially benign attitude to the working class. Here, Harvey's position dovetails with those of writers very far indeed from his own historical and geographical materialism. For Frances Beckett,

both New Left and New Right are equally responsible for neoliberalism: ‘So the dull settlement that had given the baby boomers all their chances in life, created by the Attlee government and maintained by Macmillan, Wilson, Heath and Callaghan, had few defenders among the children of the sixties, being too radical for some and not radical enough for others’ (Beckett, 2010: 154–155). Beckett is here employing precisely the same dubious notion that power and influence can be ascribed to an entire generational cohort that was first popularised by the subjects of his complaint (‘the generation gap’). More importantly, it ignores a number of important facts.

First, British levels of social provision were by no means the most generous in the West. Writing in 1968, Michael Kidron pointed out that welfare payments form ‘a smaller proportion of gross national product ... a smaller part of the average worker's take home pay ... and a smaller relative charge on capital’ than in most other Western European countries, with consequently worse specific conditions in relation to paid holidays, severance pay, inflation-proof pensions and family allowances (Kidron, 1970: 20–21). Second, these economic considerations were not the only ones to cast some doubt over the extent to which capitalist power was in retreat. ‘Far from introducing a “social revolution” the overwhelming labour victory [in 1945] brought about the greatest restoration of social values since 1660’, runs Anthony Howard's famous assessment (Howard, 1964: 33). Yet it is one which recent research, for example into the relentless repression of gays under both Labour and Conservative post-war governments, tends to support (Knyaston, 2007: 376–377; Knyaston, 2009: 97–99, 331–334, 391–392). As Elizabeth Wilson notes, ‘in the fifties Britain was a conservative society described in the rhetoric of a radical ideology’ (Wilson, 1980: 6). It is regrettable that some writers continue to describe it in these terms, although it is understandable. In the face of the neoliberal assault on all the institutions erected during that era, the response of many on the left in the UK has been to dream of a return to the starting point and the election of the 1945 Labour Government – one whose crimes, compromises and omissions have been carefully glossed over – as if this was the best that could be hoped for by contemporary socialists: Ken Loach's film, *The Spirit of 1945* (2013) is perhaps the epitome of this longing for a return to an earlier time when capitalism had at least been rendered more endurable for the working class. Edward Thompson powerfully emphasised the reality just as the Keynesian

era was coming to an end:

The reforms of 1945 were assimilated and re-ordered within the system of economic activities, and also within the characteristic concepts, of the capitalist process. This entailed a translation of socialist meanings into capitalist ones. Socialised pits and railways became 'utilities' providing subsidised coal and transport to private industry. Private practice, private beds in hospital, private nursing-homes and private insurance impoverished the public health service. Equality of opportunity in education was, in part, transformed into an adaptive mechanism through which skilled labour was trained for private industry: the opportunity was not *for* the working class but for the scholarship boy to escape *from* this class. ... In short, what was defeated was not each 'reform' ... but the very meaning of reform as an alternative logic to that of private enterprise, profit and the uncontrolled self-reproduction of money. (Thompson, 1973: 53)

In many respects, the trajectory of the two openly right-wing governments which immediately preceded the neoliberal era, those of Heath in Britain (1970–74) and of Nixon in the USA (1968–74), demonstrate how far even they were from introducing it. There is a neoliberal myth, assiduously promulgated by Thatcher and her inner circle, which holds that the Heath Government of 1970–74 had intended to introduce the radical policies later implemented by the Thatcher Governments after 1979, but failed to do so because of its shameful and unnecessary retreat in the face of labour movement resistance. In other words, neoliberalism could indeed have been introduced earlier than it actually was, if not for a failure of will on the part of those espousing it. As Anthony Seldon points out, this assessment is 'ahistorical'. In particular, it exaggerates the extent to which Heath had broken from traditional one-nation Conservatism: 'Heath was never a believer in Laissez-faire, but was a traditional Tory who saw the state as an essential deliverer of economic and social policy.' In so far as some positions of the government did indicate a serious move to the right, on tax and spending cuts, for example, 'the motives for policies were instrumentalist and opportunistic, not ideology'. From the point of view of the working class this scarcely made Heath an attractive proposition, as the immense struggles



during this period, above all against the Industrial Relations Act, bear testament. Seldon is right, however, to identify the absence of any of the preconditions for what was to follow:

...there was no alternative and acceptable philosophy available which would have provided the intellectual underpinning for an assault on the prevailing orthodoxy of Keynesianism. ... there was no popular intellectual and media backing for a full frontal assault on Keynesian consensus-type policies, even if he had wanted to do so. ... Finally, and most tellingly, the three main architects of the Thatcher revolution were all present in the Heath Cabinet. ... To criticise the Heath Government for failing to persist with new right policies during 1970–1974 when Thatcher, Joseph and to a lesser extent Howe were in key positions and failed to argue strongly for such policies, is a plain absurdity. (Seldon, 1996: 14–15)

Similar arguments could be made for the Republican Party in the USA, at the time of Nixon's election in 1968. In the USA, social welfare was always less generous than in the UK. It tended to exclude larger numbers of workers and, where it did exist, was in many cases not provided by the state as a right, but by capital as deferred wages on the basis of collective bargaining with unionised workforces (Davis, 1986: 116). Although some reforms were directly introduced during the New Deal of the 1930s, notably Social Security, their expansion, let alone the introduction of more general social welfare provisions, such as Medicaid and Medicare, were the result of the movements of the 1960s, above all that for Black civil rights. And the latter were implemented not by the Democrats, but by the Republicans during Nixon's first term between 1968 and 1972. On 15 August 1971, he claimed 'I am now a Keynesian in economics', after freezing wages, prices and rents (Blumenthal, 1986: 110; Brenner, 1985: 55–59; Piven, 2004: 66–67; Stein, 2010: 86). Judith Stein comments that it is necessary to 'distinguish social from economic liberalism':

Nixon and most of the nation concluded that growth had become self-generating. The consumer demand created by the economy,

supplemented when necessary by deficit spending, would be sufficient incentive for industrial modernization. In 1969, as in the Democratic 1960s, there appeared to be no conflict between consumption and investment, labour and capital, equity and growth. Business did not need subsidies to produce, and government needed revenue to regulate and compensate. Thus Nixon was for tax reform, not reduction. (Stein, 2010: 86–87)

Nixon was scarcely unaware that the USA had entered a social crisis by the late 1960s. However:

The answer was not to contract out government functions to private institutions, but 'to make government more effective'. A young Donald Rumsfeld did just that with the poverty program. Rumsfeld called himself a 'modern Republican', meaning one who accepted the mixed economy plus elements of the welfare state. It was not an accident that Nixon approved laws expanding Social Security and Medicare. He set up the Environmental Protection Agency (EPA) and signed the Occupational Safety and Health Administration (OSHA), a Clean Air Act, and numerous other pieces of environmental legislation. All these reforms were evidence that liberal hegemony had not ended in 1968. (Stein, 2010: 87–88)

Carl Freedman points out that it was only under Nixon that federal spending on domestic social programmes was greater than military spending and, by the time he left office, the former was, at 40% of the federal budget, 12% higher than it had been under Johnson. This included massive expansion of medical research, particularly into cancer, the passing of the Clean Air Act and creation of the Environment Protection Agency, and the introduction of automatic cost-of-living adjustments to Social Security. Indeed, partly on this basis, Freedman makes a case for regarding Nixon, rather than Kennedy, as the more liberal of the two candidates in the 1960 Presidential election. Freedman further points out that Nixon also supported school desegregation and affirmative action programmes, although this was more Machiavellian in intent than his other reforms, in that Nixon hoped to stimulate a white

backlash which would be directed not at him or his party, but at the institutions and groups most associated with supporting the black population, the federal government and white liberal 'establishment', which were in turn associated overwhelmingly with the Democratic Party (Freedman, 2010: 144–147, 162–170). In this respect, Nixon was responsible for mainstreaming what Jeffrey Engels calls 'the politics of resentment', which had been incubated by Barry Goldwater and George Wallace earlier in the 1960s, and which have now given birth to the Donald Trump presidency:

Nixon radically altered American definitions and practices of democracy by redefining the conflict at the heart of democracy. It was no longer the rich versus the poor or the few versus the many. Instead he divided 'the people' into 'the great silent majority' versus the tyrannizing minorities seeking to oppress it. (Engels, 2015: 74, 75–96)

These policies proved quite compatible with the saturation bombing of Cambodia and the targeted assassination of leading members of the Black Panthers. The coexistence of welfare provision with imperial expansion and domestic repression can of course be traced back to the immediate post-war period. It is for this reason that notions of a post-war 'compromise' (Harvey, 2005: 10) or 'deal' (Leys, 2001: 40) between labour and capital are deeply misleading, even if considered as metaphors. In the most important case, the USA, the left was decisively defeated and the trade unions depoliticised for a generation. But the fundamental point about all reforms associated with the welfare state in Britain, the New Deal and Great Society programmes in the USA, or their analogues elsewhere, is therefore that they were not just compatible with capitalism, but organised in line with its requirements. And this is the case even where the reforms in question were originally demanded and subsequently defended by the labour movement. In other words, as Hilde Nafstead and her colleagues write, 'welfare states should not be understood simply as a protective reaction against modern capitalism, but as varieties of modern capitalism' (Nafstead et al., 2007: 314).

It is true that major new capitalist organisations were established during the post-war boom to lobby governments for greater support, notably the Business Roundtable in the USA, founded in 1972. These are often

assimilated to ideological think-tanks like the Mont Pèlerin Society and the Institute of Economic Affairs (IEA) (Cockett, 1995: 281–282; Miller and Dinan, 2008: 73–77). But the CEOs of the Business Roundtable were not initially lobbying for what we now think of as neoliberal measures. Klein is wrong to say: ‘Friedman's vision coincided with the interests of the large multinationals, which by nature hunger for vast new unregulated markets’ (Klein, 2007: 57). Multinational corporations have wanted different policies at different times. As Richard Vinen recounts for post-war Europe:

...economic policy did not spring from the imposition of state authority over industry but rather a convergence of the two. This convergence came partly from changes in the state: new departments were set up to deal with economic matters, and were often staffed by businessmen. The private sector also changed. Small companies run by an owner whose own capital was at risk might feel very alienated from the state. Large companies, however, were run by managers whose own capital was not at risk, and who could afford to take a relatively detached view of many issues. (Vinen, 2002: 331)

Nor was business demanding alternative policies. In Britain, there had been officials within the main employer's organisation, the Confederation of British Industry (CBI), arguing for what we would now call neoliberal policies, but the point is that they had virtually no influence on its actual policies during the relevant period. Indeed, the high-tide of corporatism within the CBI was reached as late as 1973 when one of these figures, Barry Bracewell-Milnes, was removed from his post by the Director-General – an event hailed in the business page of *Manchester Guardian* under the heading ‘Bosses turn left’ (Rollings, 2013: 653–658). Even in the USA, where, as we have seen, suspicions of the state were most deeply embedded, these had largely been overcome by the 1960s, for similar reasons to those in Europe. ‘It may seem the height of grandiloquence to say so’, opined business journalist Theodore Levitt in 1967, ‘but there is abundant evidence that the American business community has finally and with unexpected suddenness actively embraced the idea of the interventionist state’ (Levitt, 1967: 114). The example of the Business Roundtable is a case in point. As Sydney Blumenthal writes:

They want big government to be the marketing agency and brokerage firm to big business. The CEOs appreciate the methods of big government, when they serve their interest, because they seem so similar to those of big business. What they want from big government is faster service and preferential treatment. They believe government should be run like a subsidiary. So they think of reforming government, not eliminating it. (Blumenthal, 1986: 75–76)

Nor did this acceptance only extend to measures directly supportive of business. As late as 1975, one leading corporate chairman, Stanley Marcus of Neiman Marcus, thought it implausible that a significant number of his contemporaries would ever again oppose reformist social legislation:

Who amongst the business community today would seriously propose that congress repeal our child-labour laws – or the Sherman Antitrust Act? The Federal Reserve Act, the Securities Exchange Act? Or workmen's compensation? Or Social Security? Or minimum wage? Or Medicare? Or civil rights legislation? All of us today recognise that such legislation is part of our system; that it has made us stronger. (Quoted in Silk and Vogel, 1976: 219)

In Europe, only in West Germany did neoliberal ideas have any serious influence before the 1970s. These were heavily promoted by the original neoliberals of the 1930s, and led to the Federal Republic of Germany being virtually the only area of Europe where policies of deregulation, the abolition of wage and price controls, and of lowering taxes were introduced. Yet even this was only possible for two reasons. One was the way in which these constraints on private capital were associated with the Nazi regime (Peck, 2008: 18–22). The other was of longer standing: ‘The state played a limited role in Germany partly because industrialists had traditions of organisation that allowed them to dispense with the discipline imposed by the state elsewhere [in Western Europe]’ (Vinen, 2002: 333). By the late 1950s, however, West Germany too had adopted the type of corporate interventionism that would through the 1980s be held to distinguish Rhenish capitalism from the neoliberal Anglo-Saxon variant, even while claiming to

retain what was actually referred to as neoliberal economic policy (Hutton, 1995: 262–268; Stedman Jones, 2013: 121–126). Wolfgang Streeck recalls interviewing West German industrial managers of the post-war period who were nostalgic for the ‘allocation economy’ which prevailed through most of the Great Boom: ‘I even heard managers suggest that the differences between the organized capitalism of the West and the state socialism of the East were not as dramatic as one might have believed at the time: only that delivery periods were even longer in the East’ (Streeck, 2012: 29).

## **Re-Establishing the Conditions for Capital Accumulation?**

If we reject the first part of Harvey's definition on the grounds that there was no need to restore what had not been lost, what of the second? This is in fact the real basis for the neoliberal project – not a loss of power but a much more precipitate decline in profitability, the conditions for which had been established during the Great Boom.

During this period of unparalleled growth, three developments took place in the world economy which established the framework for what followed, by rendering obsolete the largely national assumptions within which economic policy had been conducted since the Great Crash of 1929. First, an unprecedented three-fold expansion of international trade, growing twice as fast as actual output across the period, with the biggest increase taking place in the decade immediately prior to the crash of 1973/74. Second, the advent of cross-border production, utilising world forces of production rather than only those of one territorial state – a process driven, above all, by the need to achieve economies of scale only possible within a multinational market. Third, the increase in large-scale foreign direct investment (FDI), together with the creation of ‘offshore’ banking and flows of money capital unlimited by national boundaries: unlike factories, money can be moved with ease and is not dependent on protection of a territorial state or states. When Nixon devalued the US dollar and detached it from the Gold Standard in August 1971, this first of all neoliberal policy decisions was therefore, as Morris Berman points out, ‘the *result* of globalisation’, of the cumulative changes brought about by the resumption of the internationalisation of capital after

1945 (Berman, 2007: 54).

As we have seen, during the Great Boom there was general support for state intervention among the larger businesses and corporations, while small business retained their traditional hostility to it. These differences expressed the relative security of their positions within the market: corporations were protected from the worst exigencies of price competition and were able to plan for longer-term investment growth, often in alliance with the state; small businesses were much more vulnerable and, to them, the state simply represented a source of predatory taxation and bureaucratic regulation. Increased global competition changed the relative position of the corporations, so that all but the largest transnational corporations were placed in a similar position to the small businesses of the post-war period, in terms of their relative size within the market: 'The process of globalisation has sharply increased the degree of competitive pressure faced by large corporations and banks, as competition has become a worldwide relationship' (Kotz, 2002: 104). Corporations still needed a home state to act as a base, but they increasingly required it to behave differently. Neoliberal globalisation 'pushes them towards support for any means to reduce their tax burden and lift regulatory constraints, to free them to compete more effectively with their global rivals' (Kotz, 2002: 104). Corporations therefore began to demand some of the policies long advocated by Hayek and Friedman, and politicians and state managers began to implement them – not, as Klein claims, because individual opportunities to do so, which previously had been missing, finally presented themselves, but because changed conditions of accumulation required changed strategies. Given the limited number of these available (assuming them to be in interests of capital), it is unsurprising that the new practices now demanded began to overlap with existing theories. Streeck notes that a legitimisation crisis does not simply involve two players, namely the state and the population over which it rules, but three: the state, the working class and capital, represented by 'profit-dependent owners and managers': 'Contrary to neo-Marxist theories, a legitimisation crisis may therefore grow out of discontent on the part of "capital" with democracy and its associated obligations' (Streeck, 2014: 20–21).

As Ashley Lavelle writes, globalisation is a 'proximate' explanation for the rise of neoliberalism, the end of the post-war boom is an 'ultimate' one

(Lavelle, 2009: 23). The precise causes of the return to crisis after 1973 have been widely debated, but some key features are highlighted by most analysts. Increased price competition from West Germany and Japan within the advanced world was made possible by intensive investment in technology and relatively low wages. This forced their hitherto dominant rivals – above all the USA – to lower their own prices in a situation where production costs remained unchanged. American corporations were initially prepared to accept a reduced rate of profit in order to maintain market share but, ultimately, they too undertook a round of new investments, thus raising the capital–labour ratio and increasing the organic composition of capital, leading to consequent further pressure on the rate of profit (Harman, 1984: 99–102; Brenner, 2006 [1999]: 99–101). As Al Campbell argues, neoliberalism was therefore a solution to ‘a structural crisis of capitalism’ in which ‘policies, practices and institutions’, which had hitherto served capital accumulation, no longer did so: ‘More narrowly, one can say that capitalism abandoned the Keynesian compromise in the face of a falling rate of profit, under the belief that neoliberalism could improve its profit rate and accumulation performance’ (Campbell, 2005: 189). But, as I have suggested above, the inadequacy of Keynesian policies was itself the result of changes to the nature of the world economy which had taken place during the long boom, and which made these policies increasingly difficult to apply with any possibility of success.

The emergence of neoliberalism as a conscious ruling-class strategy, rather than an esoteric ideological doctrine, therefore took place in response to the end of the post-war boom, but in changed conditions created by that boom. The failure of Keynesianism and other forms of state capitalism predisposed many capitalists, state managers and politicians, not just to accept, but to wholeheartedly embrace theories which they would earlier have rejected as eccentric, or even dangerously destabilising; but even then, the policy shifts which followed were as often pragmatic adaptations as they were born of ideological conviction (Cahill, 2013). Robert Reich is therefore right to argue that existing neoclassical theories ‘offered a convenient justification for the shift already under way’: ‘They did not cause the shift; at most, they legitimised it’ (Reich, 2009: 12). Because of this, the more credible advocates of capitalist globalisation, like Martin Wolf, have been able to emphasise the way in which neoliberalism (although he refuses the term) has been an adjustment to capitalist reality rather than an adoption of theoretical dogma:



To many critics, the last two decades of the twentieth century were the age of a manic ‘neo-liberalism’ imposed by ideological fanatics on a reluctant world. This picture is false. The change in politics was, with very few exceptions, introduced by pragmatic politicians in response to experience. (Wolf, 2004: 132)

Wolf wants to defend the neoliberal order, without conceding the term; but the essential point is correct. As Andrew Gamble writes, neoliberalism as ‘a global ideology’ was less significant than ‘the competitive pressures of capital accumulation in forcing the convergence of all capitalist models and all national economies towards neo-liberal institutions and policies’ (Gamble, 2001: 133). But the theories did have a function, as G.A. Cohen explains:

Considered as practical proposals, the theories of Friedman, Hayek and Nozick were crazy, crazy in the strict sense that you would have to be crazy to think that such proposals (e.g. abolition of *all* regulation of professional standards and of safety at work, abolition of state money, abolition of *all* welfare provision) might be implemented in the near, medium, or long term. The theories are in that sense crazy precisely because they are uncompromisingly fundamental: they were not devised with one eye on electoral possibility. And, just for that reason, their serviceability in electoral and other political contest is very great. *Politicians and activists can press not-so-crazy right-wing proposals with conviction because they have the strength of conviction that depends upon depth of conviction, and depth comes from theory that is too fundamental to be practicable in a direct sense.* (Cohen, 2011 [1994]: 212–213, italics in original)

In public pronouncements, neoliberals initially tended to focus less on restoring profitability and more on reducing the amount of state expenditure and the size of the state itself (although usually treated as synonymous, these are of course very different goals), and controlling inflation, since these could be presented as beneficial to citizens as tax-payers and consumers. But regardless of the way in which neoliberal goals were expressed, the major obstacle to the reorganisation of capital required by the crisis lay elsewhere.

The Argentinean military junta of the 1970s had originally regarded their main opponent as the Peronist movement, but as one member later admitted, 'by 1976 we already knew that the problem was the working class' (Levy, 2006: 142). The imminent threat of revolution raised by 1968 was no longer a threat by the mid-1970s, so in what sense was the working class 'the problem'?

In 1972, when the crisis was gathering, but had not yet broken, Andrew Glyn and Bob Sutcliffe claimed that the decline in profit share going to British capital was caused by increases in money wages forced by working-class strength and the inability of capital to pass these on as price increases because of the rising level of international competition. But they also saw this as a general explanation for the declining profit margins across the advanced capitalist world (Glyn and Sutcliffe, 1972: 50–102). If this had been the case, then neoliberalism might genuinely have represented a 'class (against class) project'; but it could not have been. On the one hand, there was no crisis during the 1950s, when real wages were rising much more quickly than in the late 1960s and early 1970s. On the other hand, during the latter decades, all of the major economies went into recession simultaneously, even though levels of labour organisation and militancy were massively different (Harman, 1984: appendix 1; Brenner, 2006: chapter 1). In effect, this argument simply ascribes a different and positive value to the ideological claims of the bourgeoisie concerning union power. In fact, rather than wage pressure being the problem that caused the crisis, it was the crisis that made wage pressure into a problem, or at least one that could no longer be tolerated. During the Second World War, the Polish economist Michael Kalecki predicted that although 'a regime of permanent full employment' would actually increase profits, employers would nevertheless oppose such a development because it would build working-class self-confidence, encourage industrial action for improved wages and 'create political tension'. In the end, Kalecki wrote, "discipline in the factories" and "political stability" are more appreciated than profits by business leaders' (Kalecki, 1943: 327). The Golden Age did of course see many intense industrial struggles, but no concerted attempts to roll back the position of trade unions until the very end. Kalecki underestimated the extent to which employers would be prepared to accept pressure on wages, however unwillingly, provided the rate of profit was maintained at a sufficiently high level. Once it

began to fall, as it did from the late 1960s, this situation was no longer sustainable for capital, meaning not only attacks on workplace terms and conditions, but also on those aspects of the welfare state – the ‘social wage’ – which were beneficial to the working class. The main source of funding for welfare provision came from redistribution within the working class itself; but to the extent that it was also a cost to capital, a drain on investment, it was one which capitalists had reluctantly been prepared to pay so long as the system was expanding. When it began to contract, as it did after 1973, these costs to capital, like wages, had to be reduced, by attacking provisions directly in the hands of employers (pensions, health insurance) and shifting the burden of taxation even more decisively onto the working class. ‘Some people will obviously have to do with less’, announced an editorial in *Business Week* in 1974 with unusual candour, then adding: ‘Yet it will be a hard pill for many Americans to swallow – the idea of doing with less so that big business can have more’ (Carson-Parker, 1974: 120–121).

## **A Project for CapitalISM – or for CapitalISTS?**

Neoliberalism did succeed in restoring the rate of profit between 1982 and the financial crash of 2007, although more weakly after 1997 and at no point to anything like the levels achieved during the post-war boom. Given the exceptional nature of the latter period, this is less significant than is sometimes assumed. What is perhaps more important is the major achievement neoliberalism provided for capitalists and the bourgeoisie more generally – not *re-establishing the conditions of capital accumulation*, but *transferring wealth and resources* to the ruling class and its hangers-on. Some analysts of neoliberalism, such as Gérard Duménil and Dominique Lévy (2011: 18), have argued that this was always the result intended by the project:

Ideology was not the engine of the neoliberal revolution. The relationship [of neoliberalism] to class hierarchies is all too obvious. ... The hegemony of the upper classes was deliberately restored, a return to financial hegemony. A neoliberal ideology emerged, the expression of the class objectives of neoliberalism.

They describe the achievements of neoliberalism as being ‘consistent with the interests of the upper classes, that is, the maximisation of high incomes’ (2011: 18). This assessment builds on an earlier discussion in which they note two movements in the fortunes of the ruling class: one involving a ‘relative deterioration’ in their holdings at the beginnings of the crisis in the 1970s, and the other ‘a restoration and more under the neoliberal banner’. The latter is what they describe as a ‘tour de force accomplished by the dominant classes through neoliberalism, both in the absolute and relative to the other classes of the population’, but it was one which involved diverting declining profits from productive investment (Duménil and Lévy, 2004: 139). The neoliberal programme benefited individual members of the capitalist class by increasing their personal wealth at the expense of the living standards of the poor and the working class. The conclusion drawn by Alfredo Saad-Filho is therefore that ‘the notorious inability of the neoliberal reforms to support high rates of investment or high GDP is really irrelevant ... it *has* been able to support much higher standards of consumption for the top strata of the population and its promotion of consumer debt’. This, rather than the capacity ‘to promote growth, reduce inflation or even to increase the portfolio choices of the financial institutions’, was the real consequence of neoliberalism (Saad-Filho, 2007: 342–343). One can agree that this has been the outcome, but are neoliberalism’s failures at a systemic level really ‘irrelevant’? Ross McKibbin wrote of former British Chancellor of the Exchequer George Osborne: ‘He wishes to serve the interests of the rich, but has a very narrow conception of what those interests might be, which is why there is no plan B’ (McKibbin, 2013: 3). Both points are certainly true, but ‘serving the interests of the rich’ is not the same – or at least, not always the same – as ‘serving the interests of capital’ and may in certain circumstances be in contradiction to it.

Neoliberalism has weakened, to varying degrees, the capacity of capitalist states to act in the interest of their national capital as a whole. The relationship between neoliberal regimes and capital has, since the 1970s, prevented states from acting effectively in the collective, long-term interest of capitalism, leading instead to a situation where, according to Robert Skidelsky, ‘ideology destroys sane economics’ (Skidelsky, 2014: 29). It is true that neoliberal regimes have increasingly abandoned any attempt to arrive at an overarching understanding of what the conditions for growth might be, other than the supposed need for lowering taxation and regulation

and raising labour flexibility. Apart from these, the interests of the total national capital are seen as an arithmetical aggregate of the interests of individual businesses, some of which, to be sure, have rather more influence with governments than others. These developments have led to incomprehension among remaining Keynesians of the liberal left (Chang, 2011: 190–191; Hutton, 2013). But their assessments are correct in noting that, in so far as there is a ‘strategic view’, it involves avoiding any policies which might incur corporate displeasure, however minor the inconveniences they might involve for the corporations, which of course includes regulation.

The weakening of the labour movement and consequent rightward shift by Social Democracy may therefore ultimately prove self-destructive for capital since, as we have seen, one of the inadvertent roles which it historically played was to save capitalism from itself, not least by achieving reforms in relation to education, health and welfare. These benefited workers, of course, but also ensured that the reproduction of the workforce and the conditions for capital accumulation more generally took place. But with the weakening of trade union power and the capitulation of Social Democracy to neoliberalism, there is currently no social force capable of either playing this ‘reformist’ role directly or by pressurising non-Social Democratic state managers into playing it. That leaves the state apparatus itself, but the necessary distance between the state and capital (or between state managers and capitalists), to which I earlier alluded, has been minimised. Ironically, China may be one of the few areas where this is not the case. Slavoj Žižek writes that, ‘arguably the reason why (ex-) Communists are re-emerging as the most efficient managers of capitalism: their historical enmity towards the bourgeoisie as a class fits perfectly with the progress of contemporary capitalism towards a managerial system without the bourgeoisie’ (Žižek, 2012: 11).

In the USA, by contrast, Doug Henwood writes that ‘policy is now made through a Wall Street lens of maximising profits over the next few quarters, and the long term can take care of itself’, which in turn suggests that ‘the distinction between the American ruling class and its business community – with the ruling class presumably operating on a time scale of decades rather than quarters – has largely collapsed’ (Henwood, 2005: 71, 73). Henwood’s point about the regime’s adoption of timescales associated specifically with financial capital is important as it indicates the short-termism involved, which

is embedded at every level. Clearly, in situations of absolute, immediate crisis, short-term emergency measures would be introduced in the same way as the effective nationalisation of banks and other financial institutions took place in both the USA and the UK during 2008. But these were minimal interventions to prevent outright collapse, save the institutions (and the practices which brought them to the point of crisis in the first place) without using them for any coherent strategic end, let alone any broader social purpose; and, of course, on the basis that they would be re-privatised as soon as possible (Cahill, 2012: 123–124).

Originally improvised as a means of resolving the last great capitalist crisis, neoliberalism has no answer to the return of crisis – or at least, no answer acceptable to the CEOs and shareholders it has enriched – other than to carry on with the strategies which brought us to this pass in the first place. It is unsurprising, therefore, that no significant section of the international ruling class has abandoned its belief in the fundamentals of neoliberal capitalism: they have too much to lose. Colin Crouch has written of the need to accept that ‘political and economic elites will do everything that they can to maintain neoliberalism in general and the finance-driven form of it in particular’: ‘They have benefited so much from the inequalities of wealth and power that the system has produced, compared with the experience of strongly redistributive taxation, strong trade unions and government regulation that constituted the so-called social democratic period’ (Crouch, 2011: 118–119).

If what I call vanguard neoliberalism established this phase of capitalist development (in the UK: 1979–97, and social neoliberalism then consolidated it (1997–2007)), the current period of crisis neoliberalism (2007–) is primarily defensive, an attempt to preserve the now decaying order through ever-more generalised attacks on the subaltern classes – not as ‘occasional’ incursions to enable budget cuts here or prevent industrial action there, but as permanent aspects of the political regime (Davidson, 2017). The dilemma of crisis neoliberalism is therefore that it has no strategy for restoring general levels of profitability. Having bailed out the debts incurred by the banks responsible for the crisis, thereby transforming them into state or ‘sovereign’ debt, regimes then announced the need for ‘austerity’ to compensate for the supposed failure of the state to ‘live within its means’ by

incurring these debts in the first place (Blyth, 2013: 5–7; Peck, 2014: 19–20). Ideologically, this may have been a brilliant manoeuvre, but neither attacking the incomes of unemployed single parents nor demonising asylum seekers is going to rescue British or American capitalism, although it has helped to deflect hostility from the ruling class to these groups by legitimising hatred and providing ‘psychic compensation’ for those in marginally more secure positions. Any longer-term strategy in the overall interests of capital would have to address the dysfunctionality of the financial system, the refusal of firms to invest in productive capacity and low levels of tax intake attendant on a fiscal system massively skewed towards the wealthy, but state managers are no longer prepared to do this and neither are most politicians – with the exception of one tendency.

The revival of the far right as a serious electoral force is based on the apparent solutions it offers to what are now two successive waves of crisis, which have left the working class in the West increasingly fragmented and disorganised, and susceptible to appeals to blood and nation as the only viable form of collectivism still available, particularly in a context where the systemic alternative to capitalism – however false it may have been – had apparently collapsed in 1989–91. The political implications are ominous. The increasing interchangeability of political parties gives the far right an opening to appeal to voters by positioning themselves as outside the consensus in ways which speak to their justifiable feelings of rage (Cole, 2005: 222–223). The potential problem for the stability of the capitalist system is, however, less the possibility of far-right parties themselves coming to power with a programme destructive to capitalist needs, than their influence over the mainstream parties of the right, when the beliefs of their supporters may inadvertently cause difficulty for the accumulation process – as in the impending withdrawal from the European Union in the case of the UK or, potentially at least, a halt to migration from Mexico and Central America at the behest of the Trump presidency in the case of the USA. Here we see emerging a symbiotic relationship between one increasingly inadequate regime response to the problems of capital accumulation and another increasingly extreme response to the most irrational desires and prejudices produced by capital accumulation (Davidson and Saull, 2017).

## **Conclusion**

It is possible, then, that neoliberalism has indeed proved to be a project which has benefited the capitalist class, but far less so the system on which they depend. 'No effective opposition being left, and no practicable successor model waiting in the wings of history, capitalism's accumulation of defects, alongside its accumulation of capital may be seen ... as an entirely endogenous dynamic of self-destruction', writes Streeck (2016: 13). I am less convinced that capitalism will simply collapse under the weight of its own internal contradictions. Scenarios of this type, from those of Rosa Luxemburg onwards, have been proved false in the past and there is no reason to suppose that they will be any more accurate in the future. Nor am I even suggesting that we have entered a phase of permanent crisis: as Marx pointed out, 'Permanent crises do not exist' (Marx, 1968 [1861–63]: 497). Claims to the contrary have an unfortunate tendency to be disproved even as they are made (see, for example, Harman, 1984: 121). It would be more credible to argue that, as the system ages, the counter vailing tendencies to the tendency of the rate of profit to fall become fewer and less effective. Booms will continue to occur, as they did between 1982 and 2007, but they will be weaker and the range of beneficiaries fewer. In these circumstances, everything will depend on the re-emergence of an 'effective opposition' with a 'practicable successor model'; but that will involve a class project of a quite different type.

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# **6 Ideas and the Rise of Neoliberalism in Europe<sup>1</sup>**

**Vivien A. Schmidt**

## **Introduction**

Neoliberal ideas that focus on individualism, free markets, and a strong but limited state have so come to dominate advanced industrialized countries' assumptions about what is appropriate political economic action that, up until the economic crisis beginning in 2007/2008, they had all but disappeared from public consciousness and debate. Widely held beliefs – about the benefits of unfettered markets and the dangers of interventionist states, about the importance of market competition and 'competitiveness', about the necessity of liberalizing reform (e.g., deregulation, privatization, labor market flexibility, welfare state rationalization), and about the imperatives of austerity and structural reform during the Eurozone crisis – are all manifestations of the hold of neoliberal ideas in contemporary capitalist democracies (see, e.g., Hay, 2004; Harvey, 2005; Miroski and Plehwe, 2009; Gamble, 2009; Peck, 2010; Steger and Roy, 2010; Amable, 2011; Schmidt and Thatcher, 2013; Blyth, 2013b). These ideas were not always so predominant. The postwar period could be seen as a time infused with a very different set of ideas, based on principles embedded in a very different approach to markets, the state, and society which are generally associated with neo-Keynesianism and social democracy. But since the 1980s, neoliberal ideas have become so all-pervasive that they have largely receded into the background even as they have served to guide public understandings of the possible and set the limits of the imaginable. Only with the economic crisis that began in 2007/2008 did neoliberal ideas return to the foreground, to public questioning and contestation. But neoliberalism has remained resilient nonetheless as the dominant set of ideas, with seemingly no alternatives in sight (Schmidt and Thatcher, 2013).

The resilience of neoliberalism as a set of ideas for contemporary capitalism raises a number of interrelated questions, including: what are neoliberal ideas? How do they change or persist? Who generates such ideas and how do they embed them in a polity?

To answer such questions, this chapter uses the analytical framework of discursive institutionalism (see Schmidt, 2008, 2012). This framework calls attention to the significance of approaches that theorize about the substantive content of ideas and the interactive processes of discourse in an institutional context. Such approaches range from the ‘ideational turn’ in comparative politics (Blyth, 1997) and the ‘agenda-setting’ of policy analysis (Baumgartner and Jones, 1993) to the constructivist turn in international relations (Finnemore, 1996; Wendt, 1999) and the discourse analysis of postmodernism (Bourdieu, 1990; Foucault, 2000). They identify many different forms of ideas and discourse – including worldviews, ideologies, and discourse (Foucault, 2000; Freeden, 2003), frames and narratives (Rein and Schön, 1994; Roe, 1994), storytelling and collective memories (Forester, 1993; Rothstein, 2005: chapter 5). These come at different levels of generality with differing rates of change – from deep, slowly changing philosophical ideas to more specific, fast-changing policy ideas, with evolving programmatic ideas or revolutionary paradigms at an intermediate stage between the two (Schmidt, 2008, 2011; Mehta, 2011). They also come with different types of arguments: cognitive arguments that justify in terms of expert knowledge and normative arguments that legitimate through an appeal to societal values (Jobert, 1989; Hall, 1993; Schmidt, 2002a: chapter 5). Moreover, such ideas and discourse may be generated, articulated, and contested by a wide range of ‘sentient’ (thinking, speaking and acting) agents through interactive processes of policy coordination and political communication in different institutional contexts (Schmidt, 2008, 2011).

The chapter begins with a general definition of neoliberal ideas and of their core principles, illustrating the changing ideas of Europe's political economy since the 1980s. The chapter then delineates the different forms, levels, and types of neoliberal ideas, followed by a discussion of the nature of change and continuity in such ideas. In the final section, the chapter considers the agents of change and the interactive processes through which neoliberal ideas may take hold. The chapter seeks to demonstrate how a given set of ideas, in

this case neoliberalism, can have come to exercise a seemingly incontrovertible hold on European political economies over a long period of time in a wide range of institutional contexts.

## **Neoliberal Ideas as Political Economic Philosophy**

Neoliberalism can first of all be defined as a substantive political economic philosophy. Although neoliberalism as a body of thought contains many different philosophical strands, normative interpretations, and policy applications, it nonetheless embodies a common vision of the role of the state and its relationship to the market. The state should play a limited political economic role – to create and preserve the institutional framework that secures property rights, guarantees free markets, and promotes free trade – so as to leave the markets as unfettered as possible. Notably, however, neoliberal core principles are not just about political economy, but also about democracy. Neoliberalism conceives of the polity as made up of the individual first, the community second, with legitimate state action extremely limited with regard to community-based demands on the individual (Harvey, 2005; Gamble, 2013; Schmidt and Woll, 2013).

This puts neoliberalism at odds with the ideas of previous philosophical traditions, both republican and liberal, that have infused the background ideas of different eras and polities. Neoliberalism is particularly in contradiction with the republican tradition going back to Aristotle and Rousseau, which assumes the primacy of the state over markets, and has as its core principle that individual economic activity should be evaluated in relationship to conceptions about what is good for the polity as a whole, as agreed by the citizens and judged by elected political leaders. But neoliberals also take a more radical view of the relationship between state and market than the older liberal tradition from Thomas Hobbes through John Stuart Mill. At the core of liberalism is the assumption that the individual comes before the polity, but the polity still comes before the economy, with political liberty a *sine qua non* of economic freedom. Neoliberalism reverses the traditional liberal relationship between polity and economy by insisting that economic freedom is a prerequisite for political freedom (Scharpf, 2012; see also Foucault, 2004; Tribe, 2009).

Very generally speaking, by putting the economy before the polity, neoliberals present the markets as the neutral solution, the state as the politicized problem. Moreover, making the markets the solution also enabled neoliberalism's founding theorists to eschew traditional social ethics. In its stead they made competition the moral standard, with competitive markets serving to define merit as well as to justify inequalities of situation, while notions of collective responsibility beyond a basic minimum could be seen as interfering with markets (Amable, 2011; see also Gamble, 2013; Schmidt and Woll, 2013).

Different strands of liberalism, however, have proffered different ideas about how limited the role of the state, how unfettered the markets, or how extensive the collective responsibility. *Laissez-faire* neoliberals tend to want a strong but highly limited state and minimal collective responsibility. Anarcho-capitalists or 'hyper neoliberals' prefer to dismantle the state as much as possible in order to leave almost everything to the market, and rule out any collective responsibility. Ordoliberals, following the more conservative brand of neoliberal economic philosophy developed in Germany in the 1930s and implemented as of the 1950s, embraced a strong rules-based state with a greater sense of social responsibility (see discussion in Gamble, 2009: 70–84, 2013). But at the same time that ordoliberals thus reserved a larger role for the state than other neoliberals, they turned the whole logic of the state–market relationship on its head with a discourse that blamed the state for all the negatives of political and economic history (Foucault, 2004: 119–120). The Austrian School, similarly, endorsed a strong rules-based state but with a lower level of social provision, while seeing any kind of state planning as a threat to democracy because it imposes purposes and values on individuals that they were not likely to have chosen, given the vagaries of majority agreement (Hayek, 2007 [1944]: 100–111; see Wapshot, 2012; Gamble, 2013).

On the other side of the Atlantic, the Chicago School has been even more radically critical of the state than the German or Austrian Schools. By postulating the optimality of market solutions in theory rather than treating this as an empirical question, it came to assume that state action was no longer justified as intervention for market failures – which is at the origins of traditional liberal thought – because the market cannot in principle fail, only

government (Wagner, 2012; see discussion in Schmidt and Woll, 2013). The state, moreover, was inherently dangerous because of its likelihood to damage not only the freedom of market actors' transactions in capitalist economies, but also the freedom of citizens to choose in liberal democracies (e.g., Friedman, 1962). The Virginia, or 'Public Choice', School reinforced this distrust of the state in its analysis of public officials as narrowly self-interested and therefore often acting against the public interest in the search for rents (i.e., Buchanan, 1986b).

But at the same time that all such neoliberal philosophies have therefore cast the state as the primary problem, most have equally recognized the need for a strong state that is able to create the institutions necessary to maintaining a free market (e.g., Buchanan, 1986a; Hayek 2007 [1944]: 85–86). The contradiction at the very core of neoliberal background ideas, then, is that while neoliberal principles demand a highly limited state, neoliberal practice requires a strong state that is able to impose neoliberal reform. In consequence, instead of generating a truly neoliberal state, neoliberalism has actually produced 'liberal neo-statism', in which a much more interventionist state than is compatible with core neoliberal principles has emerged to implement the neoliberal policies and programs called for by those principles (Schmidt and Woll, 2013).

A further contradiction is that neoliberal reforms may free individuals from the potential restrictions of the republican or liberal state only to subject them to a different type of discipline or 'governmentality', as Foucault (2004) calls it. This involves a kind of 'engineering of souls' that seeks to shape individuals as governable, self-disciplined, enterprising subjects not directly, through state intervention, but indirectly, via the creation of structures of incentives. Another critique is that in assuming that all public servants are 'untrustworthy' and in need of incentives to act against their self-interest, neoliberals produced the very rationally self-interested actors they were trying to control, even as they undermined the altruism and trust public bureaucracies have long depended upon (in particular, through the policy program known as 'New Public Management' – Pollitt and Boukaert, 2011). It follows from these critiques that the ideas generated by neoliberalism could be defined not only as coming from the stated principles of neoliberal theorists and/or their translation into action, but also as the hidden

consequences of neoliberalism in action.

## Forms, Levels, and Types of Ideas in Neoliberalism

Neoliberal ideas come in a wide variety of forms. They may be cast as ‘public philosophies’ ‘public sentiments’ (Campbell, 2004), worldviews and ‘*Weltanschauung*’, or global *référentiels* (‘cognitive frames of reference’ – Jobert, 1989; Muller, 1995, 2005), all of which frame policies and programs through an appeal to a deeper core of organizing ideas, values, and principles of knowledge (in the sense of *Wissenschaft*) and society. Moreover, as deep philosophies that underpin people's visions of the world, neoliberal ideas may also be combined with structural theories of elite power and domination. These include Pierre Bourdieu's (1994) ‘*doxa*’ or vision of the world of those who, in dominating the State, impose their vision on the rest of society; Michel Foucault's (2000) ‘discourse’, in which the ideational domination of the powerful put people in a ‘subject’ position; and Antonio Gramsci's (1971) ‘hegemonic discourse’, which may also be cast as the hegemonic ideology of a resurgent capitalist class (Overbeek and Apeldoorn, 2012). Alternatively, neoliberal ideas may be cast as ideologies that set an all-encompassing perspective on reality, and which combine deep philosophy with a specified policy program and even policy ideas (Freedon, 2003).

Neoliberalism may be portrayed in any and all of these ways, and more. In the first definitional section, we have already provided one way of considering neoliberal ideas – as a political economic philosophy defining a set of free-market-oriented economic principles and political economic practices promoted by a loose agglomeration of ‘true believers’ (see also Gamble, 2009; Mirowski and Plehwe, 2009). But neoliberal ideas come in many other guises and disguises.

Neoliberalism is the core idea of a particular approach to governance, in which neoliberal principles and practices are deployed to liberalize, privatize, deregulate, and rationalize existing markets (Peck, 2010; Steger and Roy, 2010). It is a political project promoted by social forces to restore capitalist class power via ideas about how to reorganize capital and the social order (Jessop, 2002; Overbeek and Apeldoorn, 2012: 4–5). It is the discourse that structures people's thoughts and practices, most notably in Foucault's (2004)

exploration of ordoliberalism in Germany. It is the ideology through which the free-market discourse of the ‘converted’ (elites in academe, business, journalism, and politics) seeks to persuade the public of the virtues of unfettered markets guaranteeing individual freedom along with material prosperity (Freeden, 2003). And it is the global *référentiel* in which, in country after country, the dominant ideas structuring human life have become competition and economic exchange (Jobert, 1994) while, in sector after sector, the global neoliberal *référentiel* has pushed the neoliberal conversion of longstanding sectoral policy *référentiels* in industry, agriculture, trade, poverty, among others (Muller, 2015).

Alternatively, neoliberalism is the core idea of a dominant and undifferentiated management philosophy, the ‘spirit of capitalism’, found throughout the world, or at least throughout management schools’ textbooks (Boltanski and Chiapello, 1999). It is part of the ‘web of ideas’ that has embedded neoliberalism in the political and moral vocabulary of the state, for example, with the substitution of ‘governance’ for government (Bevir, 2010). And it is the source of the economic language of markets and the state. The rational-man models that assume a particular vision of human motivation as self-interested and rationally calculating have skewed the ways in which people think not only about the markets – with financial market traders seen as rational calculators rather than, say, the inventors of fictionalized futures (Beckert, 2013) – but also about the state – as older, more political terms of analysis, such as patronage and clientelism, have been replaced with the language of ‘rent-seeking’ and ‘moral hazard’. Neoliberal presuppositions are now embedded in the very instruments and analytical tools that have increasingly come to be accepted not just by the players in the markets – whose financial models reshape rather than simply reflect the markets (MacKenzie, 2006) – but equally by the administrators of the state.

Finally, neoliberal ideas may be used by elites deliberately in their discourse to hide from public view the realities of contemporary capitalism, in which big corporations are the greatest beneficiaries. Crouch (2011), in particular, has argued that mega-corporations use a neoliberal discourse of free markets and limited state to conceal how they have structured the economy and used the state to enrich themselves in ways that totally contradict neoliberal philosophical ideals. Block (2008) makes a similar kind of argument for the



US technological policy arena, which is managed not by the market but by a 'developmental network state' that has been 'hidden in plain view', because it contradicts the market fundamentalist political ideology that pervades Republican partisan politics.

Once we move from a discussion of the substantive content of the economic philosophy to its manifold expressions in public philosophies, ideologies, ideational frameworks, language, political projects, and approaches to governance, it becomes more difficult to separate out this deep level of philosophical ideas from their expression in other levels of ideational generalization. This is because policy programs embody the core principles of the general philosophy, while policies are manifestations of the ways in which the policy programs translate the core ideas into practice. Thus, any discussion of the philosophical level of neoliberal ideas is not complete without an exploration of the ways in which they may be represented in programmatic and policy ideas.

Policy programs tend to be more detailed with regard to the general operationalization of philosophical ideas, in particular by specifying methods, instruments, goals, and ideals. Such programmatic ideas, however, much like philosophical ideas, may become so deeply embedded that they fade from view. A notable example is Germany from the postwar period forward, in which the 'social market economy' was so much part of the fabric of everyone's ideas about how the market did and should operate that it acted like a basic philosophy shared by the conservatives and social-democrats alike (Lehmbruch, 2001). Significantly, however, it also hid in plain view the conservative ordoliberal foundations of the country's 'social market economy', so much so that, by the 1990s, all and sundry had forgotten this – in particular as German corporatism, Rhinish capitalism, or the 'coordinated market economy' came to be seen as the main alternative to the British (neo) liberal market economy and was even called 'non-liberal capitalism' (e.g., Albert, 1993; Hall and Soskice, 2001; Streeck and Yamamura, 2001; see also discussion in Peck, 2010: 67). It has only been with the Eurozone crisis, and German leaders' insistence on not simply retaining but reinforcing the stability rules of European Monetary Union, that ordoliberalism as a philosophy has come to the fore as a subject of discussion and debate – although curiously everywhere except for Germany (Ptak, 2009; Dullien and

Guérot, 2012).

In other words, neoliberal ideas may not only constitute the ‘deep core’ or philosophy contained in policy programs (as understood by Sabatier, 1993) but also its elaboration in ‘core’ programmatic ideas about what to do, how to do it, and to what end. This may even occasionally extend to policy ideas, when they are unquestioningly assumed to be the only way to fulfill policy program goals, which are themselves in turn seen as reflections of the underlying philosophy. One such example is the policy focused on credit-fueled, housing-driven economic growth of the ‘Anglo-liberal growth model’, which has so taken hold among UK and Irish policymakers that they cannot think beyond it, and thereby remain blind to its deleterious consequences (Hay and Smith, 2013). Another is the EU competition policy model related to state aid, which had become such an article of faith that it remained unquestioned even in the midst of the economic crisis (Thatcher, 2013).

All of this is only further complicated by the added presence of the different types of ideas contained in cognitive and normative arguments. Cognitive arguments provide recipes, guidelines, and maps for political action and serve to justify the policies and programs through reference to the deeper core of principles and norms of relevant scientific disciplines or technical practices (see Hall, 1993; Muller, 1995; Schmidt, 2002a: 213–217). Normative arguments instead attach values to political action, and serve to legitimize the policies in a program by speaking to their appropriateness as well as how policies resonate with a deeper core of principles and norms of public life (March and Olsen, 1989; Schmidt, 2000, 2002a: 213–217, 2008). In Germany, for example, the postwar idea of the ‘social market economy’ took its cognitive justification from the stability-based economic principles of ordoliberalism, its normative legitimation from the norms of cooperation and consensus-building that are at the foundations of the country's postwar federal democracy (Lehmbruch, 2001). In Britain, Thatcher justified her neoliberal policies and program in terms of the economic philosophies of Hayek and Friedman, while she legitimated them in terms of the country's liberal state tradition and values of individualism. In France, the post-1983 governments of the left as well as the right were careful to claim not to violate the polity's normative principles of social solidarity even as they cognitively justified the neoliberal policy program in terms of its economic

necessity as a response to the challenges of globalization. But beyond this, the Socialists, in particular, had difficulties normatively legitimizing the neoliberal program because it violated their longstanding socialist values (Schmidt, 2002a: chapter 6).

Cognitive and normative arguments are naturally also contained in the many different forms of ideas. Cognitive arguments interspersed with technical and scientific justifications may be embedded in more generally-accessible narratives (Roe, 1994) that fit together the specialists' arguments with accounts of events, emblematic cases and even doomsday scenarios to generate compelling stories about the causes of current problems (Forester, 1993), what needs to be done to remedy them, and – joined by normative arguments – how they fit with the underlying values of the society as well as with collective memories (Rothstein, 2005: chapter 5). For example, Prime Minister Thatcher's neoliberal policy discourse took specialist arguments about the disastrous economic effects of neo-Keynesianism and the necessity of monetarism because of TINA (there is no alternative) and combined them into a narrative about the benefits of thrift and hard work, which she linked to Victorian values and illustrated, among other ways, through the experience of her grocer father (Schmidt, 2002a: 215, 2008). More recently, Merkel's ordoliberal policy discourse favoring austerity and structural reform as a response to the Eurozone crisis used cognitive arguments focused on the need to reinforce the stability-based rules of the SGP (Stability and Growth Pact) and normative arguments warning about the 'moral hazards' that result from countries believing that they would be bailed out for bad debts and overspending (Blyth, 2013b). At the same time, she evoked collective memories of the 1923 hyperinflation and constructed a narrative that blamed the crisis on excessive public spending (despite it only being true for Greece), accompanied by stories about the profligate Greeks versus the 'good Germans' who save, and a discourse that used the metaphor of the household to suggest that states must tighten their belts when in debt, just like Schwabian housewives (Schmidt, 2014).

Up to this point, we have been mainly focused on the elites, whose discourses have been consciously (or unconsciously) imbued with neoliberal philosophical ideas that may also have been specified via programmatic and policy ideas. But we could equally argue that neoliberal ideas arise not just

out of the direct influence of neoliberal philosophical, programmatic and policy ideas as such, but rather out of actions taken in their name. In other words, the operationalization of neoliberal ideas through the implementation of neoliberal policies and programs also has an influence. Such 'activated' ideas help to create the context in which people begin to live their lives differently, while the discourses promoting such ideas may provide new frames through which people may come to understand their changed lives – as was the case for many in Thatcher's Britain (Schmidt, 2002a: 222). Here we could also point to how such policies and programs end up embedded in the rules and regulations of a polity, as 'institutionalized' ideas that people also generally follow without thinking – as historical institutionalists might argue (e.g., Pierson, 2004: 39). Neoliberal ideas, in other words, may result not only from the philosophical ideas of neoliberal thinkers or from the programmatic or policy ideas of political actors, but also from the historical and political context that has been created by the activation of those ideas at any given time as well as over time.

To explain such processes of ideational activation and institutionalization is naturally beyond the scope of this chapter. But to explain how neoliberal ideas change (or continue) over time is a necessary complement to the above discussion.

## **Theorizing Change and Continuity in Neoliberal Ideas**

Adding to the complications of sorting out how different forms and types of ideas interrelate at different levels is how such ideas may change over time. While philosophical ideas are generally seen as changing very slowly and policy ideas very rapidly, policy programs may be seen as undergoing revolutionary change over time when cast as paradigms or as evolving in time when understood in terms of programmatic ideas.

The problem with focusing on philosophical principles on their own is that taking a very general approach may lead us to assume little or no change over time, as in the case of neoliberal ideas, because they are always about more markets and less state. But closer examination, as we have already

demonstrated above, shows significant albeit slow change over longer periods of time – e.g., as neoliberal strands of thought succeed one another and/or emphasize one or another element of the philosophy, e.g., in the different rules-based approaches of the German and Austrian schools, or in the increasingly anti-state, pro-market development of the Chicago School. Change itself is multi-varied, with some philosophies fading away and others ever resilient – due to mechanisms of adaptation, mutation, and metamorphosis in programs and policies. This has helped explain the resilience of neoliberalism, in particular (Schmidt and Thatcher, 2013). Over time, for example, neoliberal core ideas about the reduction of state spending moved from cognitive justification in terms of protecting money as a ‘store of value’ in the 1920s to instituting ‘austerity’ to prevent inflation after the 2007/08 economic crisis (Gamble, 2009, 2013; Blyth, 2013b). Moreover, in different contexts, neoliberal principles have combined with socio-democratic principles. In Germany and Sweden in the 2000s, for example, the neoliberal emphasis on deploying markets to allocate resources or competition was integrated with corporatist ideas, producing ‘corporatist-managed liberalisation’ in which the ‘social partners’ became important participants with management in ensuring firms’ international competitiveness (Schnyder and Jackson, 2013).

But while the change in philosophical background ideas is generally theorized as slow and evolutionary, theorizations of change in programmatic ideas are split between those who see such change also as evolutionary and those who prefer a more revolutionary approach. The revolutionary view of programmatic ideational change sees it occurring rapidly through sudden conversions during times of uncertainty, when institutions fail, people question the ideas upon which they are based, and then develop alternative ideas with rival narratives. This produces what Blyth (2002: 34–44) has called a moment of ‘Great Transformation’, following Polanyi, with the ‘embedding’ of (neo-Keynesian) liberalism in the 1930s in the USA and Sweden, and its ‘disembedding’ in both countries beginning in the 1970s, when neoliberal ideas took hold. Another such approach to revolutionary programmatic change is as an abrupt shift in paradigm, following Kuhn (1970), as in Hall’s (1993) account of Prime Minister Thatcher’s switch to a monetarist policy program in the UK beginning in the late 1970s. In this context, Hall (1993) identified three different orders of change, in which

paradigmatic shifts constitute ‘third order’ revolutionary change, as opposed to first and second order shifts, where policy instruments and/or methods change but not core ideas. A different way of thinking about this, with more focus on the ideational processes of paradigm change, is to conceive of it as involving different degrees of transformation, with (first order) recasting of the relations among the different existing ideational elements, (second order) renewal of some elements in a web of ideas but not all, or (third order) revolution, as an entirely new set of ideas is substituted for existing ones (Schmidt, 2002a: 222–225; Carstensen, 2013). In this view, while Thatcher's neoliberal conversion of the UK could be seen as (third order) revolutionary change, Prime Minister Blair's ‘third way’ program could be seen as representing a social-democratic (second order) renewal of Thatcher's paradigm, with new instruments replacing Thatcher's conservative roll back of the state to free up markets with a more social-democratic roll out of the state to enhance market performance (Schmidt and Woll, 2013). This moderated approach offers a bridge between revolutionary and evolutionary theories of change.

Evolutionary theories of programmatic change focus on slow transformations over time through incremental steps via adaptation and adjustment to changing realities (Berman, 2006; Fourcade, 2009). This could certainly describe the development of ordoliberalism in Germany, or how neoliberalism itself has been adopted and adapted in different contexts, such as in Germany and Sweden. Alternatively, building on the historical institutionalist work of Streeck and Thelen (2005), we could talk of agents ‘layering’ new ideational components onto the old programmatic ideas, converting them to new uses, or causing them to ‘drift’ by various subterfuges. This is one way of viewing the transitions in the UK, say, from Thatcher's conservative neoliberalism to Blair's overlay of social-democratic ideas on Thatcher's neoliberal core principles. Processes of reinterpretation and conversion could also help describe the ways in which the European Union has over time increasingly converted the liberal rules of the Treaties into neoliberal ones, in particular in terms of competition policy (Thatcher, 2013), and how it came to ‘ramp up’ the supranational ‘state’ for further reinforcement of the rules of the Stability and Growth Pact during the Eurozone crisis through successive legislative pacts and intergovernmental agreements and treaties (Schmidt and Woll, 2013).

Resolving the tension between revolutionary and evolutionary approaches to change in policy program is not easy. For revolutionary approaches, in particular, major questions remain, including when changes occur and why. Evolutionary approaches tend to avoid such questions by providing a complex historical account that identifies the sources of change and traces the processes of change while pointing to the wide range of factors that help explain the change. As a result, however, evolutionary approaches may appear to lose the forest for the trees. By comparison, revolutionary approaches appear more focused on the forest, but risk losing the trees – in particular, during the un-theorized moments of crisis and transition. Left unclear is when a new paradigm can be said to take root: When its proponents come to power? When the ideas are institutionalized? When the public comes to accept the core ideas so much that they fade into the background (Skogstad and Schmidt, 2011)? And what are the sources of change, events or ideas? As Blyth (2013a) has shown, Hall's (1993) paradigm theory leaves an unresolved tension between a Bayesian (positivist) view of causation, in which 'facts' about policy are assumed to trump ideas, and a constructivist one, in which agents' ideas about the 'facts', whether they are truly facts or not, determine perceptions of the policy.

## **Tracing the Dynamics of Change in Ideas through Neoliberal Agents in Discursive Interactions**

Discussions of continuity and change in ideas are incomplete without considering the interactive processes through which sentient agents articulate their ideas through discourse for debate, deliberation, and contestation. Ideas at their inception are the result of conscious construction by agents committed to a certain set of philosophical ideas, which they work hard to promulgate through persuasive discourses. Such discourses may attempt to persuade by arguments seeking to demonstrate the cognitive and normative validity of the philosophical ideas themselves, or by promoting a particular set of policy or programmatic ideas underpinned by the philosophy. Such ideas themselves may become so accepted as to recede into the background, such that their very existence may be forgotten, even as they may have come to structure people's thoughts about the economy, polity, and society.

That said, ideas should not therefore only be seen as hard or immovable structures dominating people's thoughts – as in Foucault's sense of the 'archaeology' of a given discursive formation (2000). Rather, they are better seen as constantly evolving, malleable structures subject to continual reconstruction by sentient agents who may unconsciously change them as they are using them – explained in discursive institutionalism as part of agents' 'background ideational abilities' – and who may consciously critique them even as they use them – as part of agents' 'foreground discursive abilities' (Schmidt, 2008, 2012). In other words, ideas may be continually evolving through agents' unconscious use of them, but will come to be recognized consciously when critics contest them – a view also taken by Gramsci (1971) on the role of intellectuals. Beyond this, however, ordinary people may also come to recognize the ideas that dominate, despite their having receded into the background, when they clash with other ideas – as in the psychology of cognitive dissonance (Schmidt, 2008, 2012).

So who are the architects of these kinds of ideas? And how, when, and why do the philosophical principles they elaborate become the taken-for-granted core ideas underpinning programmatic ideas and inspiring policy ideas? Taking a revolutionary perspective on the origination of new ideas, we could look to great thinkers who are key figures in a transformative discourse promoting a new core idea. Examples include Kuhn's (1970) 'great scientist' with a new core 'paradigm', like Newton or Einstein, and Quentin Skinner's (1988) 'great philosopher', who is great because s/he is able to produce a 'text' that captures the spirit of the age by building on the work of lesser fellow philosophers while reweaving past communal memories and understandings into something new and different that nevertheless continues to resonate with the population (Schmidt, 2012). A more evolutionary view of the origins and implantation of ideas would replace the individual genius with a wider range of thinkers over successive generations who build on one another's ideas over time. For neoliberalism, a revolutionary perspective would focus on the founders of the various neoliberal schools of thought, including Hayek, Friedman, and Buchanan (e.g., Wapshott, 2012), whereas an evolutionary perspective would focus on the flow of ideas from founders through their successors, whether ordoliberalists (e.g., Lehmbruch, 2001; Foucault, 2004; Ptak, 2009) or neoliberals (e.g., Denord, 2007; Tribe, 2009; Peck, 2010).



When we shift from these originators of the philosophical principles that constitute the deep core ideas to the ‘second-hand dealers’ in ideas who embrace such principles, we need to consider the wide range of actors involved in discursive processes of policy construction and political communication. In the policy sphere, this interactive process entails a ‘coordinative discourse’ of policy construction animated by policy entrepreneurs (Kingdon, 1984) or ‘mediators’ (Jobert, 1989; Muller, 1995) and discursive policy communities. These include epistemic communities (Haas, 1992) and discourse coalitions (Lehmbruch, 2001) of loosely connected, like-minded converts who operate in academe, think-tanks, and professional networks, spreading their ideas without necessarily having a direct or immediate impact on the policymaking process as well as ‘advocacy coalitions’ (Sabatier, 1993) and ‘advocacy networks’ (Finnemore and Sikkink, 1998) in which like-minded scholars, experts, and activists join with policymakers in pushing their agenda forward.

In the case of neoliberalism, while a fully developed epistemic community was centered around it in the 1930s – culminating in the Colloque Walter Lippman in Paris in 1938 to celebrate the French translation of the American journalist's 1937 book – it was to become the focus of a self-conscious advocacy network only in the postwar period. This network operated initially through the Mont Pèlerin Society's ‘thought collective’ of like-minded individuals who, even if they disagreed on specific questions, sought to jointly develop and widely disseminate the results of their neoliberal thinking (Harvey, 2005: 20–22; Plehwe, 2009: 4, 11–13). The Mont Pèlerin Society's annual meetings included not just the leaders of neoliberal thought – Hayek, Friedman, and Buchanan – or of German ‘ordoliberal’ thought, like Alexander Rüstow and Wilhelm Röpke, along with other well-known thinkers, such as Karl Popper and Arthur Seldon. Also in attendance were think-tanks, such as the UK Institute of Economic Affairs and the US American Enterprise Institute, business corporations and foundations, which were equally important for funding the meetings, and economists (Plehwe, 2009; Schmidt and Thatcher, 2013). There were also many economists present who were key not only in generating neoliberal ideas, but also in training new generations of economists who could put such ideas into practice once they gained positions of power and authority (Fourcade, 2009). Finally, there were also a number of politicians, such as Ludwig Erhard,

future Chancellor of Germany, and Alfred Armack-Müller, architect of Germany's social market economy, as well as Italian thinker and politician Luigi Einaudi, future Prime Minister of Italy. After all, if ideas are going to be put into action, they not only have to gain traction in the policy sphere, they also need to win out in the political sphere.

In the political sphere, the interactive process involves a 'communicative discourse' of political persuasion in which political entrepreneurs – including politicians, spin doctors, and political parties – translate the ideas developed in the policy sphere into language accessible to the general public and then engage with the media, rival political parties, public opinion leaders, and other informed publics in election campaigns, public debates, as well as in everyday political exchange (e.g., Habermas, 1989; Zaller, 1992; Mutz, Sniderman and Brody, 1996). The persuasive process itself may come not only from the top down, but also from the bottom up, through activists in social movements and changes in public sentiment (e.g., Keck and Sikkink, 1998). But the final test has to do with winning elections in democratic states, or in maintaining public support in non-democratic ones. And for this the focus needs to be on the political leaders who, as political entrepreneurs, may be classified as ideological, pragmatic or opportunistic, depending upon how, why, and to what extent they took up and/or stayed with neoliberal ideas (see Schmidt and Thatcher, 2013; Schmidt and Woll, 2013).

Ideological entrepreneurs can be seen as prime movers for neoliberal reform, with their discourse espousing a genuine belief in a set of philosophical ideas that inform their policy programs and policy ideas. The most notable example is UK Prime Minister Margaret Thatcher (1993), who quoted Hayek as she insisted that the free market would release the 'spirit of enterprise' while guaranteeing liberty, and attacked postwar notions of social justice and equality for overriding liberty by limiting choice and competition. But even the 'Iron Lady' was not a force unto herself. Thatcher was fueled by neoliberal ideas that had developed in the UK in the 1970s in epistemic communities made up of the financial press, economists, central bankers, and a small wing of the Conservative party, of which Thatcher herself was a prominent member (Hall, 1993). Whatever the importance of the coordinative discourse among policy actors, the key to Thatcher's success in implanting neoliberal background ideas was largely due to her communicative discourse

to the public, in which she was intent on getting people to believe what she believed as she imposed reform. The contrast with New Zealand, which was similar to the UK in institutional context, is telling. There, an equally ideological political entrepreneur (the Minister of Finance, Douglas) engaged in little communicative discourse as he imposed neoliberal reforms, assuming that people would come to believe what he believed. Instead, they voted to change the very institutional set-up that would enable any leader to impose such unpopular policies (Schmidt, 2000, 2002b: 177–178).

Opportunistic entrepreneurs are at the opposite end of the spectrum, with little or no deep ideological commitment to neoliberalism, but with a strong desire to gain political power, meaning that they would seize on any ideational opportunity to win elections. Italian Prime Minister Berlusconi is at the head of this list, having promised neoliberal reforms in every election campaign he fought, and delivering almost none once elected. President Chirac fits this category as well, beginning in the mid-1980s, when in his campaign discourse he picked up on the ideas of the radical neoliberals who provided the intellectual ideas for the right's conquest of power in 1986 (Schmidt, 2002a: chapter 6; Denord, 2007). When he lost the 1988 presidential election, however, he also lost his neoliberal enthusiasms. French President Sarkozy also makes the list, given the strong neoliberal discourse in his 2007 election campaign that was followed by a complete reversal at the onset of the economic crisis in 2008, when he espoused increased state *dirigisme* with neo-Keynesianism. He returned to neoliberalism in Spring 2010, once he lost regional elections, then added ordoliberalism in May 2010, when agreeing to reinforce the Eurozone stability rules in exchange for the Greek bailout (Gualmini and Schmidt, 2013).

In between, we find the '*bricoleurs*' (Carstensen, 2011), or pragmatic ideational entrepreneurs who seek to solve problems and engineer compromise by adding elements of neoliberalism to pre-existing policy mixes or preferred programs. In Germany, while the ground had already been prepared by the 'discursive coalition' of the Freiburg school of ordoliberal economic thinkers in the prewar years, success in the 1950s had a lot to do with the fact that a pragmatic ordoliberal political entrepreneur, Chancellor Ludwig Erhard, managed to engineer the compromise that embedded ordoliberalism in the management of the market economy even as it added a

significant ‘social’ component to it, to create the social market economy (Lehmbruch, 2001; Ptak, 2009).

Arguably, most of the social-democratic leaders of the late 1990s and early 2000s could also be cited here as pragmatists, with their general refrain of ‘equity *and* efficiency’, promising social-democratic attention to social justice even as they introduced greater neoliberal liberalization (Levy, 1999). But there were differences among them. For example, while Blair espoused Thatcherite neoliberal background ideas about the need for competition in the economy, his use of globalization as justification invoked necessity rather than ideology (Hay, 2001). In contrast, for welfare state reform, instead of Thatcher’s normative differentiation of ‘the worthy poor’ versus ‘the feckless and the idle’, Blair’s social-democratic legitimation emphasized the need to create equal opportunities, so that welfare would be ‘not a hammock but a trampoline’, not a ‘hand out but a hand up’ (Schmidt, 2002a: 269). In Italy, the technocratic experts appointed to leadership positions in moments of crisis in the 1990s were pragmatic entrepreneurs whose discourse emphasized the cognitive necessity of privatization and pension cuts in view of the crisis and to enable the country to join the euro, while arguing for the normative appropriateness in terms of national pride. In France, the social-democratic politicians, engaged in neoliberal reform since the 1980s, were also pragmatic entrepreneurs whose cognitive arguments cast neoliberal reform as a necessity, but called it ‘modernization’, and had difficulty providing normative legitimation, as noted above (Gualmini and Schmidt, 2013). In Germany, by contrast, Chancellor Schröder was a pragmatic political entrepreneur who failed to articulate a communicative discourse to the public to legitimize the Hartz IV reforms, with reform successes due to the ‘ideational leadership’ of his Ministers in coordinative discourse with the social partners (Stiller, 2010).

## Conclusion

Neoliberalism has been the greatest ideational success story of the last forty to fifty years in Europe and beyond. Neoliberal ideas have come to populate very different levels of ideas since the 1980s – from their embedding as deep core philosophies, ideologies, and discourse to their embodiment in policy programs or paradigms and their manifestation in policy ideas. Their success

in dominating the ideas and discourse of advanced industrialized democracies owes a lot to their ability to cognitively justify and normatively legitimate their application in a wide range of ways, from narratives and frames through storylines and collective memories – and this even when other core ideas may have occasionally intertwined with neoliberal ideas at different times in different institutional contexts.

The explanation of how neoliberalism became predominant, whether through revolutionary or evolutionary change, points to the central roles of neoliberal thinkers who have elaborated the philosophical principles of neoliberalism. But that explanation also highlights the importance of discursive policy communities and policy entrepreneurs, who have constructed and circulated the policy and programmatic ideas derived from the philosophy, as well as of political entrepreneurs, who have engaged in dialogue and debate with the informed as well as the general public. Of particular note are the political leaders – whether ideological, pragmatic, or opportunistic – who have widely disseminated these ideas, whether they implemented those ideas *in toto*, in part, or even not at all.

One final question remains: Why has neoliberalism been so resilient since the 1980s, remaining or recurring despite many challenges? There are five possible lines of analysis to help explain why neoliberalism has not simply survived but thrived (see Schmidt and Thatcher, 2013). Resilience may, first of all, be linked to the substantive content of the ideas themselves, in particular the flexibility and mutability of neoliberalism's core principles. We have seen this in the fact that neoliberal ideas went from a focus on the conservative rollback of the state to free up the markets in the 1980s to the social-democratic roll-out of the state to enhance the markets in the 1990s and early 2000s, and then to the ramp up of the supranational state via the 'stability' rules of the EU in the Eurozone sovereign debt crisis. A second possible explanation is the gap between neoliberal rhetoric and reality – as neoliberal agents promised what they couldn't deliver, such as to radically reduce the welfare state or cut taxes – which served the next generation of neoliberal politicians as a rallying cry. The third explanation is the strength of neoliberal discourse in debates – or the weakness of alternatives – in which neoliberalism may win in the political battle of ideas, and appear more commonsensical, despite proving economically disastrous – as in its role in

the run-up to the financial crisis or in the ongoing Eurozone crisis. The last two factors move the focus from the ideas and discursive interactions *per se* to their use in institutions and by interests: neoliberalism may have also persisted because of the force of institutions in the embedding of neoliberal ideas or the power of interests in the strategic use of ideas for their own material gain.

## Note

1. This chapter builds upon parts of a previously published article entitled: 'The Roots of Neo-Liberal Resilience: Explaining Continuity and Change in Background Ideas in Europe's Political Economy', *British Journal of Politics and International Relations*, 18(2) (2016): 318–334.

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## Part II Sources

# **7 Neoliberal Thought Collectives: Integrating Social Science and Intellectual History**

**Dieter Plehwe**

## **Introduction: Neoliberalism and the Elusive Concept of Culture**

The study of neoliberalism remains fraught with difficulties, partly due to the polyvalence of the category in conjunction with disciplinary particularities. Social scientists are mainly interested in the study of social, political and economic relations and institutions. When social scientists discuss neoliberalism, they usually refer to the transformation of welfare state capitalism and the rise of the competition state, to marketization and intensified globalization. Key actors are corporations, interest groups and political leaders like Ronald Reagan or Margaret Thatcher, followed by Tony Blair and Gerhard Schröder, and their equivalents in other world regions. Curiously, many of these leaders belong to not only conservative but also (nominally) progressive, Labour and Social Democratic parties. While there will be passing reference to Friedrich August von Hayek and Milton Friedman (or Wilhelm Röpke since Foucault's biopolitics lectures were published in English), the historical evolution of ideas and the machineries behind the production of neoliberal knowledge and ideology remain in a black box (Overbeek and Appeldoorn, 2012). The partial conversion of both Conservatives and Social Democrats to neoliberal ideologies is hard to explain as an outcome unless one accepts some version of structural determinism (Harvey, 2005; Duménil and Lévy, 2011).

Researchers interested in ideology and political theory, the history of ideas and the history of economic thought instead can be found tracking and tracing the origins and evolutions of neoliberal scholarship and discourse.

Key targets of scholarly interest here are leading European and American academics and public intellectuals like Hayek and Ludwig von Mises of Austrian economics, Röpke and Alexander Rüstow of German-Swiss ordoliberalism, or James Buchanan, Gary Becker and Milton Friedman of the Virginia and Chicago School, respectively. Neither intellectual life in other world regions nor the corporate nor the political worlds enter the picture much (Foucault, 2008; Burgin, 2012).<sup>1</sup>

A primary interest in academics and details of discourse typically coincides with a limited interest in the broader socio-economic circumstances that co-determine the social significance and political relevance of ideas, though this need not be the case. Tom Medvetz (2012), for example, has used the case of welfare studies to explain how the new paradigm of welfare dependency was born and turned into an extremely relevant storyline that replaced inequality- and deprivation-centered research and reform programmes (affirmative action, etc.). While Medvetz easily points to the business links and corporate-backed activism in his narrative focused on think-tanks, the background of neoliberal intellectual history for this detailed attack on the welfare state is missing. Unlike Medvetz, Mark Blyth (2013) has pointed to the foundations laid by Austrian Economics and Ordoliberalism as basic schools of economic thought and enabling theories like monetarism and public choice in his effort to explain the lasting impact of the ‘dangerous idea’ of austerity so popular in political and business circles around the world. Blyth does not quite explain, however, how the different components hang together as parts of more comprehensive neoliberal networks (compare Plehwe and Walpen, 2006). His account would benefit in turn from a stronger reflection on civil society organizations, such as think-tanks, which were involved in the cross-border authorization and institutionalization of austerity-related economic and social policy expertise both in the global South and North.

Why do social scientists and intellectual historians by and large keep speaking past each other in spite of efforts to integrate ideas into social scientific research programmes? Some theorists have sought to overcome this impasse by offering a more systematic account of ideas: witness Vivien Schmidt's (2008) discursive institutionalism or Nullmeier's (2013) political science of knowledge. We have also seen a push to develop a cultural political economy, including important work on knowledge brands by Sum

and Jessop (2013). But culture in general and the neoliberal overhaul of knowledge production, distribution and its related authority, in particular, remains a map that is difficult to chart. A part of the answer relates to issues of interdisciplinary research in general, another part to intricate problems of studying knowledge regimes.

Intellectual historians and the humanities in general do not play a big role in or get much attention from social science, unfortunately. Many social scientists in turn find it difficult to spend much time on intellectual history or the social co-production of knowledge and resulting power regimes in their efforts to explain the evolution and transformation of social orders. Curiously, knowledge institutions do not figure prominently in the structural and institutional configuration of modern society in spite of prominent shibboleths like the ‘information society’ or ‘knowledge society’ (a notable exception is: Mirowski, 2011). Susan Strange, in any case, was quite right when she observed:

The power derived from the knowledge structure is the one that has been most overlooked and underrated. ... [A] knowledge structure determines what knowledge is discovered, how it is stored, and who communicates it by what means to whom and on what terms ... power and authority are conferred on those ... who are acknowledged by society to be possessed of the ‘right’, desirable knowledge and engaged in the acquisition of more of it, and on those entrusted with its storage, and those controlling in any way the channels by which knowledge or information, is communicated. (Strange, 1988: 115, 117)

## **Tangible Culture: Towards a Historical and Political Sociology of Knowledge and Power**

Some ways to advance research on knowledge (power) regimes in general and neoliberalism studies in particular have been found by way of relying on Karl Mannheim's work in sociology of knowledge. His categories of ‘thought collective’ and ‘thought style’ are of tremendous use for both theorizing and operationalizing knowledge production, competition and relevance-making.

Going beyond concepts like scientific communities (Gläser, 2006), epistemic communities (Haas, 1992) or discourse coalitions (Hajer, 1993) that have been employed, respectively, to study the social order of academia, scientifically-backed elite influence in policy making and the intellectual dimensions of social agency in policy studies more broadly, thinking in terms of thought collectives and styles emphasizes the historical relevance of worldviews in knowledge production. Mannheim emphasizes the more or less directed, yet always intersubjective and distributed, dimension of knowledge production, direct and indirect relationship of interests and ideas, and the lasting or temporary institutionalization of authoritative knowledge in society, which is indispensable for explaining the relative influence of different bodies of knowledge over time within and across borders (Mannheim, 1925 [1986]; compare also Mann, 1986).

Competing, and arguably dominant, epistemologies of scientific knowledge production, like Thomas Kuhn's emphasis on historical evolution and paradigmatic change (in the natural sciences), make it difficult to explain the maintenance of paradigms contrary to scientific revolution, for example, let alone the historical comeback of convictions long considered superstition (like austerity, creationism or racial science) (on Kuhn, see Fuller, 2000).<sup>2</sup> Ludwik Fleck's (1979 [1935]) well-known conceptualization of thought styles and thought collectives is more versatile than Kuhn's concepts of disciplinary matrix and paradigm. His philosophy of science accommodates individual membership in different thought collectives, integrates communities of professionals in the production of knowledge and emphasizes continuity over generations and across episodes of paradigm change in spite of significant advances in knowledge domains (compare Mößner, 2011: 368f. on the relevant differences between Kuhn and Fleck). But we need to go back to Mannheim's ideas to move forward, itself testimony to the entanglements of social scientific research.

Unlike Ludwik Fleck's seminal contribution to science history, Mannheim's knowledge of sociological work has been given little attention (except for Kettler and Meja, 1995). This is unfortunate because Mannheim's conceptualization of thought styles and collectives is dynamic and broad, which enables neoliberalism studies to advance in ways Fleck's sociology of science work could not. It is also of considerable importance that Mannheim

can be singled out as the most important foe of early neoliberals in their efforts to deny and obscure the ideological, social and historical foundations of their own claims to epistemic authority and cognitive power. The statement of aims of the Mont Pèlerin Society, arguably the most important intellectual home of early neoliberals, was outspoken and explicit in its attack on historicism and relativism as guiding principles of the philosophy of science in addition to historical materialism (compare Hartwell, 1995: 50). As it turns out, this was a dedicated effort to refute Mannheim's re-negotiation of socio-economic influence on knowledge production and a resulting perspective of historical relativism (not epistemological relativism!) (Mößner, 2011: 364; compare Pooley, 2007, for details on the attacks on Mannheim). While Mannheim objected to vulgar theories of direct economic determinism, he continued the historical materialist project of philosophy of science (compare Kecskemeti, 1952: 18) – much to the dislike of the phalanx of neoliberal science philosophers, such as Michael Polanyi, Karl Popper, Louis Rougier, Raymond Aron, Walter Eucken and Friedrich August von Hayek, all steeped in conventionalism (Beddeleem, 2017).

Contrary to Mannheim, the neoliberal philosophy of science thus remained committed to Kantian (romantic) and phenomenological notions of absolute values. This is a core aspect of the neoliberal philosophy of science and one that is shared with conservatism, though neoliberals developed strong efforts to provide new directions for neoliberal science and philosophy. The idea that Mannheim was guilty of the sin of relativism was actually dubious. He repeatedly qualified superficial notions of epistemological relativism (which would suggest that there simply cannot be truth). But he objected even more strongly to notions of intellectual autonomy and related absolute truth claims in social science. For him, social scientists can only be competitors 'in truth', always influenced by historical constraints and perspectives related to socio-economic circumstances. His was thus not an absolute relativism, but rather a productive and generative version rooted in Marxism and Historicism (Mannheim, 1925 [1986]: 137, fn 1).<sup>3</sup>

Since Mannheim based his philosophy of knowledge on the meta-worldview of historicism and socio-economic co-determination, and because he also believed in science-based interventionism and planning, however, he was elevated to the role of key villain in Popper, Hayek and Polanyi's wartime

writing (Pooley, 2007). Neoliberals were thoroughly opposed to Mannheim's system of linking intellectual and social history, which can of course serve also to reveal the extent to which neoliberal scientific and political endeavors relied on common social pre-conditions. Michael Polanyi (1966) himself cautiously pointed to social pre-conditions in his theory of tacit knowledge. Mannheim in any case offers a theoretical and methodological tool-kit indispensable for neoliberalism studies, as we will show in this chapter – a tool-kit which incidentally shares with neoliberalism a deep preoccupation with the conditions shaping the production and dissemination of knowledge and its varying authority, depending on who and where this knowledge is circulated or made public.

We will first go a little deeper into the previous use of the categories of thought collective and style in neoliberalism research and reconsider Fleck and Mannheim's original contributions in particular (section two). We will need to take the reception a few inches further in order to avoid the dangers of popular simplification of thought collectives and styles, which will also include a small revision of my own previous work. Applying Mannheim, we will elaborate on important dimensions of the study of neoliberal thought collectives in section three. The final section is dedicated to a brief discussion of the neoliberal intellectual space or thought style as it gravitates between socialism and social liberalism on the one hand, and conservatism on the other hand. Throughout this chapter I will draw on the literature on the history of the Mont Pèlerin Society and related networks, but address some shortcomings and emerging opportunities. The chapter will end with a brief conclusion and a view on research perspectives needed to further advance both the political sociology of knowledge and neoliberalism studies.

## **Why Mannheim's Take on Neoliberal Thought Styles and Collectives?**

Several students of neoliberalism have already referred to notions of thought collective and style (Nordmann, 2005; Plehwe and Walpen, 2007; Mirowski and Plehwe, 2009; Mirowski, 2013). Each of the contributions is concerned with groups of neoliberal intellectuals, a methodology described as situated prosopography or group biography. The combined study of groups of

intellectuals and professionals in conjunction with organizations, think-tanks in particular, was developed in an effort to better understand the historical evolution and varieties of neoliberalism in terms of social thought, social struggles and social ordering within and across fields and borders. The examination of intellectual thought and social relations of groups of neoliberals has more than an elective affinity with Mannheim's project of knowledge sociology. It is neither simply intellectual history nor social history, network and movement analysis, but a combination of both: the content and context of intellectual developments can only be explained by way of focusing on the social co-production of knowledge – not only by academics. While scholars working in science and technology studies have contributed greatly to the development of this perspective, related work on civic epistemologies and knowledge regimes still displays a strong national bias (Jasanoff, 2005; Campbell and Pedersen, 2014). The neoliberal groups examined within and around the Mont Pèlerin Society are ideal objects for studying the transnational social co-production of ideas due to the combined membership of academics from many different countries, disciplines, and professions (including media, politics, business, NGOs; compare Plehwe and Walpen, 2006; Schulz-Forberg and Olsen, 2014).

Nordmann (2005) was first to talk about thought collectives and styles in his study of the life-long relationship between Hayek and Popper. He recognized the need to go beyond their ideological commitment to neoliberalism since both tried to use specific academic approaches to counter competing research efforts and ideologies. The link between ideology and academic effort, he thought, was best captured by the concept of thought style and thought collective, which he borrowed from Ludwik Fleck (1979 [1935]). Fleck defined a thought collective *‘as a community of persons mutually exchanging the ideas or maintaining intellectual interaction’* (Fleck, 1979: 39, emphasis in original). By implication, he observes that such a collective *‘also provides the special “carrier” for the historical development of any field of thought, as well as for the given stock of knowledge and level of culture. This we have designated thought style’* (1979: 39, emphasis in original).

Nordmann shows the cross-sectional correspondence of Hayek's effort to position micro-economics against (Keynesian) macro-economics and Popper's micro-reformism against large-scale social reform. They are both



part of the neoliberal thought style even if they also belonged to different thought collectives with regard to their particular academic and intellectual specializations. In Fleck's theory, each thought collective is comprehensive and fully coherent, but individuals can also belong to different thought collectives (e.g., Hayek's economic reasoning and Popper's social and philosophical thinking can be considered part of different thought collectives). Incidentally, Fleck's system provides for a fundamental critique of Popper's falsification approach. Fleck explains how many dimensions of knowledge remain outside the perspective of a specific thought collective because they do not fit the system. While Popper went beyond positivism, his critical rationalism remained committed to an absolutism that is rejected by Fleck. Fleck's definition of a thought style as '[the readiness for] *directed perception, with corresponding mental and objective assimilation of what has been so perceived*' (Fleck, 1979: 99, emphasis in original) nicely points to the active, though not necessarily conscious, dimension of the cognitive work of thought collectives. They are teams that learn to play a game in a specific way, which is by no means the only way. In terms of neoliberalism studies, it remains to be established who is on the team and according to which explicit and implicit rules the players are playing.

Nordmann (2005: 43) does relate Fleck's work back to Karl Mannheim, who was suspiciously absent in Fleck's references, despite his much earlier efforts and the clear scholarly overlap. Because Mannheim is considered somewhat esoteric (combining sociology of knowledge with ontological and existential terms) and ambivalent, paradoxically creating space for independent intellectual effort in the world of dependent knowledge production, Mannheim is dismissed somewhat prematurely in Nordmann's account (similarly: Konrad and Szelenyi, 1979; but compare Hull, 2006, who explains Mannheim's apparent inconsistency as a reaction against Lukács's absolute truth claim).

The first comprehensive analysis of the origins and evolution of the neoliberal thought style by Walpen (2004) preceded Nordmann's study, but did not yet use the categories of thought collectives and style. Walpen takes us through the histories and social relationships of the many networks related to Mont Pèlerin across time and space. He speaks about the global neoliberal networks as miscellanea that require many different approaches and may

never be charted fully, certainly not by one person, which explains some of the difficulties of neoliberalism studies, though this is shared with studies of Marxism or Liberalism, of course. Walpen relies on Marx and Gramsci in principle, but he also discusses Weber's work on religious sects and their secular contributions (in the United States) for an elastic civil society. Thus, Walpen seems to have been looking for sociological conceptualizations to make sense of what appears to be a rather strange social group: not just academic, not a political party, not just an interest group; arguably a new type of Principe, in Gramsci's sense of a leading group that aims at articulating a future to come. Consider Gramsci's introduction of the (communist) party as a new type of Machiavellian leader-advisor:

the modern prince, the myth of the prince cannot be a real person, no concrete individual. He can only be an organism; a complex element of society, in which collective will already takes shape, and asserts itself to a certain extent. This organism has already come into being due to historical developments. It is the political party, a first cell in which seeds of collective will are assembled, which tend to become universal and total. (Gramsci, 1991f., Gefängnishefte 13, § 1, 1537, my translation)

If we replace the term 'political party' by 'transnational intellectual party', Gramsci's characterization of the communist party fits quite well for the neoliberal international of the Mont Pèlerin Society or the elite socialism of the Fabians, after which it was modelled. It cannot be a real person (beyond Keynesianism or the equivalents of Hayekianism, Friedmanism, etc.), it can only be an organism, a complex element of society, including economic, political, philosophical, cultural, consulting, media and other dimensions, in which recognized collective will (attached to individualism, anti-communism, competition, entrepreneurship, etc.) already takes shape and holds the line in competition with other normative orientations. It has come into being in many places due to the support of individuals and organizations, including universities, think-tanks, business associations, corporate philanthropies, political parties, government institutions, and so on. It is an 'intellectual party', a first cell in which seeds of the somewhat paradoxical collective will of 'organized individualism' are assembled, and which tends

to become universal and total.

It was only a short step from Gramsci's work on ideologically programmatic groups and Weber's work on secular dimensions of religious sectarian groups to Fleck and Mannheim's sociology of knowledge. After all, neither Gramsci nor Weber offered a systematic account of the knowledge efforts under observation in the case of organized neoliberals. In discussions with the author of this article, Walpen contributed a closer reading of Fleck and Mannheim to a jointly written German language article titled 'Neoliberal thought collectives and their thought style' (Plehwe and Walpen, 2007).

In contrast to Nordmann's emphasis on Fleck and science, I here consider Fleck of particular importance to the study of neoliberalism because his examination of scientific innovation was not restricted to the academic sphere. Fleck speaks about small esoteric circles and larger exoteric circles (1979: 105) relevant to innovation, and also discusses the importance of public opinion. Fleck's emphasis on the institutional dimension of communities thus resembles Hajer's (1993) discussion of discourse coalitions: impersonal communication between smaller circles and larger communities enables a social agency organized around specific storylines (or academic beliefs in Fleck's work). Fleck captures the non-cognitive dimensions of dedicated groups who are invested in an impersonal idea, carrying forward a common mood (Fleck, 1979: 106).

But Fleck's concept has problems that need to be addressed. In his scheme of things, one thought collective produces a specific thought style that is fully coherent (Fleck, 1979: 100). Fleck's thought style fully determines and constrains the notion of truth: if two individuals belong to the same thought collective, they have to agree on the truth of a thought. While individuals can be members of different thought collectives and thus adhere to different thought styles, it is not clear how change comes about once a specific thought style has been established. Almost inevitably every thought style has to become orthodoxy, which contradicts Fleck's own emphasis on the ongoing exchange of ideas as characteristic of thought collectives.<sup>4</sup>

Fleck suggests, however, that the relation of the esoteric circles to the exoteric circles defines different types of thought collectives engendering different dynamics corresponding to the relation between elites and masses.

If masses occupy a stronger position, a democratic tendency will be impressed upon this relation. The elite panders, as it were, to public opinion and strives to preserve the confidence of the masses. This is the situation in which the thought collective of science usually finds itself today. If the elite enjoys the stronger position, it will endeavor to maintain distance and to isolate itself from the crowd. Then secretiveness and dogmatism dominate the life of the thought collective. This is the situation of religious thought collectives. The first, or democratic, form must lead to the development of ideas and to progress, the second possibly to conservatism and rigidity. (Fleck, 1979: 105–6)

This quote seems to suggest a difference between thought collectives that amounts to giving up the concept altogether since the relation between normative and cognitive dimensions of knowledge seems to not matter any longer, at least for the allegedly democratic thought collective. Suddenly public opinion (driven by what?) attains a primary role in determining truth. But Fleck's effort to point to differences in composition of thought collectives is nevertheless useful because the composition can certainly matter with regard to both scientific and normative collectives. In any case, we need to give up an overly static conception of thought collectives and styles to accommodate diversity within certain normative limits and innovation dynamics.

In other words, it is necessary to combine a larger degree of dissent and argumentation in thought collectives in conjunction with shared values, principled beliefs and the normative orientations needed to maintain and to explain the relative coherence and evolution of thought styles. It may indeed be interesting to think about degrees of pluralism and necessary constraints delineating thought styles and ideologies at large. Causes for orthodoxy and innovation in any case need better explanation than a crude juxtaposition of elite or mass dominance within thought collectives, and the role of public opinion as constraints of elites.

Karl Mannheim's work helps to relax the strong science sociological conditions of thought styles and collectives. He originally transferred the notion of style from poetics and rhetoric to science and from individual to group: formations and related contexts of experience are considered socio-

genetic rather than individually innate if they are at all attributed to a style (Mannheim, 1922: 97). In his seminal essay on the sociology of knowledge, Mannheim then takes the notion of thought style beyond the field of science. Scientific facts are now presented as necessarily subject to interpretation by worldviews.

But it is clear to the historically minded that there can be no unchanging correspondence between a certain type of thought and a political current, e.g. between 'historic' thinking and 'conservatism'. Most types of thought admit of a multiple interpretation, either in a progressive or in a conservative sense. This, however, cannot prevent us from investigating in concrete detail how in the real historical situation certain reality-demands allied themselves with a certain style of thought, and what changes of function occurred in this connection. As these investigations are further refined, the categories of 'conservatism' and 'progressivism' must be further differentiated and treated as dynamic entities. (Mannheim, 1925 [1986]: 146, fn 1)

Knowledge becomes intrinsically linked to interpretation guided by worldviews. A thought style constrains and enables the sorting and interpretation of facts, and is still subject to change over time. Part of the dynamic Mannheim is interested in comes from scientific discoveries. He observes:

it must be admitted that after one class has discovered some sociological or historical fact (which lay in its line of vision by virtue of its specific position), all other groups, no matter what *their* interests are, can equally take such fact into account – nay, *must* somehow incorporate such fact into their system of world interpretation. (Mannheim, 1925: 147, emphasis in original)

Other dynamics arise from socio-economic conditions that are also in flux. Thinkers articulate the reality-demands of specific social strata. Inevitable dynamics are thus related both to changing reality-demands tied to socio-

economic change and to the need to adapt to discoveries that are possibly made by members dedicated to other thought styles. Thought styles thus need to adjust, but also have the capacity to help their adherents adapt to new demands – unless they collapse, we might add (compare Mannheim's 1925 [1986] study on conservatism).

Every thought style is characterized by a specific perspective. It relies on core terminology and concepts and opposes competing terms and concepts. It is forced to interact with competing thought styles because other thought collectives do make discoveries that need attention, and the reality demands of different strata direct new discoveries and discourse in ways that cannot be ignored. This can easily be illustrated by an example from the history book of neoliberalism. Confronted with notions of political integration in Europe, neoliberals developed their own work on the history of economic integration, pointing to the removal of obstacles (negative integration) rather than harmonization, coherent regulation or structural funds, etc. (positive integration) (Machlup, 1977). Both social democratic and conservative ideas of regulated capitalism eventually came under siege by neoliberal ideas of deregulated or 'free market' capitalism across borders. Early intellectual efforts to develop a competitive notion of integration in line with neoliberal strategies went unnoticed, by and large, until they attained relevance in the context of the single market project and important court decisions of the 1980s. In economics, Herbert Giersch's (1985) analysis of Eurosclerosis added momentum to the negative integration option, and in political science, Fritz Scharpf's (1996) work on the negative integration bias of Europe seemed to validate the inevitability of European neoliberalism. In this context, Fritz Machlup's historical investigation seemed to matter a lot.

Mannheim's concept of thought style accommodates a variety of thought collectives and orientations as long as they fit under the umbrella of a common worldview or a common interpretative orientation. Fleck's views would require us to think of Hayek and Friedman as belonging to different thought styles, for example, because they differed on basic epistemological questions and on concrete issues of monetary theory. Mannheim's worldview-related concept of thought style instead allows for different, and to a certain extent competing, thought collectives, as long as they are broadly directed towards the same general perspective in terms of worldview. In light of this

insight, the subtitle of *Road from Mont Pèlerin* (Mirowski and Plehwe, 2009) gets it wrong: the making of the neoliberal thought collective should either say 'the making of the neoliberal thought style' or the 'making of neoliberal thought collectives' to do justice to the unity and diversity of thought collectives like ordoliberalism, the second Chicago school, Austrian economics, the Virginia school and their many siblings and offspring (law and economics, constitutional economics, etc.). Mannheim invites us to move away from a monolithic view of both ideologies and thought collectives, but emphasizes their necessary plurality and points of linkage and openness with other styles, allowing for cross-styles and hybridations. Thought collectives, on the other hand, provide the necessary detail for capturing the complex multitude of competing – progressive, conservative, or neoliberal – thought styles. In Mannheim's view, the dynamic of scientific development is inevitably tied to the cultural phenomenon of competition sustained by thought collectives related to major worldviews (Mannheim, 1928).

Scientific development is tied to socio-economic constellations of particular times (and the resulting and frequently conflicting reality-demands of social forces), but it also transects time. Important discoveries can lead back to times that are long gone, offering history pride of place in the social sciences. To cite another episode from the neoliberal history book, consider one of Ronald Coase's contributions to the ongoing debate over public and private services.

Coase is one of the eight members of the Mont Pèlerin Society to have received the Swedish Reichsbank Nobel Laureate in economics and is best known for his groundbreaking work on transaction costs and proposals for private contract alternatives to public rules. In his later years, Coase spent considerable time in the archives studying the history of the British postal system. Standard history celebrates the penny letter (standardized fares across the British Commonwealth), pioneered by Sir Rowland Hill in the early nineteenth century, and the postal system as a whole as an important contribution of modern statecraft to economic and social development. Coase disputed and, to a certain degree, corrected this narrative by demonstrating that British tea merchants had originally pioneered standardized pricing for their services. He also ascertained that Hill's original proposal aimed at preserving cost calculation in mail transport pricing because Hill had

suggested standardizing postage for mail between large population centers only, certainly not for the whole of the Commonwealth. State officials originally even objected to lowering prices for fear of revenue loss. While the undeniable success of the historical evolution of the public postal infrastructure can certainly not be refuted by Coase's account, his findings emphasize the ingenuity of entrepreneurship rather than statecraft, and establishes one of the founders of the modern postal system as responsible for market-oriented reforms of the same system (compare details in Plehwe, 2002).

In Mannheim's term, the late Ronald Coase evidently responded to new reality-demands and at the same time discovered new historical facts that needed to be integrated into the thought styles that competed with neoliberalism. His results can also be (and have been) used to promote the privatization and marketization of postal services.

## **Mannheim's Tool-Kit for Studying Neoliberalism: Carefully Relating History of Ideas to Social History**

Some students and critics of neoliberalism would argue that Coase would be best considered a spokesperson for interest groups and corporations, like UPS and FedEx, that hoped to benefit from the privatization of postal services. But did the express industry direct and pay for this research and mind? Perhaps interest group money did flow, but probably not. In any case, this question (which we cannot and do not need to answer here) leads to the issue of economic determinism, which Mannheim rejected as vulgar Marxism. Mannheim did not deny that examples of direct economic determinism exist, but they are only one among many other forms of socio-economic relevance for social thought. The importance of this double insight can hardly be overestimated. Scholars who insinuate that neoliberalism is nothing but corporate ideology, as indicated by Lewis Powell's 1971 confidential memorandum to the US Chamber of Commerce (Harvey, 2005), obviously have trouble explaining why corporations supported (and continue to support) different thought styles shaped by conservatism, social democracy, fascism, and possibly others. The emphasis on the relative autonomy of neoliberal



intellectuals in the work of Walpen (2004) or Plehwe, Walpen and Neunhöffer (2006) does not imply that there have not been direct links to economic interests – these have always been recognized in the study of the Mont Pèlerin Society, and indeed were at times quite ambivalent (compare Phillips-Fein, 2009). Mannheim's framework is well suited for bridging the gap between economic determinism (by interest groups) and different degrees of autonomy, a move that remains necessary for better understanding the confluence of economic and other interests in the making of neoliberal thought collectives. As Mannheim states:

This preliminary systematic work in the history of ideas [genesis of intellectual standpoints, D.P.] can lead to a sociology of knowledge only when we examine the problem of how the various intellectual standpoints and 'styles of thought' are rooted in an underlying historico-social reality. (Mannheim, 1925 [1986]: 182)

Mannheim clearly warns here against perspectives that disconnect intellectual from socio-economic life. But because socio-economic realities are not unitary and homogeneous from country to country, from era to era, etc., corresponding knowledge regimes also tend to be diverse. Mannheim suggests that only the combined study of social thought and social stratification (best understood as classes, in his view) yields a sociology of knowledge that goes beyond the history of ideas and social history. He goes on to argue for the elimination of naturalism and all crude conceptions of class and knowledge or interests and ideas, all of which lead to oversimplification. He refers to a naturalist epoch of Marxism, when material interests were thought to dictate ideology, and instead seeks to develop the notion of mediated relationships to interest:

If we want to broaden ideological research into a sociology of knowledge ... the first thing to do is to overcome the one-sidedness of recognizing motivation by interest as the only form of social conditioning. ... In the case of ideas held because of a direct interest, we may speak of 'interestedness'; to designate the more indirect relation between the subject and those other ideas, we may use the parallel

expression 'committedness'. In fact, it is one of the most striking features of history that a given economic system is always embedded, at least as to its origin, in a given intellectual cosmos, so that those who seek a certain economic order also seek the intellectual outlook correlated with it. When a group is directly interested in an economic system, then it is also indirectly 'committed' to the other intellectual, artistic, philosophical, etc. forms corresponding to that economic system. Thus, indirect 'committedness' to certain mental forms is the most comprehensive category in the field of the social conditioning of ideas. (Mannheim, 1925: 183–184)

Mannheim thus urges us to look at competing thought styles and ideologies and at the social strata that sustain them in a sufficiently differentiated way. He does not ask for studies insinuating greater autonomy *per se*, though, because such autonomy basically does not exist. But the expansion of knowledge production he already witnessed in his time required more fine-grained examination of intellectual life. Subsequently, the picture becomes even more complicated. Due to the increasing commercialization of science, it is certainly not the case that the influence of interests in knowledge production is less today, but we are also seeing an expansion of cultural production occurring at varying degrees of distance from specific economic interests.

In the case of neoliberalism studies, this leads us to a situation in which we find both more committed supporters of neoliberal varieties of capitalism in various academic and cultural spheres and a changing composition of corporate interests and knowledge producers in support of this view. Corporate backers of neoliberalism in the 1950s differed markedly from the corporate constituencies of the 1980s, for example. And the relatively small group of intellectuals committed to the neoliberal project in its early years grew and diversified significantly over time. However, the later evolution of neoliberalism can only be understood if we observe the new perspective at the status nascendi. If we do not know what the core of a thought style and ideology is, we will probably also fail to appreciate its evolutions. This brings us back to the intellectual history part of the story.

## Mapping the Neoliberal Thought Style

The difficulty in recognizing neoliberalism is expressed perfectly by Michael Freeden's (1996) great volume on ideologies and political theory. Freeden covers the major ideologies of liberalism, conservatism and socialism, and adds chapters on the new contenders of feminism and green ideology almost 20 years after what many proclaim was a rise of neoliberalism in the shape of Thatcherism and Reaganomics, which he discusses as part of conservatism. Freeden's emphasis on the link between ideology and political theory is reminiscent of Mannheim, and his morphological approach is perfectly suited to mapping the core and periphery concepts of different thought styles and belief systems. Alas, neoliberalism simply does not seem to meet his standard of 'distinct thought-products that invite careful investigation in their own right' and that are 'actual arrangements of political thinking' (Freeden, 1996: 23). How does Freeden deal with neoliberal intellectuals?

Interestingly, Hayek falls in the category of liberal pretenders (Freeden, 1996: 299–310) and both Friedman and Hayek figure prominently in his chapter on conservative revival and recent American conservatism, in particular. Mannheim would probably suggest that Freeden's work is characterized by a lack of self-relativization, at least with regard to his understanding of liberalism, where his norm appears to be social liberalism. A focus on the original formation of neoliberalism during the 1930s, as a response to social liberalism and conservative collectivism, allows us to disagree, respectfully, with Freeden's failed effort to imperfectly subsume neoliberals under the umbrella of conservatism. It is not possible to observe the later inroads of neoliberalism in competing ideologies of both social liberalism and social democracy (e.g., via Popper) and conservatism if we prematurely identify conservatism and neoliberalism, for example. Freeden also falls short of Mannheim's advice to link the study of the history of ideas and social history by way of examining social stratification and changing socio-economic circumstances. His examination of the historical evolution of ideologies and thought styles therefore necessarily remains abstract and general, even if he does speak of specific countries at points. But the biggest problem in Freeden's scheme clearly is obliviousness: neoliberalism does not exist.

The history and rise of a new worldview indeed can be missed if the analysis

of major ideologies and political theories is arranged in the abstractness of broad schemes and no sufficient effort is made to relate the evolution of ideas back to major social struggles and changing socio-economic realities. Why would Hayek be a liberal pretender and a part of new conservative movements at the same time? Why did liberals object to the neoliberal stream of ideas generated by Hayek and his friends? Why did American (and other) conservatives start to dismiss certain varieties of established conservative economic thought in favor of the free-market rhetoric of neoliberals?

Michael Mann reminds us: 'An ideology will emerge as a powerful, autonomous movement when it can put together in a single explanation and organization a number of aspects of existence that have hitherto been marginal, interstitial to the dominant institutions of power' (Mann, 1986: 21). A careful study of the history of organized neoliberals will reveal just this. In opposition to both traditional liberalism (*laissez-faire*) and the new social liberal mainstream of the liberal worldview, neoliberals considered it necessary to develop a programme that was labelled neoliberal in the late 1930s (Walpen, 2004; Denord, 2009). Why was the programme not labelled neo-conservative? The autonomous movement of neoliberals (or right-wing liberals, to clarify the major difference with social liberal new liberalism) insisted on individualism, ownership rights and freedom of economic contract in adherence to a holistic idea of (capitalist) economy (Slobodian, 2017), which differed from the organicist, collectivist and culturalist perspectives they found in conservatism. Hayek later gave additional reasons why he did not consider himself conservative. Conservatism had nothing to offer in terms of what his own thought style required: a singular and clear sense of the direction of change needed as 'an alternative to the direction in which we are moving' (Hayek, 1960). Conservatism, like social liberalism, was prone at the time to embrace the idea of the welfare state, modernization and a certain amount of planning. Neoliberalism rejected both state-led planning and traditional ideas of natural order (of the market and of traditional society), which enabled neoliberals to compete for authority in the postwar battle over the future of the 'good society' (Lippmann, 1937), despite a frequently marginal position during the postwar decades. While neoliberals accepted the need for stabilization and a certain amount of social integration, in accordance with social liberalism and conservatism, neoliberals opposed the extent to which this came to be considered a function of the state and

planning. Support for social integration was also conditional. Early neoliberals embraced social minimum standards only if they were 'not inimical to initiative and the functioning of the market', in the words of the statement of aims (Plehwe, 2009: 25).

If organized neoliberals and related networks are taken seriously, we can start to follow their intellectual efforts at a distance from both social liberalism and conservatism. Taking the neoliberal networks of the Mont Pèlerin Society (about 1,200 members so far) as a starting point allows us to begin discerning the evolution of neoliberal thought in many different countries. We can revisit the discussions and confrontations with competing ideologies and thought styles. We can observe the expansion of neoliberal intellectual space between competitors on the left and on the right. We can investigate the direct and indirect links to interest groups. In this regard, it helps that many neoliberal intellectuals also served as board members of think-tanks. While many of the civil society organizations are not transparent in terms of finance, other board members frequently come from corporations and interest groups. The mapping effort across time and space has yielded a broad picture of global networks so far (compare Walpen, 2004; work on the global Atlas network and regional networks by Fischer and Plehwe, 2013, and Djelic, 2014, respectively), but a lot of mapping work remains to be done. Mapping efforts that remain at the level of ideas only, such as that of Eagleton-Pierce (2016), will inevitably miss important dimensions and variations of neoliberal thought, although Eagleton-Pierce does succeed in making visible the morphology of neoliberal ideology and political thought in the tradition of Freeden's work.

Of course, it does not help that neoliberals themselves frequently (though not always) avoided referring to themselves as such. Due to the negative associations of neoliberalism with economic globalization, unfettered competition, the de(con)struction of society, inevitability (TINA) and practical constraints of all kinds, neoliberals were eager to develop alternative terminology like classical liberalism. Certain wings of the neoliberal thought style defected from Mont Pèlerin because it was considered too close to the technocracy of the modern state. Mises followers opened a competing property and freedom network, for example (<http://propertyandfreedom.org/>). Thankfully, Sam Bowman of the Adam Smith Institute recently published the

following positive list of essentials, notably excluding the concessions to democracy that were visible in the statement of aims of Mont Pèlerin (compare Plehwe, 2009):

1. Pro-markets
2. Pro-property rights
3. Pro-growth
4. Individualistic
5. Empirical and open-minded
6. Globalist in outlook
7. Optimistic about the future
8. Focused on changing the world for the better

Bowman goes on to clarify the stakes of using the term 'neoliberalism' instead of other, competing names:

Adopting the word 'neoliberal', then, is not a change of policy but recognition that other labels do not describe what we've always been quite as well. We're not closing the door on libertarians, Objectivists, anarcho-capitalists, Whigs, free marketeers, conservatives, voluntarists, agorists or liberals – these are our friends and allies, and we welcome all to speak at our events, but these are not the words that most accurately describe us. (Bowman, 2016)

Recalling Hayek's issue with conservatism, Bowman believes that the much admired classical liberalism is not adept at dealing with new circumstances. While he does not relate his ideas to socio-economic realities and class structure, he seems to hark back to Mannheim's dynamic view when he states that: 'Adam Smith, of course, but also people like John Stuart Mill and David Hume – are the progenitors of this order, but our policy programme is updated for the modern world. You might say that neoliberals are classical liberals with smartphones, internet access and frequent flier miles' (Bowman, 2016).

## **Conclusion**

This chapter began with an observation regarding the proliferation of somewhat limited understandings of neoliberalism that seems partially to derive from the different orientations of social science and humanities disciplines. It was suggested that situated group biography and Karl Mannheim's understanding of the sociology of knowledge would help to overcome such limits. Applying Mannheim's ideas, the neoliberal worldview can be captured in its stringency and variety through a mapping of thought collectives, which originally generated a new style of thought in the late 1930s, and continue to reproduce it and to take it into new domains in the twenty-first century. The neoliberal thought style arguably became the key characteristic of a new epoch with the crisis of the Bretton Woods order. It also generated a huge crisis in the global South, and more recently in the global North, and an enormous backlash which has taken the shape of right-wing populism in particular. Curiously, neoliberalism as a thought style and its many different foot soldiers organized in thought collectives still remain somewhat of a mystery. Some deny their existence altogether, others consider some of them but not others, and many use too broad a brush to capture nearly all recent culture as neoliberal (compare Plehwe, 2016, on the problems of under- and overspecification). The categories of thought style and thought collectives are very useful in helping to organize the necessary mapping effort. A thought style is associated closely with a major ideology, but it can be used with greater ease because the notion is less loaded with normative baggage. Thought styles can be concretely mapped through observation of the various thought collectives that contribute to and adopt major orientations from a dominant style. By using the notion of thought style, it becomes possible to deal with contradictions and inconsistencies, say, between Chicago School and ordoliberalism, rather than insisting that only one can represent the one and only or real neoliberalism. Adhering to Mannheim's insistence on the link between intellectual thought and socio-economic realities, it becomes less important to establish pure genealogies and more important to observe the ways in which neoliberal ideas are combined in different places and circumstances. Notions of flexible morphology might prove useful as a way of avoiding the pitfall of classifying all teams according to major ideologies or thought styles and minor thought collectives or schools. At the same time, it must be acknowledged that the categories of thought collectives and style are abstract and need to be filled with more concrete content. If we think we have identified a major neoliberal

thought style, what are the contributing collectives? What is the smallest common denominator? Do they overlap with competing styles in certain peripheries of their configuration, or even at the core? Inequality, for example, is a key concept of right-wing thought that can be shared by neoliberalism and conservatism. Individualism is a key concept of progressive origins that can be shared by social liberalism and neoliberalism. The intellectual effort at any rate will be futile if it remains in the abstract. Students of neoliberal thought collectives cannot rely on neat textbooks; they need to wade through the mud of social and intellectual struggles between neoliberal and other agencies that shape social reality in time and space.

## Notes

1. Even if the political world enters the picture as strongly as it does in the rich work of Dardot and Laval (2013), the history of neoliberalism is based on the writings of individual European (and American) authors. Resulting and highly problematic shortcomings include a full separation of Nazism and ‘oppositional’ ordoliberalism (76) instead of observing work of emerging ordoliberals within some of the Nazi-organizations, arguably contributing to a minority wing of the Nazi party itself. On the work of von Stackelberg, see Ban (2016).
2. It is important to note that Kuhn did not believe in a linear progress model of science, compare Kuhn (1974).
3. Mannheim rejected objectivist phenomenology, but embraced phenomenological emphasis on intentionality. He was ‘impatient to penetrate beyond the phenomenological surface to the very core of things, to the substance of historical reality which only the active, fully committed subject was able to reach. This is the essence of Mannheim's sociology of knowledge; it is his “utopia”, in the development of which Marxism and historicism played the most decisive role. The idea of “existentially determined” knowledge, which is one of the cornerstones of the theory, may be traced to Marxism, whereas historicism is the source of the doctrine of the “perspectivist” nature of knowledge’ (Kecskemeti, 1952: 8–9).
4. ‘Skills, experience in the field, and ideas whether “wrong” or “right”



passed from hand to hand and from brain to brain. These ideas certainly underwent substantive change in passing through any one person's mind, as well as from person to person, because of the difficulty of understanding transmitted knowledge. In the end an edifice of knowledge was erected that nobody had really foreseen or intended' (Fleck, 1979: 69).

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# **8 Planning the ‘Free’ Market: The Genesis and Rise of Chicago Neoliberalism<sup>1</sup>**

**Robert Van Horn**  
**Edward Nik-Khah**

## **Introduction**

The Chicago School of Economics emerged as one of the primary intellectual formations in the US economics orthodoxy in the post-World War II era.<sup>2</sup> Not only is it America's most influential school of economic thought, but it has also exerted demonstrable influence across the disciplines, including the fields of law and political science.

Many non-economists (as well as a fair share of economists) mistakenly equate Chicago with neoclassical economics, and they hold certain images about Chicago, which are oversimplified, shortsighted, and ahistorical. The first misperception concerns ‘economics imperialism’: Chicago economists have purposively and successfully claimed portions of the terrain of other disciplines by applying their understanding of economics in those disciplines. However, Chicago neoliberals are not merely exponents of the logic of orthodox economics. While they expound neoliberal ideas through economic language, their imperialism depends upon a constructed political ideology. A second misperception is that Milton Friedman is the quintessential icon of Chicago economics, and played a *sine qua non* role in its ascendancy. This overlooks that Friedman played a relatively minor role during the genesis of Chicago neoliberalism and by no means represents the whole of Chicago. Moreover, there were numerous factors beyond the individual scholarly achievements of Chicago's icons which contributed to the rise of Chicago neoliberalism. A third misperception is that the ideas of Friedman, George Stigler, and Aaron Director depend substantially upon those of their teachers, namely Jacob Viner, Frank Knight, and Henry Simons. In fact, the iconic personages of Chicago neoliberalism substantially departed from some of the

central ideas of their teachers. A final misperception is that Chicago espouses ‘free market’ economics and eschews all forms of planning. On the contrary, Chicago neoliberalism espouses planning the foundations of the market, and constructing the conditions needed for neoliberal policies.

This chapter seeks to challenge these misperceptions in detail by providing an archival-based historical account of the genesis and rise of Chicago neoliberalism.

## **Classical Liberalism at Chicago**

From the mid-1930s and through the mid-1940s, among the economists (and economists-in-training) associated with the University of Chicago, there was a cohort of young economists – which included Henry Simons, Aaron Director, Milton Friedman, and George Stigler – who opposed concentrations of economic power on the basis of the classical liberal doctrine. Simons was the public face of this group. According to the preeminent historian Ellis Hawley (1995 [1966], p. 292), Simons’ ‘widely read’ 1934 pamphlet, *A Positive Program for Laissez Faire*, was at the vanguard of a barrage of arguments against increased concentration in industry.

Simons himself attributed his strong skepticism of concentrations of power to classical liberal heritage of Chicago economics. Simons maintained that a distinguishing characteristic of Chicago economics, as represented by Frank Knight and Jacob Viner, was its traditional-liberal political philosophy, particularly its emphasis on the virtues of dispersion of economic power and of political decentralization.<sup>3</sup> Indeed, Viner considered himself an ‘Old-English Liberal’ and believed that opposition to monopoly power was a cornerstone of that faith.<sup>4</sup> This echoed Viner’s understanding of Adam Smith. According to Viner (1927, pp. 198–199), Smith believed that private monopoly corrupted the natural order on which all economic phenomena depended.<sup>5</sup>

Squarely locating his work within the classical liberal tradition, Simons observed:

*The great enemy of democracy is monopoly, in all its forms: gigantic corporations, trade associations and other agencies for price control, trade-unions – or, in general, organization and concentration of power within functional classes. (1948, p. 43, italics in original)*

For Simons, concentrations of power in the market had perilous ramifications. Concentrations of power posed a threat to the price system, the cornerstone of freedom. Since a monopoly could exert a tremendous power in order to exploit society and sabotage the economy, the state must, as Simons put it, ‘destroy’ that monopoly (p. 43). If the state acted otherwise, the consequence, according to Simons, would be ‘a usurpation of sovereignty’ by the monopolists and, perhaps even, ‘a domination of the state by them’ (p. 43).

Simons called for an ‘outright dismantling of ... gigantic corporations’ and ‘persistent prosecution’ of producers who organized to restrict output or maintain price. He championed ‘unqualified repudiation of the so-called “rule of reason,”’ which he claimed granted absurd powers to corporations.<sup>6</sup> He warned of the dangers of private mergers that resulted in monopoly power, ‘regardless of how reasonably that power may appear to be exercised,’ and recommended that vertical integration be permitted only when it did not harm the maintenance of effective competition. Simons demanded vigorous antitrust enforcement, maintaining that an antitrust violation ought to be considered ‘a major crime’ and ‘prosecuted unremittingly’ by the Federal Trade Commission, whose power, according to Simons, needed to be increased.

Simons also called for a complete overhaul of the patent system. Simons condemned the patent system because it enabled firms to restrict competition, both actual and potential, and thereby augment their monopoly power. After publishing his *Positive Program*, Simons observed: ‘It is shameful to have permitted...the gross abuse of patent privilege for extortion, exclusion, and output restriction’ (1948, p. 130). Simons believed that just as free trade required equal and free access to markets, industrial research required equal and reasonable access, if not wholly free access, to technical knowledge, patented or unpatented. Simons especially criticized large corporations because their size enabled them to abuse the status quo patent system to the

detriment of smaller firms.

Simons staunchly championed the market and opposed concentrations of power for the sake of freedom and democracy. Notably, Simons, like his teacher Frank Knight, indicated that a democracy depended upon extensive discussion,<sup>7</sup> and his views are best captured in one of his later essays:

The democratic process rests proximately upon representative, deliberative assemblies. It contemplates agitation, discussion of problems, proposals for dealing with them, examination of such proposals, continuous compromise and revision of bills, and eventual enactments of legislation. At best, such final enactments will mainly not involve close votes or sharp dissent; discussion and compromise should usually eventuate in substantial legislative consensus. ... With good government, the discussion of problems is more important than the action to which it immediately leads. It tends to define areas of large agreement (if only by neglecting or ignoring) as well as of small disagreement and thus to enlarge or deepen that consensus which is the moral basis of order. (Simons, 1948, pp. 8–9)

Hence, Simons suggested the importance of an educated citizenry by advocating for discussion as the linchpin of democracy and freedom.

In closing his *Positive Program*, Simons called for ‘the custodians of the great liberal traditions’ to join him in order to stop the movement toward collectivism in the United States (1948, p. 77). Two young scholars swiftly responded to Simons’ call: Allen Wallis and George Stigler. Graduate students at the University of Chicago at that time, Wallis and Stigler wrote an editorial in the *New York Times* entitled ‘Problems of Competition.’ Criticizing a previously published editorial, they demonstrated their anti-monopoly inclination, stating: ‘It is ... not correct to say that imperfect competition might by chance “work out well for the common good”’ because convincing evidence demonstrated that ‘monopolization reduces the national income’ (Wallis and Stigler, 1934b).<sup>8</sup>

Besides Stigler and Wallis, Milton Friedman was among the admirers of

Simons' *Positive Program* closely affiliated with the University of Chicago. Since opposition to concentrations of business power was a central theme of Simons' pamphlet, this suggests that he too adhered to Simons' classical liberal view on this matter. Friedman later stated, '...I thought at the time that [Simons' pamphlet] was strongly pro-free market in orientation' (quoted in Kitch, 1983); for Friedman, calling a work 'strongly pro-free market' amounted to high praise.

Aaron Director also highly praised Simons' pamphlet, which, according to Director (1948), provided the bedrock for Simons' scholarship. Like Simons, Director too attacked concentrations of power in the market. In 1933, when commenting on business power, Director said: 'Adam Smith said all that needs to be said on this point: "People of the same trade seldom meet together, even for merriment and diversion, but the conversation ends in a conspiracy against the public, or in some contrivance to raise prices"' (1933, p. 24). Director's critical attitude toward concentrations of power is not surprising given that, according to Coase (1998, p. 602), Director was Simons' 'best friend' and was 'considerably influenced [by his] views.'

Notably, at this juncture, the later leaders of the postwar Chicago School – Friedman, Director, Stigler, and Wallis – all extolled Simons' *Positive Program* and held Simons in high esteem. Moreover, in order to generate and propagate their views, Simons, Stigler, and Wallis wrote without the support of institutions specifically created to nurture and advance the liberal creed. In accord with classical liberalism, they advanced their ideas with the belief that the ideas themselves would win over some of their readers.

## **The MPS and the Genesis of Chicago Neoliberalism**

One of the most crucial facts to grasp about the Chicago School is that it is not coterminous with those housed within Chicago's Department of Economics.<sup>9</sup> Although there has been an economics department at the University of Chicago since the days of Thorstein Veblen (at that time it was called the 'Department of Political Economy'), the 'Chicago School of Economics' came into being only after World War II. Hence, it is distinct from the work of an earlier generation of scholars, including Frank Knight, Jacob Viner, and Henry Simons.<sup>10</sup>

Viner, who had left the University of Chicago in 1946, later recalled in 1969 that he had heard ‘rumors about a ‘Chicago School’ which was engaged in an ‘organized battle’ against collectivism.<sup>11</sup> Viner stated that he ‘remained skeptical’ about this until he attended a conference sponsored by the University of Chicago in 1951. ‘From then on,’ Viner wrote, ‘I was willing to consider the existence of a “Chicago School,” (but one not confined to the economics department and not embracing all of the department).’<sup>12</sup> Viner added that: ‘But at no time was I consciously a member of it, and it is my vague impression that if there was such a school it did not regard me as a member, or at least a loyal and qualified member.’ And, significantly, as noted by George Stigler (1988, p. 148), there was no ‘Chicago School’ in the current sense of the term prior to the first meeting of the Mont Pèlerin Society (MPS). Following WWII, Stigler, Friedman, Aaron Director, and others worked to construct one.

The fact that MPS and the Chicago School were joined at the hip from birth is attested by the presence of most of the major protagonists at the creation of both: Director, Friedman, and Allen Wallis.<sup>13</sup> When the MPS was legally constituted, it was registered as a non-profit corporation in Illinois, with offices formally listed as the University of Chicago Law School. A transnational institutional project, the MPS sought to reinvent a liberalism that had some prospect of challenging collectivist doctrines ascendant in the immediate postwar period. It enabled its members – liberals from America, most of whom represented the Chicago School, and Europe – to debate and offer each other mutual support.

To appreciate how the MPS and the Chicago School came to be conjoined at birth, it is necessary to briefly examine the role of F. A. Hayek in the founding of both. In April 1945, when on tour in the United States promoting his recently published *The Road to Serfdom*, Hayek met with Harold Luhnow, head of the Volker Fund and anti-New Deal conservative. Luhnow wanted Hayek to write an American version of *The Road to Serfdom* and offered him Volker money to do so. The two men agreed that the Volker Fund would finance an investigation of the legal foundations of capitalism and that a product of this investigation would be an American *Road to Serfdom*. The two also agreed that Hayek could outsource the investigation.

Hayek considered his proposal to be of great importance. Hayek, who positioned himself as an opponent of laissez-faire liberalism in *The Road to Serfdom*, championed the creation of an institutional framework, or what Hayek later called a 'competitive order,' so that effective competition would flourish. Hayek did not oppose all forms of planning, only those that undermined effective competition. Hayek advocated planning *for* competition – that is, a properly designed competitive order. In general, the competitive order necessitated well-organized institutions, but, in particular, and most importantly according to Hayek, it required a well-crafted legal framework. Hayek suggested that an in-depth study of the competitive order had regrettably never occurred. He suggested that the task for the future would be to succeed where nineteenth-century liberals failed. As a prerequisite, twentieth-century liberals would need to thoroughly investigate and understand the competitive order to thereby reconstitute the liberal doctrine.<sup>14</sup> Thus, when he made his counter-offer to Luhnnow, Hayek hoped that the Volker Fund would provide the means to enable the building of a reinvigorated and robust liberalism.

To outsource the investigation, Hayek approached Simons and his colleagues at the University of Chicago. Liking Hayek's proposal, Simons lobbied in support of the investigation – or the 'Hayek Project,' as Simons and his colleagues referred to it. Simons viewed the liberal doctrine as withering and the collectivist doctrine as prevailing and burgeoning. He feared that without an organized effort to revive liberalism, it would 'be lost,' and he envisioned the Hayek Project as an endeavor to reinvigorate the liberal doctrine in order to countervail collectivist doctrine.

Simons endorsed Aaron Director as the leader of the project. Bringing Director back to the University of Chicago meant a great deal to Simons. Indeed, in 1939, Simons wrote, 'In spite of my efforts and good intentions of other people, I have been, *qua* economist, alone since Aaron left. Certainly, I am worth more to the University with Aaron around than without him.'<sup>15</sup> Simons and Director were best friends and intellectual comrades. Moreover, Simons believed that Director had been unjustly forced to leave the Chicago economics department in 1935 after the epistolary row between Frank Knight and Paul Douglas ended with Douglas's wish that Director be fired prevailing.<sup>16</sup> Since Director's departure disappointed Simons at the time, he

relished the opportunity to bring Director back to Chicago to head the Hayek Project. He believed that Director's leadership would help to engender a liberal stronghold at the University of Chicago.

Director responded favorably to the proposed Hayek Project. Director also drafted a proposal for the project, called 'the Free Market Study.' Director's proposal delineated the benefits and limitations of the free market and enumerated the departures from the free market at the close of World War II – including barriers to entry and government controls. In keeping with Hayek's vision for a twentieth-century liberalism, Director also listed numerous policies that needed to be examined to return to a free market economy, including antitrust policy and corporate policy. For example, Director called for considering limitations on corporate size and for federal incorporation to be required, investigations into the successes and failures of antitrust law, and a reconsideration of patent policy. Director echoed Hayek's call to create a competitive order, and thereby plan the legal foundations of capitalism.

In sum, as the efforts to organize the study at Chicago got underway, the principals involved in its organization, such as Simons and Aaron Director, considered it Hayek's endeavor and even explicitly referred to it as the 'Hayek Project.' Furthermore, Hayek believed that the study would fulfill his own objectives. Indeed, in a letter to a fellow liberal, Walter Eucken, Hayek stated that he considered the project a 'positive complement' to his *Road to Serfdom*.

After many trials and tribulations (including the death of Henry Simons) that have been detailed elsewhere (see Van Horn and Mirowski, 2009; Van Horn, 2014), Hayek successfully arranged for the Free Market Study to be housed at the Chicago Law School and for Director to head the project.

Once the Free Market Study got underway in the fall of 1946, its members – which included Friedman and Edward Levi (Law School) – convened regularly in order to debate how to reconstitute liberalism and create a competitive order. By empirically investigating the facts taken for granted by both liberals and collectivists, they sought to develop a more robust liberal policy to counter collectivism and thereby reorient policy in the United States. Indeed, in a *New York Times* interview, Director indicated that one



criterion for assessing the success of the FMS was its ability to exert political pressure in order to engender policy change.<sup>17</sup>

Hayek had guarded hopes about the prospect of success. In 1949, Director helped Hayek publish his essay, 'The Intellectuals and Socialism' in the *Chicago Law Review*. Tellingly, Hayek concluded his article with the following prognostication:

Unless we can make the philosophic foundations of a free society once more a living intellectual issue, and its implementation a task which challenges the ingenuity and imagination of our liveliest minds, the prospects of freedom are indeed dark. But if we can regain that belief in the power of ideas which was the mark of liberalism at its greatest, the battle is not lost. The intellectual revival of liberalism is already under way in many parts of the world. Will it be in time? (1949, p. 433)

Hayek clearly had Director and the Free Market Study in mind when he wrote these final sentences.

After the 1947 MPS meeting, the work of the FMS proceeded apace. The FMS undertook a couple of empirical studies geared toward countervailing collectivism and reinvigorating liberalism. One was Warren Nutter's evaluation of the extent of industrial monopoly in the United States. Nutter argued that there had been no significant increase in business monopoly since 1900. Director noted that Nutter's finding challenged the collectivist claim that efficiency of large-scale industry would inevitably give rise to more and more business monopoly, thereby resulting in less and less competition and necessitating socialist economic planning. Since collectivists hinged their argument on the premise that industrial monopoly had been significantly increasing and since, as Director pointed out, widespread belief in the inevitability thesis gave rise to collectivist policies, Nutter's investigation dealt a blow to collectivism.

From 1950 to 1952, in their effort to combat collectivism, Director and other members of the FMS sharply departed from the classical liberal concern about the negative implications of concentrations of business power.<sup>18</sup> (See

Henry Simons' position in the previous section for the classical liberal perspective.) For example, in 1951, Director claimed that large corporations no longer should be considered a threat to competition because of their concentrated power, but should be considered another feature of a competitive market since corporations approximated the impersonal ideal of the market. In short, the FMS came to maintain that concentrated markets tended to be efficient.

In sum, because of its determination to reconstitute liberalism in order to attack collectivism and because of its departure from the classical liberal opposition to concentrations of business power, the FMS served as an incubator for a new form of liberalism, 'Chicago neoliberalism.' And most notably, the term 'neoliberalism' was used self referentially. In 1951, as Friedman observed, 'The doctrine sometimes called neo-liberalism ... [had] been developing more or less simultaneously in many parts of the world...' (1951, p. 91). Furthermore, because the FMS and MPS shared a concern with studying and developing the necessary legal foundations for effective competition, because both sought to countervail collectivism, and because Hayek played a sine-qua-non role in creating both, the FMS and MPS should be viewed as inextricably connected and ineluctably symbiotic.

## **Imperial Chicago**

Some of the most significant activities contributing to Chicago's ascendance were undertaken outside the discipline of economics. The Chicago Law School and the Graduate School of Business became important staging grounds for imperialistic excursions into disciplines adjacent to economics, and beyond.

## **The Chicago Law School: The Antitrust Project**

On the heels of the FMS, Director organized and led the Volker-funded Antitrust Project and Edward Levi (then Dean of the Chicago Law School) assisted with it.<sup>19</sup> Other members included later luminaries of Chicago law and economics, such as Robert Bork and Ward Bowman.

The Antitrust Project focused on issues of monopoly, select areas of antitrust law, and the history of the Sherman Act.<sup>20</sup> It investigated these topics in the light of the conclusions of the Free Market Study. Moreover, in the spirit of the Study's attempt to influence policy, it investigated these topics with a critical eye toward United States antitrust law precedent, and many of the conclusions of the Antitrust Project contravened the conclusions of the courts. The Antitrust Project attacked the conventional wisdom of the legal profession in a number of ways – too many to summarize here and hence it is necessary to look at a sample. First, Bork claimed that vertical mergers did not enhance monopoly power. He therefore suggested that vertical mergers should always be legal. Consequently, Bork implied that one aspect of antitrust law precedent, requiring an investigation of the motives of a vertical merger in order to make a determination of its legality, was erroneous. Second, Ward Bowman maintained that the conventional legal wisdom – as represented by the *Report of the Attorney General's National Committee to Study the Antitrust Laws* (1954) – grossly exaggerated the effects of a tying arrangement.<sup>21</sup> The *Report* deemed the purpose of such arrangements to be monopolistic exploitation. In contrast, Bowman suggested that in most cases a tying contract was merely a means of effectively utilizing monopoly power that was already possessed, not a means of extending it. Last, Director and Levi (1956) demonstrated an unprecedented skepticism about the extension of monopoly power via exclusionary practices, such as tying arrangements or price discrimination, and a concomitant disdain for adjudication or legislation that regarded these practices *per se* deleterious or *per se* illegal.<sup>22</sup> They, contrary to Henry Simons, maintained that a case-by-case inquiry is necessary to determine if any alleged exercise of monopoly power occurred (1956, p. 290).

Significantly, like the FMS, the Antitrust Project should also be viewed as an attempt to oppose collectivism. First, the Antitrust Project continued the mission of the FMS – that is, to create and advocate the competitive order. Second, during the time of the Antitrust Project, Director emphasized the importance of countering collectivism.<sup>23</sup> Third, the Chicago neoliberal conclusions of the FMS – particularly those concerning concentrations of business power – influenced the conclusions of the Antitrust Project.<sup>24</sup> For these three reasons, the Antitrust Project represented much more than simply the application of Chicago price theory to areas of antitrust law.

It would be many years before the United States Courts and legal community would take the work of Director and the Antitrust Project seriously. With hindsight, Friedman suggested that it was unrealistic to expect immediate change. He saw his work as well as that of his colleagues to be that of: ‘... [developing] alternatives to existing policies, to keep them alive and available until the politically impossible becomes the politically inevitable’ (1982 [1962], p. xiv). Here, Friedman echoed Hayek's 1947 Mont Pèlerin address. Hayek had stated:

Public opinion ... is the work of men like ourselves, the economists and political philosophers of the past few generations, who have created the political climate in which the politicians of our time must move. ... It is from [a] long-run point of view that we must look at our task. It is the beliefs which must spread, if a free society is to be preserved, or restored, not what is practicable at the moment, which must be our concern. (1948, p. 108).

In a way, therefore, the Study, the Antitrust Project, and later the Law and Economics Program acted as incubators for Chicago neoliberalism and thereby kept its core insights ‘alive and available’ for later use.

The impact of this later use should not be underestimated. About thirty years after the emergence of Chicago neoliberalism, the Reagan Administration's appointees to the Antitrust Division of the Department of Justice echoed the arguments in Bowman's *Patent and Antitrust Law*, including his analysis of patent tie-ins.<sup>25</sup> The Antitrust Division staked out a broad area in which it would not challenge patent licensing agreements, including patent tie-ins. Thus, firms, without fear of prosecution, used patent tie-ins. More recently, in 2007, the US Department of Justice and the Federal Trade Commission (the two federal agencies that enforce antitrust laws in the United States) as well as the Antitrust Modernization Commission, endorsed a fundamental idea of the Antitrust Project: The federal agencies and the Commission espoused a rule of reason approach in those cases in which patent rights conflicted with the objectives of antitrust law. Thus, all three opposed the *per se* illegality of patent tie-ins, and all three suggested that the claim that patents created and extended business monopoly should be viewed with skepticism.

## **The Graduate School of Business: The Governmental Control Project**

George Stigler's arrival at Chicago in 1958 completed the formation of the Chicago School.<sup>26</sup> Upon his arrival at Chicago in 1958, Stigler was already viewed as a leading member of the Chicago School. He had been associated with the School through his friendships with Friedman, and Director, and Chicago economists were quite familiar with his existing body of his work. Importantly, Stigler's stature at Chicago was bolstered by the Walgreen Foundation, which had been established by a grant from the drugstore magnate Charles Walgreen and was placed under Stigler's control by Allen Wallis (now dean of Chicago's Graduate School of Business), with the consent of Charles Walgreen, Jr. and his advisor (and founding MPS member) Leonard Read.

Shortly after his arrival at Chicago, Stigler announced his intention to devote the Walgreen resources to a study of the 'causes and effects of governmental control over economic life.'<sup>27</sup> He hired a full-time research assistant (Claire Friedland), established the famous Industrial Organization Workshop, and funded research he deemed relevant to the study of governmental control. Stigler himself contributed studies of the regulation of electricity and securities and of the enforcement of antitrust laws (Stigler and Friedland, 1962; Stigler, 1964, 1966), and financed through Walgreen several others. Stigler motivated the 'governmental control' project by appealing the need to counteract collectivism: 'If it can be shown that in important areas of economic life substantial and unnecessary invasions of personal freedom are already operative, the case for caution and restraint in invoking new political controls will acquire content and conviction' (Stigler, 1975a, p.18).

Stigler used his Walgreen funds to recruit to Chicago a handful of leading economists (Gary Becker from Columbia University, Sam Peltzman from UCLA, Robert Lucas from Carnegie) and to finance short stays for other economists sympathetic to his efforts. Stigler's efforts set the tone at Chicago, not only through his published work, but also through his ability to shape the composition of the faculty and to finance their work on governmental control. The effort would later expand as a result of the establishment the Center for the Study of the Economy and the State (CSES), which Stigler founded in

1977 with an initial roster that included Becker, Richard Posner, Peltzman, Peter Linneman, and George Borjas (Stigler assumed the directorship).

The research produced by Stigler's governmental control project deviated from that of the previous generation of Chicago scholars. As Stigler noted elsewhere (1983, p. 529), providing economic explanations of politics marked a profound break with the approach of his teacher Frank Knight, who was deeply skeptical of discovering the principles governing political life. Not only did Stigler call for the exploration of a new subject matter, he also called for new methods to do so: 'it is reasonably certain that new theories and new methods will be required to unravel some of the major problems we have encountered [in understanding public regulation]' (1988, p. xvii). And whereas Jacob Viner refused to participate in political discussions, Stigler's research was produced to counter collectivism.

According to Stigler, the problem with existing studies of the government was that they presented an unrealistic view of the capacities of democracy, and thereby provided poor guides for legislative and administrative decision-making. He viewed these studies as uncritically adhering to the belief that regulation was sought for the public interest, whereas Stigler was intent on persuading that such problems were *endemic* to regulation. Stigler believed that political scientists, along with economists, were the main culprits. Hence, Stigler's project carried a rationale for imperialism similar to that of Director's project: the theories of political scientists and economists needed to be countervailed with a reconstituted liberalism, and that one needed to advance on other disciplines to do so.

Stigler called for two types of studies. The first would study the effects of past economic policies, to develop techniques for auditing and guiding, and thereby controlling, administrative bodies. The second would study and test hypotheses on the nature of the political process, for the purpose of counteracting the attitudes of political scientists and economists within those academic disciplines. Although only the second type of studies corresponds to the sort one often has in mind when thinking of economics imperialism – the development and application of an economic logic to address phenomena outside the traditional domain of economics – the first sought to displace the standing of other scientific fields in guiding regulation, a less-noticed form of

economics imperialism.

To understand how this form of imperialism worked, it is helpful to peruse an influential example, Sam Peltzman's (1973) critical examination of the US Food and Drug Administration (FDA). Peltzman's primary complaint about the FDA was that while it was supposed to have reduced the costs of producing information about drugs (by substituting FDA sanctioned information for drug company advertisements and doctors' experience with medicines), it had actually decreased the value of information available to consumers. The reason, Peltzman argued, was twofold: the laborious process of gaining the sanction of the FDA for their claims had increased the cost incurred by pharmaceutical companies to provide information to drug consumers, and doctors would be more wary of prescribing drugs for off-label (i.e., non-sanctioned) uses. Both would tend to reduce the amount of available information on drugs. Peltzman argued that one could observe the consequences of the 1962 Amendments in consumers' drug purchasing behavior: this decrease in information had led consumers to reduce their demand for new drugs. Hence, in attempting to substitute "publicly" produced information for "privately" produced information, the 1962 Amendments artificially restricted the demand for new drugs, resulting in a decrease in consumer welfare: "The 1962 Amendments assume implicitly that it is 'worth' sacrificing some potential return from an innovation for reduced risk. Our estimates imply that if any trade would be profitable, it would be toward more risk." (p. 131). In this study, the intended target was *clinical science*. Peltzman never actually engaged clinical science (a fact that was not lost on those clinical scientists who read Peltzman's piece); instead, Peltzman attempted to undermine the entire enterprise of using clinical science to guide regulation, and thereby to displace one set of goals (efficacy) with another set (consumer surplus, or in other cases, 'innovation') (Nikhah, 2014). The study was immensely influential: the enabling legislation of the FDA would eventually be emended, to instruct it to account for the 'costs' of regulation.

## **The Three Pillars of the Chicago School**

By the close of the 1950s, the iconic personages of Chicago neoliberalism – Aaron Director, Milton Friedman, and George Stigler – were in place at

Chicago. They agreed that it was of the utmost importance to promote freedom, but they touted a specific expression of freedom that actually entailed curbing the economic and political influence of democratic discussion.<sup>28</sup>

## Milton Friedman

Friedman's conception of freedom and democracy can be appreciated by briefly contrasting Henry Simons' *Economic Policy for a Free Society* (1948) and Friedman's *Capitalism and Freedom* (1962). (See section above for a description of Simons' position.)

Friedman, however, ignored democracy in his analysis. Perhaps this is why he used the term 'freedom' and not 'democracy' in his title for *Capitalism and Freedom*. Indeed, to the best of our knowledge, he used the term 'democracy' nowhere in his book. Friedman later shed light on why he emphasized freedom and not democracy. He stated:

Let's be clear, I don't believe in democracy in one sense. You don't believe in democracy. Nobody believes in democracy. You will find it hard to find anybody who will say that if ... democracy is interpreted as majority rule. You will find it hard to anybody who will say that [if] 55% of the people believe the other 45% of the people should be shot. That's an appropriate exercise of democracy. What I believe in is not a democracy but in individual freedom in a society in which individuals cooperate with one another. And in which there is an absence of coercion and violence. Now it turns out that democracy in the sense of majority voting is an effective means for achieving agreement on some things. On things which are not very important.<sup>29</sup>

Because Friedman's conception of freedom did not hinge on discussion, he, unlike Simons, did not imply an intelligent citizenry is needed.<sup>30</sup>

But if Friedman held a dim view of public discussion, then why did he expend such considerable effort at popularizing his views – namely, through



his bestselling books, his television series, or his *Newsweek* column? Basically, it provided a means to construct the conditions needed for the success of Chicago neoliberalism. According to Friedman, the dependence of scholars on government (e.g., the National Science Foundation, state legislatures for those housed at state universities) produced a ‘chilling effect’ on academic speech directed at the activities of the government (Friedman and Friedman, 1980, pp. 68–69; Friedman, 1981). Friedman sought to overcome this distortion by linking neoclassical economics to neoliberal ideas, and thereby alert people to the costs of government intervention.<sup>31</sup> In doing so, Friedman ultimately sought to encourage the public to accept neoliberal ideas, not empower its members to participate in robust public discourse (although at times it did appear that way) and thereby contribute to the policy-making process. In short, Friedman wanted to limit public discussion – at least as Simons defined it.

## **Aaron Director**

Like Friedman, Director viewed democracy as a necessary evil.<sup>32</sup> The clearest expression of this view is found in his address entitled ‘The Parity of the Economic Market Place’ (Director, 1964 [1953]). If political discussion and decision increasingly governed the functioning of the economy, then, according to Director, individual choice would be dramatically curbed. For him, freedom meant ‘freedom to choose one's ends as well as means for attaining them,’ and a crucial component of that choice meant individuals being able to engage in choice in the market (pp. 8–9). Director maintained that because most people devoted a substantial amount of their time to economic activity, they greatly valued freedom of choice in employment, investment, and consumption.

One of Director's central concerns was ensuring that minority voices were not stifled by the majority. Director placed his faith in what he held to be the proper division of labor between the political and economic realms. Hence Director's remark that ‘the proponents of the priority of the market place for ideas ... must of necessity rely on exhortation and on the fragile support of self-denying ordinances in constitutions’ (1964 [1953], p. 9). If the state became the principal employer, ‘we may expect great hesitation in advocating unpopular opinions, and serious obstacles put before those who

overcome these hesitations,' according to Director. In other words, only when the division of labor between political and economic institutions had been properly preserved could those on the margins of society freely voice their opinions without fear of retaliation by society.

For Director, the market system should be utilized to address economic and social problems, such as inequality or the organization of education, *unless* it could be clearly shown that the market system did an inadequate job addressing these problems. He called this the 'presumption-of-error doctrine' (1964 [1953], p. 3). However, he thought a deficiency in the free market system was rare.

Director suggested that the majority rule of democracy was a necessary evil that needed to be minimized, especially when it came to economic and social policy-making. He expressed deep skepticism of economic policies based on consensus, where the voices of all perspectives had been taken into account, unless the 'presumption of error test' had been met. Director suggested that he did not trust the government or the populace to make collective decisions on policy matters. Hence, Director suggested that the legal framework necessary for effective competition, such as antitrust policy, should not be based on a mature consensus through democratic discussion, but rather on economic analysis, particularly of the Chicago neoliberal hue.

At this junction it is important to note that Friedman and Director's views of democracy echoed in many ways those of Hayek, not those of their erstwhile mentors, Simons, Viner, and Knight. While Bruce Caldwell is arguably correct in holding that Hayek was not 'an opponent ... of democracy' (2007, p. 21, n. 77), neither was Hayek its champion. He believed that, unless a stable framework of laws preserved individual freedom, democracy could be 'as oppressive as the worst dictatorship' (Hayek, 2007 [1944], p. 110). Indeed, Hayek cautioned against 'making a fetish of democracy':

The fashionable concentration on democracy as the main value threatened is not without danger. It is largely responsible for the misleading and unfounded belief that, so long as the ultimate source of power is the will of the majority, the power cannot be arbitrary. ... There is no justification for the belief that, so long as power is conferred

by democratic procedure, it cannot be arbitrary. ... If democracy resolves on a task which necessarily involves the use of power which cannot be guided by fixed rules, it must become arbitrary power. (2007 [1944], pp. 110–111)

Hayek also emphasized that democracy and individual freedom did not have to go hand in hand. And, correspondingly a dictatorship did not necessarily mean the end of individual freedom. Hayek reminded his readers that ‘there has often been much more cultural and spiritual freedom under an autocratic rule than under some democracies,’ and maintained, ‘Our point ... is not that dictatorship must inevitably extirpate freedom’ (2007 [1944], p. 110).<sup>33</sup>

## **George Stigler**

Stigler shared Friedman's and Director's skepticism toward democratic discussion. And, as with Director, Stigler appealed to the operation of the marketplace of ideas to encourage intellectuals to reconsider their support for democratic discussion. But Stigler also devoted considerable attention to principles underlying its operation, leading him to become the standard-bearer for the positions that (a) the same forces operate in trade, politics and intellectual life alike, and (b) the extent of market failure in any one of these domains is much exaggerated.

Stigler held that voters collect the individually rational amount of information. But democracy would neither make the best use of social science, nor was it generally a good way to organize intellectual life:

Affairs of science, and intellectual life generally, are not to be conducted on democratic procedures. One cannot establish a mathematical theorem by a vote, even a vote of mathematicians. [Therefore] an elite must emerge and instill higher standards than the public or the profession instinctively desire.

The best econ[omics] in the US is not the one the public would elect: a science must impose the standards of an elite upon a profession.<sup>34</sup>

Stigler argued that democratic results, such as the public's willingness to countenance an expansion of government regulation, were due to its instinctual revulsion toward markets.

Such considerations led Stigler to take exception with an image of the marketplace of ideas he believed to be implicit in *Capitalism and Freedom*.<sup>35</sup> If Friedman's popularizations of Chicago neoclassical economics were effective, this would imply that the public 'underinvests' in knowledge, a market failure. But if agents maximized in collecting information, they will already have gathered all the information that was appropriate for them to have. Friedman's efforts at popularization would be of no use to them. For Stigler, economists were truly influential only when they worked on technical matters for an audience of technical economists and not when they spoke directly to society. Society needed Friedman's *A Monetary History of the United States* (1963), not his *Capitalism and Freedom* (1962).

Rather than call for the public to rethink its views and support measures to eliminate regulation, as did Friedman, Stigler sought to immunize government policy from the public, for example, by developing for regulators a set of 'intelligent guides,' and subjecting regulators to performance audits conducted by scientific bodies purged of their public interest attitudes (see Stigler, 1975a). Therefore, Stigler's program to study the 'capacities' of democracy was informed by a profoundly negative view of the instincts of the vast majority of people. For example, Peltzman's performance audits (discussed in the previous section) were devised for the express purpose of preventing the calls of public interest and consumer welfare groups for tightening the FDA's drug approval process – even though they enjoyed widespread support – from having any effect.

Stigler's views on the marketplace of ideas lent themselves to positions on traditional economic subjects. For example, Stigler credited long patent durations with encouraging innovation (in opposition to Henry Simons' view). But he also advanced ways to organize and manage science. Stigler argued for the employment of contract research, conducted outside the structure of academic departments, under the close supervision of one empowered to deliver on promises made to patrons. The aim was not merely to produce 'more' science, but to shape the nature of the science produced. In

the case of economics, it would support a (neoliberal) political project: the CSES, discussed above, provides one example of putting these ideas into practice (Nik-Khah, 2011a). Such ideas would also take root outside economics, in no small part due to the efforts of those participating in the governmental control project: they would play an important role in justifying the privatization and globalization of clinical science (Nik-Khah, 2014). In both cases, a market-governed science would complement imperialistic activities aimed at controlling science-based regulation.

## **Conclusion: The Changes Wrought and the Success Procured**

In 1958, Director invited Viner to give the second annual 'Henry Simons' Lecture.'<sup>36</sup> In 1959, when Viner delivered his address, he demonstrated his hostility toward big business and concentrations of power. He lamented: '[M]onopoly is so prevalent in the markets of the western world today' (1960, p. 66). Indeed, Viner claimed that anyone who championed the virtues of the competitive market as if it existed or would exist in the future egregiously overlooked the ubiquity of monopoly. Viner called for a challenge to monopoly practices: '[G]iven the prevalence or danger of substantial intrusion of monopoly into the market, the logic of the laissez faire defense of the market against state-intervention collapses and there is called for instead, by its very logic, state-suppression or state-regulation of monopoly practices' (1960, p. 67).

Even though Viner advocated the suppression and regulation of monopoly, and thereby indicated that the government needed to adopt a positive role in the economy, he still considered himself a classical liberal. Viner indicated that classical liberals sometimes had to advocate a positive state role 'in the case of emergency or abnormal conditions' (1960, p. 46) – in Viner's case, immense monopoly power. Likewise, Viner suggested that Simons' *Positive Program* was in the spirit of classical liberalism and was an attempt to use positive state action to address an economic emergency, the Great Depression, which Simons had claimed stemmed to a large extent from large corporations and monopoly power.

Contrasting Viner's 1960 conception of concentrations of business power with Friedman's views in *Capitalism and Freedom* (1962) is instructive. In his book, Friedman trumpeted the benefits of the competitive market and echoed the conclusion of the Free Market Study. Adducing the work of Warren Nutter, Friedman claimed that the extent of the industrial monopoly was not a serious problem. He maintained that because of this, and because he presumed that large corporations approximated the impersonal ideal of the market, there was, in his words, '[a] wide ... range of ... industries for which it is appropriate to treat the economy as if it were competitive' (Friedman, 1962, p. 120).

Viner, however, viewed proclamations of the benefits of free competitive markets and statements that concentrations of business power were not pervasive as pernicious. Viner said: '[D]iscussion of the merits of the free competitive market as if that were what we were living with or were at all likely to have the good fortune to live with in the future seem to me academic in the only pejorative sense of that adjective' (1960, p. 66). The contrast between Viner's perception of business monopoly and Friedman's perception of it is stark, because Viner remained rooted in the classical liberal tradition of Chicago economics and never adopted the Chicago neoliberal position that large corporations and industrial monopoly were relatively benign.

Viner, like Simons, believed a cornerstone of classical liberalism was the opposition to concentrations of business power. While some of his students once thought similarly, because of the rise of Chicago neoliberalism during the Free Market Study and the Antitrust Project, Viner, by the late 1950s, found himself to be a critic of Director and his other former students.

In appreciating Viner's strikingly different liberal orientation, his comments about Hayek's *Road to Serfdom* are instructive: Viner emphasized that even though he shared 'Hayek's *stated* convictions,' he did not consider Hayek a proponent of 'old English liberalism,' which Viner found himself 'clinging to even as it [appeared] to be vanishing from the world as a living faith.'<sup>37</sup> Viner explained, 'I don't believe Hayek has any genuine faith in or affection for political democracy. I don't think that he would put nearly as much punch into a campaign against business monopoly as he would against trade union monopoly.'<sup>38</sup> Indeed, given how close Hayek's views of democracy were to

those of Director and Friedman, Viner probably would have leveled the same charge against them.

About twenty years after Viner delivered his Chicago Law School speech, in 1981, Director, Friedman, Stigler, Ronald Coase, and other members of the Chicago School gathered to reflect on the rise of the postwar Chicago School.<sup>39</sup> During their colloquy, they conversed about Simons' *Positive Program*. Coase broached the subject:

I would like to raise a question about Henry Simons based on the *Positive Program for Laissez Faire*. This strikes me as a highly interventionist pamphlet. If you think of what he wanted to do in antitrust, he wanted to use it in such a way as to restructure American industry. If you think of his attitude toward regulation, he didn't like what regulation produced, and he proposed to reform things by nationalization. I find some of the things people say about Henry Simons difficult to understand. I never knew Henry Simons. I knew the pamphlet. I would be interested if someone could explain this pro-market view of Henry Simons. (Kitch, 1983, p. 178)

In attempting to address Coase's question, it was obvious that the responders were unsure of how to explain Simons. They wanted to call him pro-market, but, at the same time, they didn't. Stigler opined: 'It's quite a mixed picture. It's true that he was the man that said that the Federal Trade Commission should be the most important agency in government, a phrase that surely should be on no one's tombstone [laughter]. Everything Ronald says is right. Yet, relative to the hectic, excited days of the thirties, he was leaning the other way' (1983, p. 178). Friedman stated, 'By comparison with almost everyone else he was very free market oriented. I've gone back and reread the *Positive Program* and been astounded at what I read. To think that I thought at the time that it was strongly pro free market in its orientation' (1983, p. 178). Director remarked, 'Henry Simons thought that doomsday was upon us.' Director continued, 'One of his interests in these interventionist programs was to make the private system of production palatable to his colleagues' (1983, p. 179).

Even though Director, Friedman, and Stigler all had extolled Simons' pamphlet prior to the rise of Chicago neoliberalism, they offered Simons' work only faint applause – if any applause at all. If they had discussed Viner's Law School address, they, in all likelihood, would have frowned upon their former teacher's strong opposition to concentrations of power and his endorsement of Simons' *Positive Program*. Much had changed since the time that they were all Chicago classical liberals.

That the positions of Simons, Viner, and Knight had by the 1980s been considered so out-of-bounds as to be deemed nearly unworthy of serious consideration serves an eloquent demonstration of the success of Chicago neoliberals. What accounts for this success? Although we cannot cover all the conditions, we focus on two considerations.

First, Chicago's simultaneous espousal of distinct and to some extent contradictory positions, far from a weakness, proved to be a source of strength. Director's program addressed itself to judges and lawyers, and ultimately to the construction of the legal foundations of the 'competitive order' – that is planning the legal foundation of capitalism; Stigler's program addressed economists and political scientists, and ultimately produced guidance for regulatory bodies and for the social organization of knowledge. In popularizing elements of these programs, Friedman helped gain popular acceptance for measures to limit the reach of democratic discussion. Having one message for the masses, and another for the elite contributed to the advancement of (Chicago) neoliberal ideals.

Second, Chicago participated in a larger epistemic community that not only spanned national and disciplinary boundaries, but also included non-academics, often located at think-tanks (Plehwe and Walpen, 2006). Think-tanks operate between politics, academia, and the media. Their location within this 'hybrid and interstitial position' gives them their capacity for effective public intervention (Eyal and Buchholz, 2010; Medvetz, 2010).<sup>40</sup> For example, Chicago neoliberals staffed think-tanks such as the AEI, and they also founded think-tank-type institutions on Chicago's campus, such as the Stigler Center for the Study of the Economy and the State and the Becker Friedman Institute.<sup>41</sup> When compared with rival economics programs, the features of Chicago's epistemic community – originally coordinated by the



MPS and eventually promulgated by multifarious institutions – offered its scholars more opportunity to leverage ideas for world-changing action.

## Notes

1. Note that portions of this chapter have been adapted and reprinted with permission from Taylor and Francis from: ‘The Ascendancy of Chicago Neoliberalism,’ chapter 2, by Edward Nik-Khah and Robert Van Horn in *Handbook of Neoliberalism*, edited by Simon Springer, Kean Birch, and Julie MacLeavy, Routledge, Copyright © 2016.
2. The others are the MIT School of Paul Samuelson and Robert Solow, and the Cowles Commission-RAND School of Kenneth Arrow and Leonid Hurwicz. See Mirowski (2002).
3. Henry C. Simons Papers, Regenstein Library, University of Chicago, undated, box 8, file 9. Although this file is undated, its contents suggest that Simons wrote it in 1945.
4. Jacob Viner Papers, Mudd Library, Princeton University Archives, letter, Viner to Douglas, June 3, 1945, box 9, folder 4. Hereafter, VPML.
5. Viner's own views on business monopoly in the late 1930s can be gleaned from his correspondence with Laird Bell, a distinguished attorney and public benefactor of Chicago. In writing to Bell, Viner acknowledged that big business had some benefits, but emphasized, ‘the mere *size* of business units tends almost inevitably to result in attempts to escape the impact of competition which have important—and in my opinion highly desirable—consequences for the operation of the economic system.’ Viner considered this to be ‘*the* most important economic issue of our day’ because “‘bigness” ... *is* the essential element in the faulty working ... of our economic system.’ VPML, November 16, 1937, box 3, folder 33.
6. According to the rule of reason, ‘The courts were to determine reasonableness by considering the conditions leading to the adoption of the restraint, the effects of the restraint, actual and probable, and the intentions of the participants, as indicated by their actions’ (Dietz, 1951, p. 8). Simons

called for courts to spurn the rule of reason because ‘[when] lawyers try to draw a line between lawful and unlawful restraint of trade, they invariably end up with something that looks like the silhouette of a roller-coaster. ... The purpose may be laudable; but the result is that few people get caught, rather fortuitously, and the growth of monopoly, with perhaps some formal modification, proceeds apace’ (Simon, 1948, p. 101).

7. See Van Horn and Emmett (2014).

8. In a different editorial, Wallis and Stigler (1934a) adduced Simons’ *Positive Program* as an exemplar of great scholarship: ‘economics enables us to formulate ... concrete and practical proposals for social policies, such, for example, as that contained in Professor Henry Simons’s brilliant and suggestive “A Positive Program for Laissez Faire.”’ Indeed, in his *Memoirs*, Stigler later acknowledged that Simons’ *Positive Program* deeply influenced him (Stigler, 1988); until the 1950s, he believed in the need for robust anti-monopoly policies to safeguard competition.

9. This section draws extensively from Van Horn (2013) and Van Horn and Klaes (2011).

10. See Van Horn (2011).

11. VPML, letter, November 24, 1969, Viner to Don Patinkin, box 53, folder: Patinkin, Don.

12. Ibid.

13. George Stigler, who would only later accept a position at Chicago in 1958, was also present. Wallis was not a founding member, but joined immediately thereafter and served as its treasurer during its initial phase (Hartwell, 1995: 45).

14. For a detailed look at Hayek’s understanding of the competitive order and its significance at this juncture, see Van Horn (2013). Simons considered Hayek his intellectual comrade in arms, and Hayek considered Simons a ‘great friend.’

15. Quoted in Van Horn (2014).

16. This altercation and its outcome have been described and documented in Stigler (1988). Stigler merely pointed out that an outcome of the feud between Douglas and Knight was the firing of one member of the economics department; he did not say who that person was. Archival evidence indicates that it was Director (VPML, H. A. Millis to Viner, January 31, 1934, box 79, folder 'Chicago University Department of Economics, Millis').

17. 'Chicago University to Scan Free Market', 1946, *The New York Times*, November 2, p. 31.

18. For a detailed look at this position shift, see Van Horn (2011) and Van Horn and Klaes (2011).

19. This section depends heavily on Nik-Khah and Van Horn (2012).

20. For a list of the articles and books that the Antitrust Project published and that it caused to be published, see Van Horn (2009).

21. A tying arrangement is one form of vertical integration. Tying takes place when a seller stipulates that a buyer must purchase the 'tied' product in order to obtain the 'tying' product, the one the buyer wants. A tying arrangement is almost always imposed by the seller on the buyer. For example, if a retailer, a small business owner, runs a fishing boat business and if a manufacturer that commands monopoly in the fishing boat motor market demands that the retailer must purchase the manufacturer's motor oil in order to purchase its motors, then the manufacturer has tied its fishing motors (tying product) to its oil (tied product).

22. Notably, Herbert Packard, a legal scholar, perceptively regarded Director and Levi (1956) as the culmination of the Antitrust Project: 'If there is a "Chicago school" of antitrust thought, its manifesto is presumably the [1956] article by Levi and Director on Trade Regulation...' (1963, pp. 55–56).

23. See Director (1964 [1953]).

24. For example, Bork maintained that '[vertical mergers added] nothing to

monopoly power' (1954, p. 195), and his claim assumed that increased concentration resulting from a vertical merger was necessarily benign.

25. This paragraph draws from Scherer (2008, pp. 37–39).

26. The following discussion of Stigler's project is taken from (Nik-Khah and Van Horn, 2012).

27. Letter of Stigler to Walgreen, December 28, 1959. George J. Stigler Papers Regenstein Library, University of Chicago, box 13, file: Walgreen Correspondence. Hereafter GSRL.

28. Given space constraints, it is not possible to thoroughly explore the views of each.

29. Milton Friedman, in an interview transcript posted at <http://hellocoolworld.ca/media/TheCorporation/Democracy.pdf> (accessed March 4, 2015).

30. Fully considering Reder's (1982, p. 28) charge that both Simons and Friedman were 'wobbly' in supporting universal adult suffrage would take us too far afield from the present discussion.

31. What would enable Friedman to escape the chill of government finance was not merely courage, but the identification and courting of new sources of funding: pro-market advocacy foundations and corporations.

32. This paragraph draws extensively from Van Horn and Emmett (2014).

33. In 1967, Hayek still emphasized his distinction between democracy and liberalism: 'Liberalism and democracy, although compatible, are not the same ... the opposite of liberalism is totalitarianism, while the opposite of democracy is authoritarianism. In consequence, it is at least possible in principle that a democratic government may be totalitarian and that an authoritarian government may act on liberal principles' (1967, p. 161).

34. GSRL, box 26, file: Mont Pèlerin Society, 10th Anniversary Meeting.

35. 'As I mentally review Milton's work, I recall no important occasion on

which he has told businessmen how to behave. ... Yet Milton has shown no comparable reticence in advising Congress and public on [a variety of policies]. ... Why should businessmen – and customers and lenders and other economic agents – know and foster their own interests, but voters and political coalitions be so much in need of his and our lucid and enlightened instruction?’ (Stigler, 1975b, p. 312).

36. VPML, October 27, 1958, Viner to Director, box 8, folder 21. The Chicago Law School established a lecture series in honor of Henry Simons, and George Stigler gave the premier lecture (VPML, October 22, 1958, Director to Viner, box 8, folder 21).

37. VPML, letter, Viner to Douglas, June 3, 1945, box 30, folder: ‘Douglas, P.’

38. Ibid.

39. See Kitch (1983).

40. Think-tanks such as the American Enterprise Institute also housed what Michel Foucault (2008, pp. 246–247) called ‘permanent criticism’ of the state. Think-tanks would audit regulatory bodies according to market principles; Chicago articulated the principles.

41. On the neoliberal orientation of these institutes, see Nik-Khah (2011a, 2011b).

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# 9 Neoliberal Turn in the Discipline of Economics: Depoliticization Through Economization<sup>1</sup>

Yahya M. Madra  
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## Introduction

This chapter traces the genealogy of the neoliberal turn in the discipline of economics around four enduring theoretical controversies that traverse the entire field from the beginning of the twentieth century into the twenty-first. This historical sketch of a theoretical genealogy grounds a ‘thinner’ definition of neoliberalism that allows us to cast the net more widely than the commonly and traditionally deployed definition that limits it to a set of marketization, privatization, and (financial and trade) liberalization policies. Viewing the contemporary state of the discipline of economics from the perspective of this genealogy enables us to identify not only *pro-market* approaches, such as the Chicago or the Austrian schools, but also, perhaps more controversially, what we propose to call *post-market* orientations – post-Walrasian or mechanism design approaches – as part of the neoliberal episteme.

Taking Foucault's 1978–79 lectures (Foucault, 2008) as our point of departure, we suggest that neoliberalism be conceptualized as a drive towards *depoliticization* of the social and political realm through its *economization*: by reshaping and reformatting the institutional environment through the interface of *homo economicus* (according to which human beings comprehend and affirmatively respond to economic incentives), the neoliberal form of governmentality aims to solve all social and political problems by creating appropriate economic incentives (through different institutional configurations and policy devices). As such, we distance ourselves from the more commonly held definition of neoliberalism as a mere

amalgamation of marketization, privatization, and trade and financial liberalization, which cannot capture the different varieties of neoliberalism (that Brenner et al. (2010) colorfully conceptualize) and remains largely incapable of analyzing cases like Erdoan's Turkey or Correa's Ecuador (where the state apparatus remains an important, if not the determinant, player in economic life while simultaneously pushing forward with policies that prioritize the economization of the social). Instead, we claim that neoliberalism should be seen as a form of governmentality that accommodates a range of theoretical and political positions with diverse policy implications, including those that can be identified as interventionist – that is, those that favor deploying state-apparatuses or other non-market devices to govern society – provided that they stick to a conceptualization of human behavior as a form of cost-benefit calculus and adhere to a governance structure that is based on providing appropriate incentives as a means to further economic prosperity.

Understanding neoliberalism from a political economy perspective is certainly essential, and there is a rich literature that discusses structurally-transformative national and globalizing developments that led neoliberalism to emerge globally as a hegemonic mode of governance from the late 1970s onwards (see, e.g., Duménil and Lévy, 2004; Harvey, 2005; Cerny, 2008; Klein, 2008). Removal of trade barriers, declining trade union power, the shift from fixed to floating currencies, increased international capital mobility, growing power of multinational corporations, financialization, and similar developments – which can all be categorized under the term ‘capitalist globalization’ – on the one hand, and increased popular dissatisfaction with centrally-planned or guided welfare regimes, on the other hand, have been cited as factors of ‘pull’ and ‘push’ in the consolidation of the neoliberal program. Without denying the value of this line of investigation, in this chapter we will turn our attention to the theoretical underpinnings of the neoliberal turn within the discipline of economics. While our aim is not to privilege the disciplinary field at the expense of the broader political, social and economic processes, the study will contribute to an understanding of neoliberalism as an ‘episteme’ that is deeply woven into the fabric of contending economic discourses.<sup>2</sup>

We claim that the following four major, constitutive and ongoing

controversies that began in the inter-war years remain essential in understanding the development of neoliberalism as a theoretical formation: the ‘socialist calculation’ debate between socialist neoclassicals and *pro-market* Austrians about the role of markets, the feasibility of planning, the economic implications of ownership structures, and the factors behind innovation; the ‘Keynesian revolution’, which provided a theoretical framework for the modern welfare state and structured the post-war macro-economic debates even after the 1970s; the ‘marginalism’ controversy, which paved the way to the ‘selectionist’, *as if* arguments of Chicago economists and furnished an overarching metaphor of competitive processes (natural selection) for new institutional economics; and the ‘psychologism’ controversy, which first provoked the shift from ‘cardinalism’ to ‘ordinalism’ in neoclassicism and then subsequently resurfaced in a new disguise with the behavioral turn in economics. Our contention in this chapter is that the advent of neoliberal thought in the discipline of economics should *also* be read as a dynamic with strong endogenous characters that has developed as the corollary of these four constitutive controversies. With this four-track genealogy of the century-long neoliberal turn in economics, this chapter aims to provide a subtler understanding of how neoliberalism (*qua* economization) emerged as a complex and internally heterogeneous product of enduring theoretical struggles among contending economic traditions. To put it differently, while the Chicago and the Austrian schools are usually designated as the foremost proponents of neoliberal ideas, the real hold (and strength) of the neoliberal episteme stems from the fact that these *pro-market* economists forged and fine-tuned their ideas and arguments in debates with their (*post-market*) interlocutors and detractors, who share common theoretical (methodological and ontological) presuppositions.

## **Foucault's 1978–79 Lectures Revisited: A Thinner Definition of Neoliberalism**

Michel Foucault's lectures on *The Birth of Biopolitics* (2008) at the Collège de France, 1978–79, begin with a critical reading of German *ordo-liberalism* and proceed to an analysis of American Chicago-school neoliberalism, with the latter according particular focus to Gary Becker's (1976) category of ‘human capital’. In Foucault's otherwise insightful and prescient commentary

on the varieties of the neoliberal program, the Austrian tradition does not emerge as a school of thought distinct from the German *ordo-liberals* or the Chicago neoliberals. When Friedrich von Hayek – one of the founding figures of the Austrian school – makes an appearance in Foucault's lectures, he does so mainly as an intermediary figure between the Germans and the Americans (Foucault, 2008: 104, 193, 218).

Foucault demonstrates that the *pro-market* tone of the post-war era, the bulk of which arose from Germany and the USA, was motivated by a strong anti-state sentiment that bordered on state-phobia.<sup>3</sup> In Germany, one of the main concerns of *ordo-liberals* (as represented by, among others, Ludwig Erhard, Walter Eucken, Franz Böhm, Alfred Müller-Armack and Wilhelm Röpke) was to restructure the market economy in such a way that the experience of Nazism would not be repeated (Tezuka, 2001; Vanberg, 2001; Yamawaki, 2001; Ptak, 2009). But even then, since competitive markets cannot spontaneously emerge out of thin air, *ordo-liberals* argued, laws and regulations should be designed in such a manner that a 'social market economy' that limits the possibilities for monopoly power can come into existence. In this sense, *ordo-liberalism* emerged as a *pro-market* approach with a twist: it argued that markets must be actively institutionalized and their competitive characters be protected through regulation and legislation. In the USA, on the other hand, while the *pro-market* sentiments of economists such as Milton Friedman, Gary Becker and George Stigler at the economics department of Chicago University compelled them to produce 'a permanent criticism of governmental policy' (Foucault, 2008: 248), Ronald Coase and his associates at the law school of the same university were underlining the importance of contracts and property rights, which necessitated the existence of an institutional authority to secure the successful (and safe) functioning of business.<sup>4</sup>

According to Foucault, neoliberalism is not simply a *reincarnation* of eighteenth- and nineteenth-century economic liberalism (as set forth by Adam Smith), where governmental control over markets was to be curtailed, but a much larger political program of modeling the *overall exercise of political power* on the *logic of cost-benefit analysis*, through 'a grid of economic intelligibility' (Foucault, 2008: 242–260). This program of 'enterprise society', according to Foucault, was developed (intentionally or

unintentionally) as a solution to the long-debated tension in the liberal tradition: in pursuing the extension of meaningful freedom – and in particular freedom from economic need – the government has to introduce further regulations and devise ever more apparatuses of monitoring and support.<sup>5</sup> The emergence of neoliberalism, according to Foucault, meant the birth of a new art of government, a ‘biopolitical mode of governmentality’<sup>6</sup>, where the state would no longer act to safeguard the social rights of its citizens, but would rather design and implement the necessary economic incentive mechanisms (through imposing a grid of economic intelligibility) – which we propose to designate as ‘the depoliticization of the social realm’.

In revisiting Foucault's *Lectures*, we focus on two areas in which his analysis may be expanded. The first concerns Hayek, who certainly deserves more attention (Caldwell, 2004). To say the least, he was more than an intellectual figure: he was a political combatant who, in 1947, was instrumental in establishing the Mont Pèlerin Society, a research network aimed at promoting the idea of a free market and open society, as well as private property, against the post-war hegemony of the Keynesian welfare state capitalism and Soviet-style central planning. The Society has played an important role in promulgating neoliberal idea worldwide (Mirowski and Plehwe, 2009). Moreover, Hayek was influential in consolidating the Austrian school, either through his own contributions (mainly in the calculation debate – see below) or by amplifying the prominence of von Mises (his mentor). The focus of the Austrian analysis has been the market process itself, rather than the equilibrium construct of the neoclassical school (more specifically *à la* Walras), and the ways in which necessarily decentralized, subjective – ‘tacit’ – knowledge about an environment that is continuously changing is discovered and socially mobilized through the entrepreneurial activities of private businesses that aim at exploiting all profit opportunities. The Austrian school's contribution to theories of entrepreneurship and, in turn, innovation has been especially important in shaping some versions of the neoliberal program (Boettke, 1998).

Second, we posit that Foucault's biopolitical mode of governmentality should cover not only the Chicago and the Austrian schools, but also the so-called ‘post-Walrasian’, or mechanism-design, orientation. Post-Walrasian economists, while remaining within the neoclassical framework, argue that



the market mechanism is incapable of solving problems associated with information failures (e.g., adverse selection, see, moral hazard), thus creating market failures in product and factor markets. What is needed, therefore, is to design ‘intelligent’ (incentive-compatible) mechanisms that will elicit a certain desired performance from agents who are believed to be rationally pursuing their personal gains (Stiglitz, 1993; Hurwicz, 2008).<sup>7</sup> Given the aim here is to restore overall social welfare (which was an overriding concern for Walras himself), proponents of such approaches place emphasis on welfare considerations, while some even explicitly opt for left-wing (egalitarian) policy proposals (see, e.g., Stiglitz, 1994). Given that such positions, rather than privileging actually-existing (or spontaneous) markets, propose to design and implement non-market institutional arrangements that mimic actual markets or, arguably, supersede them along a number of metrics, they may be designated as *post-market* approaches. In a certain way, German *ordo-liberalism* can also be conceived as an early *post-market* orientation, especially to the extent that its proponents see markets as human-designed institutions that need to be instituted, protected and, if necessary, regulated.

Constitutive differences notwithstanding, the above-mentioned approaches all depart from the position that economic agents must follow a cost-benefit logic and that the state should relate to its citizens not through a rights-based grid of intelligibility, but rather through economizing (and thereby depoliticizing) the social and, more broadly, ecological field. This conceptualization enables us to consider neoliberalism beyond the market–state dichotomy and, contrary to the anti-state, free-market rhetoric of the likes of Ronald Reagan and Margaret Thatcher, we insist that there is no strict contradiction when politicians who invoke the entrepreneurial discourses and cost-benefit language of the neoliberal program also deploy state-power and non-market instruments. Neoliberalism, in theory and practice, is distinguished not by whether governments (should or should not) intervene in markets (which they invariably do); the decisive factor, for us, is the manner in which governments are conceived to intervene by replacing the rights-based perspective of the post-war social democratic program with the incentives-based grid of intelligibility of the neoliberal episteme (as best exemplified in the areas of education and health which, while once seen as a social right, have been commodified under neoliberalism).<sup>8</sup>

To wrap up, the neoliberal paradigm, according to our definition, corresponds to a particular epistemic shift in the way governments relate to, and regulate, the entire ensemble of social relations around a cost-benefit logic, given the assumption that all agents are calculatively rational and calculably responsive to economic incentives – and, as such, neoliberalism constitutes a *drive* not (only) towards marketization, privatization, and financial and trade liberalization but, more broadly, *towards an economization of the ensemble of social relations through governmental dispositifs*. Anchoring ourselves to this definition, in the next four sections, we trace how *pro-market* and *post-market* variants of neoliberal reason emerged out of four enduring theoretical controversies that have traversed the discipline of economics for over a century. The calculation controversy gives birth to both the Austrian tradition and the post-Walrasian approach; the Keynesian revolution and the marginalist controversy provided the theoretical contexts for the crystallization of, respectively, macro- and micro-economic versions of the Chicago school; and finally, the psychologism controversy enables us to trace pivotal transformations in the concept of the economic agent (a much less stable concept than it is usually presumed to be) throughout the twentieth century and into the twenty-first.

Two closing remarks: first, exploring this theoretical genealogy across these four controversies and the discursive heterogeneity therein will enable us to read neoliberalism as an episteme (rather than a mere combination of economic policies). Second, it is far from our intention to argue for a one-to-one mapping between the theory and the practice of neoliberalism. At best, the theoretical heterogeneity that we identify in the neoliberal turn in economics may provide us with yet another explanatory factor to understand the diversity and vicissitudes of actually-existing neoliberalisms.

## **The Economic Calculation Debate: An Enduring Controversy**

The economic calculation debate in the 1930s was about whether it was possible to have rational economic calculation of the allocation of resources towards different ends in a socialist economic system (which is narrowly defined as state ownership of the means of production).<sup>9</sup> On the one side of

the debate were economists from the Austrian school (the most prominent figure being Hayek), who denied that it was possible, while the other side comprised those economists working within a neoclassical (Walrasian) framework (the most prominent figure being Lange), who claimed that it was. According to the standard account, the first stage of the debate consisted of the salvo by Mises (1920), who suggested that rational economic calculation is theoretically impossible under public ownership. However, it then emerged that this challenge had already been addressed by Barone (1908), who had claimed that the allocation of resources could be rationally conducted in a public ownership environment given that the economic realm is presented by a set of (linear) functions (with the implication that Mises does not appear to have been aware of Barone's contribution). Hayek (1935a, 1935b), as a young scholar trained under the supervision of Mises, then claimed that the computational and informational problems involved in solving Barone's simultaneous equations would be tremendous. The third phase corresponds to the counter-attack presented by Lange (1938), who proposed a decentralized market socialist model within a Walrasian framework (claiming that managers of state enterprises would adjust their products' prices in accordance with the marginal-cost pricing rule by observing the alterations in their inventories given an aggregate demand level) and, as such, refuted the alleged practical impossibility of rational calculation under public ownership.

The standard account of the debate is that the socialist side won (with the caveat that the mechanism to motivate public managers to follow the marginal-cost pricing rule was understudied – as Hayek (1940) claimed in his ripostes to Lange's salvo).<sup>10</sup> Yet, even though the debate was primarily regarded as an important and controversial episode of the history of economic thought, we argue that the calculation controversy continued to shape the divisions within the neoclassical tradition in the post-war years. Various mathematical economists affiliated with the Cowles Foundation in the USA, many of them European *émigrés* with left-wing political sentiments, modified and fine-tuned the Lange model and investigated the incentive mechanisms of managers.<sup>11</sup> Their 'high modernist' social engineering worldview and groundbreaking work in combining statistical research with linear programming, activity analysis and optimization procedures made them strange bedfellows with the US military (first during the war effort and then during the Cold War) and its needs pertaining to command, control,

communication and information (Mirowski, 2002).

In the 1980s, the modern Austrian school (Israel Kirzner being the leading figure), emboldened both by the crisis of Keynesianism in the aftermath of the oil shocks of the 1970s and the subsequent rise of neoliberal ideas globally (heralded by Hayek's receipt of the Nobel prize for economics in 1974), contested the standard account that the socialist side won the debate on the grounds that the Mises–Hayek position was misunderstood by their opponents and that the challenge is still in effect.<sup>12</sup> They reiterated (with much rigor) their predecessors' emphasis on discovery, entrepreneurial activity and the importance of private property in conjunction with a well-functioning market environment. In addition, they added that the Walrasian socialism fell short in responding the Austrian challenge that promotes the discovery and innovation aspects of market processes (Brus and Laski, 1991).

The debate was an important input to the modern economics discipline in general and, above all, to neoliberal thought. First, the reiteration of the Austrian case against replacing the market mechanism had serious resonance – a claim that was fortified by the retreat of the bulk of the Walrasian socialist camp in the 1970s onwards to a 'market socialist' position, attempting to combine the market mechanism with that of planning (see, e.g., Elson, 1988; Bardhan and Roemer, 1992). But, more specifically, the enduring impact of the calculation debate on neoliberal thought was on how the issue of *information* (in the parlance of neoclassical economists) or *knowledge* (in the parlance of Austrian economists) could be incorporated into economic analysis. The usage of the two different terms is due to the distinct epistemological standpoints of these two contending economic approaches.<sup>13</sup> The neoclassical camp acknowledged that key pieces of economic information will always remain asymmetrically distributed among agents. This could be due to two factors. First, as Chicago economist George Stigler (1961) argued, given that information may not be readily available, there may be a price dispersion that makes it economically feasible for economic agents to incur 'search' costs (up to a certain threshold) for gathering the requisite information and finding the right price. In other words, Chicago economists conceptualized information as yet another commodity and promoted the introduction of (new) markets for information as a remedy to this market failure. In contrast, post-Walrasian economists highlighted the

strategic nature of information and argued that, given ubiquitous opportunism among economic agents, they may have economic incentives for withholding information. Given the strategic nature of information asymmetries, these post-Walrasian economists insisted that the introduction of new markets may not be sufficient to alleviate a large class of principal-agent problems that may prevent markets from clearing or even coming together. Accordingly, while some theoretical post-Walrasian economists tended to explain existing institutional configurations (e.g., the 'efficiency wage') as historically developed, incentive-compatible mechanisms that instrumentally address informational problems (Shapiro and Stiglitz, 1984; Bowles and Gintis, 1990), more policy-oriented practitioners sought to engineer and implement such non-market mechanisms to solve endemic information problems (in most cases, by aiming to elicit the desired behavior without needing to reveal information; see, e.g., Arrow, 1963a; Peterson and Boisvert, 2004). It is in this sense that we distinguish between the Chicago and the post-Walrasian skeins of the neoclassical tradition as *pro-market* and *post-market*, respectively.

In contrast to the neoclassical tradition, the Austrian school assumes knowledge is, by definition, tacit, consequently not objectifiable and transferable, and can only be articulated through entrepreneurial activities that are embedded in a market environment where 'rivalry' is the norm of interaction among agents. As such, they put emphasis on market processes through which resources in the short run are effectively allocated and, more importantly, innovation is realized. But what is common to all these three perspectives is the presumption that agents who have private information (to use the neoclassical lens) or who engage in economic activities to accomplish their entrepreneurial capacities (to use the Austrian lens) are primarily motivated by their private interest, acting in an opportunistic manner, within an environment of rivalry. Hence, the core of the economic problem, that of the allocation of resources to different usages, is framed as an operation around the issue of information/knowledge.<sup>14</sup> It is in this recasting of the problem of information/ knowledge in terms of a variant of the individualist ontology of economic incentives (whether it be as a commodity, strategic asset, or entrepreneurial *savoir faire*) that we find a cornerstone of the theoretical foundations of neoliberal thought.

# The Keynesian Revolution: An Economic Politics with a Public Spirit

The second dimension takes Keynes at its center. The gist of his argument is well known: following the Great Crash of 1929, in the middle of the Great Depression, Keynes (2007 [1936]) forcefully suggested that markets, left to their own devices, may not correct themselves, and that macro-economic aggregates may well not equilibrate at desired levels, thus causing unemployment, recession and, worse, a long, drawn-out depression. It is the duty of national governments (and, if necessary, international institutions), Keynes concluded, to step in and take corrective measures through counter-cyclical fiscal and monetary policies to mitigate the adverse effects of economic recessions and depressions.

One can easily read his argument as an extension of the socialist calculation debate (recall that Hayek's challenge was made in 1935, a year before the publication of Keynes' *magnum opus*). However, Keynes was not a part of that debate and his call had a totally different motivation: he placed emphasis on a 'fundamental' uncertainty that structures the economic system, one that is likely to cause at least some economic agents (entrepreneurs, investors) to take precautions that prevent them from fully engaging (e.g., investing) in economic life (Keynes, 1937). As students of Keynes would remember well, beginning in the 1920s, Keynes started to investigate the modality of acting without knowing the future, proposing a distinction between probabilistic uncertainty (risk) and fundamental uncertainty (Keynes, 1921): in contrast to situations where the likelihoods can be known in advance (risk), fundamental uncertainty corresponds to a situation where there is no reliable information on the future and, thus, no basis to calculate probabilities.<sup>15</sup> It is this latter, fundamental uncertainty that would always be behind economic crises and, in defending the capitalist system, Keynes came to the conclusion that since the decisions of the private sector may sometimes lead to inefficient macro-economic outcomes, active public policy responses are necessary to save the system.

Mainstream variants of the Keynesian economics (in particular, the 'neoclassical-Keynesian synthesis', which articulated the Walrasian general equilibrium framework with the Keynesian hydraulics of injections

(investment, government expenditure, exports) and leakages (savings, taxes, imports)) served as the standard economic models following the Great Depression until the late 1970s (mainly in the USA and Europe) (Bernstein, 2001). Moreover, in the post-war period, the Keynesian vision, coupled with the Pigovian tradition of public finance, became hegemonic in the welfare regimes of the West (Madra and Adaman, 2010). Ironically, it has been forcefully argued that the Keynesian economics was a petro-knowledge – a vision of an ever-growing economy which could not be possible were it not for the free-flow of cheap oil until the mid-1970s (Mitchell, 2011) and had little concern with what Pigou himself had much earlier designated as ‘social’ or ‘environmental’ costs. If anything, the capital-labor accord that the Keynesian program and the underlying Fordist regime of accumulation forged in practice through a mix of counter-cyclical macro-economic management and redistributionary policies was premised upon the displacement of the class conflict either onto increasing reliance of energy-intensive technology or towards the future through deficit spending that will be eventually paid off as the economy grows (Caffentzis, 2008).<sup>16</sup>

As this regime of accumulation reached its limits, the Keynesian economics started to lose much of its influence in the 1970s. In addition to the well-known factors, such as the oil shocks of the 1970s, the intensification of (financial and trade) globalization, the cost burden of the Vietnam War on the US economy, the stagflation of the late 1970s, and the overall institutional sclerosis of the post-war welfare state, we would like to highlight a deeper legitimacy crisis of the welfare state. The welfare regimes of the West, being vertically organized (however democratically elected) entities, were unable to incorporate large segments of societies into their governance structures, thus causing a prolonged malcontent on the part of the governed (Devine, 1988).<sup>17</sup> We believe that this created a fertile ground for a turn towards neoliberal ideas during the 1980s. Perhaps, it is in this context that Foucault, ‘like many progressive intellectuals of his period and later’, would turn to neoliberal thinkers – such as Hayek, Friedman, and Becker – ‘to find ways of renovating social democratic or socialist politics and escaping its perceived fatal statism’ (Dean, 2014: 5).

Within the field of economics, critique of the Keynesian program emerged primarily through two clusters of theoretical arguments, both of which would

then be used, at least partially, in the legitimization of the neoliberal program (Madra and Adaman, 2010).<sup>18</sup> The first one, known as the ‘agency problem’, corresponds to the family of theoretical and applied research on the implications of extending the *homo economicus* assumption into the governing body: bureaucrats, rather than being assumed to behave as Plato’s guardians, should be seen as self-interested agents who are capable of abusing their (state) power (Rose-Ackerman, 1975). This position was extended by Buchanan and Tullock (1962) through proposing the concept of ‘government failure’ to denote situations where government intervention would cause a more inefficient allocation of goods and resources than would occur without it. This critique of the bureaucracy through extending the assumption of opportunism could be read as part of a broader ‘economic imperialism’, whereby Chicago economists began to theorize the areas of social life that, until that point, remained outside the reach of economic analysis: education, health, crime, family, and so on (Fine and Milonakis, 2009). Interestingly, these areas of ‘applied economic analysis’ were precisely the areas in which the welfare state had extended its policies since the end of the Second World War (through New Deal and Great Society programs in the USA and the Beveridge Plan in the UK). This family of research served to de-legitimize the use of bureaucratic means for redistribution and – directly and indirectly – paved the way for a neoliberal political economy.

The second strand of critique may be labelled as the ‘legitimacy problem’. From this perspective, critique derived, first, from the field of social choice theory: there are no mechanisms, it was argued, to ‘properly’ aggregate individual agents’ preferences at the societal level. To put it differently, the assumption that democratically-elected governments can base their policy decisions on a social preference function derived from individual preferences is strongly problematized through impossibility theorems (Madra, 2017: 53–58).<sup>19</sup> This finding provided further ammunition to the neoliberal critique of certain types of government involvement in the economy. As a corollary of this line of critique, a second was derived from within the field of macro-economics. Combined with the failure of the Keynesian macro-economic policies to manage the stagflation of the mid-to-late 1970s, the monetarism of Friedman and, later, the rational expectations approach of John Muth and Robert Lucas claimed that economic agents are – at least partially – capable



of foreseeing macro-economic measures and, in turn, taking counter-positions to maximize their personal benefits at the expense of undermining the impact of the public policy. Further increasing the presumed rationality of economic agents undermined the theoretical integrity of the Keynesian paradigm and gave additional ammunition to the neoliberal discrediting of government involvement in the economy: it was not only illegitimate (cannot be grounded in an aggregation of individual preferences) but also ineffective (cannot have an effect as rational actors would always adjust their behavior accordingly). An interesting and perhaps ironic point is the distance traveled at the University of Chicago from Knight's vision of entrepreneurial activity in the face of (fundamental) uncertainty to Lucas's rational expectations environment that relies on the assumption of an 'objective probability environment' (Davidson, 1991).

## **The Marginalist Controversy: Market as a Meta-Metaphor**

The marginalist controversy, the third track we are going to cover, was concerned with whether producers in their (short- or long-term) decision-making follow the marginalist calculus as the neoclassical theory suggests, or formulate their decisions based on a different set of criteria (such as 'mark-up pricing'). The introduction of marginal analysis was the definitive twist that the neoclassical approach (emerging simultaneously in Manchester, Lausanne and Vienna) brought to the table at the turn of the nineteenth century, so much so that this new approach was initially labeled as the 'Marginalist School'.<sup>20</sup> However, skeptics were quick to ask whether this assumption held *in reality*, and many field researches were conducted to test it, with the conclusion that most managers of firms made their decisions without reverting to the marginal calculus of costs and benefits (Hall and Hitch, 1939; Lester, 1946; for surveys of this debate, see Lavoie, 1990; Vromen, 1995: 14–17; Mongin, 1998). In a more general theoretical context, American institutionalist economists, such as Thorstein Veblen, were persistently questioning the realism of descriptions of economic agents grounded in the concepts and constructs of utilitarian psychology (Lewin, 1996), while also pointing to the shortcomings of the abstract and formal models of neoclassical economists (Rutherford, 1994).

This challenge to the realism of assumptions, in the particular context of theories of the firm, was taken seriously, especially by the Chicago-wing of the Neoclassical school. The first one to acknowledge the criticism and produce a counter-argument that explicitly positioned itself as a mix of ‘Marshallian’ and ‘Darwinian’ types of analysis was Armen Alchian. Shifting focus from the individual firm to the Marshallian construct of the ‘representative firm’ of an industry, Alchian (1950) argued that while individual firms will not be able to behave as predicted by the neoclassical firm theory under the plausible conditions of uncertainty and incomplete information, the industry average, due to the *dynamics of market forces operating as a selection-mechanism*, will tend towards the pattern of behavior as predicted by theory. Three years later, Milton Friedman (1953), in his now-canonical paper on the methodology of economics, made a much bolder appeal to the biological analogy of the market as a selection mechanism. Expert billiard players, he argued, do not solve complex Newtonian equations before making their shots; but they hit the ball *as if* they satisfactorily solved them. Or, to put it otherwise, those that are successful must be the ones that made their shots *as if* they had already done the necessary computations. Nesting the billiard player analogy in a more fundamental biological analogy, Friedman argued that, since the selection mechanism of market forces will make sure that the surviving firms will be the ones that ‘approximated behavior consistent with the maximization of returns’ (1953: 22), regardless of how actual firms behave, it is ‘not at all unreasonable’ to construct models that assume that producers *do follow* the marginal-cost pricing rule.

A third line of defense came nine years later by another soon-to-be Chicago economist, Becker (1962), who argued that markets will tend to produce efficient results, even if individual economic agents do not act in accordance with the theory and display a spectrum of modes of behavior that range from ‘impulsive’ (random) to ‘inert’ (resistant to change). Becker's argument, like that of Alchian, hinged on the distinction he made between individual and market rationality. He argued that changes in opportunity sets (e.g., budget constraints), induced by the changes in relative prices, will compel ‘the *average* economic actor’ to behave in accordance with the predictions of the neoclassical theory, regardless of how irrational individuals may behave in practice.

These ‘selectionist papers’ are subsequently read as the foundational texts of new institutional economics (see, e.g., Vromen, 1995), or as the antecedents of evolutionary game theory (Samuelson, 2002), or even as the inspiration for simulation-based experimental economics (Gode and Sunder, 1993, 1997). Nevertheless, in several ways, these three authors – Alchian, Friedman, and Becker – are difficult to place appropriately because, despite the fact that their papers have been immensely influential subsequently, none of them pursued the systematic introduction of evolutionary ideas, but instead continued to build models based on the *homo economicus* construct.

Indeed, their explicit evolutionary-theory-inspired structuralism is in sharp contrast to their subsequent normative commitment to ‘individual choice’. In a commentary on Becker's essay, Austrian economist Kirzner (1962) was not able to make sense of what Becker was trying to do within his methodological individualist framework: if no one in the economy is behaving rationally, and if everyone is a price-taker, what causes the shifts in the relative prices? This may be an early instance of the recurrent ‘behaviorism’ in Becker's thinking that Foucault later drew out in his 1978–79 *Lectures*: ‘Rational conduct is any conduct which is sensitive to modifications in the variables of the environment and which responds to this in a non-random way, in a systematic way, and economics can therefore be defined as the science of the systematic nature of responses to environmental variables’ (Foucault, 2008: 269). Perhaps, the only qualifier we would add to Foucault's insightful reading of Becker is to point out that for Becker (at least in his 1962 paper), rationality is taken not at the level of the individual (who could as well behave irrationally), but rather at that of the market (as a *statistical* construct).

One other possible way to interpret these ‘selectionist papers’ is to read them as responses to the normative implications of the then-dominant Walrasian neoclassical paradigm and its conceptualization of the market through the ‘auction’ metaphor. Rather than being an apologetics for the market system, general equilibrium theorist Frank Hahn himself would claim that the Walrasian paradigm should be read negatively, so as to demonstrate ‘why the economy cannot be in [general equilibrium]’ (Hahn, 1984: 52). The assumptions under which stable, unique and efficient equilibrium outcome may be reached are so restrictive that it cannot be realized. Government

intervention was made necessary by a range of market failures (e.g., externalities, public goods) and imperfections (e.g., concentration of market power), while the conceptualization of markets through the ‘auction’ metaphor also allowed for the separation of the efficient operation of the market adjustment process from the distribution of the initial endowment. This latter property of the model made the redistribution of assets prior to the market adjustment process a plausible proposition. In other words, interventionism made possible by the Walrasian paradigm dovetailed nicely with the Keynesian macro-economic program of the post-war years, giving way to the ‘neoclassical-Keynesian synthesis’. The ‘selection’ metaphor was an alternative way of conceptualizing the market adjustment process, one that rekindled the liberal neoclassical trust in the efficacy (and the efficiency) of competitive market economies. Yet, this was more than a return to classical liberalism: the introduction of the biological notion of ‘natural selection’ into economic analysis and subsequent ‘naturalization’ of competition elevated the latter into an overarching social ontology that explains *mutatis mutandis* everything (as inaugurated in Becker's essay, aptly titled *The Economic Approach to Human Behavior* (1976)).

The marginalist controversy and the ‘selectionist papers’ that came out of it had a much more profound impact than many historians of economic thought may be prepared to admit. Through them, the foundations for the consolidation of the market mechanism as a meta-metaphor were forged. The neoliberal claim that the market and market behavior are the driving forces of efficient resource allocation were therefore put forward with much force.

## **The Psychologism Controversy: From the Ordinalist Turn to the Behavioral Turn**

The fourth and final track belongs to a meta question pertaining to the motivational orientations and cognitive capacities of individuals *qua* economic agents. As already noted in the previous section, during the inter-war years, the assumptions that early neoclassical economists made regarding how consumers and producers make decisions were severely criticized by American institutionalists. In these early days, the individual was conceptualized through a framework of cardinalist utilitarianism (*à la*

Bentham), where satisfaction derived was subject to comparison among commodities as well as individuals. However, in part due to the increasing prevalence of logical positivism among neoclassical economists, these external criticisms struck a chord, and the discipline opted for an ordinalist approach, which meant the end of a framework that allowed for comparisons of welfare among individuals and the transition to a Paretian universe.<sup>21</sup> With a minimalist set of information (when two bundles of commodities are presented, one needs to know whether one bundle is preferred to the other one or the two are of equal order), the ordinalist version was enough to provide the foundations for demand theory (Mandler, 1999).<sup>22</sup>

Since the main reason behind this shift was to assume *as little as possible* regarding the human psyche (an unobservable), this *ordinalist turn* meant that neoclassical economists could reduce the assumptions regarding the human mind to the axioms of rationality (defined over preference orderings) and dispense with the utility construct and all the eighteenth-century Benthamite ‘psychologism’ that it relied upon (Samuelson, 1938; Little, 1949). On the side of the Walrasian neoclassicism, economists and mathematicians at the Cowles Commission gave a rationalist bent to this positivist tendency by pushing forward with a complete axiomatization (Koopmans, 1957; Debreu, 1959; Arrow and Hahn, 1971; see also Ingrao and Israel, 1990). So much so that, in the formalist general equilibrium theory, the various functions of the human body (rather than the mind) are disassembled and disintegrated into a series of functions, agencies, and axiomatic properties (Ruccio and Amariglio, 2003: 110–119). On the side of Chicago neoclassicism, the ‘selectionist papers’ discussed above gave an open check to economists like Friedman and Becker to use the utility maximization framework pragmatically, as a ‘good enough’ approximation of human behavior without much impunity.

Yet, the ordinal turn did not really mean that the need to peek into the human mind could be dispensed with. On the contrary, even the internal consistency of choice, a very ‘thin’ (if not the thinnest) definition of rationality, must depend on ‘the *interpretation* of [the observed] choices and on some features *external* to choice as such (e.g., the nature of our preferences, aims, values, motivations)’ (Sen, 1987: 14). In other words, for Amartya Sen, any meaningful concept of rationality, unless our working assumption is to be

‘rational fools’, must refer not only to the underlying motivations of economic agents, but also to a broader communicative rationality of the communities within which these agents conduct their ordinary business of life (see also Sen, 2002). In a similar manner, fairly early on, Kenneth Arrow (1972) also noted the necessity of mutual trust for market exchanges to be conducted. Such interventions from mathematical economists were important in rekindling the interest in understanding the underlying motivations of human behavior beyond the narrow opportunism of *homo economicus*. The mushrooming literature in the last four decades led to a proliferation of behavioral orientations such as *homo reciprocans* (rather than pursuing narrowly-defined private interests, individuals respond to the external world by reciprocating – that is, by being courteous to those who have been good to them and by punishing those who have been bad to them) or as *homo altruist* (again, rather than pursuing narrowly-defined private interests, individuals respond to the external world by helping others) (see, e.g., Margolis, 1982; Stark, 1995; Fehr and Gächter, 2000). To a certain extent, these departures from the construct of *homo economicus* can also be considered as departures from the neoliberal program.

Nevertheless, the ways in which these theoretical constructs are introduced and mobilized in policy-making compel us to conclude otherwise. These alternative behavioral orientations are introduced to explain why they may either cause markets to fail to function properly or make up for market failures (Adaman and Madra, 2002). In other words, within the neoclassical theoretical corpus, these behavioral orientations are introduced in order to establish the conditions necessary for the proper functioning of markets – a problematic located squarely within the purview of neoliberal governmentality. To put it differently, if governing the social requires ‘getting the incentives right’, then the incentives should be properly calibrated for a range of behavioral orientations or ‘social preferences’ that diverge from the *homo economicus* construct (Bowles, 2016).

A second and equally relevant aspect of the problem pertains to the cognitive capacities of economic agents. Arguably, the literature on the cognitive limitations of human beings, more so than the literature on motivational diversity, constitutes the bulk of what is today known as the *behavioral turn* in economics. Here, on the one end of the spectrum, we have Herbert Simon's

work (1957) on ‘bounded rationality’, which highlights the computational limitations of economic agents: due to uncertainty about the future, costs of acquiring information in the present, and computational limitations of the human mind, agents are unable to make an ‘optimizing’ decision, but rather settle for ‘satisficing’ ones. On the other end of the spectrum, we can refer to Daniel Kahneman and Amos Tversky’s work (1979) on psychological traits (e.g., framing effects) that prevent agents from behaving in ways predicted by the *homo economicus* framework.

Again, here it is possible to interpret the behavioral turn in two opposing ways. On the one hand, there are those behavioral economists who wish to demonstrate through experiments why and how the *homo economicus* assumption fails to represent adequately the reality of the human mind. Francesco Guala (2007) calls this group ‘testers’ (as they are testing economic theories and assumptions regarding human motivations and cognitive capacities) and differentiates them from a second group, ‘builders’. This second group is much more pragmatic and takes as its task to build the appropriate mechanisms, institutions and interfaces that will accommodate for all the deviations (documented in and operationalized through an accumulation of experiments and simulations) from the standard *homo economicus* assumption – in order to supplement or, if necessary, supplant actually-existing markets. If what the first group does can be seen as critical of the neoliberal program, the second group’s objective seems to be explicitly to secure the smooth functioning of neoliberal governmentality given that the *homo economicus* interface (either due to motivational diversity or cognitive limitations) is very prone to fail in eliciting the desired behavior from the economic agents (McMahon, 2015).

In the long trajectory of this fourth, meta-track, a constant is the crisis of the *homo economicus* construct as a description of the reality of the human subject. From the ordinalist turn to the behavioral turn, we can discern the structure of a *longue durée* dynamic: if the ‘structuralist drift’ (in both its Walrasian formalist and Chicago selectionist variants) towards assuming as little as possible regarding the economic agent was, in part, a response to the psychologism controversy, the behavioral turn in economics can be read as a reaction to the austere, flattened and disassembled representation of the economic agent in post-war neoclassicism. Yet, this disciplinary dynamic of

reaction and counter-reaction could also be understood as a process of the increasing sophistication of the neoliberal program in engineering its institutional interfaces in increasingly subtle ways.

## Conclusion

In this chapter, we proposed to trace the genealogy of the neoliberal turn in economics through four enduring theoretical controversies. Consideration of the socialist calculation debate not only enabled us to trace the origins and evolution of the Austrian school, but also to demonstrate how the Walrasian socialist camp and, later in the last quarter of the twentieth century, the post-Walrasian mechanism design approach are also within the neoliberal episteme – defined here as the governance of the social through economic incentives. The rise and fall of the Keynesian macro-economic program and the modern welfare state provide us with one history of the emergence of the Chicago school, as well as an account of the key theoretical controversies and conflicts endogenous to the discipline. In a parallel manner, the marginalism controversy and the curious case of the ‘selectionist papers’ offer another history of the emergence of the Chicago school, along with an account of how the ‘selection’ metaphor (which naturalizes markets and contributes to the depoliticization of the economy) is introduced by Chicago neoliberals as a rival to the ‘auction’ metaphor of the then-dominant Walrasian general equilibrium approach. And, finally, we traced in the psychologism controversy both a century-long dialectics of reaction and counter-reaction of first assuming less (the ordinal turn) and then more (the behavioral turn) about the motivations and cognitive capacities of economic agents, and also the failure of the early neoliberal program (which relied exclusively on the *homo economicus* interface) and the fine-tuning of late neoliberal governmentality by accounting for the diversity of motivational orientations and limits of human cognition.

This four-track genealogy read the neoliberal program in its various forms as a project of the economization of the social, as materialized either through the naturalization of economic processes (as in the Chicago and the Austrian schools, albeit in different ways) or technocratization of their governance (as in the post-Walrasian mechanism design approach and the Austrian constitutionalism, albeit in starkly different ways), or a combination of both.



What is common to both paths to economization is the depoliticization of the social (which, of course, is a very political act – one that actively implements and pushes for the very institution of economic incentives in place of political negotiation through democratic participation). Even when behavioral economists acknowledge that individuals do not necessarily comprehend (due to cognitive (computational and psychological) limitations) and affirmatively respond (due to diverse motivational orientations) to economic incentives, they tend to make use of these insights to modify and reform the institutional frameworks of governmental rationality. In this precise sense, the neoliberal program of *depoliticization through economization of the social*, despite its vast internal heterogeneity (with its *pro-market* and *post-market*, formalist and pragmatist, hyper-rationalist and behavioral variants) can be read as a complex and adaptable political program of the mainstream of the economics discipline.

## Notes

1. This chapter builds on our previous writings on neoliberalism: Madra and Adaman (2010, 2014) and Adaman and Madra (2014). See also Madra (2017). We are thankful to the editors, as well as to Duygu Avcı, Ozan İşler and Pat Devine, for their constructive comments. The usual disclaimer applies.

2. Following Foucault's earlier work (1970), we understand 'episteme' as an 'interdiscursive horizon, situating all historically determinate discourses, different and dispersed, in a common spatial field' (Amariglio, 1988: 586–7). This way, both *pro-market* and *post-market* approaches are rendered intelligible as part of a common spatial field. While the category of episteme carries with it all the limitations of structuralism (such as the difficulties it faces in explaining transition from one episteme to another, and the exhaustive nature of an episteme, making it difficult to theorize discourses that are heterogeneous to a given episteme), it does serve a useful function for our efforts to theorize the neoliberal turn as a deeply woven, interdiscursive phenomenon that has far-reaching implications beyond the discipline of economics and into the fabric of the social as a form of *savoir faire*.

3. Foucault's lectures have recently been revisited extensively. See, for instance, Gordon (1991), Lemke (2002) and Tribe (2009). For a more recent reassessment of Foucault's status as a critic of neoliberalism, see Dean (2014).

4. On the legacy of Coase and the Chicago School in the neoliberal transformation of law and economics in the USA, see Davies (2010).

5. The traditional liberal position would require the state, on the one hand, to safeguard law and order and provide basic services to poor segments of society (e.g., health and education services) and, on the other hand, to secure the competitive characteristics of the market system (e.g., by fighting monopolization). With the advent of modern state, both market-supplementing regulation and redistributive welfare policies became increasingly complex and constitutive of the social (Donzelot, 1991 [1978], 2008; Procacci, 1991 [1978]).

6. Foucault (1991 [1978]: 102) defined 'governmentality' as an ensemble formed by 'the institutions, procedures, analyses, calculations and tactics that allow the exercise of [a] complex form of power' over the social, which facilitates the materialization, maintenance and reproduction of the economic processes of production and distribution, as well as political processes of sovereignty and order-making.

7. When agents hold private information with economic value that they find it in their interests not to reveal (thus causing markets not to function properly), it is argued, an incentive mechanism should be designed to induce them to truthfully reveal their information.

8. In the USA, the neoliberal push for privatization in education took the form of a debate on charter schools, and, in this regard, 'school vouchers' (which facilitate transition from public schools to charter schools) were first suggested by Milton Friedman in his *Capitalism and Freedom* (2002 [1962]). For a recent account of the neoliberal transformation of education in the USA, see Hursh (2016). Again, in the USA, health care has been historically considered not as a right but, at best, an 'entitlement' (as in the cases of Medicaid and Medicare) and has been explicitly or implicitly rationed (by price or by other means). For a history of the social struggles over the

provisioning of health care in the USA since the Great Depression, see Hoffman (2012).

9. This paragraph draws upon Adaman and Devine (1996, 1997, 2002).

10. See also Burczak (2006: 29–37). Recall that Hayek by the mid-1940s opened up a new front by arguing that individual liberty will be jeopardized under socialism (Hayek, 1944). On the other hand, in addition to Austrian and Walrasian socialist contributions, there was a third strand presented by Maurice Dobb (1955), who claimed that, given the unavoidable uncertainty associated with atomistic decision-making (especially with regard to investment and disinvestment), the decentralized model of Lange would not capture the core element of a socialist economy: long-term strategic planning. Yet, his contribution remained peripheral to the main debate (in part, the force of his argument was later weakened by its resemblance to the Soviet model, which was largely discredited due to its authoritarian governance structure).

11. This is the case in state enterprises, as well as private firms, where there is a separation of ownership from management – known as the ‘principal-agent problems’. For an early treatment, see Bergson (1978).

12. For a general position of the modern Austrian approach, see Kirzner (1987) as well as Boettke and Coyne (2015). Lavoie (1985) and Kirzner (1988) initially provided the basic ammunition for the second, new attack. See also Caldwell's (2010) defense of the Austrian tradition as a classical liberal one against the efforts of those presenting it as a part of the neoliberal turn in economics. While we consider Hayek to be a part of the neoliberal turn, we do so by clearly differentiating (methodologically, ontologically, epistemologically) the Austrian school from the Chicago school, in particular, and the neoclassical tradition in general (see also Madra and Adaman, 2014).

13. It is worth noting that the calculation debate was conducted not only on the basis of different ideological positions (left versus right, or capitalists versus socialists), but also on different methodological, ontological and epistemological positions. Indeed, one may find it paradoxical that the same Friedman who fully supported Hayek in his Mont Pèlerin mission remained silent when the Economics Department at the University of Chicago rejected

Hayek's application to the department on the grounds that his command of technical and formal methods was found to be inadequate; see Skousen (2005).

14. Note that within the socialist camp, an alternative vision can be found in Adaman and Devine (2002), which suggests that participatory planning can satisfactorily answer such concerns, as all related parties would have their say in the planning phase – and, as such, the system would make it possible to feed the planning process by mobilizing the tacit knowledge of all interested parties.

15. Although both Keynes and the ‘old’ Chicago economist Frank Knight were almost simultaneously drawing attention to a similar fact – that of systemic uncertainty – their policy conclusions were rather different. In contrast to Keynes, who pushed the emergency button to call governments into action, Knight (1921) saw in it an element of opportunity for entrepreneurs who would exploit the foggy environment to their benefit.

16. For extensive discussions of the post-war Fordist regime of accumulation in advanced capitalist societies, see Aglietta (1976), Marglin and Schor (1990) and Harvey (1991).

17. For a discussion of how ‘functional integration’ of citizens as workers and consumers in Fordist regimes of accumulation leads to ‘social disintegration’ and alienation, see Gorz (1989).

18. As a matter of fact, these two lines of criticism would apply to any position that gives a substantial role to governments – and as such they are *ipso facto* equally, if not more, relevant to the socialist calculation debate. One can, indeed, ask the following question at this point: How different was the Beveridge Plan in the UK from the Gossplan in the USSR? The former had, just like the latter, a lot of planning and public ownership; and the latter had, just like the former, small-scale units with some degree of private control.

19. One path is that of Arrow (1963b): for an *a priori* chosen set of axioms that are seen as the cornerstones of a liberal democratic society, there is no aggregation rule that would satisfy all of these axioms simultaneously.

Another is that of Sen (1970): any aggregation mechanism may fail to satisfy both liberalism and Pareto optimality simultaneously.

20. Mirowski (1984), in his seminal analysis of the marginalist revolution as an effect of a ‘physics envy’ in economics, argued that the Austrian school should be treated separately from the Jevonsian and the Walrasian traditions.

21. Lewin (1996) recovers the historical and intellectual context of the controversy.

22. As a caveat, let us remind the reader that the entire micro-economics of the mainstream approach is now based on the ordinal approach – except for cases of choice under probabilistic uncertainty, which is treated via the cardinal alternative.

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# 10 Embedding Neoliberalism: The Theoretical Practices of Hayek and Friedman

João Rodrigues

## Introduction

Among students of neoliberalism influenced by Karl Polanyi's (2001 [1944]) work, a gulf has been diagnosed between neoliberals' 'utopian vision' of a disembedded economy and the realities that they had historically to face in 'the murky worlds of market-oriented "governance"', made of 'repeated, prosaic, and often botched efforts to *fix* markets, to build quasi-markets, and to repair market failures', i.e., of efforts to embed the economy in particular ways (Peck, 2010: xiii). Mirowski (2009) has reinterpreted this gap as part of a 'double-truth' at the heart of the intellectual and political history of neoliberalism, whereby the myths are for the ideological consumption of the 'masses', while those at the top of the social, corporate or intellectual hierarchies, who ultimately benefit from neoliberalism, have access to the knowledge of what is really involved in the political and moral economies of this project: controlling and reconfiguring the state and cultivating the appropriate moral climate among the populace so that commodification is deliberately pushed forward and accepted. These became two of the central tasks of elites who have to realize the demanding social and political engineering involved if they want to be successful. Uncovering this double-truth then becomes a useful way of exposing the gap between the discourse of neoliberalism, aimed at its naturalization, and the realities of an elite-driven intellectual and political constructivist effort to strengthen market forces and corporate power, i.e., to embed neoliberalism.

While capturing important dimensions of what is at stake in the history of neoliberalism and in its robustness, both as an ideology and as a set of more or less hidden institutional practices, the aforementioned gap should be

critically scrutinized and, to a certain extent, reconfigured. One of the reasons for this is that the gap is already anticipated discursively in the theoretical practice of neoliberalism before its triumph. An analysis of certain facets of the work of both Friedrich Hayek and Milton Friedman, perhaps the two most prominent examples of the theoretical practice behind neoliberalism, authorizes this interpretation.

Probing the political and moral economies of Friedrich Hayek and Milton Friedman before neoliberalism's political triumphs is a way to capture the plasticity and robustness of their set of ideas. Political economy is here simply understood as the relationship between politics and economics, the polity and the economy, in general, and the relation between the state and markets and how the lines between them are bound to be drawn and redrawn, in particular. Moral economy focuses on the relations between markets, as well as on the non-market institutions on which the former rely, and the motivations and dispositions that guide individuals' behavior, including here the issues of 'endogenous preferences' and of the supposed neutrality of certain institutional arrangements (Bowles, 1998; Sayer, 2007).

Despite their more or less frequent references to spontaneous order (Hayek) and to *laissez-faire* (Friedman), the constructivist elements, pointing to deliberate political creation and maintenance of their favored socio-economic order, are more transparently, and one might say realistically, present in their theoretical political and moral economies, with practical consequences, than the double-truth thesis is capable of acknowledging. This does not detract from the fact that the demanding role for the state, and for the elites that should control it, coexists uneasily with facets of their thought, which have rightly been denounced as ideological 'enabling myths' (Dugger, 1989). These myths range from the defense of the apolitical nature of 'free markets', premised upon the separation of the economy from a limited but strong polity, to their unintended but positive moral effects or to the related and quasi-naturalistic idea that a disimbedded order essentially based upon a self-regulating market arises spontaneously out of the retreat of the state, thereby signaling its attunement to prevalent human dispositions in a context of unavoidable scarcity.

It must nevertheless be emphasized that part of the political and intellectual

strength of neoliberalism is rooted in the capacity of some of its intellectual leaders to think anew about the failures of classical liberalism to maintain its hegemonic status in the interwar period and to take on board, as it were, some of its critics' complaints, presenting a more embedded political and moral economy, but one in which the non-market spheres are valued instrumentally, i.e., to the extent that they functionally contribute to advance the frontiers of commodification. Hayek and Friedman have vast, and heavily scrutinized, methodological and epistemological differences, rooted in their different theoretical practices within economics – Austrian and neoclassical, respectively (Caldwell, 2004; Garrison, 2014). Nevertheless, and this will be emphasized here, their common contribution to the so-called 'neoliberal thought collective' (Mirowski and Plehwe, 2009) might allow us to think as if there was an advantageous division of labor between the two. Hayek, particularly from the 1940s onwards, invested in the philosophical underpinnings of the political and moral economies of neoliberalism, emphasizing the epistemic virtues of markets in contexts of unavoidable uncertainty and limited rationality, while also underlining their embeddedness in a set of abstractly defined rules. Friedman, given his neoclassical leanings, was more openly and thoroughly positivist in his vision of the virtues of so-called competitive capitalism, a system viewed as if populated by self-interested rational maximizers, and in his keenness to propose an agenda for government seemingly composed of very concrete and practical market-like technical fixes, to be evaluated in clear means–ends rationalist terms (Burgin, 2012).

Taken together, Hayek and Friedman can be said to anticipate what has recently been referred to as the 'ambivalence of neo-liberal epistemology' (Davies and McGoey, 2012: 64), i.e., the way neoliberalism functionally oscillates between a vision that emphasizes ignorance, uncertainty and 'softer' forms of rationality and one that stresses the confident possession of economic knowledge by the relevant actors about how the world works and how it should be made to work. By referring to a division of labor within an enduring intellectual and political alliance, some convergences between these two important authors will be here emphasized, both in terms of their respective political and moral economies and in terms of the antinomies that mark their works.

# The Political Economies of Neoliberalism: Beyond the Minimal State

Hayek's neoliberal political economy is marked by an effort to answer anew a question that had been increasingly challenging liberalism since Bentham formulated it: 'to distinguish between the agenda and non-agenda of government' (Hayek, 1948: 17). Hayek had already made clear in the *Road to Serfdom* that 'the question whether the state should or should not "act" or "interfere" poses an altogether false alternative, and the term *laissez-faire* is a highly ambiguous and misleading description of the principles on which a liberal policy is based' (Hayek, 2006 [1944]: 84).<sup>1</sup> 'Planning for freedom' or 'planning for competition' (Hayek, 1939, 2006 [1944]) meant the deliberate assurance of the institutional arrangements of an evolving market order: 'the functioning of competition not only requires adequate organization of certain institutions like money, markets, and channels of information – some of which can never be adequately provided by private enterprise – but it depends above all on the existence of an appropriate legal system', which has to be 'intelligently designed and continuously adjusted' (Hayek, 2006 [1944]: 39–40).

The fact that there is in Hayek (2006 [1944]: 40) a 'wide and unquestioned field for state activity', seemingly at odds with his intransigent arguments about the 'muddle of the middle', posed great challenges to his political economy. These were precisely underlined by John Maynard Keynes (1973 [1944]: 386–387) in a letter to Hayek:

You admit here and there that it is a question of knowing where to draw the line. You agree that the line has to be drawn somewhere, and the logical extreme is not possible. But you give no guidance whatever as to where to draw it. ... But as soon as you admit that the extreme is not possible, and that a line has to be drawn, you are, on your own argument, done for, since you are trying to persuade us that as soon as one moves an inch in the planned direction you are necessarily launched on the slippery path which would lead you in due course over the precipice.

After listing some of the needed functions of the state, and in one of the rare usages of the term 'neo-liberalism' by a member of the postwar Mont Pèlerin Society, Milton Friedman (1951: 9) recognized: 'These are broad powers and important responsibilities that the neo-liberal would give to the state. But the essential point is that they are all powers that are limited in scope and capable of being exercised by general rules applying to all.'

The idea that the powers of the neoliberal state should and could be framed by the rule of law is a point to which Hayek (2006 [1960]) devoted much more work than Friedman, partially in response to Keynes' (1973 [1944]) challenge (Shearmur, 2006; Plant, 2010). The rule of law was established by neoliberals primarily to exclude certain forms of state intervention, given its procedural and negative bent: 'If coercion is to be used only in the manner provided for in the general rules, it becomes impossible for government to undertake certain tasks' (Hayek, 2006 [1960]: 168). The neoliberal understanding of the legal architecture is of such a nature as to be explicitly compatible with a rather undefined and apparently depoliticized principle of expediency in the evaluation of much needed public policies: '[A]s long as they are compatible with the rule of law, they cannot be rejected out of hand as government intervention, but must be examined in each instance from the viewpoint of expediency' (Hayek, 2006 [1960]: 194). This position squares well with a previous view of the state as a 'piece of utilitarian machinery' (Hayek, 2006 [1944]: 80). Its involvement in a capitalist economy is then to be assessed by a seemingly impartial and thereby epistemically and motivationally demanding evaluation of the net benefits in terms of welfare, as foreseen by those whose task is to decide and implement policies. Despite his increasingly strident bromides against 'big government', in *Capitalism and Freedom*, Friedman (2002 [1962]: 32) also recognized (and reaffirmed it word by word in *Free to Choose* (Friedman and Friedman, 1981 [1979]: ix)) that: 'Our principles offer no hard and fast line how far it is appropriate to use government to accomplish jointly what is difficult or impossible for us to accomplish separately. ... In any particular case of proposed intervention, we must make a balance sheet, listing separately the advantages and disadvantages.'<sup>2</sup>

In a deliberately open-ended formulation, Hayek (2006 [1960]: 194) summarizes the neoliberal political economy: 'it is the character rather than

the volume of government activity that is important' since a 'functioning market presupposes certain activities on the part of the state; there are some other such activities by which its functioning will be assisted; and it can tolerate many more, provided that they are of the kind which are compatible with a functioning market'. The distance between the abstract concept of a 'functioning market' and its concrete institutional expressions is what had to be articulated in neoliberalism as a theoretical practice devoted to the political travails of assuring the institutional underpinnings of a market society. The subordination of the non-market sphere to the diverse and complex requirements of the market sphere could not entirely be specified in advance. Drawing the line would never be a clear-cut intellectual and political affair once the classical *laissez-faire* vision of the minimal state was superseded (Rodrigues, 2012).

Hayek and Friedman were then willing to go beyond the role of the minimal state, which has as its sole task the monopoly of coercion outside the market, indispensable to defining and protecting property-rights and contracts, for example. But even this latter function was considered to be more complex than previously thought by classical liberals. For example, Friedman (2002 [1962]: 26) repeated Hayek's (1948) concerns in the first inaugural meeting of the Mont Pèlerin Society when considering that 'what constitutes property and what rights the ownership of property confers are complex social creations rather than self-evident propositions'. Even if supposedly committed to a stringent notion of negative freedom, neoliberal political economy was riddled with tensions, given the 'conflicts among the freedoms of different individuals', particularly 'the freedom to combine and the freedom to compete' (Friedman, 2002 [1962]: 26). The unavoidable definition of the rights, and corresponding obligations, underpinning economic transactions was then fraught with difficulties and would always be contested.<sup>3</sup> One of the main reasons for this state of affairs was shared by both Hayek and Friedman and can be thus summarized: 'the challenge is to reconcile individual freedom with widespread interdependence' (Friedman, 1955a: 17).<sup>4</sup>

Besides the complex institutional underpinnings necessary for markets, both Hayek and Friedman recognized that modern societies tend to multiply the areas where markets themselves may fail without public assistance. Both authors acknowledge the existence of public and merit goods that might



require remedial action by the state. The way this is done is mostly similar to the contemporary neoclassical textbook argument already anticipated in Adam Smith's *Wealth of Nations*, approvingly quoted by Hayek (2006 [1944]: 40): there are services 'which, though they may be in the highest degree advantageous to a great society, are, however, of such a nature, that the profit could never repay the expense to any individual or small number of individuals'. Friedman (2002 [1962]) follows the same line, obliging both to recognize the potentially wide range of state activities it might imply. The same reasoning applies to externalities or 'neighbor effects', which are also acknowledged in a convergent mode, with the textbook cases of pollution and parks, said to be particularly important in urban areas, being highlighted by both authors (Friedman, 2002 [1962]; Hayek, 2006 [1960]). More interesting is the case of the regulation that frames markets, part of their contested and malleable institutional underpinnings, although this institutionalist dimension is more highlighted by Hayek (Rodrigues, 2012). Regulation can even be a way of diminishing the lack of information and generic knowledge that market participants, or at least some of them, might have: it 'certainly assists intelligent choice and sometime might be indispensable for it' (Hayek, 2003 [1979]: 62).

In assessing the role of the state in responding to certain failures of markets, Hayek (2006 [1960]) tried to draw a line between the welfare state and its neoliberal alternative, what he labeled the 'service state', thereby trying further to specify the character of state interventions needed in a market society. He then tried to distinguish between the welfare state as a 'coercive monopolist' of social services and interventions, financing those services by means of progressive taxation, and (re)allocating resources based on some egalitarian notion of social justice, and the service state which solved market failures by means of proportional taxation and in market-conforming ways that did not hinder, but instead promoted, their further development (Hayek, 2006 [1960]). The alleviation of poverty and provision of education illustrate well the neoliberal approach to the service state, but also a difference between Hayek and Friedman identified by Burgin (2012: 178): while political economists like Hayek tended to be too general and abstract in their pronouncements on public policy, Chicago-style economists like Friedman were much more concrete 'about the myriad ways in which his philosophical orientation could be reflected in legislation', thereby proposing 'an

astonishing range of specific alterations to governmental practices'.

Indeed, when referring to poverty alleviation, both Hayek (2006 [1944], 2006 [1960]) and Friedman (2002 [1962]), like all neoliberals, agreed that there is a role for government, despite the existence of supposedly valuable decentralized charitable initiatives in solving what would always be for them a relatively minor problem under a properly functioning capitalism. Public assistance exclusively channeled to those who fall below a certain unspecified threshold of economic need might be required for precautionary reasons, i.e., to guarantee the social stability and political legitimacy for their model of capitalism, as Hayek recognized already in *The Road to Serfdom* (Hayek, 2006 [1944]). They were also both concerned to assure that this minimum income should be guaranteed to all in need without distorting markets like so many socially-inclined public policies, from the minimum-wage laws to other price support welfare interventions (Friedman, 2002 [1962]).

Bearing these goals in mind, it was Friedman (2002 [1962]) who boldly proposed a 'negative income tax' to make poverty alleviation compatible with unfettered market competition. As for education, recognizing that it is an important example of a merit good, they argued for a certain level of state-guaranteed compulsory education for all, so that individuals shared some unspecified knowledge, skills and values, no matter what their socio-economic and cultural background was, thereby guaranteeing their minimal socio-economic and political inclusion (Friedman, 2002 [1962]; Hayek, 2006 [1960]). When trying to translate this general view into a concrete policy proposal along neoliberal lines, Hayek (2002 [1960]), for example, fully endorsed Milton Friedman's (1955b) plan to institute a state-financed voucher system, trying to combine an extent of public financing of education with its private provision through market competition between schools. As restated in Friedman (2002 [1962]), the goal was to retain the advantages of market competition and decentralization, which are supposed to be universal, if things are organized accordingly, without creating barriers through the price system that may preclude certain individuals from attending schools. In this context, the role of the state is to embed non-market principles within a broader process of market competition. Not surprisingly, Friedman recognizes that the distribution of vouchers clearly depends on a demanding

state machinery, but fortunately such machinery was already in place, ‘a phenomenon that has come to full flower with the enormous extension of personal taxation and of social security programs’ (Friedman, 2002 [1962]: 97). Neoliberals had then to seize and reconfigure such machinery for their own goals. Negative income tax and school vouchers are two concrete policy manifestations of the ‘character’ of the service state abstractedly portrayed by Hayek (2006 [1960]).

As important as these concrete policy measures are, it is crucial, both for Hayek and for Friedman, that they are embedded in a wider set of constraining constitutional rules that increase their probability of being implemented, i.e., that foster market-conforming and market-promoting policies and block political initiatives that might lead towards decommodification and redistribution oriented to anti-market ideals of social justice. This shows that the constructivist side of neoliberal political economy was clearly assumed by its main protagonists at the theoretical level. Indeed, Hayek never wavered in his constructivist conviction that ‘government is necessarily the product of intellectual design’ (Hayek, 2003 [1979]: 152) and a crucial product at that, since it had a role to play in shaping the institutional arrangements of which a market society was made. For example, controlling government, in order to impose his open-ended neoliberal agenda, would require a political constitution and a political and judicial system attentive to the dangers of what Hayek labelled ‘unlimited democracies’, associating ‘limited democracy’ with the flourishing of the market: ‘I doubt whether a functioning market has ever newly arisen under an unlimited democracy, and it seems likely that unlimited democracy will destroy it where it has grown up’ (Hayek, 2003 [1979]: 77). This is where Hayek’s ‘intellectual emergency equipment’ enters deliberately to engineer the needed limitations to democracy (Hayek, 2003 [1979]: 152). It was aimed at changing the priorities and possibilities of politicians and citizens and at avoiding the contexts that nurture forms of collective action favoring, for example, redistributive policies guided by the idea of social justice. According to Hayek, this is to be achieved through a detailed blueprint for reforms in the political process that would give power to elites, ideally influenced by neoliberal worldviews, with only a minimum of popular scrutiny and democratic choice. The latter would be constrained by a constitution that blocks social-democratic outcomes in the areas of taxation or the extension of democracy to the economic realm

(Hayek, 2003 [1979]).

Always more concrete, Friedman and Friedman (1981 [1979]: 287), proposed a detailed list of 'broad rules limiting what government may do'. These include: strict limitations to taxes and spending measures, ruling out Keynesian fiscal policies; monetary rules, thereby constitutionalizing monetarism and its particular focus on 'sound money'; or detailed prohibitions of regulatory measures that challenge 'free' economic flows at the international level. Taken together, these measures would amount to an 'economic Bill of Rights'. Even if this was specifically intended for the Constitution of the United States, its potential universal scope was clearly assumed.

The political economy of neoliberalism is unthinkable without its goal of 'dethroning politics' to use Bellamy's (1994) apt expression, understood as the conscious effort to reconfigure the policy space available to governments so that neoliberal policies become the only alternative. In this context, the promotion of international integration, at the supranational level, on the one hand, and decentralization, at the national level, on the other, were both complementary and instrumental for Hayek (2006 [1960]), as well as for Friedman (2002 [1962]). They would guarantee a desired institutional competition, arbitrated by free capital movements, reinforcing a selective discipline upon states, complementing constitutional rules.<sup>5</sup> Despite different blueprints, either sectoral or global, there is a common institutionalist intuition running throughout their works, according to which a multiscale dispersion of political power is the best way to embed neoliberalism, to guarantee a kind of institutional lock-in, but only after the desired institutional changes are deliberately engineered.<sup>6</sup>

## **The Moral Economies of Neoliberalism: Beyond Neutrality**

Ultimately, both Hayek and Friedman's neoliberal architecture of government depends upon the interplay of institutions and individuals endowed with adequate motivations and opinions in the different spheres in which they operate, market as well as non-market; it depends on a particular

understanding of the moral economy. In the case of Hayek, this goes much beyond the assumptions of liberal neutrality in political philosophy, underpinning the idea that markets simply allow individuals to pursue their different conceptions of the good. In the case of Friedman, this also goes beyond the assumption of *homo economicus* in neoclassical economics, to which, contrary to Hayek, he adhered to defend the discipline's capacity for value neutrality.<sup>7</sup> In both, the neoliberal institutional set-up argued for is then far from neutral in Raz's (1983) double sense: it has an impact on human ends and values and requires essential reference to such values in its justification.

Hayek's moral economy has as its very explicit starting point a double recognition: that 'man is as much a rule-following as a purpose-seeking one' (Hayek, 2003 [1973]: 11) and that social theory 'starts from men whose whole nature and character is determined by their existence in society' (Hayek, 1948: 6). Hayek then also focuses on the complex patterns of relations between human agency and social structures and develops an argument according to which the identification of these patterns – 'the kinds of circumstances which affect human action' (Hayek, 1967: 232) – is part of the proper aim of the social sciences. This means that 'endogenous preferences', i.e., the way institutions mold individuals' motivations and values, are part of the proper aim of his moral economy (Bowles, 1998; Rodrigues, 2013). Hayek then developed a socially and morally embedded view of the individual, who is much more dependent on moral and legal rules, within which a necessarily fallible and epistemologically challenged person might hope to learn how to behave rationally and, in a sense, virtuously. This means that the rejection of the 'bogey of the "economic man"' by Hayek (1948: 12) implies the rejection of the asocial and amoral rationalistic portrait of individuals.

More concretely, Hayek's neoliberal case for individual freedom, having markets as its necessary institutional condition, 'rests chiefly on the recognition of the inevitable ignorance of us all' (Hayek, 2006 [1960]: 29). Markets are then needed because they are considered to be unrivalled information devices, allowing individuals to act according to a combination of information they receive from the price system and tacit knowledge they possess, generating a learning process and a concomitant transformation of the way these market participants see the world. It is in the context of such an

argument that one can understand Hayek's (1948: 106) claims that market 'competition is essentially a process of formation of opinion', also nurturing, thanks to the 'civilizing forces of commerce', 'eminently social virtues which smooth social contacts' (Hayek, 2006 [1944]: 153).<sup>8</sup> The selfish response to pecuniary incentives is a motivational drive adequate to the cash-nexus of the market, but it is not enough. It has to be framed by a progressively rarefied and adaptable moral code, the so-called 'commercial morals': Hayek always and clearly associated the 'advance of morals' with a 'reduction of specific obligations towards others' (Hayek, 2003 [1976]: 90). Morality, as understood here, is valued as long as it leads individuals to assume full responsibility for their results and to accept the rules and results of the market society. This means that morality is instrumentally valued. As Plant (2010: 168–169) argues, 'economic virtues', as extolled by neoliberals, are those that show themselves to be 'essential for the economy to work properly'.

Since markets are themselves recognizably dependent upon and embedded in non-market institutions, it is crucial, according to Hayek, for their activities and practices to be entrusted to an elite of individuals intrinsically motivated to discover and pursue something approaching an evolving neoliberal understanding of the common good, i.e., those individual dispositions and collective institutions necessary for the 'Great Society'. This is particularly so for scholars committed to the production of expert knowledge, to 'second-hand dealers of ideas' committed to their popularization or to judges and politicians who have to exhibit 'probity, wisdom and judgment' (Hayek, 2003 [1979]: 112) to make decisions related to the architecture of the rule of law or with other more or less elastic functions of the state that are needed to ensure the construction, preservation and expansion of markets. As Amable (2011: 18) argues, given the suspicion towards 'unlimited democracy', 'in the neo-liberal ideology, ethical requirements for elite members may act as substitutes for people's legitimacy'.

Rothschild's (2001: 152) remark summarizes Hayek's elitist vision – 'the liberal is a scholar, a judge, a theorist who gives enlightened and respectful advice to the ruler'. The liberal, as a scholar, judge or public intellectual, not only advises politicians, but also, and perhaps more importantly, elaborates the 'fundamental conceptions that constitute the framework of their thought and guide them in their action' (Hayek, 2006 [1960]: 98). The commitments

of the intellectual and political elite, ruling over the institutions, are crucial for the political success of the moral economy of neoliberalism, i.e., for fostering what Shamir (2008) labels 'a market-embedded morality'. Most individuals have then to be convinced to adopt neoliberal 'common values' and to guide their behavior by them. Hayek does not seem to have many doubts about the effectiveness of this effort: 'That we can ... influence people's conduct by education and example, rational persuasion, approval or disapproval, has never been seriously denied' (Hayek, 2006 [1960]: 66). Changing values, directly by persuasion or indirectly by changing the institutions in which individuals interact, is here of paramount importance to foster market society and constitutes real mechanisms on which Hayek relies to transform individuals' preferences, again recognizing their endogeneity. In the end, a delicate, but asymmetric, balancing act has to be performed: individuals must learn to live in different worlds, both market and non-market, from organizations to the family, nurturing different motivations, which can be either mutually supportive or mutually destructive (Hayek, 1988). Hayek's challenge for liberal elites is thus for them to guarantee that the great majority of individuals abide by the evolving rules, legal, moral or otherwise, in which a market society has to be embedded.

Faithful to neoclassical economics, Friedman is much less clear than Hayek in rejecting *homo economicus*, and in his work there are almost no indications pointing to the endogeneity of preferences. In his influential methodological justification for neoclassical economics as 'positive economics', supposedly demarcated from any 'normative' contaminations, he defended the use of the self-interested maximizer, endowed with perfect knowledge and immersed in perfectly competitive markets, as a useful hypothesis to ground economic theories: 'it can be said to "assume" single-minded pursuit of pecuniary self-interest by employers in competitive industries; and this "assumption" works well in a wide variety of hypotheses in economics bearing on many of the mass phenomena with which economics deals' (Friedman, 1953a: 29). His famous 'as if' argument downplayed the importance of discussions about the realism of hypotheses. Instead, competing economic hypotheses should ideally be capable of empirical evaluation by an impartial comparison of their capacities to make valid predictions on issues of economic policy, narrowly understood as discussions about the relationships between means and given ends. For the latter discussions to be possible, certain political and

motivational background conditions, different from the ones presumed to be present in markets, would have to be reunited (Friedman, 1953a: 5):

I venture the judgment, however, that currently in the Western world, and especially in the United States, differences about economic policy among disinterested citizens derive predominantly from different predictions about the economic consequences of taking action – differences that in principle can be eliminated by the progress of positive economics – rather than from fundamental differences in basic values, differences about which men can ultimately only fight.

This quotation makes it clear that for Friedman there must be an agreement on unspecified ‘basic values’ among ‘citizens’ who are not only capable of going beyond their private interests, but are also available to be enlightened by ‘positive economics’, at least on matters of economic policy broadly understood, although the lines between science and political activism are unavoidably blurred here, as Cherrier (2011) argues. Indeed, the epistemic, political and moral conditions that have to be reunited for this to be possible seem to be extremely demanding: ‘we must put our faith ... in a consensus reached by imperfect and biased men through free discussion and trial and error’ (Friedman, 2002 [1962]: 34).

Contrary to what happens in the market sphere, individuals cannot seemingly be assumed to behave as *homo economicus* in the political and intellectual spheres. In *Capitalism and Freedom*, Friedman tries to establish a dichotomy between unspecified ‘indivisible matters’, where individuals ‘can discuss, argue and vote’, corresponding to the realm of democratic politics and to the motivations adequate for it, and the rest of the matters, which can safely be dealt by markets ‘as if’ populated by self-interested maximizers.

His justificatory strategy, only partially convergent with Hayek's, can be thought of as having three moments. First, he confidently posits that a ‘good society’, based on ‘social consensus’ about its rules and values, will be one with the collective capability to recognize that this political and moral consensus will be easier to achieve ‘the wider the range of activities covered by the market’ (Friedman, 2002 [1962]: 24–25). And this despite the fact that



both he and Hayek ended up recognizing that drawing the lines between the market and non-market spheres was bound to be a challenging affair. Regardless, the competitive market is equated by Friedman with an arena in which different political and ethical projects, ‘as if’ in a forum, can peacefully compete for the adherence of sovereign consumers who vote with their wallets. This competition is bounded by previous agreement on the primacy of certain values, namely a narrow conception of negative freedom. Second, Friedman argues that the market is not so much apolitical and amoral, given its dependence on a certain social consensus, as it is civilizing in its consequences: the cash-nexus and naked self-interest are said to be forces for the erosion of religious or racial prejudices and discrimination and for compelling individuals to be self-reliant and entrepreneurial, responding rationally to price incentives in markets, while ‘wrestling’ with an unspecified ‘ethical problem’ (Friedman, 2002 [1962]: 12). Third, Friedman combines a particular materialist reading of the moral economy with a highly idealist one, arguing that there is an ‘intimate connection between economics and politics’ (Friedman, 2002 [1962]: 8): on the one hand, there is no freedom (i.e., no values worth defending) without his brand of competitive capitalism; on the other, his model of competitive capitalism ultimately depends upon strenuous intellectual and political collective action, the ‘enthusiasm of men of goodwill everywhere’ in deliberately shaping the ‘current of opinion’ (Friedman, 1951: 9). It is not by chance that Friedman and Friedman (1988: 69), in an elitist historical analysis of long-run ‘tides’ in opinion, labeled the ‘resurgence of free markets’ the ‘Hayek tide’, thereby signaling their shared reading of the role of the elite in creating the appropriate intellectual and moral climate. There is no doubt that the principles ‘they have come to believe in deeply’ must be inscribed in institutional arrangements, in general, and in the constitution, in particular (Friedman and Friedman, 1981 [1979]: 288). Shared principles are non-optional and value-neutrality has then to be abandoned.

## **Neoliberal Utopias: Spontaneous Order and *Laissez-Faire***

In his inaugural lecture at the London School of Economics, Hayek (1933: 123) claimed that ‘economics developed mainly as the outcome of the

investigation and refutation of successive utopian schemes'. Hayek's 'knowledge' arguments against socialist planning, within the English phase of the socialist calculation debate in the 1930s and 1940s, can be said to be part of an effort at refutation which he pursued throughout his intellectual career. In his broader and 'political' critique of socialism, *The Road to Serfdom*, Hayek (2006 [1944]) again uses the word 'utopia' with a negative connotation: 'democratic socialism' is here said to be the 'great utopia' in a negative sense, of a project that is not only 'unachievable', but whose consequences are perversely contrary to what their proponents expect (Hayek, 2006 [1944]: 23). In opposition to this usage is the plea for a 'liberal utopia', based on the need to push the realm of the politically possible beyond the conventional assumptions of the epoch and on the need to imitate the supposed victorious socialist strategy of deliberately achieving hegemony in the realm of ideas (Hayek, 1949). This was to be done through an organized effort, based on the hypothesis that public opinion is ultimately the driving force of historical transformations. Hayek then tries to distinguish between viable liberal utopias and inviable socialist utopias, retaining the concept of utopia as something worth pursuing, as is visible in the following passage written in the different intellectual and political context of the 1970s (Hayek, 2003 [1973]: 65):

Utopia, like ideology, is a bad word today; and it is true that most utopias aim at radically redesigning society and suffer from internal contradictions that make their realization impossible. But an ideal picture of society which may not be wholly achievable or a guiding conception of the overall order to be aimed at, is nevertheless not only an indispensable precondition for any rational policy, but also the chief contribution that science can make to the solutions of problems of practical policy.

Despite his well-known epistemological admonitions about the limits of all forms of knowledge, Hayek's plea for utopia is clearly based upon the conviction that 'science' can realistically grasp the mechanisms of the 'overall order' in order to discriminate between the plausibility of different 'ideal pictures', between impossible and counterproductive 'radical designs' and those designs that are viable and desirable given what is known about

institutions' and individuals' motivations and rationality therein.

For Friedman, given his positivist leanings, this distinction is part and parcel of his thought, particularly when applied to an immense range of policy issues. One has only to go through his 'far from comprehensive list' of fourteen activities, carried out in the 1960s by the US government and to be dismantled, to appreciate his confidence in the possibility of a radical redesign of institutions and policy options. Although Friedman economizes on the word utopia, he notes that 'promise tends to be utopian', while 'performance never is and therefore disappoints' (Friedman and Friedman, 1981 [1979]: 60). He entirely shares the spirit of Hayek's approach to utopias, emphasizing, in particular, the role of crisis, 'actual or perceived', in transforming what seemed 'politically impossible' into what became 'politically inevitable', as he famously mentioned in the 1982 preface of *Capitalism and Freedom* (Friedman, 2002 [1962]: xiv).<sup>9</sup> This idea frames a shared intellectual and political attitude, presupposing highly constructivist political and moral economies. This becomes even more visible if one is aware of Hayek's diagnosis of the resilience of so-called ingrained moral atavisms, or of Friedman's critique of entrenched bureaucracies and mobilized 'special groups' operating through the state (Friedman and Friedman, 1981 [1979]; Hayek, 2003 [1979]). Anti-market forces are continuously and endogenously generated within capitalism, fostered also by the persuasion of socialist intellectuals, which explains the persistence of forms of collective action that can be included in what Polanyi labeled (2001 [1944]) the countermovement of social protection against markets.

It is by taking stock of the immensity of the challenge for both Hayek's and Friedman's neoliberal project that one understands the deliberation and purposefulness that went into their political and moral economy and into a theoretical practice that is geared towards the justification of radical institutional changes, but also towards the illumination of real-world mechanisms capable of generating such changes. This is even more clearly so if one is attentive to the consistency of such theoretical practice. Indeed, from Hayek's (1948 [1939]) blueprint for an 'interstate federalism', which is able to create a pro-market bias in economic policy, given the combination of socio-economic heterogeneity and what is now called a multi-level governance system that has greater protection from democratic pressures, to Hayek's

(2003 [1979]) aforementioned constitutional blueprint for a 'limited democracy', such market utopias were always present throughout his work.<sup>10</sup> They presuppose, as was shown, a theoretical practice instrumentally concerned with the political and moral embeddedness of markets. The same consistency in defending radical institutional change can be identified in Friedman's case: from his 'Neo-liberalism and its prospects' (Friedman, 1951) to *Free to Choose* (Friedman and Friedman, 1981 [1979]) and beyond.

In the thought of both of these authors, the constructivist elements uneasily coexist with a strong vision of market society as a self-generating and/or self-regulating mechanism, which is separated from the polity and from morality. Hayek sometimes considers a society based upon markets to be amoral because it is only 'means-connected' and not 'ends-connected', and therefore to be neutral among the array of different ends individuals are free to pursue or the values that they are free to uphold, once it is guaranteed they obey the presumably unproblematic 'rules of just conduct' underpinning markets as the best coordination devices (Hayek, 2003 [1976: 110]).<sup>11</sup> Friedman shares this idea when he considers that one of the advantages of such a society is that individuals are free to pursue their own conception of self-interest and their own individual values (Friedman, 2002 [1962]). Thus, Hayek and Friedman sometimes consider a market society to be apolitical because of its supposed unguided and non-designed origins and dynamics, on the one hand, and, on the other, because of their efforts to reduce deliberate public policy to the status of simple and ancillary institutional fixes made by elite-driven bodies constrained by the 'rule of law' and guided by a vague principle of 'expedience' of a utilitarian bent (Friedman and Friedman, 1981 [1979]; Hayek, 2006 [1960]: 194).

The description of a market society as both apolitical and amoral is a facet of Hayek's thought that coheres in the 'twin ideas' of spontaneous order and cultural evolution that are part of his meta-historical narrative, of his 'empiricist evolutionary approach' (Hayek, 2006 [1960]). According to this, market society, or what he also labels 'catallaxy', is the result of 'human action, but not the execution of human design', to use Adam Ferguson's formulation that Hayek was fond of quoting (Hayek, 2006 [1960]: 51). Human reason, with all its limitations, is itself the product of a favourable process of cultural evolution in which the most successful groups are

precisely those that have ‘stumbled’ on certain institutional arrangements, certain rules underpinning markets, and were able to preserve and improve upon them at the margin, benefiting from the crucial aid these market rules provide for individuals to behave as rationally as possible within a morally-neutral means–ends framework. In this means–ends framework, more important than the assessment of the dominant human motivations is the way individuals are able to make the best use of the information transmitted by the price mechanism, and the knowledge available to them about the narrow circles which they necessarily inhabit (Rodrigues, 2013). These twin ideas mainly serve two great polemical purposes, both intellectually and politically. First, they serve to portray liberal capitalism as a superior historical system, which emerges almost by a combination of accident and default, whenever the spontaneous and seemingly disembedded forces of progress are allowed to manifest themselves to their fullest extent. This gives liberalism an ideological confidence that comes with being the intellectual manifestation of a historical trend pointing towards market expansion. In this context, change brought by market forces should be seen ‘without apprehension’ (Hayek, 2006 [1960]: 346): ultimately, ‘progress is movement for movement's sake’ (Hayek, 2006 [1960]: 38). Second, the ‘twin ideas’ serve to portray all the critics of liberal capitalism as utopian rationalists, as ‘constructivists’, among other labels, since they are accused of artificially wanting to stop the movement of progress through market forces, replacing spontaneity by a politically constructed and planned order, capable of realizing particular shared human ends as if society was akin to a big organization. Constructivism is said to exaggerate the capacity of human reason to design and redesign institutions and to control their evolution, thereby presenting an a-historical view of human reason (Hayek, 2003 [1973]). Despite the progressive and rationalistic rhetoric, constructivism is said to favor, as one of its unintended effects, a reactionary view, according to which complex evolving societies could be seen as if they were bounded and small-scale communities, where political and ethical ends could be shared and could shape the allocation of resources. In a complex society, such endeavors would be *The Road to Serfdom*.<sup>12</sup>

In Friedman, the idea of the apolitical and amoral nature of the market society coheres in two intellectual moves that occur in his thought, particularly as neoliberalism gains political traction and intellectual confidence from the

1970s onwards. First, having rejected *laissez-faire* as a concept adequate to the intellectual and political tasks for neoliberals (Friedman, 1951), Friedman recovers this term, as Burgin (2012) underlines: ‘Adam Smith was a radical and revolutionary in his time – just as those of us who today preach *laissez faire* are in our time’ (Friedman, 1976: 38). This is not only to try to invent a new tradition, to give historical pedigree to his ideas, but is also explicitly part of his activity of public intellectual preaching to the masses, trying to argue that his vision can be thought of as only demanding the simple return to the supposedly minimal nineteenth-century state. In order to help in this endeavor at persuasion, Friedman further rhetorically abandons the previous functional dichotomy between markets, on the one hand, and state and the public sphere, on the other, with their different motivations and dispositions, and explicitly adopts economics imperialism, treating all spheres ‘symmetrically’ as if they were markets populated by self-interested individuals (Friedman and Friedman, 1981 [1979]). The difference is of course that the ‘invisible hand’ is supposed to do wonders in real markets, disciplined by pecuniary incentives, while it is responsible for all the perverse behavior of unaccountable bureaucracies prey to special interests that have to be reined in by apparent simple rules that substantially reduce the size of ‘big government’.<sup>13</sup>

## Concluding Remarks

Neoliberalism can be seemingly reduced to simple formulas, to slogans that frame the public debate and capture the social imagination. And it is at this stage that an antinomy of Hayek's thought has generally been pointed out: on the one hand, the recognition of the incomplete nature of human knowledge and the spontaneous order of the market society; on the other, the role given to human reason, in deliberately forging arguments and (re)forming institutional arrangements so as to progressively guarantee the conditions to the ‘liberal utopia’.<sup>14</sup> A similar antinomy can be identified with reference to Friedman's revalorization of *laissez-faire*, within the context of the effort to universalize the market: on the one hand, the idea one has only to return to the verities of nineteenth-century liberalism, made of ethically and politically neutral unbounded markets; on the other, the idea that governments are central to the reconstruction of markets and their boundaries and that this involves a demanding political engineering, which needs to be guided by a

certain style of economics, also implying a strenuous political struggle that transforms the ends and aims of individuals.

These antinomies are part of what Mirowski (2009) labels 'Hayek's playbook', with Friedman being a coarser version, disguising the aforementioned gap between a level of utopian ideological discourse destined for the 'masses', including efforts at naturalizing the social order, and a level of realist practical reasoning, which inspires the elitist intellectual and political investments that would have to be made for a market-conforming moral code and state order to be instituted. Without denying the validity of this reading, our analysis proposed a complementary interpretation. It is one that emphasizes the presence in the works of both Hayek and Friedman of a theoretical practice that clearly and transparently tries to present political and moral economies for embedding neoliberalism, i.e., for thinking about the political and moral conditions conducive to market competition.

In 1979, Margaret Thatcher said that 'economics are the method; the object is to change the soul'. A keen theoretical anticipation of this type of political effort is scattered in Hayek and Friedman's main works. This chapter has brought them to the fore, thereby contributing to a better understanding of neoliberals' theoretical practice, diminishing the gap between their vision of the world and their politics of institutional transformation.

## Notes

1. Hayek tried precisely to differentiate liberalism from 'laissez-faire', a concern that was widely shared among most members of the 'neoliberal thought collective', from Colloque Walter Lippman, held in Paris in 1938, one of the moments where the expression neoliberalism was first used, to the Mont Pèlerin Society and beyond (Audier, 2008).

2. Many of the most relevant public interventions of Milton Friedman were co-authored with his wife Rose D. Friedman. A neoliberal economist herself, she also gave him 'assistance' in writing *Free to Choose* among other works (Friedman, 2002 [1962]). For further details on what was a long intellectual partnership, see their joint 'memoirs' (Friedman and Friedman, 1998).

3. This was nowhere clearer than when questions of market power and of countervailing regulations were tackled, particularly regarding big corporations and the tendencies for monopolization, on the one hand, and trade unions, on the other, which neoliberals treated jointly as if to emphasize the symmetries of power within capitalism and their eventual dangers. Both Friedman and Hayek tended to downplay issues of capitalist power, either as the avoidable result of counterproductive, but reversible, state interventions or as a temporary result that market competition, if allowed, would eventually erode. There were oscillations in their views in this regard. For example, as Van Horn (2009) has shown, Friedman became more and more suspicious about anti-trust regulations to tame monopolies: ‘private monopoly maybe the least of evils’ (Friedman, 2002 [1962]: 28). Where there was no oscillation was in the common adversarial attitude towards trade unions (Steiner, 2009).

4. Always more keen to explore the philosophical underpinnings of neoliberal political economy, Hayek concluded that the ubiquity of interdependencies, or externalities, made it problematic to unambiguously define the contours of the individual ‘private sphere’ that needed legal protection against interference: ‘[T]here is hardly any action’, Hayek observes, ‘that may not conceivably affect others’ (Hayek, 2006 [1960]: 127). The issue, therefore, is difficult to settle since ‘in determining where the boundaries of the protected sphere ought to be drawn, the important question is whether the actions of other people that we wish to see prevented would actually interfere with the reasonable expectations of the protected person’ (Hayek, 2006 [1960]: 127). Of course, the process of determining the reasonableness of expectations depends upon contested moral and political choices about institutional arrangements.

5. Despite sharing the same neoliberal fixation with commercial and financial openness at the national level, Hayek and Friedman had different ideas about its crucial international monetary underpinning, part of a politically manageable divergence on monetary and macro-economic issues (Garrison, 2014). Hayek oscillated between advocating monetary unification, within an international federation (Hayek, 1948 [1939]), or purely decentralized and private monetary solutions (Hayek, 1990 [1978]); these alternatives were already framed in his early struggle against ‘monetary nationalism’ (Hayek,



1937). Friedman was a constant and resolute believer in market-determined exchange rates between different national currencies, presupposing free capital flows and a nationally-determined monetary framework, constitutionally framed by monetarist rules (Friedman, 1953b).

6. To effect the desired changes a 'liberal dictator', like Pinochet, might be required. For a discussion of Hayek and Friedman's active complicity with the Chilean authoritarian regime, and their strategies of justification, see, respectively, Farrant et al. (2012) and Hammond (2011).

7. This is an instance where neoliberalism should be seen as a plural movement, encompassing distinct theoretical traditions, from some strands of neoclassical economics to heterodox approaches to political and moral economy, as Hayek and Friedman attest. This plurality is one of its strengths and one of the sources of confusion even among its most perceptive critics. For example, against Harvey's (2005) characterization of neoliberals as neoclassical economists in his 'brief history of neoliberalism', Mirowski (2008) has noted that not all neoclassical economists are neoliberals and not all neoliberals are neoclassical. Hayek's political and moral economy is a case in point.

8. One of the mechanisms through which endogenous preferences are manifested in Hayek's thought, and more generally in neoliberal thought, is precisely through the recuperation of a central 'argument for capitalism before its triumph', the 'doux commerce thesis', to use Hirschman's (1982) formulations, i.e., the idea that markets do tend to foster social virtues.

9. An interpretation of Friedman's thesis on the political role of economic crises is at the root of Klein's (2008) influential critique of the 'shock doctrine' she associates with the hegemony of neoliberalism.

10. Hayek's (1948 [1939]) 'conditions for interstate federalism' has recently been valued as important anticipation of several mechanisms at work in the European Union, explaining the resilience of neoliberalism there. This has been done by both neoliberal and Marxist historians, as well as by institutionalist political economists. See, respectively, Gillingham (2003), Anderson (2009) and Höpner and Schäfer (2012).

11. See Kukathas (1990: 223–224) for a contestable defence that Hayek adheres to a strict conception of neutrality and Rodrigues (2013) for a critique.

12. One should not forget that for Hayek, organizations, such as firms, households, courts, hospitals, universities and so on, are an integral part of the overall spontaneous order of a market society, which is the result of their individual and collective actions, but whose overall evolution was always more than the sum of their efforts and intentions. The essential difference, given the nature of things, is that this overall order could never be subsumed under an organization, that is, societal ends could never be known and shared to the same degree that is possible in an organization. The latter, based on a combination of cooperation and command, is bound by specific, known and shared ends, which, being highly diverse at the societal level, can only be coordinated and made compatible by the neutral cash-nexus of the market.

13. In this, Friedman and Friedman (1981 [1979]) were popularizing now established Chicago-style neoclassical economic reasoning with imperialist ambitions (Fine and Milonakis, 2009), of which public choice and constitutional economics are prominent outgrowths, developed, among others, by James Buchanan, Milton Friedman's former student. Here neoliberalism is unable to escape a paradox spotted by Gamble (2002): the institutional transformations argued for demand the existence of selfless individuals genuinely committed to the public good of markets, but the existence of such groups goes against the idea of self-interest, one of the basic assumptions of neoliberal analysis. Even public choice, particularly in its application to the constitutional moments of the definition of rules and in their subsequent enforcement, had to make way for a richer notion of interest, divorced from that which individuals could be relied on to exhibit in markets, which implies eschewing their universal commitment to self-interest (Finn, 2006). The same applies to Friedman and Friedman (1981 [1979]) and that is perhaps why they depict self-interest in an apparently open way, as anything that might interest the individual, ending up implicitly recognizing that interests have to be defined in the public sphere in such a way that egoism has to be superseded. Their 'symmetrical' treatment of the non-market spheres as if they were markets only works for rhetorical purposes, which eventually serve to disengage individuals from politics.

14. For an analysis of Hayek's thought with this antinomy in mind, see, among others, Gray (1998) or Shearmur (2006).

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# **11 Neoliberalism: Rise, decline and future prospects**

**John Quiggin**

## **Introduction**

In the years since the Global Financial Crisis of 2008, developed countries have experienced social and economic disruption on a scale not seen since the 1970s. Many European countries remain in a state of chronic recession. Even in economies that have experienced a sustained recovery from the crisis, the rate of growth has slowed to a rate that has raised fears of ‘secular stagnation’ (Gordon, 2016). Political disruptions have been even more dramatic. The capture of the US Republican Party by Donald Trump, the British vote to leave the European Union and the rise of populist parties of the left and right in Europe are among the more striking developments of the past few years.

Like the current disruption, the turmoil of the 1970s was the result of a financial crisis, associated with the breakdown of the Bretton Woods system of international finance in the early 1970s, and with the failure of Keynesian macroeconomic management to deal with the problem of ‘stagflation’, that is, simultaneous economic stagnation and high inflation. That crisis brought an end to what had appeared, to most observers, to be an unstoppable trend towards greater social control over the economy, and an increase in the power of workers relative to that of employers (Hobsbawm, 1978).

In retrospect, the high point of progressive optimism around 1970 has been christened the ‘social democratic moment’ (Berman, 1998). From the chaos of the 1970s emerged a new dominant ideology which consisted largely of policies aimed at reversing the social democratic advances of the postwar era, and even the welfare state innovations of the first half of the twentieth century. Although it has been given various names, the new dominant ideology is most commonly referred to, at least by its critics, as

‘neoliberalism’.

It is natural to ask whether, as in the 1970s, the current chaos portends the breakdown of the dominant ideology and, if so, what will replace it. While it is too early to answer these questions, it is helpful to consider the historical process which led to the rise of neoliberalism, and to its apparent breakdown. This chapter is a contribution towards such a consideration.

The chapter is organised as follows. Section 1 presents neoliberalism in relation to liberalism, the intellectual tradition from which social liberalism and social democracy are also primarily derived. A distinction is drawn between ‘hard’ and ‘soft’ versions of neoliberalism. Section 2 describes the rise of social democracy, focusing particularly on the period following the Great Depression, which largely discredited the classical liberal model on which neoliberalism is based. Section 3 deals with the crisis of the 1970s and the failure of social democracy to present an adequate response. Section 4 describes the rise of neoliberalism, both as an ideology and as a political and economic force, gaining its strength from the massive expansion of the financial sector. Section 5 focuses specifically on ‘soft neoliberalism’, the modified version of neoliberalism adopted by social democratic parties in the 1980s and 1990s. Section 6 deals with the decline of neoliberalism, from the crises of the late 1990s, to the Global Financial Crisis of 2008. Section 7 deals with the political implications of the failure of neoliberalism. A ‘three-party’ model is presented in which the main movements driving contemporary politics are categorised as neoliberal (soft or hard), tribalist and leftist. In conclusion, the requirements for a successful left response to the crisis are discussed, and some suggestions offered for a way forward.

## **1. The Evolution of Liberalism**

Ideology always looks like common sense from the inside, and a dominant ideology just seems like ‘what everyone knows’. For this reason, followers of a dominant ideology resist the use of any specific name or label to describe their position. The need for a definition of terms is felt much more by critics and dissidents. One result is that labels of this kind are almost always pejorative. Another is that, even more than is the case with political definitions in general, labels of this kind end up being used fairly loosely, to

describe anything about the dominant political structure that the speaker dislikes.

All of these points apply, with full force, to 'neoliberalism' and to similar terms, such as Reaganism, Thatcherism, economic rationalism and 'the Washington consensus'. Although most of these terms were used initially in a positive or neutral sense, the pejorative connotations have invariably come to predominate. For this reason, in critiques of the economic ideas that have dominated policy since the 1970s, I have sought to use a more neutral term 'market liberalism' (Quiggin, 2011). In a discussion of broader historical and political trends, however, 'neoliberalism' is too useful a term to forgo, despite the confusion that surrounds it. It is, instead, necessary to address some of the sources of this confusion.

As the name implies, neoliberalism is a descendant of liberalism, a tradition which, in various forms, underlies most contemporary streams of political thought. An obvious starting point is the greatest of nineteenth-century liberals, John Stuart Mill. Mill is best known today for his strong defence of free speech, his advocacy of equality for women and his steadfast opposition to slavery. He was also a leading economist of his day, expounding the classical economic case for free markets and limited government in his *Principles of Political Economy* (Mill, 1848). Late in life, on the other hand, he espoused a fairly abstract form of socialism.

All of these aspects of Mill's thought are reflected in different streams of liberal thought. In North America, the dominant version of liberalism was social liberalism, combining support for civil liberties with advocacy of a range of government policies to limit income inequality and alleviate poverty. This social democratic version of liberalism, associated with the Democratic Party in the United States, has dominated to the exclusion of the free-market version, which is most commonly called libertarianism.

Elsewhere in the developed world, social liberalism was largely subsumed, from the early twentieth century onwards, by social democratic and labour parties. In the English-speaking world, self-described liberals focused on concerns about free speech and civil liberties, with no distinctive perspective on economic issues. In Europe, on the other hand, liberalism was more closely associated with the political right, and with free-market economic

analysis, while Millian concerns about free speech were less prominent. This tendency is sometimes referred to as 'classical liberalism'.

The term 'neoliberalism' embodies these ambiguities and has been coined at least twice, to apply to different, but closely related, developments within liberalism. I will distinguish these as 'soft' and 'hard' neoliberalism.

In the United States, the term was used to describe a shift to the right within the Democratic Party, responding to the political success of the Reagan Administration and the intellectual resurgence of conservatives and neoconservatives (Rothenberg, 1984). The term was most closely associated with the Democratic Leadership Council (DLC) and the presidency of Bill Clinton, chair of the DLC in 1990 and 1991. Here the key ideas were a focus on 'sound' economic management, acceptance of financial deregulation and market-based policies more generally, and avoidance of class rhetoric.

In one form or another, 'soft' versions of neoliberalism came to dominate social liberal and social democratic parties throughout the English-speaking world. The term 'Third Way' was often applied to this development (Giddens, 1999, 2000), with the suggestion that this approach represented a new development in social democracy rather than a capitulation to its opponents.

In the European context, the term 'neoliberalism' (and the closely related idea of 'ordoliberalism') was first used as early as 1938 to describe attempts to develop an updated version of classical liberalism capable of responding to the crisis created by the Great Depression and, after 1945, of competing with the social democratic welfare state (Hartwich, 2009). The result was a 'hard' form of neoliberalism in which concessions to social democratic ideas were limited as far as possible. In the US context, where the term neoliberalism referred to the 'soft' variety, hard neoliberalism was most commonly described as 'free market conservatism' (Nell, 2009 [1984]).

Because it was based primarily on a critique of social democracy, hard neoliberalism placed more weight on economic freedom than on personal freedom or civil liberties, reversing the emphasis of classical liberalism. On matters of personal freedom, hard neoliberalism is basically agnostic, encompassing a range of views from repressive traditionalism to

libertarianism.

Relative to classical liberalism, European neoliberalism involved a shift to the political left in economic policy, away from dogmatic support for free markets and minimal government, while maintaining opposition to ideas of economic planning and systematic management of the economy. In terms of economic policy, neoliberalism is constrained by the need to compete with the achievements of social democracy. Hence, it was inconsistent with the kind of dogmatic libertarianism that would leave the poor to starvation or private charity and would leave education to parents.

The need to compete with the appeal of social democracy has continued in the period of neoliberal dominance. As the result, despite extensive efforts at privatisation and deregulation, the importance of the public sector, as measured, for example, by the revenue share of national income, has remained largely unchanged. To understand neoliberalism, therefore, it is necessary to understand social democracy.

## **2. The Social Democratic Moment**

For most of the twentieth century, social democracy appeared as the natural heir of Mill's liberalism, combining a commitment to democracy and civil liberty with support for broadly socialist economic policies. In the decades after 1945, social democratic ideas were dominant throughout the developed world. Whether or not social democratic parties held office, they drove the policy debate, to the extent that terms like 'progressive' inherently incorporated the notion of 'progress in the direction of more social democracy' (Quiggin, 2003).

The starting point of twentieth-century social democracy was the combination of the welfare state, macroeconomic stabilisation and the mixed economy. Their combined effect was to transform the lived experience of capitalist society.

The risks of falling into destitution as a result of unemployment, illness or old age, previously an ever-present reality for the great majority of workers, were eliminated almost completely by social security systems and, except in the

United States, publicly provided healthcare. At the same time, the social democratic era showed the possibility of sustained economic growth without the grotesque inequality of wealth that had characterised all previous societies, at least since the rise of agriculture. Keynesian macroeconomic stabilisation ensured that rates of unemployment were kept low and that recessions were brief and mild. Stability was further enhanced by the public ownership of large sections of the economy, particularly in the provision of public infrastructure and in areas where monopoly power had proved problematic (Shonfield, 1984; Quiggin, 1999).

The gains weren't just economic. At the beginning of the social democratic era, racial and gender-based discrimination was pervasive, widely accepted and legally entrenched in capitalist society. But the egalitarian logic of social democracy made such discrimination untenable. By the 1970s, the situation had been reversed, at least in legal terms, with the advent of anti-discrimination and affirmative action laws. Race and gender inequalities remained substantial, but were generally declining.

Beyond these achievements, the social democratic moment provided space for various kinds of utopian thinking. At a minimum, most social democrats assumed that the progressive gains of the decades after 1945 would continue until, at some point, a genuinely socialist society would emerge. Meanwhile, the radical movements of the late 1960s broke with the Stalinist Old Left and embraced many different varieties of utopianism: anarchist, feminist and environmentalist.

The acquiescence of capitalists in the social democratic moment needs some explanation. In part, undoubtedly, it was due to the need to provide an attractive alternative to Soviet communism during the Cold War. More importantly, however, the experience of the Great Depression had discredited free-market capitalism, and the demands of a war economy had given governments the power they needed to control the economy. As long as economic management went well, and memories of the Depression were fresh, the prospects of a successful challenge to the social democratic settlement were not sufficiently attractive to tempt any more than the radical fringe of the business class.

There was more to it than this, however. While social democracy radically

changed the way in which capitalist society operated, it did not challenge the central features of capitalism: private ownership of property, wage employment, and markets for privately produced goods and services. Moreover, the strong growth and full employment that characterised the decades after 1945 meant steadily increasing incomes for everyone. Business owners and managers shared in this prosperity, even if their share of total income was smaller than it had been, and would later become.

### **3. The Crisis of the 1970s**

The social democratic moment reached its peak in the late 1960s and early 1970s, with a flowering of new ideas and the rise of charismatic leaders like Trudeau in Canada and Whitlam in Australia. However, the trends that would produce the neoliberal counter-revolution were already evident.

The last years of the social democratic era saw a struggle over income distribution that virtually guaranteed an inflationary outburst. Union militancy, fuelled in many countries by Marxist rhetoric, came into sharp conflict with an emerging speculative capitalism, driven by revived global financial markets. Firms raised prices to meet wage demands, spurring yet further wage demands to compensate for higher prices and to maintain living standards (Brenner et al., 2010).

Previous episodes of inflation had been brought under control quite rapidly through Keynesian contractionary policies. Unfortunately, these policies were becoming less effective as inflationary expectations became embedded and as the social restraint generated by memories of the Depression broke down.

The critical event was the breakdown, in the opening years of the 1970s, of the Bretton Woods system of fixed exchange rates, which had been the basis of the international financial system within which Keynesian macroeconomics operated. The *coup de grace* came with the oil shock of 1973, which was both a reflection of the inflationary outburst that was already under way and the cause of a further upsurge.

Within a couple of years the entire edifice of postwar prosperity had collapsed and the Keynesian 'Golden Age' came to a painful and chaotic end.



Repeatedly, seemingly promising recoveries fizzled or collapsed into even more severe recessions (Marglin and Schor, 1990).

Initially, it seemed possible that the crisis in the capitalist system would pave the way for a further shift to the left. Ideas, including prices and incomes policies and industrial democracy, seemed to provide a possible response to the wage–price spiral (Williamson, 2015). Financial chaos raised the possibility of a response aimed at tightening control over the financial system, as in the Financial Corporations Act 1974 (Cwlth). Furthermore, the interaction of inflation with a progressive tax system implied an automatic increase in the ratio of government revenue to national income, unless offset by tax cuts (Rice, 1989).

However, these policies either failed politically or proved inadequate to the task. Meanwhile, the collapse of the Bretton Woods system led to a self-perpetuating cycle in which the rapid growth of international financial flows led to the breakdown of both domestic and international financial regulations, allowing yet further expansion of the financial sector.

The growth of the financial sector may be understood in quantitative terms. In the national accounting framework produced to guide Keynesian economic management, international financial flows were an afterthought, referred to as 'invisibles'. International capital movements were limited to those needed to finance trade and long-term investment. In the decades following the breakdown of the Bretton Woods system, financial sector activity exploded, and was almost completely decoupled from any connection to real economic activity. By 2014, global financial market transactions totalled \$US 4 trillion each day, or more than twenty times real economic activity. Trade in derivatives was even larger, with notional outstanding volumes of at least \$500 trillion (Bank for International Settlements, 2015).

With this growth in activity came hugely increased power and profitability. As early as 1987, financial firms were being described as the 'Masters of the Universe', a phrase coined in Tom Wolfe's (1987) novel, *The Bonfire of the Vanities*. The rise of the financial sector, and the concomitant decline of the trade union movement tipped the balance of political power in favour of neoliberalism.

## 4. The Rise of Hard Neoliberalism

Although the rising political power of the financial markets facilitated the general shift towards neoliberalism, this development also depended on a resurgence of neoliberal policy ideas. In sharp contrast with social democrats, the advocates of neoliberalism were ready with answers to the crisis of the 1970s.

In macroeconomics, the monetarist critique of Keynesianism, developed by Friedman (1968), was rapidly accepted, eventually evolving into the 'inflation targeting' regime that remained in effect until the Global Financial Crisis.

In fiscal policy, the 'tax revolts' of the 1970s led to a consensus on the need to restrain the growth of government. The perceived success of airline deregulation in the United States led to a broader movement in favour of deregulation and privatisation. To emphasise the distinction from macroeconomic policy, these policies were frequently referred to as 'microeconomic reform' (Quiggin, 1996). This phrase captured the positive connotations of 'reform', a term long used to describe liberal and social democratic policy innovations, while reversing the substantive content.

The advocacy of Friedman (1962), and also Friedman and Friedman (1980), played a crucial role in promoting free market conservatism in the United States. Many of these ideas had been developed by economists associated with the University of Chicago, where Friedman worked for most of his long career.

In the United Kingdom, a crucial role was played by 'think-tanks', such as the Institute of Economic Affairs (Cockett, 1995). The ideas developed by these think-tanks formed the basis for the first systematic implementation of a neoliberal policy programme, undertaken by the government of Margaret Thatcher in the United Kingdom from 1979 onwards.

The core of the programme was: (i) to abandon Keynesian macroeconomic stabilisation, based on active fiscal policy, in favour of an independent central bank with a directive to control inflation at all costs; (ii) to remove the state

altogether from 'non-core' functions through privatisation of government business enterprises and the sale of public housing; (iii) to reject redistribution of income except for a basic 'safety net'; and (iv) to minimise the role of the state in core functions, such as health, education and income security through contracting out, voucher schemes, and so on.

Thatcher was most successful in the first and second of these goals. Although policies of monetary contraction implemented from 1979 produced a deep recession, with millions left unemployed, the government persisted, and succeeded in bringing an end to the inflationary upsurge of the 1970s. Most of the publicly owned infrastructure sector (electricity, water, telecommunications, airports and railways) was privatised.

Rather less progress was made on the third and fourth objectives. There were also substantial reductions in the progressivity of the tax system, but Thatcher's most ambitious move in this direction, the replacement of council rates by a poll tax was a disaster, leading eventually to her downfall. The attempt to wind back public involvement in health and education was similarly limited, meeting particular resistance in the case of the National Health Service. The result was that, although the scope of public sector activity was wound back through privatisation, the size of government was not. The century-old trend of growth in the share of national income going to government was halted in the 1970s, but not reversed.

Thatcher's ideas formed the core of a 'hard' neoliberalism which rapidly became dominant throughout the English-speaking world. It was embodied in such documents as the *Fightback!* Plan, which was put forward by the Liberal and National parties in Australia in 1993, and the 'Contract with America', proposed by the US Republican Party led by Newt Gingrich in 1994. Although neither of these programmes produced immediate electoral success, most of the policies they proposed were eventually implemented.

Beyond the English-speaking world, the global spread of neoliberalism was driven less by political advocacy and more by international institutions. The debt crises of the 1990s produced what Williamson (1990) described as the 'Washington consensus', a term that reflected the shared views of the US Treasury, the International Monetary Fund and the World Bank, all based in Washington, DC.

Less remarked upon, but equally significant, was the Europe-based consensus of the OECD, the European Commission and the European Central Bank (ECB). The ECB, created in the 1990s as part of the political project of unifying Europe around a common currency, represents a particularly pure institutional embodiment of hard neoliberalism (Palley, 2013).

The rise of neoliberal ideas reinforced, and was reinforced by, the resurgence of faith in the financial sector. During the ascendancy of social democracy, banking had been boring, safe and tightly regulated. The emblems of capitalism in the mixed economy were industrial firms like General Motors and General Electric. By contrast, the breakdown of social democracy in the 1970s saw the rise of financialised capitalism, dominated by global banks like Citibank and Wall Street investment banks such as Goldman Sachs.

The key idea here was the 'efficient (financial) markets hypothesis'. In its strong form, put forward by Fama (1970), the hypothesis states that financial markets provide the best possible estimate of the value of any investment. Although there was never any good supporting evidence for this claim, it became part of the 'common sense' of the neoliberal era. One result was the trepidation with which governments awaited the verdict of 'the markets' on budgets and other policy decisions.

## **5. Soft Neoliberalism**

The resurgence of a financialised form of global capitalism from the 1970s onwards came as a shock to the left. There were some attempts at resistance, notably by the Mitterrand government, which came to office in France in 1980, but all such attempts failed in the face of the power of global capital markets. By the 1990s, the triumphalist decade that followed the collapse of the Soviet Union, the dominance of market liberalism was clearly re-established. Over the course of the 1980s and 1990s, most social democratic parties accommodated to the new realities.

As noted above, this accommodation was often presented as a new 'Third Way', allegedly transcending the dispute between social democrats and market liberals. In reality, however, the 'Third Way' amounted to little more than a 'soft' version of neoliberalism (Callinicos, 2001). Soft neoliberalism

involved acceptance of most of the core elements of the neoliberal programme, including privatisation, attacks on trade unions, uncritical acceptance of the dominant role of the financial sector, and attempts to halt or reverse the growth of the public sector.

Over the course of the 1980s and 1990s, most social democratic and liberal parties in the English-speaking world adopted soft neoliberalism in one form or other. Some examples, significant in themselves, but also symbolic of the shift in economic thinking, include:

- The decision by the Hawke–Keating government in 1983 and 1985 to float the Australian dollar and deregulate the financial system.
- The Clinton Administration's support for 'the end of welfare as we know it', demanded by the Gingrich-led Republican party in 1994. This measure was initially seen as successful, because its adverse effects were masked by the strong growth of the 1990s. After growth slowed in the 2000s, however, the absence of welfare support contributed substantially to the growth of poverty. Even more striking was increasing mortality rates among significant groups, such as middle-aged white Americans.
- Tony Blair's creation of a 'New Labour' party, in which the socialist objective formerly stated in Clause IV of its Constitution was abandoned (Wikipedia, 2017). The crucial change was from common ownership of the means of production, distribution, and exchange, and the best obtainable system of popular administration and control of each industry or service, to a dynamic economy, serving the public interest, in which the enterprise of the market and the rigour of competition are joined with the forces of partnership and co-operation to produce the wealth the nation needs.

The rejection of public ownership embodied in the New Labour platform was reflected in policies of privatisation and private ownership of public infrastructure. Along with faith in the efficiency of financial markets and acquiescence, in or support, of anti-union policies, support for privatisation represented one of the most consistent areas of agreement between soft and hard neoliberals. This support persisted despite outcomes that ranged from mediocre to disastrous. The Private Finance Initiative, pursued with vigour

by the Blair government in the United Kingdom, was one of the most notable examples of failure.

Despite accepting the core elements of hard neoliberalism, soft neoliberals attempted, in various ways, to mitigate the growing inequality that inevitably resulted from the implementation of the neoliberal programme. In particular, soft neoliberal governments attempted to improve the functioning of the social welfare system rather than eliminating it or stripping it down to a minimal 'safety net'. Nevertheless, the egalitarianism of traditional social democracy was abandoned, with arguments about the distribution of income and access to community services being replaced by discussion of 'safety nets' or the efficient provision of services to 'customers'.

This shift was frequently expressed in terms of older debates about 'equality of opportunity' as opposed to 'equality of outcomes'. However, although the advocates of soft neoliberalism are particularly friendly to the upwardly mobile, the hostility to inherited privilege that characterised earlier advocates of equality of opportunity largely disappeared. Some supporters of soft neoliberalism took the argument to its logical conclusion, rejecting even the idea of equality of opportunity (Cavanagh, 2003). This is at least consistent. In the presence of serious inequality of outcomes, it is impossible to prevent successful parents from passing their advantages on to their children. Under these circumstances, it is therefore impossible to achieve equality of opportunity.

More marked divisions arose in relation to social issues, particularly those related to multiculturalism, feminism and environmentalism. In the United States and Australia, the sharpness of these divisions, commonly referred to as 'culture wars', masked a substantial convergence on economic policy (Frank, 2007).

The most successful implementation of soft neoliberalism was probably that of the Hawke–Keating Labor government in Australia between 1983 and 1996. The platform on which Labor was elected was an interventionist one, centred on the idea of an 'Accord' on prices and wages. The Accord was negotiated between the Labor party and the Australian Council of Trade Unions, of which Hawke had been a successful president, though it was hoped that a bargained consensus, incorporating business groups, could be

achieved (Gruen and Grattan, 1993).

The combination of financial market pressure and the spread of neoliberal ideas ensured that the government took a different direction, beginning with the decisions, in 1983 and 1984, to float the dollar and undertake substantial deregulation of the financial sector. However, the success of the Accord in constraining wage growth and allowing a non-inflationary recovery from the recession of the early 1980s was an important countervailing force. A notable example was the failure of the hard neoliberal reform of the tax system favoured by the then Treasurer Paul Keating, based on the idea of using a goods and services tax (GST) to finance cuts in the top marginal rate of income tax. In the face of resistance from the union movement, and a lack of support from business, Prime Minister Bob Hawke rejected Keating's preferred option. Instead, the government implemented a reform programme with substantial progressive elements, such as a capital gains tax. The Hawke–Keating government also redesigned the social welfare system, integrating it with the tax system and maintaining or improving its progressive redistributive effects (Gruen and Grattan, 1993).

The relative success of soft neoliberalism under Hawke and Keating was not sufficient to prevent growth in inequality over time, or the development of a bloated and dangerously unstable financial system. Nevertheless, a measure of their success can be gained by looking at the disastrous performance of New Zealand, where both the Labour government elected in 1983 and the National Party government that succeeded it from 1990 to 1999 embraced hard neoliberalism in a particularly doctrinaire form, and with substantially worse economic outcomes (Hazeldine and Quiggin, 2006).

So, while not as significant as claimed by advocates of the Third Way, the differences between ‘hard’ and ‘soft’ neoliberalism were more than cosmetic and cultural.

## **6. The Decline of Neoliberalism**

Neoliberalism reached its peak of political and economic success in the mid-1990s. Neoliberal globalisation was seen as an unstoppable force, both by enthusiasts (Friedman, 1999) and by critics (Martin and Schumann, 1997).

Social democratic parties were in retreat throughout the world. Financial markets were booming, in developed and developing countries alike. The collapse of the Soviet bloc had finally discredited the alternative offered by communism.

The decline of neoliberalism began with a series of financial crises in the late 1990s. The most significant were the Asian financial crisis of 1997 and the bursting of the US stock market bubble, focused on 'dotcom' internet stocks, in 2000. These crises were particularly significant because they undermined key elements of the case for neoliberalism.

In the years leading up to the Asian financial crisis, a string of reports from national and global organisations had lauded the benefits of financial liberalisation. Perhaps the most notable was that of the World Bank (1993). Yet in the aftermath of the crisis, the countries that fared best were those, like Malaysia, where the government defied neoliberal orthodoxy and introduced controls on capital movements. The critique of the global response to the Asian financial crisis by Joseph Stiglitz (2002), chief economist of the World Bank from 1997 to 2000, contributed to the erosion of faith in the beneficence of financial markets?

The 'dotcom' bubble and bust was notable because it occurred at the centre of global capitalism, rather than in peripheral countries where financial capitalism was a recent arrival. As well as bringing an end to the widely shared prosperity of the 1990s, the stock market collapse undermined a central tenet of neoliberalism, namely, the efficient (financial) markets hypothesis (Quiggin, 2011).

The dotcom bubble and bust showed the efficient markets hypothesis to be nonsense. Companies premised on such absurdities as selling dog food over the internet were accorded values in the billions of dollars, right up to their inevitable bankruptcy (Honan and Leckert, 2010).

Nevertheless, the efficient markets hypothesis and the neoliberal orthodoxy it supported gained strength throughout the early 2000s. Some evidence appearing to show a decline in the severity of economic fluctuations in the United States since 1980 was hailed as demonstrating a 'Great Moderation', which in turn was attributed to the rise of sophisticated financial markets and



the wisdom of central banks. The life and death of the Great Moderation hypothesis is discussed by Quiggin (2011).

More important than the refutation of the Efficient Markets Hypothesis was the failure of neoliberalism to deliver the widespread prosperity it promised. In the boom years of the 1990s, particularly in the United States, it seemed that everyone could benefit from unfettered financial markets. Workers would gain from a booming economy, while the spread of share ownership would ensure that the gains flowing to capital were more widely distributed than before. All of this came to an end with the stock market crash and recession of 2000.

Although the US economy recovered somewhat after 2000, the failure of the neoliberal promise was increasingly obvious. Median household incomes in the United States declined in real terms, while economic growth stalled in Europe, and the long period of stagnation in Japan continued.

But growing inequality meant that living standards continued to rise for upper income groups, including the political class (Piketty, 2014). It was only with the Global Financial Crisis that almost destroyed the world economy in 2008 that the failure of neoliberalism became undeniable, or at least difficult to deny with a straight face.

The Global Financial Crisis, and the responses of the policy elite, proved fatal to belief in neoliberalism. Bankers and the financial system were bailed out, while ordinary people were made to pay the price. The situation was worst in the Eurozone, where the design of the European Central Bank (ECB) made it virtually impossible to adopt any policy except 'austerity', a counterproductive focus on cutting budget deficits and controlling the non-existent threat of inflation. The result has been a decade of depression in most of the developed world. Even in the United States and United Kingdom, which have, on some measures, recovered, living standards have never returned to the previous growth path, and the inequality of income has been more evident.

Despite its death as a credible theory of economics and politics, however, neoliberalism has stumbled on in zombie form for nearly a decade, maintaining its hold over major political parties and over organisations such

as the OECD, the International Monetary Fund and the European Commission. The economics profession as a whole has learned almost nothing from the Global Financial Crisis (Quiggin, 2013). Ideas like austerity, which should have been decently buried long ago, continue to wreak havoc throughout the world, and most notably in Europe (Blyth, 2012).

## **7. Political Implications**

Just as the economic ideology of neoliberalism lumbers on in zombie form, so, until recently, has the political system it supported. Insurgents of various kinds have gained support nearly everywhere, but the alternation between different versions of neoliberalism continued for nearly a decade after the crisis, only coming to an end in 2016.

During the decades of neoliberalism that began in the 1970s, the political system, nearly everywhere, was based on electoral competition between the hard and soft versions of neoliberalism, typically represented by (nominally) conservative and social democratic parties, respectively. Within the political class, and among business leaders and policy-makers, there was a near-universal consensus in support of neoliberal ideas. To take any position outside the spectrum defined by the soft and hard variants of neoliberalism guaranteed marginalisation and exclusion from serious political debate.

Yet, despite its dominance, neoliberalism hardly ever achieved broad support among the public at large. Rather, the seeming success of neoliberalism concealed the continued strength of currents that remained submerged for decades, becoming politically significant only in occasional eruptions.

The most important of these submerged currents was a resurgence of what we might think of as ‘tribal’ group affiliationism, that is, politics based on affirmation of some group identity against others. While there are as many tribalisms as there are tribes, the most politically potent form of this, and the relevant one here, is that of a formerly unchallenged dominant group facing the real or perceived prospect of becoming a politically weak and economically declining minority. The most important trend in this respect is the growing power of right-wing Christianity, which understands itself less in

terms of any specific religious belief and increasingly in terms of the reassertion of ethnic (white) identity and Western cultural norms. Such group consists of white Christians, where 'Christian' is interpreted in a sense of cultural identification rather than any specific religious belief.

Opposed to the tribalists, is a disparate group that may be called, for want of a better term, 'the left'. As well as a small group that adheres to Marxist or other radical critiques of capitalism, the 'left' in this sense includes environmentalists, feminists, unionists, old-style liberals and social democrats, and a wide variety of groups whose personal or cultural identity is threatened by white Christian tribalism – the alliance of neoliberalism with right-wing religiosity.

Because neither hard nor soft neoliberalism commanded much in the way of support, the dominant neoliberal parties relied on the votes of the excluded groups. The 'hard' neoliberal parties relied on value-voters and the votes of tribalists. They made symbolic gestures in their direction, but largely ignored them, particularly if their interests came into conflict with those of big business. The big point of conflict within this coalition was immigration policy, favoured by business but feared by the voters whose support they needed. The resolution, which was sustained for quite a long while, was to expand skilled and business migration, the kind most favoured by business, while focusing tribal fears on particular groups (in the Australian context, those who arrived by boat).

Soft neoliberals similarly gained the electoral support of the various left groups through a combination of modest concessions and a willingness to support 'the lesser evil' in the absence of any alternative.

The Global Financial Crisis discredited neoliberalism in both its forms, but still left neoliberals held all the positions of power in the political and economic system. But the erosion of support for both hard and soft neoliberalism has fatally undermined the neoliberal duopoly.

The most striking illustration of this was the successful election campaign of Donald Trump. Trump defeated a string of hard neoliberals for the Republican nomination, running on a populist platform which combined the tribalist popular appeal of competing candidates with a rejection of market

economics, most notably in relation to 'free trade' agreements such as the North American Free Trade Agreement (NAFTA) and the proposed Trans-Pacific Partnership Agreement (TPPA). Trump promised a massive infrastructure package that would 'make America great again'. He secured a narrow win over Hillary Clinton, whose own abandonment of the TPPA seemed forced and unconvincing. Most of Trump's appeal was fraudulent; for example, the infrastructure package has disappeared from view, and his Administration is packed with appointees from Wall Street. But his success indicates that US conservatives no longer care about the free market.

On the other side of US politics, Bernie Sanders came close to winning the Democratic nomination, only being defeated on the basis of the argument (sadly invalid) that Hillary Clinton was a safe choice in electoral terms. While the Democratic party continues to deal with the consequences of Trump's victory, the appeal of soft neoliberalism has clearly failed.

In Europe, tribalists have gained ground nearly everywhere, mostly at the expense of the soft neoliberalism represented most notably by Blair. Soft neoliberals have also lost ground to the left. Examples include the election of Jeremy Corbyn in Britain and the rise of left parties like Syriza in Greece and Podemos in Spain, at the expense of the traditional social democratic parties, PASOK and PSOE.

The ultimate outcome remains unclear. In part, this reflects the Condorcet problem in voting theory: with three alternatives, that can't be neatly arrayed on a right-left spectrum, there is no stable outcome (Condorcet, 1785; Boland, 1989). As a result, small changes in the relative strength of different groups can produce large changes in outcomes. Furthermore, these changes in outcomes need not reflect the changes in political beliefs. For example, an increase in support for one group may result in a realignment that produces a coalition of the other two.

But the more fundamental problem is that none of the competing forces has an obviously compelling solution to the problems we face. Neoliberalism has manifestly failed to deliver the prosperity promised by triumphalists like Thomas Friedman (1999). The attempt to reinforce 'national borders' tribalism is already a lost cause, given the massive migrations that have already taken place, and can at most be slowed in the future. The left needs to

rebuild institutions and policies that have been in retreat for decades.

## 8. Concluding Comments: The Way Forward

The failure of neoliberalism poses both challenges and opportunities for the left. The greatest and most urgent challenge is the need to confront the current resurgence of right-wing populist-authoritarian politics that is drawing so effectively on ‘tribal’ sentiments. Right-wing tribalism *is now* a powerful political force in itself, rather than as a source of political support for hard neoliberalism. Given the dangers posed by tribalism, this is an urgent task. One part of this task is that of articulating an explanation of the failure of neoliberalism and explaining why the simplistic responses of tribalist politicians will do nothing to resolve the problems. The other is to appeal to the more positive elements of the appeal of a tribalism politics of community, such as solidarity and affection for long-standing institutions and to counterpose them to the self-seeking individualism central to neoliberalism, particularly in the hard version with which political tribalism has long been aligned.

The great opportunity is to present a progressive alternative to the accommodations of soft neoliberalism. The core of such an alternative must be a revival of the egalitarian and activist politics of the postwar social democratic moment, updated to take account of the radically different technological and social structures of the twenty-first century. In technological terms, the most important development is undoubtedly the rise of the internet. Thinking about the relationship between the internet economy and public policy remains embryonic at best. But as a massive public good created, in very large measure, by the public sector, the internet ought to present opportunities for a radically remodelled progressive policy agenda.

In political terms, the breakdown of neoliberalism implies the need for a political realignment. This has now taken place on the right, as a tribalist form of authoritarian populism, most notably in the guise of the Trump presidency, asserts its dominance over hard neoliberals.

The most promising strategy for the left is to achieve a similar shift in power within the centre-left coalition of leftists and soft neoliberals.

This might seem a hopeless task, but there are positive signs. In the United States, the defeat of the archetypal soft neoliberal, Hillary Clinton, in the 2016 election has opened the way for a progressive challenge to neoliberal dominance. The energy mobilised by the Sanders campaign in the Democratic primary has been sustained with resistance to the policies of the Trump Administration and the Republican Congress. Strikingly, Sanders is now among the most popular of US politicians, with overwhelming approval from both Democrats and independents (Bump, 2017). Recent defeats for right-wing parties of the tribalist right in Europe have been accompanied by the rise of progressive parties and the decline of social democratic parties that have embraced soft neoliberalism, such as the Labour party in the Netherlands.

The era of unchallenged neoliberal dominance is clearly over. Hopefully, it will prove to have been a relatively brief interruption in a long-term trend towards a more humane and egalitarian society. Whether that is true depends on the success of the left in putting forward a positive alternative.

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# **12 Gary Becker: Neoliberalism's Economic Imperialist**

**June Carbone**

## **Introduction**

Gary Becker's legacy as a Nobel Laureate in Economics rests on his extension of the rational actor model to the non-market realms of the family, discrimination, human capital, crime and addiction. The strengths and the weaknesses of Becker's analysis involve the shift in focus from the group to the individual, and the assumption that individuals, even in the throes of poverty or addiction, make rational judgements about their own self-interest. Becker used this model to generate provocative predictions that include both the insightful and the spectacularly wrong. The flaws in his predictions indicate the blinders of the neoliberal model. It tends to cloak questions of power, justify the world as it exists in ways that make it seem inevitable, and discount the relatively intangible forces that constitute social fabric. Both those who dismiss his economic imperialism and those who laud his willingness to subject topics as diverse as sibling rivalry ('the rotten kid theorem') and drug abuse to economic modeling agree that Becker's influence is intricately linked to the rise of neoliberalism.

## **Becker and the Rational Actor Model**

In 1992, Gary Becker won the Nobel Prize in Economics for extending economic analysis generally and the rational actor model, in particular, to realms removed from monetary exchange, such as crime, discrimination, altruism and the family (Teixeira, 2014). His influence and his contributions to neoliberalism are tied to this expansion of 'imperial economics' (Lazear, 2000), with his supporters lauding his willingness to systematically model complex human motivations while his detractors dismiss the entire effort as needlessly reductive. By any account, however, Becker's influence in shaping

the nature of scholarly inquiry into these fields has been enormous, and the extent of that influence reflects the era's receptivity to neoliberal theory and its implications.

Becker's scholarly standing is tied to the rational actor model. In his Nobel Prize lecture, 'The Economic Way of Looking at Behavior' (1993a), he explained that the model treats individuals as rational actors, who seek to maximize their individual utility. Becker observed that this 'analysis assumes that individuals maximize welfare as they conceive it, whether they be selfish, altruistic, loyal, spiteful, or masochistic. Their behavior is forward-looking, and it is also assumed to be consistent over time' (1993a: 386). He recognized that choices are constrained by income, time, available opportunities, and imperfect memory and calculating capabilities, but insisted that his approach was 'a method of analysis, not an assumption about particular motivations' (1993a: 385).

What Becker meant by 'a method of analysis' was that his approach used assumptions about rationality to generate predictions that could be used to isolate and test the contributions of various factors to observable behavior. It did not matter whether the assumptions about human behavior accurately described the motivations of specific (or even most) individuals. Nor did it matter whether the initial predictions were always accurate (Becker, 1993a). Instead, the strength of Becker's approach was that it generated hypotheses that could be falsified; that is, empirically tested and shown to be true or false. The result made economic method seem to be simultaneously more scientific (it generated hypotheses that could be proved or disproved), more theoretical (the hypotheses were typically stated as general principles), and more useful (they provided a basis for favoring or opposing concrete policy prescriptions). Perhaps not incidentally, they also empowered those who embraced the methods, giving them new tools to advance the importance of economics and the neoliberal prescriptions that came to be associated with the analysis.

Consider, for example, the interaction between human capital and discrimination. Becker brought a new perspective to the treatment of both. His early work treated human capacity as a product of education, training, and experience, and these factors as investments in human capital. The value

of each could accordingly be measured. If individuals with a given level of education earn more than similar individuals with less education, the value of education can be expressed as the difference in the earnings streams between the two individuals (Becker, 1993a). Becker contributed to the development of this now commonplace idea. Presenting education as the product of an investment (cost plus effort) that enhanced income allowed it to be calculated with precision and seen as the outcome of market exchanges: both the market for education that matches teachers and students and the labor market that connects employers and employees.

This type of analysis gave Becker a new way to discuss controversial topics such as discrimination. Previous writers treated discrimination as irrational: they saw it as a consequence of emotion, distaste or group dynamics. Becker, by taking preferences as a given and then showing their interactions with markets, skirted the moral judgements to examine the potential effects of various types of intervention. He argued, for example, that if women anticipated taking time off after having children, both the women and their employers would place less weight on the women's acquisition of firm-specific training, since such skills would be of little to no value if the women sought to re-enter the labor market after raising children. Instead, compared to men with similar backgrounds, women might then value formal education more and training less (an observation consistent with the fact that more women than men now obtain college degrees) and benefit more from efforts to increase their educational than their training opportunities.

Becker's approach enticed economists to enter fields such as crime and the family, which they had otherwise left to others, and it changed the questions economists and sociologists asked within their own disciplines. In 2003, one scholar, who has often been critical of Becker, wrote: 'Like all social scientists who study the family, I must position myself in relation to Gary Becker. To a remarkable extent, his vision has shaped the tools we use, the questions we ask, and the answers we give' (Pollak, 2003: 111). That method focused the social sciences on behavior that could be explained, and consequences that could be measured.

## **The Rise of Neoliberalism**

If Becker's contributions amounted solely to the development of a new toolbox for the social sciences, he might still win a Nobel Prize. His influence extended well beyond the academy, however, because his work corresponded with the rise of neoliberalism. Neoliberalism involved an attack on European state socialism and the American version of the Keynesian welfare state, and calls for 'market deregulation, state decentralization, and reduced state intervention into economic affairs in general' (Campbell and Pederson, 2001: 1). Becker's analysis helped supply the rationale for neoliberalism's rise.

Classical liberalism is often associated with seventeenth- and eighteenth-century England, and writers such as Adam Smith. Smith (1976) opposed the government policies of his day, which favored some industries and discouraged others, and championed what he saw as the 'invisible hand of the market', which made government regulation unnecessary and, indeed, often counterproductive. Smith, however, viewed the ideal market in terms of what we would see today as interactions between small business and their customers. He opposed monopolies and cartels, and viewed the separation of ownership and control at the heart of the corporation as pernicious.

By the end of the nineteenth century, the rise of the large corporation of the industrial era led many to call for large government to offset the power of big business. These governments sought to contain the power of commercial conglomerates, oversee economic development, and provide economic security for the masses. In the middle of the twentieth century, a new group of scholars, including Americans from the Chicago School, prominent Austrian economists such as Ludwig von Mises and Friedrich Hayek, German Ordoliberals and a whole range of other European sympathizers, congregated at the Walter Lippman Colloquium in 1938 and again in Mont Pèlerin, Switzerland, in 1947, where they formed the international network called the Mont Pèlerin Society. A prominent figure of the Mont Pèlerin Society, Hayek saw government as inevitably infringing on individual freedom. He argued that fascism and socialism both rested on the expansion of the state role in economic planning, and rather than state power offsetting corporate power, the two sources of control combined to restrict the freedom of the individual (Hayek, 1944).

In the immediate period following World War II, Hayek's invocation of

liberalism to counter the welfare state generated relatively little traction. Many described the era as the 'golden age of capitalism', and a widespread political consensus supported government intervention in markets 'to mitigate inequality, to provide basic services, and – through a combination of monetary and fiscal means – to even out capitalism's boom-bust cycle' (McClune, 2013). The group of intellectuals who sought to curb governmental power grew through the 1960s and 1970s, as confidence in the government waned. The movement came to be described as 'neo' liberal because it embraced the classically liberal celebration of self-organizing free markets, without Adam Smith's insistence on the importance of non-market values in sustaining social orders (Smith, 2010). Michael McClune concludes that 'the neoliberal embrace of the prospect of a social world almost wholly organized by market relations strongly distinguishes this thought from the classical liberal tradition, which fostered a capitalism embedded in the institutions of civil society, the norms of civilized communication, and state regulation of the economy.' The University of Chicago, to which Gary Becker moved in 1970, consolidated its reputation as a center for the new movement.

## **Political Realignment and Receptivity to Neoliberalism**

The success of a new era of conservative politicians, particularly Ronald Reagan's election as President of the United States in 1980 and Margaret Thatcher's selection as Prime Minister of the United Kingdom in 1979, created a powerful audience for neoliberal ideas. Their rise marked a more ideologically driven political realignment, signaling the end of the postwar consensus that had favored active government. Globalization, which undermined the economic dominance of the large companies that sustained the union movement, and the economic shocks that followed the Vietnam War and the Arab oil boycott of the 1970s increased dissatisfaction with existing governments. On both sides of the Atlantic, conservative politicians celebrated the idea of 'freedom' that they associated with independence from government mandates and bureaucracies. They attempted to discredit the efficacy of public interventions in the economy and in individual life in favor of a much more radically individualist conception of society. Becker's



rational actor approach, both methodologically and substantively, complemented the political movement.

In the United States, in particular, political realignment created a much greater degree of ideological polarization than had been the norm in American politics over the previous half century. Franklin Roosevelt's New Deal coalition had brought together the most liberal *and* the most conservative elements of American society, including the intellectual left, socially conservative, but economically liberal trade unionists, and the white South, which rejected the 'party of Lincoln' after the Civil War and remained solidly in the Democratic column until the 1970s and 1980s. Reagan's election in 1980 forged a new governing coalition. It included: (a) the business class, which had long been Republican, and which became more willing to fund conservative politicians and aggressive attacks on state intervention in the economy, as suggested by Hacker and Pierson (2011); (b) the white South, which in reaction to the Democratic Party's identification with civil rights promotion, became increasingly Republican; and (c) the religious. Earlier in the twentieth century, Catholic immigrant groups, who were often associated with the trade union movement, tended to be Democrats, while mainstream Protestants were more typically Republicans, and Protestant evangelicals tended to be apolitical. Beginning in the 1960s, however, those with the strongest religious affiliations were increasingly drawn to fundamentalist churches, while those with more moderate religious beliefs became less likely to attend religious services at all. And over the latter part of the twentieth century, fundamentalists became more active politically and identified with the Republican Party, irrespective of denomination.

These three groups – the business class, the white South, and religious fundamentalists – did not equally embrace neoliberalism, but they tended to share conservative values-preferences. Researchers find that these values-preferences shape receptivity to various types of claims and forms of expression. The Yale Cultural Cognition Project, for example, describes values orientation along two dimensions: 'hierarchy–egalitarianism' and 'individualism–communitarianism' (Cultural Cognition Project at Yale Law School, n.d.). Hierarchs tend to favor the distribution of goods and benefits in accordance with a well-established system that may be based on wealth,

gender, ethnicity, or lineage; egalitarians prefer equality in the distribution of rights and benefits. Communitarians believe that the needs of the collective take precedence over those of the individual and the collective should secure the conditions for individual flourishing; individualists believe that each person should be responsible for his or her own well-being without societal assistance or interference.

While the Yale Project does not address political loyalties, political scientists describe conservative versus liberal political orientations in similar terms. They characterize those with a 'conservative' orientation by 'a yearning for in-group unity and strong leadership' (Alford, Funk and Hibbing, 2005: 164). They are more suspicious of other groups, such as immigrants or minorities, more drawn to 'clear, unbending moral and behavioral codes', place greater emphasis on the importance of punishing those who violate the codes, prefer systematization, are more willing to tolerate inequality (and to oppose redistributive policies), and have 'an inherently pessimistic view of human nature (life is nasty, brutish, and short)' (Alford et al., 2005: 164–65).

Those with liberal political orientations, when confronted with the same issues, display 'tolerant attitudes toward out-groups, [and] a desire to take a more context-dependent rather than rule-based approach to proper behavior' (Alford et al., 2005: 165). They also demonstrate more empathy and less emphasis on strict punishment for violations of moral and behavioral rules, 'an inherently optimistic view of human nature (people should be given the benefit of the doubt)', along with 'suspicion of hierarchy, certainty, and strong leadership' (flip-flopping is not a character flaw), and intolerance of inequality (Alford et al., 2005: 165).

In the immediate postwar era, political scientists celebrated an end to ideology, in favor of more pragmatic consensus-based policies. By the end of the twentieth century, they were declaring 'an end to the end of ideology', given the emergence of a political realignment that corresponded much more closely to these underlying ideological predispositions (Jost, 2006). These values-preferences, tied to personality characteristics such as openness to change versus veneration of tradition, increasingly correlated with electoral outcomes and political loyalties (Jost, 2006).

The political realignment at the end of the twentieth century did not just

produce a conservative coalition eager to advance neoliberal ideas skeptical of government intervention in the economy. It also produced an ideological movement appealing to those primed to prefer certainty, accept inequality, believe in the importance of punishment and distrust efforts to perfect human behavior. Gary Becker's ideas found fertile ground within that movement.

## **Ideology and the Academy**

The political realignment during the latter half of the twentieth century was not limited to political identities. Instead, it marked an increase in elite ideological polarization more generally (Fiorina and Abrams, 2008). As wealth, education and security increased, cultural expression became a more important component of identity. Individuals became better able to choose what states to live in (during the 1980s and 1990s, '45 percent of those with more than a college education' moved across state lines, according to Bishop (2008: 133)), what careers to pursue, and what leaders to follow. This affected not just party loyalty, but choices of academic disciplines and, within those disciplines, methodological preferences.

Economics as a discipline can have theorists who are broadly accessible. Adam Smith, for example, wrote 'in the eighteenth century for the full literate population of Britain' (Nelson, 2004). Today, his work is cited both by those who admire his embrace of markets and those who prefer his insistence on the importance of morals and empathy. The rise of economic imperialism and economics' increased prestige as a subject of study, however, come from the creation of greater barriers to entry, and those lie with the greater importance of mathematics to economic modeling. Economist Robert Nelson (2004: 476) comments that:

The most authoritative economists have formed their own exclusive society, validate each other's station, replicate their kind in PhD programs, and maintain control over the whole field by means of appointments, publications, and so forth. Professional economists communicate in a language of mathematics – the 'Latin' of our time – that similarly excludes ordinary people. A true understanding of economic processes is said by economic professionals to be possible

only within a framework of formal economic analysis.

*Playboy Magazine*, of all sources, described the 1980s and 1990s as an era in which economists became ‘the high priests of money: Alan Greenspan, Ben Bernanke, and Robert Rubin. These men were above politics; they were scientists’ (Schultz, 2012). And these ‘scientists’ became associated, for better or ill, with the implementation of a neoliberal political regime.

Gary Becker's influence came from his ability to extend not just the rational actor approach, but the mathematical modeling that came with it to new areas of study. Imperial economics grew in prestige and influence, often at the expense of sociology, as it became more abstract and mathematically based. Before Becker, sociology held a near exclusive sway over topics such as crime, the family, and discrimination in part because they were seen as mushier topics in contrast with hard-edged subjects like money. Once Becker demonstrated that he could generate ‘theorems’ that could be expressed as equations, the prestige associated with the study of these topics grew. Consider the question of women's increasing workforce participation. Sociologists might examine the issue by conducting field research with extensive interviews, attention to changing attitudes, efforts to capture differences among subgroups (and between men and women's views), and multi-causal explanations (Coleman, 1993). Becker (1993b: 35), in contrast, framed the issue as a postulate:

Theorem 2.4. If commodity productive functions have constant or increasing returns to scale, all members of efficient households would specialize completely in the market or household sectors and would invest only in market or household capital.

He then sought to ‘prove’ the theorem through the use of equations. The approach gives the appearance of scientific validity. The equations exclude all but specialists from inclusion in the discussion. It makes women's assumption of homemaking responsibilities (‘household capital’) seem to be timeless, unchanging, and inevitable – or at least efficient. Yet, the theorem obscures as much as it illuminates. What ‘production functions’ does the

theorem have in mind – having six children instead of three, baking 28 batches of cookies instead of four, washing the floor every day instead of once a week, doing all of the above without assistance from the other spouse or hired help? Becker's standing within the academy came from the elegance of the equations, which required the simplification necessary for a parsimonious theory, and his ability to generate novel insights. One of his most admired (and contested) postulates about the family is the 'rotten kid theorem' that posits that altruistic parents will curb the advantages of self-interested behavior within a family (Becker, 1993b).

If Becker's influence were solely an academic matter, it would be easy to imagine a new consensus. Becker, in fact, has influenced the study of the family across the social sciences, and the application of theorems to real-world circumstances inevitably prompts refinement and reformulation. Becker himself thought of his methods as positive (that is, descriptive) rather than normative, and capable of supporting a variety of policy outcomes not necessarily associated with a single party or ideological identification. Yet, he wrote at a time of increasing academic silos (economists may not necessarily cite sociologists even if the sociologists cite them) and increasing values polarization among elites. His methods fall on the faultlines of these divisions, and the divisions influenced receptivity to and development of his ideas, with reinforcing effects.

First, the use of theorems and mathematical modeling appealed to those more drawn to systematization than context-dependent reasoning, a distinction not just between economists and sociologists, but between those with more conservative versus more liberal political orientations. Becker's method involved the appearance of certainty stated in terms of general rules that have the force of theorems ('*all* members of efficient households would specialize *completely*'). French economists could call for 'post-autistic' economics because autism spectrum behavior is described in terms of an excessive emphasis on systematizing versus attention to social cues (Fullbrook, 2003). In Becker's world, the measurable (production outputs) became central while less tangible social factors (the autonomy of homemakers) disappeared from view.

Second, the emphasis on mathematical modeling and clever insights

contributed to a hierarchal academic structure: the method, rather than its content or even accuracy, became the measure of a department's relative prestige, the foundation for hiring and tenure, and the test for policy formations. In contrast, more egalitarian disciplines often accepted more varied methods, valued diversity (racial, gender, or methodological) in hiring more, and/or placed less weight on formal rankings. These factors produced mutually reinforcing effects. Top economics departments confer high levels of prestige and that prestige is tied to their faculty's sophisticated econometric models. Those who aspire to such departments care deeply about maintaining the department's standing and view the models (and their ability to use them to publish in top journals and gain the approbation of their peers) as a sign of their own and the department's self-worth. While most disciplines involve distinctions based on relative academic standings, economics has been described as an exclusive club that excludes heterodox views to a greater degree than most.

Third, economics generally tends to emphasize tradeoffs, which establish the limits of human society. Indeed, economists like to emphasize, as a central tenet of the discipline, that 'there's no such thing as a free lunch' (Buchanan, 2015). It therefore attracts those who think of themselves as realists rather than idealists. The rational actor model, which proceeds from the assumption that individuals seek to advance their own self-interest, reinforces this further, embracing a more pessimistic than optimistic view of human nature, even when the discipline attempts to model traits such as altruism (Becker, 1993b). Professors studying university students find that economics and business students score lower in empathy, higher in greed, and seem to be more willing to cheat and less likely to cooperate than other university students, though the jury is out as to whether such traits are a product of self-selection or a direct result of economic study (Grant, 2013).

Finally, the rational actor model, by taking preferences as a given, makes racial, gender, and other hierarchies appear to be natural, inevitable or even justified. This in turn tends to attract those with a greater preference for hierarchy. Becker's discussion of the division of labor between home and market, for example, eliminates issues of power and coercion from consideration. Yet, a rich literature asks whether husbands, particularly controlling or abusive ones, restrict their wives' labor force participation, and

whether wives' domestic roles limit their autonomy and their influence within the family (Okin, 1989). Becker's use of the rational actor magnified this effect because he tended to take the world the way it existed, and then generated an account, dressed up as a theorem, to explain how it came to be that way, emphasizing the efficiency of the result. Within these accounts, women's domestic roles, for example, become 'rational' responses to admittedly small differences based on biology (such as women's ability to nurse) and the effect of domestic responsibilities in restricting women's ability to exit unhappy relationships disappears from view. While it is possible to image the rational actor model being used to reach other conclusions, its association with mathematical modeling and with neoliberal policy preferences tends to discourage those inclined to favor less conservative approaches from using the method at all.

These factors – elite values polarization, the emergence of a new, more aggressive conservative movement, the interaction between mathematics and prestige among economists, and the self-selection of those with greater tolerance for hierarchy into economics – created fertile ground for Becker's ideas. They also made it more likely that the ideological shift to the right politically would interact with the methodological conservatism of elite economics departments in reinforcing ways. Becker's expansion of the rational actor model and the rise of neoliberalism complemented each other in ways that amplified their mutual impact.

## **Becker's Legacy**

Becker's enduring legacy will be the way he reframed the fields in which he wrote. Even in areas that today have moved away from his substantive conclusions, Becker changed the direction of inquiry with lasting results. At its height, his influence reached beyond the academy. It had the greatest impact when his scholarly work interacted with a growing neoliberal movement to redirect government policies.

### **A. Crime**

Becker's work on crime coincided with a political shift in emphasis from

rehabilitation to punishment. In no other field is his work so reductionist; his approach to criminal justice policy focused almost exclusively on his insistence on a direct relationship between enforcement, punishment and the incidence of crime. And, in perhaps to a greater degree than in any other area, his approach helped justify changing policies that transformed government policies in accordance with an ascendant neoliberal regime. Between the beginning of Becker's work in the 1960s (Becker, 1968) and 2015, the United States, spurred on by opportunistic politicians, launched a get-tough-on-crime approach that produced an era of mass incarceration, with higher levels of imprisonment than in any other developed nation (Schrager, 2015). While crime rates in this era also fell, empirical evidence, contrary to Becker's predictions, shows no close correlation between the imposition of much more severe penalties and overall crime rates. Rather, the developments reflect Becker's contribution to the rise of neoliberal politics; they helped give legitimacy to a movement grounded in conservative values orientation (particularly the preference for punishment over rehabilitation) that went well beyond anything Becker's analysis might justify.

In his Nobel lecture, Becker explained his approach to crime by musing about his own, presumably rational calculations. He recalled a time when he was late for an oral examination of a student. He debated whether to park on the street and risk a ticket or park in a lot, which would take more time. He decided to risk the ticket after taking into account the cost of a ticket and the likelihood that it would be issued (Becker, 1993a). Becker's own simplistic cost-benefit analysis became the basis for a challenge to what he described as the dominant intellectual approaches of the 1950s and 1960s. He saw the policies of the era as dominated by the belief that crime was caused either by mental illness or social oppression. He argued instead that crime, rather than reflect defective individual or social conditions, would increase or decrease at the margin as a result of stricter policing or more severe punishments and that this would be true whether the crime involved overstaying the limits of a parking meter, corporate fraud, or murder.

Becker's choice of an example is instructive. Few of us think of illegal parking as a matter of morality. Just as Becker posited, it often does involve a calculation about the likelihood of getting a ticket, the size of the fine, and the availability of alternatives. Otherwise law-abiding people might routinely



overstay a two-hour parking limit, for example, if they thought there was little prospect of enforcement. Policing can thus have a relatively large effect on compliance rates in a relatively short amount of time. Crimes such as armed robbery differ in that most individuals have internalized norms against stealing and against violence. In some communities, the norms are so strong that armed robbery is rare even with little police presence or relatively low penalties. In other communities, the incidence of violent crime is higher, even with much greater enforcement. Becker recognized that the strength of community norms plays a role in the incidence of crime. And he also acknowledged that high crime rates in a given community might reflect the lack of job opportunities or parents' failure to instill the right values. His contribution, however, was to emphasize the *marginal* role of enforcement; that is, holding other things constant, such as employment, poverty or family structure, increases in the likelihood of arrest or the severity of the penalty should still have an impact on the relative incidence of violent crimes just as enforcement should affect the relative level of parking compliance. There might be differences in magnitude – the police presence necessary to deter armed robbery might differ substantially from those necessary to deter overtime parking – but not in general principles. The result of Becker's analysis was as much as anything else a change in emphasis; it legitimized a greater emphasis on law enforcement that coincided with the rise of a conservative movement primed to believe that punishment would be more effective in reducing crime than rehabilitation or anti-poverty efforts.

It would nonetheless be a mistake to characterize Becker as a simple-minded advocate of greater enforcement. Instead, he emphasized the role of economic analysis in comparing the costs of enforcement against the costs of crime. To that end, he maintained that not all crime is 'inefficient'; completely law-abiding behavior may not be worth the cost of achieving it. Becker accordingly tried to identify the expenditure of resources in law enforcement that would minimize the social losses resulting from crime. These losses include not only the damages from offenses, but also the costs of apprehending and convicting offenders and the social costs of punishments (Becker, 1993a). His calculus did not include, however, the effect of law enforcement in instilling values. Instead, his analysis along these lines is perhaps best known for identifying two types of tradeoff.

The first is between the likelihood of detention and the severity of punishment. All other things being equal, he argued that a society could reduce policing costs by adopting severe punishments even if the likelihood of detection were low. Becker acknowledged, however, that the effect depended in part on the criminals' orientation toward risk. He assumed that those willing to commit crimes are risk takers; that is, they receive enjoyment from the prospect of getting away with the crime, and therefore increasing the likelihood of detection would be more effective in reducing the crime rate among such individuals than simply increasing the severity of punishments. Nonetheless, he saw the relationship between the two (more certain detection and more severe penalties) as on a continuum that could be expressed mathematically. In 2015, a blog otherwise sympathetic to Becker's analysis would call this 'his biggest blunder'; more severe punishments have in fact substantially increased the costs associated with imprisonment without a commensurate decrease in crime rates (Tabarrok, 2015). Evidence shows that more severe punishments may even be counterproductive. Inmates housed in maximum and medium security facilities, for example, are 41% more likely to be re-arrested upon release than those inmates housed in minimum security facilities, controlling for other factors (Raphael and Stoll, 2009).

The second was a preference for fines over imprisonment. While fines could approximate the harm imposed by the crime, he saw imprisonment as much more costly, and therefore better reserved for the most serious crimes. For similar reasons, he was also reluctant to use the criminal justice system to police victimless crimes; he favored decriminalization of drug use, for example (Becker, 1995).

Throughout this analysis, Becker focused on the marginal impact of such policies on individual calculations, and not on the role of the criminal law in setting and reinforcing shared moral understandings. He assumed that the increased crime rates of the 1960s and 1970s in the United States and abroad came from less policing and an increase in the costs of obtaining a conviction and thus a lesser chance of detection and punishment (Becker, 1995). Although he acknowledged the importance of education and employment in the individual calculus as to whether to commit a crime, he only casually mentioned the impact of such factors as community circumstances, the loss of high-paid manufacturing jobs, which began to affect inner-city

communities as early as the 1960s, or the impact of entrenched poverty and racism. In contrast, *American Apartheid*, by sociologists Massey and Denton, shows how plant closings increased crime rates, and did so to a greater extent in black than white neighborhoods, in part because of the fewer resources of segregated African-American communities (Massey and Denton, 1998). Becker's acontextual analysis presented criminal law as though it were a state-run version of tort law, with the optimal approach tying the size of fines to the magnitude of the loss from the crime and crime reduction as a product of the marginal effect of increased policing and punishment. He paid little attention to the role of the criminal law in reinforcing (or in some cases undermining) community norms, and thus he had little explanation for why a single event such as a plant closing might have a greater impact in one community than another.

In addressing street crime, these calculations were used to justify harsher penalties rather than community strengthening approaches; in the white-collar arena, his analysis led to more lenient treatment. Given his emphasis on lowering the costs of enforcement, he preferred fines to imprisonment, and thought fines should reflect the costs of the crime rather than amounts designed to prevent the crime. This type of analysis discounted the role of the criminal law in underscoring the unacceptability of certain types of behavior. Just as Becker saw no point in deterring all parking violations, neither did he advocate eliminating corporate malfeasance. He had no problem with those executives willing to view corporate criminal fines as simply the cost of doing business; indeed, this is exactly the type of analysis he expected rational actors to undertake. As a result, he did not consider the particular characteristics of financial crimes. These crimes, such as those involved in the last financial crisis, can produce enormous payoffs, with little perceived risk of prosecution. Moreover, the more sophisticated the financial instruments (such as derivatives and credit default swaps), the more expensive it becomes to bring prosecutions (Black, 2014). Becker's analysis might have supported more severe penalties in exactly these circumstances – the financial losses associated with financial crime are high, the risk of imprisonment would have more of a deterrent effect on executives than on street criminals, and given the difficulties of prosecution, the imposition of more severe punishments on the convicted might serve as a warning to the rest. Yet, Becker tended to favor fines in part because he discounted the costs

imposed by white-collar violations and in part because he did not address the role of the criminal law in community norm setting at all.

Becker did not necessarily support the mass incarceration policies of the latter half of the twentieth century and he actively opposed the war on drugs. Yet, he did seek to reorient criminal justice policy-making from a focus on mental health, community investment and rehabilitation to a narrower consideration of policing and penalties. His insistence on a straightforward calculus between crime and punishment is more simplistic than much of his other work, and it helped legitimize the get-tough-on-crime politics of his era, whether or not they precisely followed his prescriptions. In the meantime, Becker – and the neoliberal policies associated with him – almost certainly contributed to a focus on punishment to the exclusion of many other possible responses to crime. In 2007, the Department of Justice reported that 55% of male inmates and 73% of female inmates in state prisons are mentally ill (Khazan, 2015). They receive remarkably little in the way of mental health treatment. Becker's response would most likely be that, absent severe psychosis, the mentally ill can also be deterred by the right mix of policing and punishment – unless of course they are so misguided or so desperate that they gain more from being in jail than being on the streets. Becker consistently maintained that it is simply a matter of calculating the right mix of costs and benefits.

## **B. The family**

Becker's influence on the economics of the family is almost precisely the opposite of his influence on the study of crime. While his work on crime focused on a small set of issues revolving around enforcement and punishment, his approach to the family created a field of study that barely existed when he began the endeavor. His contributions pervade the continuing study of the economics of the family, and they raise questions that range from the most basic (do parents act altruistically toward their children?) to the most complex (how do we understand the tradeoffs between market and non-market labor?) Virtually every article in the field today begins by acknowledging a debt to him. Yet, Becker's work on the family has had much less impact than his work on crime in influencing public policy and his strongest adherents acknowledge that, with respect to some of his best-known

analyses, he was spectacularly wrong. The questions going forward, therefore, are less the substance of his predictions than the nature of economic method itself.

Becker's work treated the family as a suitable subject for economic study by making it a site for production and exchange. He saw both market and domestic production as sensitive to price, capable of tradeoffs, and subject to bargains, implicit and explicit, that affect efficiency and productivity (Becker, 1993b). Economists today, even as they disagree with many of Becker's ideas, conclude that he 'has carried the day' with respect to threshold issues such as modeling interactions within the family and doing so on the basis of the 'foundational assumptions of the economic approach – maximizing behavior and equilibrium – as well as such primary auxiliary assumptions as household production and interdependent preferences' (Pollak, 2003: 140). At the same time, the economics of the family has taken on a life of its own that takes it well beyond Becker's initial contribution.

Economic modeling of the family continues to proceed from one of Becker's more contested propositions: the notion that the exchange between husbands and wives involves 'specialization' in the respective arenas of home and market. In his 1981 volume, *A Treatise on the Family*, Becker (1993b) argued that husbands specialize in market production, wives specialize in domestic production, and they trade, reaping the same gains from comparative advantage that countries earn when they specialize in the production of different goods as part of an international market. Becker therefore predicted that the husbands who are most successful in the market (measured by their income) should want wives who specialize in the home (and have lower actual and potential income), and that dual earner unions should therefore be less stable than more traditional breadmaker/homemaker marriages because the gains from the exchange would be less. In fact, the opposite has occurred. The only group in society whose marriage rates have increased are the top 10% of women by income, i.e., those who 'specialize in the market', and the marriage of elite dual career couples have become more stable with time, outpacing those in traditional marriages farther down the socio-economic ladder (Fremstad and Boteach, 2015). Moreover, Becker did not just generate flawed predictions about the future of the family; he also missed the nature of the changes that were remaking the family at the time he wrote. The great

irony is that the analytic methods he championed should have given him very powerful tools to critique these changes, had he not been so limited in his ability to see the changing nature of gender and class unfolding before him.

Becker's conception of 'specialization' within the family rested on a fundamental fallacy: the idea that men specialize in the market as though paid labor were a unitary activity, while women similarly specialize in unpaid labor within the home as a similarly unitary activity. Yet, no labor economist would describe paid labor as specialization in itself, beyond acquisition of the minimal skills necessary to apply for and hold a job. Instead, those engaged in market labor specialize in various kinds of skills: becoming a doctor, engineer, small business owner, carpenter, waitress or school teacher. These are very different types of activities, and as Becker's work on human capital indicated, individuals enhance their productive capacity within such roles through the acquisition of formal education, job-specific training, and experience (Becker, 1993b). In contrast, homemakers are generalists: they cook, clean, care for children, and manage a variety of other tasks. Each of these activities could, and today often is, a subject of specialization; the gourmet chef trains for years to produce high-quality restaurant meals. Even an entry-level line cook quickly becomes much more efficient at food prep than the average homemaker.

If Becker had in fact taken the idea of specialization seriously and applied it to the changing family of the 1970s and 1980s, he should have concluded that women's generalist roles, which justified lesser parental investment in girls than boys, were inefficient and that the changes that attended women's increased market participation could be more accurately characterized as greater specialization among women than as lesser specialization between men and women. Mothers still took on greater responsibility than fathers for childcare and homemaking; they just became more likely to employ cleaning services, day care centers, frozen food products and wrinkle free fabrics in helping them do so. Becker correctly recognized that the increased demand for women's market labor was changing the family, but his simple-minded emphasis on gender-based role differentiation led to the conclusion that it would necessarily weaken the exchange at the core of the family.

Becker's analysis of altruism has similarly inspired controversy. Economists

ordinarily assume that people are 'selfish', that is, that they act in their own self-interest. Most economic models then assume that individuals maximize their own self-interest. Within the family, this poses a challenge because decisions are often made on behalf of households rather than individual actors. Becker solved the technical problem of modeling households by assuming that a single decision-maker (in Becker's world, the husband) made decisions altruistically on behalf of a group of other egoistic actors. In contrast with other economic models, Becker maintained that in the context of the family many people act altruistically, that is, that a parent, for example, may derive greater utility by spending money on a child's college tuition than from spending money on himself, and Becker therefore treated the decision-maker as having a utility curve that incorporated the utility curves of other family members into the decision-maker's calculus (Becker, 1993b). He nonetheless riled many in positing a presumptively male head of the family, who altruistically valued the interests of the entire family, and an egotistic second spouse, who placed her own interests ahead of those of other family members. Feminist critics have labeled these assumptions 'preposterous', and philosopher Martha Nussbaum, referring to economist Amartya Sen, wrote that:

Sen's conclusions and ours, looking at the evidence, is that this assumption is false: males are quite often neglectful of the interests of females, whether wives or children, and make decisions inimical to those interests. Becker deserves much credit for putting these issues on the agenda of the profession in the first place; but models are only as valuable as the truth of their premises. And the truth is that Becker's picture of male motivation does not fit the evidence... (Pollak, 2003: 119)

Other economists maintain that these criticisms do not fully take into account the technical nature of Becker's use of the term 'altruist' (Pollak, 2003); Becker needed to assume a single altruistic decision-maker to make his equations work. And others note that Becker agreed that the altruistic head of household could be a woman, while the egoistic second spouse could be male; his postulates were not intended as a statement on the relationship between gender and other regarding behavior (Grossbard-Shechtman, 2001).

Becker himself noted the limitations of his original theories of altruism in his revision of *The Treatise of the Family* and made adjustments responding to his critics, which in turn inspired further academic analysis and exchange (Pollak, 2003).

Both for Becker's admirers and his critics, the technical flaws in his models of altruism may be beside the point. Becker deserves credit for making the subject of altruism a sustained topic of economic inquiry and his work inspired innumerable other efforts criticizing, refining and extending the analysis. At the same time, his work on altruism, like his work on specialization and other economic aspects of the family, is simplistic, incomplete, and tone deaf to changing assumptions about gender and family roles. The result identifies the work with defense of a patriarchal status quo, even though Becker's method could (and arguably should) have been used to justify other conclusions.

This has made debate about whether to use the method at all a central part of Becker's legacy. With respect to the study of the family, the debate is about more than simply the link to neoliberal policies. To be sure, Becker's critics charge that 'Becker's method of thinking about the family leads, as does almost all neoclassical theory, to conclusions that institutions depicted are benign, and that government intervention would be useless at best or, more likely, harmful' (Bergmann, 1996: 12). Yet, policy criticisms about Becker's view of the family are more ones of omission than commission. Despite discussion of fertility, he paid little attention to contraception or abortion, failing to consider the role of women's control of their own sexuality in accounting for the number of births. And while he recognized that specialization in unpaid labor made women vulnerable, he saw the issue as a matter of contract enforcement, rather than coercion or violence. Indeed, one of the most striking conclusions of later economists of the families would be the association of no-fault divorce, not with less efficiency within the family, but with a 30% decline in women's suicide rates (Stevenson and Wolfers, 2006). What rankled critics most, however, was his depiction of the Victorian family as though it were timeless and unchanging, his characterization of women's greater earning power in terms of a loss of efficiency within the family (Grossbard-Shechtman, 2001), and his failure to value the emotional core of intimate relationships (Billari, 2016). To the extent that Becker is



associated with policy initiatives at all, it has been criticisms of no-fault divorce that have had relatively little impact on legal developments, and his predictable opposition to government welfare programs (Staudt, Wu and Wang, 2012).

Within the academy, however, even those who acknowledge Becker's contributions wonder about the opportunity cost of the focus on Becker rather than other approaches to the family. These concerns involve method as much as content, and the association of Becker's method with conservative ideological preferences. Becker is almost certainly influential because of the simplicity of his models, which contribute to an ahistorical treatment of marriage as universal and unchanging. Moreover, some critics suspect that Becker's popularity is due to 'his validation of sexist assumptions' (Woolley, 1996: 117). The fact that he has been influential across the academy, often at the expense of more nuanced, accurate, complex (and feminist) examinations of the family compounds the offense. Yet, the great irony is that the family as a field of study within economics might not exist without Becker, and his work has increased the likelihood of the rediscovery of older economic analyses of the family and the production of new ones that contradict or bypass the offending parts of his analysis.

## **C. Discrimination**

Discrimination, perhaps to a greater degree than crime or the family, was thought to be beyond the scope of economic analysis. Discrimination, after all, was viewed as irrational bias that could not be explained in economic terms. Gary Becker sought to change that. He made discrimination susceptible to economic research by framing it within the context of the market. It was the subject of his doctoral dissertation in 1955, which he turned into a book, *The Economics of Discrimination*, published in 1957. The analysis earned admiration for treating discrimination as a product of market preferences; employers and consumers could be treated as having a 'taste' for discrimination and the strength of their preferences could be measured by differences in price. Casting differences in such terms allowed for more precise measurements, and for the use of the market to circumvent irrational prejudices. Becker posited that given identical levels of productivity, it should be cheaper to hire workers subject to the discrimination, and rational

employers might therefore be expected to take advantage of such opportunities by seeking to recruit minority employees. If wages did not in fact equalize over time, Becker saw the explanation in the strength of unions and other misguided efforts made possible by government intervention. The most effective solution to discrimination would thus be a neoliberal model that let the market work its magic.

This analysis combined with Becker's exploration of human capital to create a new way of looking at individual results. Like his work on the family, it tended to justify the status quo. Becker argued that competitive markets produced less discrimination, and his analysis looked for ways to measure more versus less discriminatory market segments. Where discrimination existed, he tended to attribute it either to the understandable tendency of minorities to invest less in human capital, given the lower rates of return, or the anticompetitive effects of interventions such as affirmative action, which Becker likened to agricultural quotas (Becker, 2005).

Becker's work in this arena was creative and it has sparked debate that has generated a more sophisticated discourse about how to understand and measure discrimination. Nonetheless, Becker's work ultimately contributed to the deeply polarized discussion of discrimination, markets and hierarchy – the subjects that define neoliberal discourse.

Becker's supporters, for example, writing more than a half century after his initial work on discrimination, defend it as a counter to Marxist or progressive accounts of discrimination. David Henderson of the Hoover Institution emphasized the importance of Becker's analysis in explaining how 'discrimination is costly to the person who discriminates' and therefore a practice markets were ideally designed to counter (2014). Henderson referred to the fact that the racist owner of the L.A. Clippers basketball team hired African-Americans as his top players and paid them more than the whites on the team because he wanted to win. African-Americans, however, remember a time when social forces prevented equally competitive sports team owners from hiring African-American players at all, and many commentators attribute the end of the color bar to social rather than market forces.

Journalist Kathleen Geier, on the other hand, has described the criticisms of Becker's theories from the left. She wrote, on Becker's passing, that:

Yet underneath its sunny facade, human capital theory has a dark side. As Philip Mirowski [Mirowski 2014] notes, Foucault pointed out that Becker's concept of 'human capital' brilliantly flipped our self-identification as economic actors from laborers to capitalists, 'investing' in ourselves like we're a piece of run-down property that needs some sprucing up. That's a profoundly creepy and alienating self-concept. And it's certainly of a piece with Becker's hard-right politics. (Geier, 2014)

As Geier observes, the very treatment of education, family and discrimination in economic terms offends many, particularly those more inclined to see the persistence of discrimination, racism and inequality in terms of power. For neoliberals, the L.A. Clippers' owner is subject to the discipline of the market, forcing him to adequately compensate African-American basketball players whatever his personal biases. For others, the same owner is a powerful actor who perpetuates racist stereotypes. Reactions to Becker continue to reflect these differences in perspective.

Yet, with respect to discrimination, Becker did initiate innovative economic studies. The most recent inquiries into discrimination, for example, indicate that minorities may place more weight on education and training as a counter to discrimination than whites, who can rely on informal networks or on-the-job training (Caputo, 2015). These different hypotheses could be tested empirically, and Becker helped pioneer approaches that make it easier to do so, but given the difficulties of controlling for all of the factors at play in discrimination, the empirical studies, even sophisticated and rigorous ones, tend instead to appeal to pre-set convictions.

## **Conclusion**

Becker helped legitimize neoliberal thinking in an era eager for scholars to counter the dominant progressive ethos in place when Becker began his career. His critics tend to rue the opportunity cost involved; Becker's thinking often crowded out other approaches that might have otherwise had more sway. As the neoliberal era wanes, however, Becker's influence remains even among those who reject his conclusions. His approach has helped distinguish economics from other disciplines at the same time it helped extend its reach;

the broader expanse of economic research is likely to be one of Becker's enduring legacies. The question on the horizon is whether economics as a discipline will retain its influence or whether its close association with neoliberalism will lead to a rejection of economic methods along with Becker's more contested conclusions. That may depend not just on the separation of Becker's methods from his ideological ends, but on whether the methods can be adapted to produce more confidence in their results. The era ahead may be eager to validate the conclusions of the left – or it may give rise to a search for more pragmatic, nuanced, and less ideologically identified analysis. If so, that too may be a legacy of Becker's influence.

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# 13 The Neoliberal Origins of the Third Way: How Chicago, Virginia and Bloomington Shaped Clinton and Blair

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## **Introduction**

President Bill Clinton's proclamation that the 'era of big government is over' encapsulated the 'New' progressive 'Third Way' politics he and British Prime Minister Tony Blair championed and practised.<sup>1</sup> In the 1980s, the Thatcher and Reagan administrations had pursued free market economic reforms influenced by the neoliberal ideas of Friedrich Hayek and Milton Friedman. Those ideas about monetarism, deregulation and privatisation had broken through even earlier during the Carter and Callaghan administrations of the 1970s.<sup>2</sup> The Third Way, by contrast, aimed to reform government and the welfare state through the importation and application of market models to government and the public sector.

Neoliberal ideas were a central inspiration for Third Way reforms of government. American neoliberal scholars re-theorised the state in the 1950s and 1960s. Chicago economists George Stigler, Ronald Coase and Gary Becker were instrumental in a movement which has been both pejoratively and admiringly referred to as 'Economics Imperialism'.<sup>3</sup> Stigler and Coase applied markets to regulation and law by presenting government action in these areas as being economically inefficient (Coase, 1960; Stigler, 1961). Becker developed an 'economic approach to human behaviour' (Becker, 1976). These efforts contributed to the novel approach to politics, which would later be called 'public choice', by two Virginia-based scholars, James Buchanan and Gordon Tullock.<sup>4</sup> Coase bridged both Chicago micro-economic theory and Virginia public choice. A third school, born of the Bloomington workshop on political theory and policy analysis ran by Vincent and Elinor Ostrom at Indiana University, both drew from and transformed

public choice into a theory capable of application in Third Way political programmes. The Ostroms did this especially through developing the concepts of public entrepreneurship, polycentricity and co-production. Third Way Progressives largely accepted the analysis of government failure generated by these economists, although their insights were sometimes delivered second or third hand. Public choice theory, which pioneered the application of markets and quasi-markets to public policy in the 1990s and 2000s, underpinned many of the Third Way ‘modernisation’ strategies implemented by Clinton, Blair and others.<sup>5</sup>

Scholarship on neoliberalism has flowered in recent years but it remains a difficult and contested term.<sup>6</sup> In this chapter, neoliberalism refers not simply to the thinkers associated with the Mont Pèlerin Society (MPS), the international neoliberal collective founded in 1947 by Friedrich Hayek, but to the free market ideology based on individual liberty and limited government that connects human freedom to the actions of the rational, self-interested actor in the competitive marketplace (Jones, 2012: 2). This neoliberal view was applied not simply to state action *in* the economy, though that was clearly important to the political transformation of the United States and the United Kingdom after 1979, but also to the state itself, the ultimate non-market arena, and other non-market decision making. In particular, the public choice focus on government failure was complemented and enhanced in the Third Way programmes of the New Progressives by a series of policy proposals advocating markets to deliver better and more efficient public services. Markets would, it was claimed, enable government to do ‘more for less’.<sup>7</sup> This chapter traces this development and argues that public choice theory profoundly influenced the Third Way agenda and entrenched and deepened transatlantic neoliberal politics.

## **Third Way Politics and the Rise of the Market**

The Third Way emerged in the 1980s and 1990s out of the political despair bred by repeated Democratic and Labour Party electoral defeats at the hands of their conservative opponents. Bill Clinton and Al Gore led the ‘New Democrats’ to victory in the United States in 1992. They were the standard bearers of a centrist political movement which grew around the Democratic Leadership Council (DLC) founded by political strategist Al From in 1985.<sup>8</sup>

'New Labour', heavily influenced by Clinton's triangulation strategy, came soon after, following Tony Blair's election as party leader in 1994. New Labour won a parliamentary landslide in the 1997 General Election and held office unchallenged until Gordon Brown's defeat in 2010.

'New' progressives argued for a 'Third Way' in politics which, in the words of its chief theorist, British sociologist Anthony Giddens, would move beyond left and right (Giddens, 1994). Despite Giddens' protestations to the contrary, however, the intellectual novelty of the 'Third Way' effort to reform the state lay in its application of market models to 'elevate [states'] administrative efficiency' (Giddens, 1998). Giddens himself suggested a balanced approach to using markets so that they did not become the default option (Giddens, 1998: 75). However, if Third Way politics can be seen as an attempt to draw the strength from both left and right, the hard policy core of the proposed renewal of social democracy derived from American postwar neoliberal market-based approaches to social policy, which were to be fused with a social democratic rhetorical appeal. In other words, the method was neoliberal and the 'values' were supposed to come from the centre-left.

Neoliberal ideas were not the only important influence on the Third Way. Other significant influences included the liberal left communitarianism of American sociologist Amitai Etzioni (1993) or the Stakeholder Capitalism of Will Hutton (1995) among others. Along with other more traditional liberal-Democratic (in the American sense) or Fabian Socialist (in the British) ones, these ideas gave rise to very important policy strands of the Third Way, or New Progressive, project, especially concerning rights and responsibilities and reforming capitalism.<sup>9</sup> Equally, the Clinton and Blair administrations espoused, to varying degrees, Wilsonian liberal interventionism, a creed that became associated with neoconservatism and culminated in the disastrous support by Blair of President George W. Bush's War in Iraq. These dimensions of Third Way politics, though profoundly important, are not the concern of this chapter, which focuses on New Progressive attempts to reform the state and the public sector.

Two statements, made some years apart, illustrate the Third Way attempt to reform and renew the state. The first is from Bill Clinton and Al Gore's (1992) manifesto for the 1992 Presidential election, *Putting People First: A*

*Strategy for Change*. Speaking about 'A Revolution in Government' they observed:

We cannot put people first and create jobs and economic growth without a revolution in government. We must take away power from the entrenched bureaucracies and special interests that dominate Washington.

We can no longer afford to pay more for – and get less from – our government. The answer for every problem cannot always be another program or more money. It is time to radically change the way the government operates – to shift from top-down bureaucracy to entrepreneurial government that empowers citizens and communities to change our country from the bottom up. We must reward the people and ideas that work and get rid of those that don't. (Clinton and Gore, 1992: 23–24)

The second is taken from a paper by Prime Minister Tony Blair's Strategy Unit in 2006, in which is described the then-Labour Government's approach to importing competition and contestability into public services:

A public service characterised by competition and contestability on the supply side and by user choice and voice on the demand side will have powerful dynamics within it to improve the effectiveness, efficiency and quality of that service. This doesn't mean, as we will see, that the need for top down pressures is eliminated, but it does mean that the potential downsides of over-reliance on top down pressures can be avoided and new and strengthened incentives for high quality services that meet the needs of users put in place... (PM's Strategic Unit, 2006: 22)

The supply of a public service can be opened up to competition in two main ways: (i) competition in the market and (ii) competition for the market. Which is appropriate in any particular instance will depend on the characteristics of the service in question:

Competition and contestability provide incentives for producers to drive down costs and improve outcomes. (PM's Strategy Unit, 2006: 48)

These quotations capture the Third Way strategy to 'reinvent' or, in the equivalent British 'New Labour' jargon, 'modernise' the state for the information age. Central to the concept of reinvention or modernisation were several key ideas. Generally, as noted in the introduction, market models were to be applied to government and the public sector to make them '*leaner and meaner*'. The objective of greater efficiency was to be obtained through the introduction of competition and contestability into public service delivery. Moreover, more was to be achieved with less in part through the contribution, the 'co-production', by consumers of government services.

How did these ideas come to define the reform agendas of American and British progressives, often displacing the more traditional left-liberal concerns of equity, equality and the idea of the public interest? What was the source of the new values of choice, efficiency, competition and coproduction? From where did the wholesale scepticism of the state and its capacity to improve people's lives emanate?

The answer to this question is superficially obvious. It is to be found in the rise of free market ideas, of neoliberal politics, which took place in the 1980s. This political resurgence has been characterised differently depending on the perspective of the commentator. For supporters of the policies of the 1980s, the transformation in those years was led by a series of heroic figures – Hayek, Friedman, Reagan and Thatcher.<sup>10</sup> Deregulation, monetarism, privatisation (especially in the British context) and tax-cuts were implemented on both sides of the Atlantic and in other parts of the Anglosphere, such as Australia and New Zealand. These policies, so the narrative goes, had 'won' the battle of ideas which was rubber-stamped with approval by the end of the Cold War and the destruction of Soviet Communism. By contrast, for opponents, the rise of neoliberal politics stemmed directly from a malevolent alliance between international finance capital and domestic pro-business governmental programmes, especially through the influence of corporate interests on politics in the US and, to a lesser extent, the UK (Glyn, 2006; Harvey, 2006; Klein, 2007). Neoliberalism became the catch-all term for everything that is deemed by activists and

critics to be wrong with globalisation and free markets.

This binary debate has been unhelpful to the construction of a more nuanced history of the development of neoliberal politics. But it is certainly true that some of the outline remains accurate. The pat answer to the question of where the new political values of choice, efficiency and competition came from is therefore that they were mere accommodations to an agenda already mapped out by the predecessor Republican and Conservative administrations of the 1980s and early 1990s. Yet this is to miss an important aspect of what was distinctive about Third Way. The aim of the 'Third Way' was to reject the so-called 'false choice' between social justice and economic growth. Rather, the two could be fused by a restoration of faith in government. Faith would only be restored through a new approach. As the American neoliberals had argued, government failure could be corrected by the market.

## **American Neoliberalism**

The impact of American neoliberalism or, more precisely, the Chicago and Virginia Schools, is not yet sufficiently understood. Friedrich Hayek and Milton Friedman's influence is by now well known. Both influenced journalists and think-tanks in the United States and Britain in the 1960s and 1970s, helping to shape Thatcherite economic strategy and so-called 'Reaganomics'. Less comprehended is the precise nature of the neoliberal influence on the Third Way. American neoliberal ideas were important both in general terms and more specifically in terms of Third Way public administration and social policy. Generally, the expansion of market thinking changed the terms of the debate, introduced new ways of thinking about government and the market and the respective strengths and weaknesses of each. Specifically, research on bureaucracy and public administration led to innovative ideas concerning policy design.<sup>11</sup>

Examining the general point first, in the postwar period Chicago and Virginia economists constructed an all-encompassing economic approach to human behaviour based on what Gary Becker described as 'maximizing behaviour, market equilibrium and stable preferences' (Becker, 1976: 6). At the heart of this economic vision, an old idea of liberty based on freedom from interference was resurrected. Gone was the enabling ideal of freedom that

underlay the welfare state and New Deal liberalism: liberation from economic insecurity. American neoliberalism in particular re-theorised liberalism around a version of limited, or negative, liberty, freedom from interference. The importance of this was to erode the dominant post-New Deal era view of the state as a benevolent force for good.

American neoliberals attacked the pillars of twentieth-century liberal and social democracy – economic planning, government regulation, civil administration, the very idea of a ‘public interest’ – and insisted that only a Madisonian ‘checks and balances’ constitution coupled with the expansion of the market mechanism into hitherto untouched areas would guarantee individual liberty. They believed that the rising tide generated by private profit lifts all boats. The magic of the market was its power to improve everyone's standard of living even as inequality increased. Inequality therefore did not matter. It was essential to competition, which increased efficiency, productivity and, ultimately, wealth. Yet the state was essential to the realisation of this project as it was necessary to enforce the deregulation, privatisation, inflation-targeting and low-tax, business-friendly approach demanded.

There were three important initial tributaries to this American neoliberalism as it was developed in the 1950s and early 1960s. First, Friedman and his Chicago colleagues George Stigler and Gary Becker developed Chicago price theory into what they saw as a comprehensive explanatory tool. Chicago price theory was characterised by methodological individualism (theories which postulate that social and political phenomena must be explained by, and should be reduced to, the motivation and agency of individuals), rational choice and free markets coordinated through the price system. Stigler (1961, 1962a, 1971) applied the ‘economic approach’ of Chicago price theory to information and to regulation. Becker's essay, *The Economic Approach to Human Behaviour* (1976: 14), described the economic approach as a ‘unified framework for understanding all human behaviour’ based on individuals, or ‘decisions units’, ‘maximizing behaviour’, in the sense of maximising utility, in an environment characterised by ‘market equilibrium’ and ‘stable preferences’. Becker (1957, 1968, 1976; Becker and Murphy, 1988) analysed discrimination, crime, the family and drugs applying the same method. The pejorative label of ‘economics imperialism’ was coined for these ideas



because they aimed to expand Chicago's distinctive analytical frame into non-market areas.

Second, British Chicago-based economist Ronald Coase's 'The Problem of Social Cost' (1960) examined the unintended consequences of well-intentioned regulatory interventions.<sup>12</sup> Using the example of a law to stop the harmful effects of pollution, Coase concluded that the 'aim of such regulation should not be to eliminate smoke pollution [through fines which might have negative unanticipated effects on economic growth] but rather to secure the optimum amount of smoke pollution, this being the amount which will maximise the value of production' (Coase, 1960: 42). Regulators should not interfere in respect of voluntary market relations unless the total cost of non-intervention would be higher than the costs associated with intervention.

Coase's argument was particularly important because it brought into doubt hitherto presumed public goods, especially the neutrality and effectiveness of government action. He argued:

The kind of situation which economists are prone to consider as requiring corrective Government action is, in fact, often the result of Government action. Such action is not necessarily unwise. But there is a real danger that extensive Government intervention in the economic system may lead to the protection of those responsible for harmful effects being carried too far. (Coase, 1960: 27)

From first principles, Coase advocated the use of market measures of economic growth and total economic and social product as barometers of policy. Such measures should replace piecemeal interventions or central government diktat to target individual problems like pollution. It should be remembered that Coase included in his analysis the prospect of wider considerations than the purely economic – 'it is, of course, desirable that the choice between different social arrangements for the solution of economic problems should be carried out in broader terms than [as measured by the market] and that the total effect of these arrangements in all spheres of life should be taken into account' (Coase, 1960: 43). However, because the 'social' element of the total product, as opposed to the economic element,

was difficult to quantify, it became relegated in subsequent uses of his ideas.

Third, influenced by Chicago price theory, by Coase and by the new constitutional theory of John Rawls, economists James Buchanan and Gordon Tullock developed public choice theory in the late 1950s and 1960s from their base at the Thomas Jefferson Center at the University of Virginia.<sup>13</sup> With the publication of *The Calculus of Consent* in 1962, the Virginia School of Political Economy was born. In the book, Buchanan and Tullock elaborated a market-based analysis of politics from a ‘methodologically individualist’ perspective and argued that the ‘public interest’, broadly conceived, was a mirage (Buchanan and Tullock, 1962: 3).<sup>14</sup> The noble civil servant impartially pursuing policies in society’s best interests (in the Weberian sense, discussed further below) did not exist in Buchanan and Tullock’s model. Rather, just as in a conventional market, individuals and groups seek to use government processes to pursue their own interests for their own ends (Buchanan and Tullock, 1962: 270–272). Another less virtuous, more pernicious, ‘invisible hand’ operates, according to which, individual actors in the public sphere intending to serve the public interest merely end up furthering private interests. Stigler’s research on regulation in areas like electricity, where regulators appeared to become ‘captured’ by the regulated, provided examples of the effect (Stigler, 1962b).

The policy implications of the Virginia and Chicago analysis were clear. Since no public interest, or collective good, could be identified separately from the interests of particular individuals or groups working in government and the public sector, constitutions should limit collective action as far as possible to areas in which broad agreement exists. Public policy should work with the grain of self-interested motivation by introducing incentives into government and the public sector just as these spurs are used in private enterprise. All but the barest essentials of government should be limited.

There were other parallel developments that contributed to market-based understandings of politics and government in this period. Methodological individualism was expanded across the social and political sciences in ‘rational choice’ theories such as William Riker’s (1962) work on political coalitions and Mancur Olson’s (1965) explication of the so-called ‘free-rider’ problem. Riker’s Rochester School of Political Science applied rational

choice across the discipline but especially to the study of elections, the Presidency and Congress, while the Chicago Law and Economics movement, led by Richard Posner (1973) and Coase, focused on an economic understanding of law.

The cumulative effect of these disparate but connected strands of postwar American economic and political thought was to introduce a fundamental challenge to the prevailing view of government. Although these were, in the first instance, developments within academic research, they would percolate through transatlantic culture via a diverse range of political, business and journalistic routes. Before turning to their dissemination, it is necessary to consider the specific insights and theories which American neoliberals generated about government bureaucracy and public administration. Two developments are worthy of particular attention: Tullock's analysis of Bureaucracy and the Ostroms' Bloomington research programme.

## **Bureaucracy**

The general developments in American neoliberal economic and political thought described above contributed to a rethink of governmental capability, its limits and the problem of how best to organise public administration. Central to this task was the problem of bureaucracy itself. The classic understanding of bureaucracy was Weber's in *Economy and Society* (1978 [1922]).<sup>15</sup> Weber argued that industrialisation and capitalist development necessitated the expansion of large hierarchical structures with chains of command that resembled political bureaucratic organisation. Such hierarchies, Weber suggested, were the most efficient mode of organisation to meet complex demands. Weber's central assumption was that the public interest was an objectively understood goal best pursued through bureaucratic organisation, a tradition best exemplified by Keynes, Beveridge or the 'Young Turks' of FDR's New Deal. British Fabian Socialism also contributed to the classic ideal of the public servant, often liberated from financial need, dispassionately examining the landscape of society, politics and the economy and applying rationality to problems in order to reach solutions that could be readily accepted across elite political discourse.

American neoliberal critics challenged this Weberian view of bureaucracy.

The progenitor of the neoliberal critique was the Austrian 'Paleo-Liberal', Ludwig von Mises.<sup>16</sup> Mises' 1944 tract entitled *Bureaucracy* presaged many of the most important themes of the American neoliberals that followed. Mises drew a contrast between the bureaucratic mode of management and the strictures imposed through a system governed by profit. Under a profit system, businesses and their operations were necessarily accountable to consumers. Bureaucratic management was, instead, unaccountable and generative of its own internal impulses that were removed from people's real needs and wants. Such impulses, Mises suggested, changed the nature of government power and distorted outcomes. Bureaucratic organisations tended to accrue more and more responsibilities but because the king, despot or government which initially delegated the authority did not want its powers to be used independently by local, provincial or sector-specific governors or managers, it tended to introduce codes, regulations and decrees which limit and change the nature of their power. Thus, initiative and innovation is stifled:

[T]he whole character of their management changes. They are no longer eager to deal with each case to the best of their abilities; they are no longer anxious to find the most appropriate solution for every problem. Their main concern is to comply with the rules and regulations, no matter whether they are reasonable or contrary to what was intended. The first virtue of an administrator is to abide by the codes and decrees. He becomes a bureaucrat. (Mises, 1944: 41)

Thus, the incentive structures of bureaucratic administration and organisation tended to produce twisted results because the bureaucrat would seek to advance up the hierarchy rather than deliver the outcomes that it was the job of the organisation to pursue.

There was a strong connection, acknowledged by Buchanan in particular, between the a priori approach of Mises' early twentieth-century Austrian School of Economics and the Virginia School of the 1960s onwards. This influence stemmed from a basic concern to examine constitutions and political institutions from first principles. However, the public choice theorists took the analysis on a stage. In *The Politics of Bureaucracy* (1965),

Tullock, who, like Buchanan and Mises, was a member of the MPS, the international collective of mainly neoliberal scholars first convened by Hayek in Vevey, Switzerland, in 1947, launched a new sub-discipline in the field of public choice theory. He went further than Mises. Tullock (1965: 29) considered 'the behaviour of a utility maximizer in a political situation [which he distinguished from an economic or conventional market]' in order to 'develop general rules or principles on the functioning of organizations, to outline methods through which their efficiency might be improved, and to suggest limitations on the type of social tasks which hierarchical organizations may accomplish'. Tullock (1965: 13) defined politics, 'generally speaking', as 'social situations in which the dominant or primary relations are those between superior and subordinate' as compared to economics, where individuals enter into voluntary market relations with each other. Notwithstanding the different character of political relationships, once the essential characteristics of bureaucracies are analysed, Tullock argued that it was clear that the rational pursuit of self-interest motivated public servants and thus the public institutions, or group interests, through which they operated just as it did in the conventional market.

Tullock argued that the creation of appropriate incentives throughout bureaucracies would make them operate more efficiently. Greater efficiency 'could increase *both* our liberties and our ability to control the future' (Tullock, 1965: 235). In particular, decentralisation of decision making through the expansion of local government was likely to make more manageable the 'supervisory load' of the average voter and 'maximize the probability that the government will, in fact, do as he wishes'. Crucially, according to Tullock, government should attempt to do less because it was impossible to control effectively the activities of an expanding bureaucracy. As Tullock (1965: 238) put it: 'Only by frankly recognizing the limits on our ability to control giant organizations can be obtained the benefits which can be bestowed by a well-functioning government.'

The public choice analysis of bureaucracy had two key features which would later become notable in Third Way administrative reform. First, public choice scholars like Tullock were sceptical of the ability or desire of public servants to achieve public goods through bureaucratic state action. Consequently, such action should be limited and, where possible, functions should be contracted

out to be performed by private actors who, it was argued, would do so more efficiently. Second, the fundamentally important change in the way that bureaucratic organisation should be assessed was, in Tullock's words, 'not through judging their actions or decisions, but through judging the results of their actions'. For example, as William Niskanen, the future Chair of President Reagan's Council of Economic Advisers, had argued in *Bureaucracy and Representative Government* (1971), bureaucracies were incentivised to maximise their budgets rather than to deliver their objectives as cheaply, or efficiently, as possible. The recovery of a focus on outcomes, on results, was the best way to foster public entrepreneurship in government and the public sector.

These were key insights informing Third Way governmental reform. Government should be smaller. Private service providers should be encouraged. Bureaucratic and administrative systems should be designed, in the jargon, to deliver 'outcomes not inputs'.

## **Polycentricity and Co-production**

Another important strand bridged neoliberal analyses and Third Way reform agendas. Vincent and Elinor Ostrom, a husband and wife team, were the prime architects of what is sometimes known as the Bloomington School of Political Economy.<sup>17</sup> They and their colleagues at the Workshop of Political Theory and Policy Analysis at Indiana University nuanced public choice theory in the 1970s by developing the concept of 'polycentricity' in government administration. This idea, elaborated most fully in Vincent Ostrom's (1973) *The Intellectual Crisis of American Public Administration*, started, like the public choice of Buchanan and Tullock, with an analysis of the US Constitution. Ostrom argued that the strength of the American constitutional system was its separation of powers. The simple proposition was that competing centres of political power, governed by competing interests, operated as an overall safeguard for the protection of public goods.

While the celebration of the principles of the Founding Fathers was not new, the identification of the quasi-market character of the US Constitution was. By approximating the conditions which exist in conventional economic markets, Ostrom suggested, governments were more likely to be able to meet

the diverse needs of their citizenry. This was because the contestability fostered by rival power or decision centres introduced competition within the political system to deliver the public goods which would ultimately determine their success. As Ostrom put it later:

A self-governing society requires skill in putting together enterprises that appropriately reflect diverse interests so as to achieve shared communities of understanding that serve as the basis for informed public action. Public administration is then concerned more with public entrepreneurship than with management. (Ostrom, 1973: 155)

Alongside the outcome-focused theory of public choice, public entrepreneurship, to be fostered by 'polycentric' institutional arrangements, was another key influence on the Third Way reform agenda, which highlighted the importance of harnessing self-interest through incentives to produce innovation and better outcomes for citizens. This focus on competition, contestability and innovation provided the reform logic underlying the New Progressive attempts at reinventing government and transforming public services.

Another key idea elaborated by, especially, Elinor Ostrom and her colleagues at the Bloomington Workshop was co-production. Where her husband's work often had a distinctly theoretical bent, Elinor carried out important empirical research into local public service delivery in the United States. Her PhD dissertation (Ostrom, 1965) completed at UCLA, for example, was a study of ground water basin management. During the 1970s, Ostrom (1976, 1978) produced a number of studies of local police services which showed the importance of forces retaining a connection to the communities that they served. Recounting an interview with Ostrom from 2006, Nick Zagorski (2006: 19222) records Ostrom describing her research findings as follows:

'The presumption that economies of scale were prevalent was wrong; the presumption that you needed a single police department was wrong; and the presumption that individual departments wouldn't be smart enough to work out ways of coordinating is wrong,' Ostrom says. Most

aspects of police work in fact experienced diseconomies of scale. 'For patrolling, if you don't know the neighborhood, you can't spot the early signs of problems, and if you have five or six layers of supervision, the police chief doesn't know what's occurring on the street,' she explains.

Instead of hierarchical and centralised metropolitan police departments, Ostrom's research indicated that citizen-consumers were better served by neighbourhood-level policing that remained close to the community.

Ostrom and the Bloomington School's work led to a new understanding of the interdependent relationship between producers of services and their consumers, which she and her colleagues termed 'co-production' (Parks et al., 1981). Teachers cannot teach without the cooperation and engagement of their pupils. Refuse collection is made possible by kerbside or back yard collection. Healthcare services are only effective when the patient's experience and symptoms are communicated to the professional clinician. Once these symbioses are understood, it was argued, co-production revealed several clear implications for the potential reform of public service delivery.

First, market-based delivery of services would be most efficient in many instances to ensure that the focus of producers and providers was fixed on the co-producers, or consumers, who would determine whether services would be effective or not. Second, where market delivery would be ineffective or inappropriate, there was still a role for the imposition, through institutional design, of market-type incentives to help facilitate greater responsiveness and outcome-oriented institutional behaviour. Third, producers of public services, the police forces or the teachers for example, are likely to have greater resources (and incentive) to lobby or pressure the service providers, the local and municipal governments and agencies to ensure that the structure and means of service delivery suits those producers as opposed to the consumers, or co-producers of the service. By contrast, 'local coproduction of public services may help to illustrate the efficiency gains that can be made' (Parks et al., 1981: 1009).

The Ostroms argued that polycentric institutional arrangements would improve public sector performance. They de-emphasised the importance of public ownership or the need for public goods to be delivered by the state.



Rather, communities themselves could, and often did, organise themselves to protect important public resources.<sup>18</sup> Entrepreneurial and incentivised structures, it was argued, would mould public services around the needs and wants of the users of the services themselves. By the 1990s, these ideas, and those of the Chicago and Virginia Schools, were dominant in many Third Way governmental and social policy reform efforts.

## **Transmission**

There were several conduits through which Chicago, Virginia and Bloomington ideas transmitted into the Third Way agenda, specifically: think-tanks, journalists and politicians, especially those with a transatlantic focus. First, the New Public Management (NPM) school of administrative and management reform, itself partly arising out of public choice theory approaches in the 1970s and 1980s, emerged as an influential driver of administrative change in the 1980s.<sup>19</sup> NPM drew on American neoliberal ideas. Neoliberal insights were often repackaged as management and business tools and combined with various kinds of organisational theory to inspire a wave of restructuring of large organisations both public and private.

Second, conservative policy innovation during the Thatcher and Reagan administrations was crucial. In particular, policies such as the ‘contracting-out’ of local services and the introduction of quasi-markets into the public sector began under these administrations. Perhaps the most important example, as well as state-level social policy experimentation in the US, was the introduction of the so-called ‘internal market’ to Britain's National Health Service in the late 1980s. These policy initiatives were in part spurred by the intellectual entrepreneurship of certain of the neoliberals themselves. Hayek, Friedman, Buchanan, Tullock and the Ostrows energetically pushed their ideas through think-tanks, especially the American Enterprise Institute, the Cato Institute and the Heritage Foundation in the United States and the Institute of Economic Affairs and the Adam Smith Institute in Britain. These think-tanks brought neoliberal ideas directly to the attention of sympathetic policymakers in the Thatcher and Reagan administrations.

Third, neoliberal ideas were applied to the problems of public administration by influential academics in government. In Britain, one of the most

significant and influential of these was the future adviser to Tony Blair on public service reform, Julian Le Grand. Le Grand, based at the London School of Economics, sought to develop a viable 'market socialism' which applied quasi-markets to the public sector, especially to the health system (Le Grand and Estrin, 1989; Le Grand, 1991, 2003). His aim was to harness the efficiency of markets in the service of traditional social democratic concerns such as public service performance. In the United States, neoliberal ideas about the failures of government bureaucracy found a fertile political culture. Following the election of Ronald Reagan, the default policy setting was switched to pro-business. While Governor of California, Reagan had wanted to introduce more business leadership into government roles. However, while president, Reagan and his successor, Bush, focused more on cutting regulation than reforming government. Nonetheless, the cumulative effect of 12 years of government retrenchment and anti-government rhetoric cemented an attitude shift towards 'bureaucracy' and 'red tape', which had begun when Tullock was writing in the 1960s, and which was readily apparent by the time the Third Way politicians took the stage in the 1990s. This shift was epitomised in the success of the New York Times bestseller, *Reinventing Government: How the Entrepreneurial Spirit is Transforming the Public Sector from Schoolhouse to Statehouse, City Hall to the Pentagon* (1992) by David Osborne and Ted Gaebler. This book became the blueprint for Clinton's 'Reinventing Government', or 'Rego', Initiative.<sup>20</sup>

By the 1990s, Clinton and Blair entered office promising to reform government so that it would be more responsive to the diverse needs of its citizens, or 'customers' as they were now called, by efficiently delivering services through markets and quasi-markets. That agenda had been born in the neoliberal ideas of Chicago, Virginia and Bloomington.

## Conclusion

This chapter has highlighted an intellectual and political trajectory which leads from American neoliberal thought to Third Way policy practice. When people criticise the Clinton and Blair administrations, they often accuse them of being too timid by not challenging the dominant politics of Thatcher and Reagan that had preceded them. This chapter demonstrates (though more research is necessary) that such an accusation would be a misreading of the

intentions of the policies of Third Way 'modernisation'. In fact, what was being attempted was an *application* of certain crucial neoliberal insights.

The public service reform agenda aimed to personalise service delivery so that it became, in the jargon, more 'customer-focused'. It aimed to cut expenditure and reduce the size of the state in general and the public sector in particular, though this conflicted with other competing demands and objectives which were in play in both administrations. Notwithstanding the competing preoccupation with public investment and an element of redistribution, it is nevertheless noticeable how both Clinton and Blair in their different ways introduced a politics of budgetary restraint from the Centre-Left. Clinton's support for and practice when in office of balanced budgets was a strikingly more Virginia-type approach to public finance than Milton Friedman's support for the ballooning deficits of the Reagan years. This new emphasis arguably paved the way for the 'Austerity' retrenchment that was pursued with varying degrees of vigour on both sides of the Atlantic after the financial crash of 2008. Equally, the attempt to 'reinvent' government through markets continued. The choice agenda advanced by Third Way policymakers also shaped key American social policy reforms, such as the introduction of Charter Schools and the transformation of the US welfare system to incentivise benefit claimants back into work. It formed the basic received wisdom that ran through the major social policy innovations, for example Andrew Lansley's reform of the NHS in 2011 or the introduction of a single welfare payment, known as the Universal Credit, of the British Coalition Government of 2010–2015.<sup>21</sup>

Another significant conclusion is the enduring force of transatlantic neoliberal politics. This power was illustrated in three main ways prior to the advent of the New Progressives:

- a) Intellectual networks – what scholars have called the 'neoliberal thought collective' located in and around Friedrich Hayek's Mont Pèlerin Society established after 1947.
- b) Think-tanks – 1940s and 1950s – first wave; and 1970s – the second wave.
- c) Political networks – not simply politicians and advisers, but also officials working in international institutions such as the International

Monetary Fund, the World Bank, the World Trade Organisation, as well as the European Union and North Atlantic Free Trade Association.

These trends of cooperation and dissemination were complemented and diversified in the growth and ultimate success of the Third Way:

- Labour politicians consciously learned from and shared knowledge with American political operatives both before and after Clinton's 1992 success.
- There was a third wave of think-tanks in the 1990s in Britain – Demos and the IPPR – and in the US – the Progressive Policy Institute and the New Democrat Network.
- Once both Clinton and Blair were in power there was a conscious attempt to develop a centrist international network of Third Way politicians – including Romano Prodi, Jose Manuel Barroso, Lionel Jospin and Gerhard Schröder in Europe.

The transatlantic political networks which helped to generate, spread and ultimately entrench neoliberal ideas were strong, resilient and mutually reinforcing. Policy networks continually reinvent themselves in sometimes overlapping ways. This has been true of the last twenty years almost as much as it was in the immediate postwar years. The networks that helped to build the New Right of Thatcher and Reagan or the Third Way in the following decades are as powerful as those which emerged around the Keynesian paradigm of the 1930s–1970s.

The first wave of neoliberal influence in the 1960s and 1970s challenged both conventional economic policy through monetarism, which disturbed the dominance of Keynesian demand management and the ‘neoclassical synthesis’ and microeconomic approaches through supply-side reforms, and the widespread application of Chicago School market models to non-market decision making. The second wave emanated from Chicago, Virginia and Bloomington, and by the 1990s, it had introduced a new theory of the state erected upon an idea of government, as opposed to market, failure. That theory transformed liberal left politics and helped to usher in the Third Way.

## Notes

1. Clinton made this statement in his 1996 State of the Union address.
2. For the political breakthrough of Hayek and Friedman's neoliberal ideas, see my book, *Masters of the Universe: Hayek, Friedman and the Birth of Neoliberal Politics* (Jones, 2012). Another recent book with a transatlantic focus is Weaver (2016).
3. The 'Economics Imperialism' associated with the Chicago School of the 1950s and 1960s should be contrasted to the earlier Chicagoans such as Frank Knight, who argued for a more limited role for economics. On this, for example, see Medema (2011).
4. Both Buchanan and Tullock were Chicago-educated. They began collaborating at the Thomas Jefferson Center at the University of Virginia in the late 1950s. The Virginia School of Political Economy can be dated from approximately this period. Its founding text was *The Calculus of Consent: Logical Foundations of Constitutional Democracy* (Buchanan and Tullock, 1962).
5. The economic and governmental reforms introduced by the Hawke/Keating governments in Australia (1983–1996) and the Lange administration in New Zealand (1984–1989). While these developments are significant, the focus of this chapter is on the British and American cases.
6. For a selection of this scholarship, see: Amadae (2003), Brown (2015), Burgin (2012), Davies (2014), Mirowski and Plehwe (2009), and Van Horn, Mirowski and Stapleford (2011).
7. This is a consistent theme in Clinton's speeches in the lead-up to his election in 1992. The speeches are collected in Smith (1996).
8. For an inside perspective, see From (2013).
9. In both Britain and the US, the New Progressives were of course still able to draw upon such ideas from established think-tanks such as the Brookings Institution and the Fabian Society. The clash between the command-and-control centralising instincts of the older Fabian left and newer ideas about contestability, co-production and decentralisation associated with Blairite

reform revealed a clear tension, especially in the British Blair–Brown governments.

10. The best account from this perspective is presented in Cockett (1994).

11. The following paragraphs draw on Jones (2015).

12. Coase was born in North West London in 1910 and spent the first twenty years of his academic career at the London School of Economics.

13. The Thomas Jefferson Center was first established by Buchanan and another Chicago economist, Warren Nutter, in 1957. Tullock joined them there soon after, first as a research fellow in 1958–1959. Over the following thirty years, Buchanan and Tullock would move their research centre around several Virginia institutions – Virginia Polytechnic Institute (1969–1983) and then George Mason University, where it has remained since.

14. Buchanan and Tullock (1962: xxii) explain the meaning of methodological individualism as ‘an attempt to reduce all issues of political organization to the individual's confrontation with alternatives and his choice among them’.

15. It should be remembered that this collection of Weber's writings was posthumously arranged and organised by his wife, Marianne Weber.

16. Mises is an interesting figure in the history of neoliberalism. He was Hayek's mentor, of an earlier generation, and present at the birth of the MPS. However, although a founder member of the MPS, Mises was never converted to Hayek's interwar neoliberal position, which sought a middle way between *laissez-faire* and New Deal-type liberalism. Mises was an unapologetic advocate of the former. For more on Mises' view of bureaucracy, see Jones (2012: chapter 2).

17. The Ostroms were prolific writers and researchers who founded and ran the Bloomington Workshop of Political Theory and Policy Analysis. They expanded public choice theory with a focus on institutions. See, for example, Ostrom and Ostrom (1971).

18. Elinor eventually won the Nobel prize in economics in 2009 for her work in this area. See especially Ostrom (1991).

19. On NPM, there is a large disciplinary literature, much of which has been published in management journals such as *Public Administration Review* and *Public Management Review*. Also, see Hood (1991) and Ferlie et al. (1996).

20. On entering office, Clinton appointed Al Gore to head his National Performance Review, which was charged with reinventing government in the ways described earlier in the chapter, to do more with less and to introduce incentives and quasi-markets to improve efficiency.

21. The Universal Credit system was an attempt to simplify the welfare system and unify welfare payments into a single sum. It was a bastardised version of the ‘negative income tax’ idea promoted by Friedman in the 1960s.

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# 14 Contemporary Anglo-Saxon Neoliberalism is not German Ordoliberalism<sup>1</sup>

Brigitte Young

## Introduction

It is a puzzle how a rather unknown German economic school has become an academic and media ‘household’ word in the Anglo-Saxon world.<sup>2</sup> The conundrum of explaining the emergence of ordoliberalism on the international stage is all the more vexing since ordoliberalism plays virtually no role in the teachings of German economic departments, nor is it found in mainstream textbooks as a specific variant of liberal economic ideas (Dold and Krieger, 2017). Equally puzzling is that ordoliberalism is only regarded in negative terms. This has to do with the supposedly hegemonic German management of the Euro crisis and the ‘imposed austerity’ on highly indebted peripheral Eurozone countries which is traced back to ordoliberal influence (Young, 2014, 2015a, 2017).

It was Mark Blyth (2013), with his catchy book-title, *Austerity: The History of a Dangerous Idea*, who associated German ordoliberal ideas with austerity. Ordoliberalism, according to Blyth, espouses ‘a set of ideas that was to prove unexpectedly important for the current crisis in Europe and which acted as a home for austere thinking during the long winter of Keynesianism’ (Blyth, 2013: 17). In fact, austerity originated in the 1980s with the tenure of the market fundamentalism of Margaret Thatcher in the United Kingdom and Ronald Reagan in the United States, who propagated a minimal state, fiscal consolidation and a belief in the unfettered power of markets. These ideas were not ordoliberal, but had more in common with the libertarian (or Anglo-Saxon neoliberalism) economists like Friedrich August von Hayek,<sup>3</sup> Milton Friedman and Murray Rothbard.

Equally harsh is the article in *Le Monde diplomatique*, entitled 'Germany's Iron Cage', suggesting that 'Germany adopted the social market system of economic rules separated from political democracy, known as ordoliberalism, after 1945; it was later used as the ideological basis of European Union economic policy' (Denord et al., 2015). According to such interpretations, ordoliberalism is undemocratic and leads to an authoritarian European constitutionalism (Oberndorfer, 2015). While these discussions of ordoliberal influence on present Eurozone politics have remained within a political economic discourse, van der Walt (2016) has expanded on this notion to link ordoliberalism to jihadist terrorism in Europe (van der Walt, 2016). In their rebuttal, Dold and Krieger (2017) argue that van der Walt's view of a clash of religions rests not only on dubious claims, but is also inaccurate.

Given that ordoliberalism is 'haunting Europe' (Hien, 2016), the intent of the chapter is to shed light and interrogate the concept of ordoliberalism and its impact on the Euro crisis management dominated by Germany. Since the debate is couched solely in negative terms and ordoliberalism 'has a bad reputation, especially outside Germany' (Brunnermeier et al., 2016: 63), it may help to think of ordoliberalism as an imaginary. Imaginaries can be thought of as powerful ideational and material ideas providing a broad understanding of the way people imagine the development of a moral order (Taylor, 2004). The political significance of images is its ability to 'circulate, activate, and potentially mobilize certain imaginaries' (Callison, 2015: 2) to provide a collective and normative image of political life. Invoking the imaginary of ordoliberalism as a hegemonic German idea, actors construct a narrative about Germany and its underlying goal to achieve an 'ordoliberalization of Europe'. The image thus becomes more powerful as a collective representation of an authoritarian and 'nasty' Germany than the reality on the ground would warrant.

These imaginaries, as I will demonstrate later, see the German Bundesbank as the 'holiest shrine' of ordoliberalism (Young, 2015a), despite the fact that the institutional design, with its high degree of independence and its specific monetary policies, represent much less Eucken's idea of a monetary constitution than is presumed (Feld et al., 2015). Irrespective of this fact, there is a common belief among scholars that the Bundesbank and the European Central Bank, as a European blueprint of the former, is not only

ordoliberal, but has led to the ‘ordoliberalization of Europe’ (Blyth, 2013).

The idea that ‘some ordoliberalism survived in think-tanks and in the economic research institutes that are a feature of the German landscape and constitute a bridge between academia and politics’ (Brunnermeier et al., 2016; Dullien and Guérot, 2012) neglects the modernization of ordoliberalism and the various internal debates on methods (*Methodenstreit*) among successive German economists (Feld and Köhler, 2011). It is true that the particular rule-oriented perspective of Ordnungspolitik has a long-standing tradition in Germany. Nevertheless, as I will demonstrate in a later section, the Freiburg School underwent substantial modernization through Viktor Vanberg in cooperation with James Buchanan's ideas on constitutional economics. The theoretical principles were further challenged and developed by the successor generation of ordoliberals, who were influenced by the American economics of ‘New Institutional Economics’ that was taught in traditional Anglo-Saxon economics department and business schools. This shift has substantially influenced German economics and replaced some of the more normative aspects of ordoliberalism.

In fact, the European Monetary Union and the subsequent crisis management has much more to do with the principles of ‘New Institutional Economics’ than the ideas of ordoliberalism. Nevertheless, the imaginary of an ordoliberal Europe persists as a powerful symbol, and perhaps subconsciously reflects a fear of an overly strong and hegemonic Germany dominating Europe through economic might as it once did through military might. German politics is thus synonymous with ideas of a fiscally conservative ordoliberalism, in which the agents of a strong state are perceived as guardians of a common societal interest (Bonefeld, 2012).

The next section will discuss the various branches of ordoliberalism, of which the Freiburg School is only one. The intent is to demonstrate that ordoliberalism is not reducible to one coherent *Weltanschauung* and that there are different branches with different goals. In the subsequent section, the focus will be on the further development and modernization of ordoliberalism by Viktor Vanberg. In cooperation with James Buchanan's modern constitutional economics, Vanberg continued the work of Walter Eucken, whose untimely death in 1950 left his work on an appropriate

political constitution (*Ordnungstheorie*) unfinished. In addition, this section will also refer to the *Methodenstreit*, which pitted the older normative school of ordoliberalism against the more Anglo-Saxon-influenced quantitative orientation of neoliberalism. From there I will move on to explain the different forms of neoliberalism. German or continental neoliberalism emerged in the 1930s and differs fundamentally from the form in which it re-emerged in the 1970s. The new neoliberalism has become a central concept in the social sciences since Margaret Thatcher in Great Britain and Ronald Reagan rejected the Keynesian compromise. As such, the term Anglo-Saxon neoliberalism describes the structural changes in the global economy since the 1970s, implying the triumph of market forces and individual autonomy over state power (Young, 2011, 2015a, 2015b, 2017). Finally, the last section of the chapter discusses the role of ordoliberalism in the management of the Eurozone crisis and questions how far the imaginary of ordoliberal dominance controls the discourse and narrative of crisis.

## The Various Branches of Ordoliberalism

Historically, the European concept of neoliberalism originated in the 1930s, in opposition to the Anglo-Saxon *laissez-faire* liberalism of self-regulating markets and the competing totalitarian alternatives in the form of fascism and communism. According to the German economist Wilhelm Röpke, the term *neoliberalism* was coined at a symposium in honour of Walter Lippmann in Paris in 1938, the *Colloque Walter Lippmann*. The participants selected the term neoliberalism to signal the start of a new liberal movement which rejected the *laissez-faire* liberalism of the nineteenth century. The spark that ignited a new neoliberal movement (which became ordoliberalism in the 1950s) was the turmoil of the 1920s and social malaise of the Great Depression. The *laissez-faire* orthodoxy of German Chancellor Brüning, who called for austerity measures at a time when the economy was in free-fall, exacerbated the economic and political malaise in Germany (Sally, 1996). While not all members endorsed the term neoliberalism, it nevertheless became an umbrella term to designate different strands of liberalism. The exponents of this neoliberal circle united in rejecting the economic reductionism which they perceived as central to the ideas of nineteenth-century *laissez-faire* liberalism. At the same time, they warned of an authoritarian shift to the right in the form of fascism and to the left in the



form of communism (Sally, 1996; Young, 2011).

The best known of the ordoliberal branches is the Freiburg School, which included the economist Walter Eucken and the jurists Franz Böhm and Hans Großmann-Doerthas as its most renowned representatives. The Faculty of Law and Economics of Freiburg University provided a conducive environment for integrating the legal and economic perspectives that are the trademark of the Freiburg School tradition, subsumed under the term of ordoliberalism (Vanberg, 2015). The more sociological variant of German neoliberalism is found with Wilhelm Röpke, Alexander Rüstow and Alfred Müller-Armack, who in fact coined the term *social market economy*, which developed from the earlier neoliberal circles and is still used today to describe some of the continental European (German) economic model.

Walter Eucken rejected the anti-theoretical bias of the German Historical School as well as the periodization of capitalism into various epochal stages, such as early capitalism, high capitalism and late capitalism. He argued that these epochs do not operate under different laws of development. Rather, mercantilist, market exchange systems, and command economy coexisted with each other during different time periods. However, historical and institutional differences did play an important role in Eucken's thinking in contrast to Anglo-Saxon and Austrian schools. Eucken was most concerned with developing a conceptual foundation for a consciously formed and instituted *Ordo* he called *Ordnung der Wirtschaft* (order of the economy) instead of a historically given order a *Wirtschaftsordnung* (economic order). In this context, the resulting market order was a synthesis of legal and economic ordering. Eucken was critical of *laissez-faire* 'for not constructing rules of the game to govern the economic process, thus leaving the generation of order to uncontrolled and spontaneous development, the result

of which was the emergence and the rise of monopolies and oligopolies that progressively distorted both the market and legal order of society (Sally, 1996: 237).

For Eucken, it was the role of power both in the sense of private power in *laissez-faire* distorting the market mechanism by crippling the price

mechanism through private interventions, but he also warned of state power and the collusion of public and private power in the form of cartels undermining the market, and making the problem of economic scarcity even worse. Private and public power concentration would constrain the freedom of individuals by subjugating them to centralized powers. The answer was not to delegate power to interest groups so they can balance the various economic interests. Instead, Eucken saw the answer in decentralizing power through a competitive market. Thus, Eucken envisioned an *Ordo* to consist of a competitive order (*Wettbewerbsordnung*) regulated by a constitutional order (*Ordnungspolitik*) intimately linked and regulated by the rule of Law (*Rechtsstaat*) (Sally, 1996: 236; Vanberg, 1998, 2014, 2015).

Eucken developed seven constitutive principles of the economy: the proper functioning of the price system, the primacy of currency policy, open markets, private property, freedom of contract, liability, and the constancy of economic policy (Eucken, 1990 [1952]; Feld et al., 2015). In fact, only two of Eucken's principles have played a role in the European Monetary Union: the focus on price stability and Eucken's principle against joint liability. It is important to mention here Eucken's differentiation between forms and process. While he highlights the guiding principles under which the forms of the economy come about, he nevertheless insists the state should not intervene in the price mechanism and resource allocation. *Ordnungspolitik* means 'State planning of forms – Yes; state planning and control of the economic process – No!' (Eucken, 1951: 96; Sally, 1996: 239).

While the Freiburg School is today the most prominent of the ordoliberal branches, there are also other branches less well known today. Already at the meeting in Paris in 1938, differences emerged between the legal-economic constitutionalism of Eucken and Böhm and the historical sociology and cultural critique of Wilhelm Röpke, Alexander Rüstow and Alfred Müller-Armack. These academics focused more on the sociological underpinnings, the non-economic foundations of society, which are required for a market order. Particularly Röpke and Rüstow are known for their conservative cultural critique of mass society associated with the transformation of small communities into giant industrial and urban areas mobilizing the proletarian masses. More important than Röpke and Rüstow's conservative attack on modernity is Müller-Armack's focus on the 'social'. In fact, it was Müller-

Armack who coined the term *Social Market Economy*, which played such an important role in German economic development after the Second World War.<sup>4</sup> The focus on the social, which Müller-Armack interprets as a corrective to market imperfections, also highlights the difference between a rule-based perspective stressed by Eucken and Böhm and the more outcome-oriented perspective of Müller-Armack. The focus on these different orientations also means that the various branches address the issue of 'social' differently. For those focused on legal-economic constitutionalism, 'social' indicates a concern for the legal institutional framework of the market order and its embeddedness in a social-institutional order, whereas for Müller-Armack 'social' is used to correct market outcomes in order to meet social objectives which the market cannot satisfy (Vanberg, 1998; Semmler and Young, 2017).

The existence of various branches of ordoliberalism tends to refute the widely held belief, prevalent in much of the Anglo-Saxon world, that there is such a thing as a 'pure' ordoliberal school. Equally important is the fact that the ideas of the Freiburgers underwent significant transformations and further theoretical developments after World War II (Berghahn and Young, 2013).

## **Further Theoretical Developments of the Freiburg School**

Throughout the post-war German period, the dominant Freiburg School of Eucken and Böhm underwent fundamental transformations. Viktor Vanberg, a sociologist, who joined the Walter Eucken Institut, Freiburg, in 1995, was one of the foremost thinkers to advance the concept of 'constitutional economics' in close cooperation with James M. Buchanan as an alternative macroeconomic approach for creating a 'desirable social order'. The new perspective drew on Public Choice Theories and Constitutional Economics. Accordingly, the constitutional dimension of the liberal paradigm not only has to encompass an economic constitution (*Ordnungspolitik*), but also to establish and maintain an appropriate political constitution (*Ordnungstheorie*). Politics should be constrained by rules rather than follow discretionary authority to respond to particular governance problems since the latter rests on expediency at the expense of long-term considerations. In

explaining why rules are preferable to discretionary authority, Vanberg cites three reasons. The first reason is due to the existing *knowledge problem*, which Hayek had problematized as 'the incurable limits of our knowledge and powers of reason', making rules essential in a world of complex reality (Vanberg, 2015: 14). Two additional rules are subsumed under the incentive and reputational categories. 'Incentive problems' refer to psychological concerns in that humans are tempted to consider current needs and short-term effects. In such circumstances, rules force or guide individuals to consider long-term consequences. The advantage of rules is equally demonstrated in cases where *personal reputation* and predictability in social interactions are of primary concern. Rules in such circumstances would constrain opportunistic behaviour, which is more apt to occur where discretionary choices prevail.

Hence, the *rules of the game* provide the basis for any stable economic system. Since economic activities are the result of evolving historical and institutional frameworks, economic orders include both the formal-institutional framework, but also informal conventions and traditions that govern economic activities in the respective communities. In this respect, it is often forgotten that the rules of the game are not written for all times, but have to be acceptable in terms of distributional outcomes. As Vanberg notes, there is a priori no reason why these rules should not be chosen or changed, where feasible, with the intention of bringing the expected pattern of outcomes closer to normative standards that are important to the participants in the game (Vanberg, 1998, 2014, 2015; Young, 2015a).

The Freiburg ordoliberals distanced themselves from *laissez-faire* liberals who stipulated that a free-market order was a 'natural event'. In contrast, ordoliberals argued that such an order is a political-cultural product and that governments played a significant role in defining and enforcing the legal-institutional framework within which markets function. Walter Eucken called for a 'strong state' to indicate the importance of extending the logic of *Ordnungspolitik* from the realm of the economic constitution to that of the political constitution (Vanberg, 1998). There is much confusion and misinterpretation of the meaning of 'strong state'. Werner Bonefeld, focusing mostly on the social conservative Wilhelm Röpke and Walter Rüstow's writings of the 1930s, asserts that a free economy amounts to a political

practice of the strong state. 'In the ordoliberal account, a free economy and a strong state constitute an interdependent relationship, in which the state is the concentrated force of the system of liberty' (Bonefeld, 2012: 633, 2015). This emphasis on the strong state not only brings to the fore the German tradition of state-centrism, it also connotes the imaginary of non-democratic and authoritarian rule that is supposedly inherent in ordoliberal thinking.

However, much of the academic literature criticizing the notion of the 'strong state' draws on the writings of the German ordoliberals of the 1930s and does not take into account the transformations and the distance that ordoliberals took from their initial sympathy with a 'strong state' authority. The earlier quasi-proto-fascist ideas were replaced with a much more muted role for the state in providing a constitutional framework to guarantee both economic stability and freedom within this framework after the war (Berghahn and Young, 2013).<sup>5</sup> The phrase 'strong state', as Vanberg points out, if read in isolation may sound undemocratic or even anti-democratic. Rather than advocating an authoritarian concept of politics, the Freiburg scholars were intent on weakening the influence of special interests for the benefit of the common interests of citizens. Instead of an imaginary of an ordoliberal 'strong state' representing a 'monolithic structure, insulated from societal influence, and willing and powerful enough to force other actors into compliance with its decision' (Biebricher, 2013: 340), the notion of a 'light state' may come closer to the ordoliberal concept of the 'economic constitutional order' (the rules of the game) both in the economic arena and in politics (Young, 2017).

Mostly unnoticed by Anglo-Saxon scholars on ordoliberalism are the challenges within the German ordoliberal economic community from a newer generation of economists who were influenced by, if not educated at, prestigious Anglo-Saxon economic departments. These scholars introduced *New Institutional Economics* into German economic teachings and advocated more formalized methods in their research and teaching. Due to space constraints, this section can only point to the most recent debate in the *Methodenstreit*, which erupted around the appointment and the future orientation of the new chair of the Economics and Social Faculty of the University of Cologne in 2009.<sup>6</sup> On one side were ordoliberal-oriented economists who defended the economic policy and finance orientation of the

Cologne Economic and Social Faculty. The other side argued for a more modern methodological direction of political economy (*Volkswirtschaftslehre* – VWL) aligned with international standards. The former issued a letter signed by 83 professors entitled 'Save Economic Policy (*Wirtschaftspolitik*) at the University!', which was in turn answered by a call signed by 188 professors 'To reform German political economy (VWL) according to international standards'. The latter group argued in favour of the importance of the international competitiveness of German economics, while the traditional economists criticized the mathematical orientation, the lack of institutional consideration, and the postulate of value-neutrality in modern economics (Feld and Köhler, 2011).<sup>7</sup>

Essentially, the traditional economists point to the social responsibility of economics and warn that if economics distanced itself from the principles of *Ordnungspolitik* it would lose its social relevance. To adjust economics to more international standards, they suggest connecting economics more closely to the social sciences, rediscovering the cultural-economic perspective and searching for interdisciplinary connections. This new focus of *Ordnungspolitik*, with its emphasis on an holistic social-science approach, would, according to these economists, allow them to regain research prominence internationally.

In response to the internal debates at the University of Cologne, other economists criticized the fact that the debates were reduced to issues of formal methods versus qualitative analysis. However, in a separate reform plea, Hans-Werner Sinn, director of the ifo-Institute in Munich, called for economics to be based on a triad of econometrics, theory and institutional economics in order to provide informed analysis. Others again rejected the suggestions from the traditional *Ordnungspolitik* and warned of a 'renaissance of ordoliberalism'. According to the modern challengers, institutions should continue to play a role, but their functions should be analyzed with mathematical and statistical methods.

The *Methodenstreit* demonstrated the rising challenge from a newer generation of economists in the 1990s, which the more traditional economists failed to foresee. Hence it seemed that both sides were unaware of the other's position and thus couched their debates around the suspicion of using

formalized methods in economics and the others around defending ideological positions. This debate failed to settle the issue. After the *Methodenstreit* of 2009, there are two trends which have emerged within the new *Ordnungspolitik*. One strand emphasizes the development of a normative constitutional economics with an ethical dimension, whereas the other tends to endorse a more positive constitutional economics. This would take us back to the theoretical development of Viktor Vanberg's constitutional economics and the role of *citizen sovereignty*, implying that institutions are organized so as to minimize political coercion for the benefit of citizens' common interests. Such an approach does not exclude mathematical-statistical methods. Quite the contrary, theoretical knowledge has to be empirically substantiated through verifiable methods (Feld and Köhler, 2011).

Unfortunately, most critics of ordoliberalism do not bother to delve into the theoretical development of ordoliberalism integrating Public Choice and Constitutional Economics during the post-war era. Neither is there any consideration of debates within the German economic profession between the more normative strand of traditional economics and the challenges from a younger generation advocating a more formalized international *New Institutional Economics*. Given this 'blindspot', it is not surprising that Anglo-Saxon academics confuse German neoliberalism (ordoliberalism since the 1950s) with the Anglo-Saxon neoliberalism that came to play such an important role in delineating a market-fundamental radicalism, starting with the tenure of Margaret Thatcher in the United Kingdom and Ronald Reagan in the United States. The next section will delineate the differences between a German neoliberalism of the 1930s and an Anglo-Saxon neoliberalism of the 1970s, and argue that the two are not synonymous.

## **Contrasting German Neoliberalism with Anglo-Saxon Neoliberalism**

It remains a puzzle why critics of market fundamentalism selected the term *neoliberalism* to castigate the liberalization, privatization, deregulation and austerity measures of the Thatcher and Reagan governments, despite the fact that the *new neoliberalism* has a totally different meaning from that of the 1930s. It is true that the ordoliberals in the 1930s used the term neoliberalism

to signify that they rejected the *laissez-faire liberalism* of the day. The ordoliberal intellectuals of the 1930s favoured a *third way* and, despite differences among various branches of German neoliberalism, central to their endeavour were questions of order, institutions, law and ethics. In contrast to the utilitarian approach of *laissez-faire* economists, neoliberals emphasized a normative-ethical foundation of economics, delineating an important role for the state in setting the constitutional framework for economic competition in order to serve the larger interests of society. Thus, the intellectual proponents of German neoliberalism combined economic efficiency with human decency to achieve a just and stable social order. In rejecting *laissez-faire* liberalism, the proponents of neoliberalism challenged the separation between the political and economic spheres. They envisioned the state as providing a constitutional economic framework to enhance positive freedom for citizens while at the same time constraining the private and public monopoly powers that hinder citizens' autonomy (Young 2011, 2017).

Anglo-Saxon neoliberalism celebrates the ascendancy of private market forces, strives for a lean state and budget consolidation with austerity measures. Intellectuals most closely identified with the norms of the radical market fundamentalism are found in the so-called Chicago School, but they have their antecedents in the Austrian economics of Ludwig von Mises and Friedrich August von Hayek. The *laissez-faire* economists developed the theoretical foundation for claiming the superiority of economic freedom over public intervention. Characteristic of *laissez-faire* liberalism, as practised in the early twentieth century, was a market system based on competitive labour markets, the automatic gold standard, and free trade. Economists postulated that unfettered economic competition was superior to any form of state guidance in coordinating human efforts (Young, 2011).

Seen from this historical perspective, the later re-emergence of neoliberalism has more in common with the belief system of *laissez-faire* liberalism of the nineteenth and twentieth centuries, both emphasizing the negative liberty of ridding the economy of regulatory constraints. Scholars using the two neoliberalisms interchangeably fail to consider that there is a normative difference in neoliberal ideas between negative and positive liberty. Drawing on Isaiah Berlin's discussion (1969) of the dichotomy between negative liberty as *freedom from specific constraints* and *positive freedom to facilitate*



*the self-determination of individuals*, the most recent neoliberalism of market fundamentalism focuses solely on the concept of negative liberty and rejects the relevance of positive freedom to facilitate individual liberty through state intervention (Vercelli, 2016; Scharpf, 1999).<sup>8</sup> In contrast, the older concept of neoliberalism (and then ordoliberalism) is concerned with both the negative and positive liberty of citizens. Negative liberty plays a role in constraining private and public monopoly power to prevent the negative dynamics of privilege seeking and privilege granting, while positive freedom simultaneously involves the role of the state in creating a *constitutional framework* that serves the common interest of its citizens (*Ordnungspolitik*) (Vanberg, 2015).

Twenty-five years later, there is still no shared consensus on the meanings of neoliberalism as it emerged at the end of the 1970s except for its negative connotation. The term has become synonymous with human and natural resource exploitation, the dismantling of the welfare state, increasing global inequality, and even oppression in the name of freedom (Müller, 2007). It is these negative effects, resulting from a belief in unrestrained and self-regulating market forces, that ordoliberal economists and lawyers of the 1930s tried to mitigate.

## **Imaginary of Ordoliberalism Dominates the EU Crisis Discourse and Narrative<sup>9</sup>**

If we analyze the impact of the imaginary of ordoliberalism on the management of the Eurozone crisis, two issues should answer the question of whether a link exists: the rule-based Eurozone Monetary Union (EMU), and the German rejection of joint liability (*Haftung und Kontrolle*). In terms of the EMU, the rule-based union reflects an attempt to create a framework of rules aimed to ensure a sound fiscal policy and sound money. In creating the Euro as a denationalized currency with no links to the individual member states, meaning that member states had to pay their debt in a currency which they could not create, the rules of the Maastricht Treaty and the Stability and Growth Pact served to prevent fiscal profligacy by the member states. Setting standards for fiscal discipline (which turned out to be insufficient) was an attempt to ensure sound fiscal policy and sound money. With the introduction

of the single currency, the member states of the Eurozone entered a regime of fixed exchange rates. This meant that countries could not devalue in order to improve their competitiveness, as countries can do with national currencies. Since the nominal exchange rate is fixed, all they can do, to become more competitive, is to adjust wages and prices accordingly.

It is here that the critique sets in against the supposedly ordoliberal logic of the monetary union. However, as Feld et al. (2015) point out, the design of the monetary union owes more to the New Institutional Economics (NIE), and not to any particular ordoliberal principles. Monetary economists from NIE suggest that any devaluation is short-lived, since it does not address the underlying causes of the prevailing economic conditions. To wit, as long as devaluations are ruled out as a policy option, the relative competitiveness of a country can only be adjusted through wages and prices, as is presently demanded of the indebted countries in the Eurozone. ‘Notably, the need for such adjustment cannot be attributed to any specific type of ordo-liberal heritage or anything else specifically “German”’ (Feld et al., 2015: 57).

If commentators criticize the German decision-makers for rejecting fiscal transfers among the member states of the currency union, and accuse Germany of a lack of solidarity, the culprit is not ordoliberalism thinking, but rather the existing monetary economics of the NIE. Undoubtedly, there are grounds to criticize Germany for not showing more solidarity in the management of the Eurozone crisis. However, this position can also be explained by referring to national egoism, in that Germany was unwilling to support Eurobonds since this would have increased its interest rates and thus reduced its competitiveness. But what is most important for our argument is that neither the distinct set-up of the EMU nor the logic of the Eurozone monetary union is the outcome of specifically ordoliberal principles.

Let us turn now to the second tenet of whether the German rejection of Eurobonds is based upon ordoliberal thinking, signalling to indebted Eurozone countries that Germany was unwilling to share the debt burden with the Eurozone member states in financial need. The rejection of joint liability is one of Eucken's seven principles for an economic and humane constitution. In terms of the EMU, the primacy of currency policy (price stability) and the principle of liability are particularly central. Eucken's

insistence on both liability and control stem from his reasoning that individual liability changes the parameters of costs and risk. As such, Eurozone countries which accumulate debts within the monetary union have to be held accountable for their decisions and cannot impose the costs on others. Germany rejected the EU Commission's proposal in 2011 to issue government bonds jointly in order to reduce the financing costs of the highly indebted peripheral countries. At the same time, the German government supported the European Stability Mechanism (ESM) as a rescue mechanism for the indebted countries, despite the fact that it also violates the joint liability principle, as Jens Weidmann, president of the German Bundesbank, testified before the Budget Committee of the German Bundestag in 2011.

Given the existential crisis of the Euro in 2012, the rejection of Eurobonds by Germany brought the European Central Bank into the picture with the announcement of the Outright Monetary Transactions Policy (OMT) aimed at purchasing bonds from the member states of the Eurozone. The German government did not openly endorse the measure, but neither did it reject it. It clearly violated the ordoliberal principle of liability and resulted in a flood of lawsuits at the Constitutional Court in Karlsruhe from irate German politicians across the party spectrum and from citizens. Ordoliberals criticized the OMT programme, since the ECB was combining monetary with fiscal policy measures. More to the point, the European Stability Mechanism and the OMT programme seem, according to Feld et al. (2015), to be driven by German *pragmatism* at the time of the existential crisis, rather than adherence to an ordoliberal doctrine. In fact, 'Germany may have followed ordo-liberal thinking rather too little than too much' (Feld et al., 2015: 61). It would have been more effective to agree to a 'partial (legacy) debt mutualisation against the preservation of independence of the ECB and national debt brakes' (ibid.).

During the height of the crisis in 2012, the German Council of Economic Experts<sup>10</sup> proposed to reform and construct a more rule-based EMU with a credible no-bailout clause (rejection of joint liability). In a special report, they advocated EMU reforms which focused on fiscal policy reforms (fiscal integration), a crisis mechanism in the form of a debt-restructuring regime, and financial market regulation. In fact, just recently some members of the Council reiterated their call for a Eurozone orderly debt restructuring

mechanism with a creditor participation clause. Their thinking rests on the observation that the likelihood of a new sovereign debt crisis cannot be ruled out, and thus an orderly process of debt restructuring has advantages over the present status quo. In addition, ‘the genie of sovereign debt restructuring in the Eurozone is already out of the bottle and cannot be put back’ (Andritzky et al., 2016). In addition, the Greek and Cyprus debt restructuring signalled that private creditors were no longer shielded from a bail-in, thus the report suggests a reform of the European Stability Mechanism (ESM). This body was created during the sovereign debt crisis to provide liquidity assistance in cases where access to capital markets was no longer feasible (‘loans against reforms’). A restructuring would mean strict conditionality, but, at the same time, it would reduce uncertainty and *ad hoc* restructuring, as was the practice with the privately held debt in Greece and Cyprus.

The idea is to differentiate between a mere funding crisis and a full-blown solvency crisis. Since this cannot be ascertained with any certainty at the start of a crisis, the proposal is divided into a sequential two-stage mechanism. In the first stage of the debt operation, a simple decision triggers a maturity extension in the following cases: (1) if the debt exceeds 60–90% of GDP; (2) if the funding requirement for the debt exceeds 15–20% of GDP; or (3) if there have been two to three or more violations of fiscal rules in the last five years. If such a mechanism were in place now, France, Spain and Italy would have access to maturity extension and interim funding, reducing the great uncertainty plaguing the financial stability of these countries. If the debt operation subsequently turns out to be more serious and debt sustainability is in danger, then the ESM would conduct an analysis of deeper restructuring and even consider debt relief.

Against the often-cited belief that Germany is only about adhering to strict rules, the Council suggests allowing some fiscal discretion to policy makers during the debt restructuring programme while nevertheless advocating compliance in accordance with their economic and political capacity. An advantage of this debt restructuring programme is that it builds on the existing ESM Treaty, which demands that private sector involvement be considered. Only an amendment to the ESM guidelines, which makes ESM lending conditional on the new two-tier sequential mechanism, is needed (Andritzky et al., 2016).

## Conclusion

The intent of this chapter is to deconstruct the imaginary which has dominated the narrative of the EU crisis and which links ordoliberalism to the EU policies of the German government. The chapter should not be understood as a defence of ordoliberalism or as uncritically supporting German management of the Eurozone crisis. My intent is more academic and addresses two points. First, if the imaginary of ordoliberalism dominates the EU crisis discourse and narrative, then critics should at least explain which ordoliberals they are referring to, and what is specifically ordoliberal about them. Second, critics should demonstrate that the policies they are referring to as ordoliberal are, in fact, ordoliberal. In other words, if critics talk about an 'ordoliberalization of Europe', which supposedly rests on the assumption of a specific German approach to monetary policy combined with its implications for fiscal discipline, then these assumptions require further explanation.

As I have tried to show, there is no such thing as a *pure ordoliberal* theory or school. Instead there are different branches of ordoliberalism which have been further developed and influenced by Critical Choice, Constitutional Economics, and New Institutional Economics. The claim that German macroeconomic policy corresponds to ordoliberal thinking neglects the heterogeneity and evolution of this school of thought. Second, Germany has followed ordoliberal principles far less than its critics seem to hold, first in the setting up of the Bundesbank, later in transferring supposedly ordoliberal constitutional principles to the European Central Bank, and in creating the EMU. On close inspection, it can be seen that the dominant German influence in the management of the Eurozone crisis has much more to do with the ascendancy of the so-called mainstream Anglo-Saxon New Institutional Economics and the New Consensus Macroeconomics. The same can be said for austerity, which did not originate with German government policy. It reared its head first under Margaret Thatcher and Ronald Reagan, who were both eager to break the Keynesian class compromise which emerged during the 1960s and 1970s. Critics are right to take Germany to task for its handling of the Eurozone crisis, but this has more to do with Germany following its national interests at the expense of European solidarity.

Finally, Anglo-Saxon neoliberalism of the 1970s is not synonymous with the neoliberalism of the 1930s. They emerged at different historical junctures with diametrically opposing views about the functioning of the political economy. This is all the more important considering that Anglo-Saxon neoliberalism, based on the self-regulating market and anti-state rhetoric, has ushered in an era of 'turbo-capitalism', ending in the biggest financial crash since the Great Depression. Even die-hard free marketeers have come to realize that free markets are not natural and self-regulating. Rather, in the language of ordoliberalism, free markets are a political-cultural product based on a constitutional order that requires 'cultivation' for its maintenance and proper functioning (Vanberg, 2015; Young, 2015a).

In these times of great uncertainty, increasing inequality, feelings of alienation from political elites, and the centrifugal tendencies within the European Union, it may behoove us to design new rules for macroeconomics to include a strong welfare element in the EU reform programme. Not only did Walter Eucken in his *Grundsätze der Wirtschaftspolitik* (1990 [1952]) acknowledge the state's role in social policies for those suffering from misfortune, he was also acutely aware that the competitive market order might lead to an undesirable income distribution and that it might be necessary to use progressive income tax to correct such market distorting cases.

The financial crisis starting in 2007 and the rise of populism and right-wing radical political parties has amply demonstrated that Anglo-Saxon neoliberalism, with its focus on negative freedom from specific regulatory and social constraints, is no longer sustainable. The older concept of neoliberalism can help us to embark on a macroeconomic path that is concerned with positive freedom, involving the state in creating a constitutional social framework that serves the interests of all citizens (Semmler and Young, 2017).

## Notes

1. Christian Joerges and Josef Hien organized a conference at the Hertie School of Governance in Berlin, May 13–14, 2016 with the title, 'Ordoliberalism as an Irritating German Idea'.

2. Only after Anglo-Saxon academics and the media, including the *Financial Times*, made ordoliberalism virtually a 'household' word, did German political scientists and political economists start to integrate this German idea into their own analysis of the management of the Eurozone crisis.

Unfortunately, the German academics adopted the Anglo-Saxon negative connotation of this term (Young, 2017).

3. It is difficult to place Hayek in any particular school, since he was also the director of the Walter Eucken Institute in Freiburg (1964–1970). However, he shifted from the tradition of Walter Eucken to the 'Austrian' research program, which was much more influenced by the Austrian economist Ludwig von Mises (Dold and Krieger, 2017).

4. In fact, Ludwig Erhard, the German Chancellor, appointed Alfred Müller-Armack to the Economic Ministry (1952–1958) where he also served in the role of State Secretary.

5. See the exchange between Bonefeld (2012) and Berghahn and Young (2013) in the *New Political Economy* journal issues.

6. To my knowledge, there is no English article dealing with the various debates within the German ordoliberal community pitting the older, more normative school against the successor generation, who are often educated in prestigious US economic departments or have spent some time in such institutions. These internal debates go back to the 1980s and played a central role during the introduction of the European Economic and Monetary Union (Feld, 2012; Feld and Köhler, 2011).

7. It is interesting that Harald Uhlig and Rüdiger Bachmann, both signatories in the Cologne dispute for a modern economics, hold chairs in the United States. Harald Uhlig, Department of Economics at the University of Chicago, and Rüdiger Bachmann, Department of Economics at the University of Notre Dame.

8. Scharpf (1999) refers to negative and positive integration in the EU, meaning that negative integration is associated with the elimination of protective rights and standards for consumers, while positive integration means strengthening such rights and standards.

9. This section draws partially on a forthcoming chapter, Young ‘What is Neo-Liberal in Germany's and Europe's Crisis Politics? In Josef Hiden and Christian Joerges (eds.), *Ordoliberalism, Law and the Rule of Economics*, Oxford and Portland, Oregon: Hart Publishing Ltd. (2017).

10. The Council is mandated by German law to support all decision-makers in the economic and political sphere, as well as the general public in Germany, to form views about economic policy and its potential risks. To this end, every November it presents an annual report to the German federal government and the general public. Invariably, the report results in widespread, often quite contested, discussions among economists, policy experts and political leaders. The Council is mostly made up of members coming from New Institutional Economics with one Keynesian economist (Peter Bofinger).

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## **Part III Variations and Diffusions**

# 15 Foucault, Neoliberalism and Europe

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## Introduction

Readings of Foucault are a battleground in which high-stake political conflicts are continuously being played out. The cleavages generated here cannot be reduced to ‘conflicts of interpretation’ that might arise from an equivocation of meaning present in the text, but are rather connected to the very manner in which Foucault repeatedly redefines his object of study in a critical light. This is particularly the case for the lectures contained in the *Birth of Biopolitics* (Foucault, 2008). Foucault himself was perfectly aware that his approach to neoliberalism in terms of governmentality ran directly counter to the habitual interpretative matrices that had hitherto guided the analysis of neoliberalism. These matrices continue to dominate contemporary approaches to neoliberalism, either directly or indirectly, and now more than ever stand in the way of a clear understanding of neoliberalism.

This is particularly true in Europe, where radical left-wing currents have trouble identifying the specific characteristics of neoliberalism, frequently confusing it with the classical liberalism of the eighteenth century, nineteenth-century *laissez-faire* or even twentieth-century libertarian positions. These confusions do little to clarify our understanding of the profound crisis facing the European Union today.

We would like to show that even if Foucault addressed the question of Europe with relative infrequency, his analysis of neoliberalism in terms of a historically original form of governmentality nevertheless allows us to appreciate the defining features of the current European crisis. This is because his analysis highlights the decisive role played by an oft-neglected doctrinal current, that of Ordoliberalism.

# The Three Major Interpretative Matrices

Having begun to address the question of German neoliberalism in the two preceding lectures, Foucault opens his lecture dated 14 February 1979 with an inventory of three responses to the question 'What is neoliberalism?' It is clear that these three responses are not mentioned haphazardly, not only because they correspond to political and intellectual attitudes that were widespread at the end of the 1970s, but also, and perhaps primarily, because they form a sort of systematic classification of the various 'interpretative matrices' which framed the question of neoliberalism at the time. Whatever their differences, these matrices are united by the fact that they tend to reduce neoliberalism to the repetition in the present of a historical past, with the inevitable effect of 'coating the present' (Foucault, 2008: 131). Critique is thereby condemned to miss its object at the very moment it claims to say something about it. The identification of these three critiques thus allows one to circumscribe 'that which must be avoided at all costs' when one approaches the question of what neoliberalism is.

The first critique tends to derive contemporary neoliberalism from the historical matrix of classical liberalism, as elaborated in the eighteenth century: neoliberalism is thereby understood as 'Adam Smith revived' (Foucault, 2008: 130). This critique considers neoliberalism primarily from an *economic* point of view. It effectively denies any difference between liberalism and neoliberalism: it is assumed that both tend to abstain as far as possible from any kind of state intervention, opening up an empty space which the market then comes and fills because it has been abandoned to the 'natural course of things'. In sum, neoliberalism, like liberalism, is basically understood as a type of 'governmental naturalism' and translated into the celebrated politics of '*laissez faire*', in which one takes from the state in order to give to the market. It should be noted that this critique is still quite powerful today, even after the crisis of 2008. During the crisis, a number of analysts rashly announced the end of neoliberalism, precisely because they confused neoliberalism with the disengagement of the state. In a more general sense, any explanation which reduces neoliberalism to an economic politics that might be displaced by a sudden exercise of willpower on the part of political leaders can be identified as part of this matrix. It is here that we can situate the credo of Keynesians such as Paul Krugman and Joseph Stiglitz.

The second critique functions by transferring another historical matrix, that of commodity exchange, into the present, that is, by transferring the matrix that was 'decoded and denounced in Volume 1 of *Capital*' (Foucault, 2008: 130). Unlike the first kind of critique, this one considers neoliberalism from a *sociological* point of view. Volume One of *Capital* lays bare the laws of capitalist accumulation, beginning with the commodity as an elementary form of bourgeois wealth (the subject of Chapter I of *Capital*) and ending with the primitive form of accumulation that produced the historical conditions for the transformation of the commodity and money into capital (the subject of Chapter XXIV) (Marx, 1983). To the extent that Marx places the wage relation, as a *sui generis* commodity relation, at the heart of capitalism, this critique tends ineluctably to privilege the commodity relation as a model of all social relations. Neoliberalism thus comes to signify the final commodification of society itself. We hardly need to stress the fact that this type of critique enjoys continuing success today, inspiring as it does a certain kind of 'alterglobalization' discourse ('the world is not a commodity'). After the long detour of the post-war era, it would appear that capitalism has somehow returned to its natural state.

The third critique understands neoliberalism as an extension and generalization of the power of the state, all the more insidious because it hides behind a critique of the state's hold over society. In contrast to the first two critiques, this one considers neoliberalism from a *political* rather than economic or sociological point of view. This is what makes it hard to square with the preceding two. The leftist critique invoked by Foucault is particularly concerned with the 'German model' of the then Federal Republic of Germany, going so far as to diagnose the indefinite growth of the state apparatus as a logic akin to 'fascism' or 'totalitarianism'. To fully appreciate the scope of this critique, it is important to note that it is also linked to a certain understanding of capitalism, as indicated by the arresting formula Foucault uses to summarize it: 'the Gulag on the insidious scale of capitalism' (2008: 131). Today we find a similar critique of neoliberalism as a new type of 'totalitarianism'.

## **A New Kind of Interventionism**

In any event, Foucault responds to these three critiques with the dry



observation that neoliberalism is neither Adam Smith, nor the society of the commodity, nor the Gulag on a capitalist scale (2008: 131). Beyond this triple dismissal, however, it is important to reflect on the alternatives within which these critiques seem to constrain us. On the one hand, the first two critiques assimilate neoliberalism to a retreat or quasi-absence of the state. But on the other hand, the third critique considers the same object in terms of state hypertrophy, where the state extends its control over the whole of society. If one wants to think about neoliberalism on the basis of these critiques, one is thereby condemned to the following alternative: either the abeyance or quasi-absence of the state or the invasive extension of the same state. This is how the three critiques form a system and this is precisely why they serve to obstruct any understanding of neoliberalism's singularity. Neoliberalism is neither the abeyance of the state nor the bureaucratic hypertrophy of the state, nor even the purely instrumental state. It is first and foremost a practical redefinition of governmental intervention in its relationship to the market and implies a refusal of any alternative of the type: 'minimal state *or* maximal state', the 'state as manager of its own retreat *or* the omnipresent, tentacular state'. This is what certain contemporary Bourdieu-inspired critiques fail to see when they reproach Foucault for his complacency *vis-à-vis* neoliberalism, in the interests of further valorizing the role of the state. It is also what eludes certain 'Foucauldians' who are eager to celebrate the 'critical potential' of neoliberalism as a weapon against the state, a posture that is more libertarian than neoliberal. Both are happily oblivious to Foucault's remarks on 'state phobia' in the lecture of 7 March 1979. In a highly critical register, Foucault points out that this phobia was already very much present in the neoliberalism of Hayek and Röpke of the 1930s and 1940s. Against this state phobia, he insists on the fact that the welfare state has a very different origin and structure from the totalitarian state, whether Nazi or Stalinist (2008: 190). When we fail to appreciate this, we lose a sense of governmentality as an original form of interventionism and obscure the specific level at which governmental practices operate, instead reducing neoliberalism to a binary relationship to the state (for or against).

Against these positions, it is important to follow Foucault in reminding ourselves that neoliberalism is first and foremost a form of 'market interventionism'. Such an interventionism is primarily juridical in nature. It aims to impose the regulating principle of competition throughout society. To

the extent that competition pits one enterprise against another, such an objective implies the generalization of the enterprise-form to the whole of society, that is, the construction of a 'society of the enterprise' (2008: 148). Here we can identify a major difference with classical liberalism, which understood the market in terms of exchange, not competition. Competition does not play the same role for neoliberals that exchange did for liberals: it does not represent a natural datum which must not be disturbed, but rather a juridical norm that must be constructed by an appropriate governmental intervention. The first and second of the three matrices previously invoked are thus invalidated: neoliberal interventionism does not stop short at the market, as if confronted by an insurmountable barrier; neither is it intent on 'homogenizing through the commodity form'; rather, it seeks to extend the enterprise-form beyond the sphere of the market. But this extension implies a radical transformation of the relationship that each individual has with him or herself: each individual must see herself as a 'competence-capital' that she must valorize throughout her life, in her relationships with other individuals. What must prevail here is a sort of coextensivity of life with the enterprise of the self. This transformation of individuals into entrepreneurs invalidates the third and final matrix. In no way does neoliberalism seek to directly subject individuals to the power of the Leviathan state. Rather, it seeks to encourage individuals to interiorize the norm of competition by acting on their conditions of life, so as to control them at a distance and obliquely through the entrepreneurial transformation of their life.

This is how we must understand neoliberalism as a political rationality. Are we condemned, however, to the sterile repetition of Foucault's words? Foucault's anticipatory reading is in many ways compelling. And yet it is attached to a question that no longer presents itself in the same form today, that is, the possibility of ethical and political subjectivation in a context where individuals are governed through their freedom. Foucault's approach is shaped by this very particular perspective. In *Undoing the Demos* (2015), Wendy Brown astutely identifies the limitation of Foucault's analytical framework. Foucault, she argues, did not take into account the effects of neoliberal reason on political democracy and citizenship. And yet the process of 'de-democratization', to borrow Wendy Brown's (2006) term, today appears as one of the most salient features of neoliberalism. The example of European integration is particularly eloquent in this regard. But even though

Foucault himself speaks very little of Europe in the *Birth of Biopolitics* (2008), the lectures that he dedicated to neoliberalism help to enlighten us on the way this question is posed today.

## **The Ordoliberal Foundations of Europe**

To be sure, Foucault does explicitly address the question of Europe in his lecture of 24 January 1979 (2008: 51–73). Foucault is here keen to stress the novelty of the idea of Europe, which emerged in the middle of the eighteenth century alongside the classical liberalism of Adam Smith. The Europe in question is no longer imperial or Carolingian Europe with its roots in the Roman Empire, nor is it the idea of Europe as an equilibrium of forces which triumphed with the Treaty of Westphalia of 1648. This new conception of Europe is understood as a project of collective enrichment, or rather as a collective ‘economic subject’ which, thanks to competition among states, opens up the prospect of an ‘unlimited economic development’ (2008: 55). The key question then is to understand just how contemporary European integration relates to this liberal idea of Europe.

It is necessary to go back to the Treaty of Westphalia to understand the heritage out of which the European Union was constructed. What emerges here in the wake of the Thirty Years War, which in fact lasted almost a century (from 1555 to 1648), is an ‘absolutely new idea of Europe’, whose principal traits Foucault had identified one year previously, in his 22 March lecture at the Collège de France in 1978 (2004: 297–300). In the first instance, Europe arises out of a limited geographical topography, which implies the abandonment of the imperial dreams and universalizing vocation of the Christian church. Furthermore, far from comprising a hierarchy of states culminating in the unifying form of an Empire, Europe is ‘fundamentally plural’, meaning that ‘every sovereign is emperor in his own domain’ (2004: 297–298). However, this plurality encompasses differences between large and small states. Sully argued that already Henry IV imagined a Europe comprising fifteen states that were stronger than the others and whose entente would serve to guarantee Europe's cohesion. A further characteristic of this idea of Europe can be identified: even though it is geographically limited, it fosters a specific kind of relationship with the rest of the world, a relationship that can be described at the very least as one of

commercial exploitation, if not one of economic domination and colonization. The various treaties signed in the middle of the eighteenth century are geared towards one end, that of maintaining the 'balance' of Europe, that is to say, its equilibrium. Taking account of the various traits that enter into this new idea of Europe, this equilibrium takes three forms. First, the discrepancy between the strongest state and the others must be limited so that the strongest cannot impose its rule on all the others. Next, a limited number of strong states is to be created, among which a certain equality of powers will be maintained, a kind of 'egalitarian aristocracy' between England, Austria, France and Spain, for example (2004: 299). Finally, the idea of a 'mutual union of several nations (2004: 299)', a form that is preferred by jurists, aims to ensure that the coalition of the weakest powers is capable of counterbalancing the overwhelming power of one or several countries, an innovation which is designed to guarantee peace. Foucault sums up in the following words: 'The absolute limitation of the force of the strongest, the equalization of the strongest, and the possibility of the combination of the weaker against the stronger are the three forms conceived and devised to constitute European equilibrium, the balance of Europe' (2004: 299). A few pages later, after enumerating the traits which give Europe its new physiognomy as a 'system of diplomatic and political security', Foucault revisits the question of the special place accorded to Germany in the Treaty of Westphalia, offering these two incisive comments: 'Europe is the way of making Germany forget the Empire', then, a few lines down: 'In Germany they wanted to substitute the obligation of Europe for the desire for Europe' (2004: 304). Germany thus became 'the centre for the elaboration of the European republic' (2004: 304). In a curious turn of events, Germany has subsequently ended up telling the other European powers: 'It is just that Europe be my empire ... since you only created Europe in order to impose the domination of England, France, and Russia on Germany' (2004: 304–305).

When we compare this passage from the lecture series of 1977–78 with the pages devoted to Europe in the lecture series of 1978–79, that is, written a year later, we notice that when it comes to the liberal idea of Europe something has shifted with respect to Westphalian Europe. To be sure, we again encounter Europe's relationship to the world market, but this relationship now operates through *competition* between states rather than the

*equilibrium* of powers. Eighteenth-century Europe established competition among states on the world market as the guarantee of collective enrichment. Foucault insists on the crucial point that this implies a novel articulation of the question of peace: if in the seventeenth century, it is the reciprocal limitation of states which appears to ensure perpetual peace, in the eighteenth century, it is the unlimited nature of the external market or commercial globalization which appears to guarantee this same peace (Foucault, 2008: 56–57).

But what is the connection to the European Union as we know it today? What difference do we find between liberal Europe and neoliberal Europe? From its very foundation, the project of European integration borrows the idea of perpetual peace through market competition from liberal Europe. But what has shifted in a profound way is the relationship between the market and the state and the market and political institutions. To understand this, we need to make a detour through the history of Germany in the post-war era, where Foucault, despite his relative lack of explicit writings on the subject, offers us some important insights with regards to European integration. As we saw previously, Foucault stresses the fact that Ordoliberalism marks a significant reversal of liberalism to the extent that it replaces exchange with competition (2008: 118–19). Competition as juridical norm provides the state with its regulative principle and source of legitimacy. A legitimate state does not let the market do as it likes, but actively ensures that all economic actors respect the norm of competition. Here we find a response to the question that obsessed Ordoliberals in the period between 1945 and 1948: given that the German state cannot justify its existence on the basis of history, a possibility that the Nazi state has definitively barred, it can only do so through the success of its market economy, which is based on competition.

But what is the connection to European integration? It is no more possible to find a European state in 2015 than it was possible to find a German state in 1945. And yet the European Union was founded on the very same legitimating principle which Ordoliberalism defined in intellectual terms in the 1930s, before it went on to exert its political influence over the reconstruction of the German state from 1948 onwards. Let's be clear from the start: the principle of competition as a principle of the market economy served as the political legitimation of European integration from the very

beginning (cf. Dardot and Laval, 2013: chapter 11). This is why we consider it more illuminating to highlight the influence of Ordoliberalism on European integration rather than overvaluing the influence of Hayek, as many authors continue to do. The fundamental guiding rule of the European economic union is that of *free and unobstructed competition*, to paraphrase a formula that is already to be found in the Treaty of Rome of 1957.<sup>1</sup> The integration of Europe was achieved thanks to the establishment of a rigid juridical, budgetary and monetary framework within which all economic units could struggle against each other while obeying the imperative of the greatest possible competition. European institutions were charged with the task of overseeing the rules of fair play in a competitive order designed to generate the maximum satisfaction for the European consumer. The essential point is to understand that the competitive market is neither an economic instrument nor an ideological option, but rather a ‘constitutional option’, to borrow a typically Ordoliberal expression coined by Walter Eucken, the father of Ordoliberalism. The all too familiar ‘golden rules’ of the European Union – budgetary stability, budgetary equilibrium, free and non-obstructed competition – effectively form the building blocks of an ‘economic constitution’ that must be inscribed in the positive law of states so as to define in advance the limits of political intervention. In the last instance, the political function of the ‘economic constitution’ is to elevate the principles of private law above all processes of public deliberation and decision-making.

## **The Sovereignty of the ‘Constitution’**

The originality of the Treaty of Lisbon (European Commission, 2007) was to confer the intangible status of a constitutional principle on the golden rules of the European Union without necessitating the promulgation of a supra-state constitution. An inter-state accord, which is not a veritable constitution (in the sense that it does not constitute a new state), was thus sufficient as a means of constitutionalizing the rules of private law. Why was it essential to set the principle of competition in stone in the form of the Treaty? The answer can be found in the idea of the ‘economic constitution’ as it was elaborated by Walter Eucken. For Eucken, such a constitution is, in effect, *strictly analogous* to a political constitution: thanks to the existence of a small number of basic rules, it serves the same function of guaranteeing the compatibility between individual liberties and the general interest, in this

instance, between individual economic liberties and the general economic interest. As incongruous as it might seem, the latter notion plays a crucial role. This is what justifies the idea that the monetary order of the European Union must be understood as a fully-fledged juridical order: the economic constitution must enable one to resist pressure from particular interests (banks, lobbies, trade unions), by guaranteeing the independence of the central bank. Much like the political constitution of a state governed by the rule of law, the economic constitution is supposed to obey the democratic principle of separation of powers. Just as one institution cannot simultaneously define and apply the law in a political democracy, in a monetary order, states cannot decide on monetary politics. The benefits realized by this exercise in redefining democracy are remarkable because the independence of the central bank is supposed to guarantee 'democracy' by subtracting monetary politics from all public deliberation and a fortiori all public decision-making.

Must we consider this logic as alien to the project of European integration? In fact, it lies at the heart of the project from the beginning. An old liberal bourgeois principle has simply been invested with a new Ordoliberal meaning. In his *Constitutional Theory* (2008 [1928]), Carl Schmitt observes that it was above all during the July monarchy that the 'doctrinaires' (such as Royer-Collard) made strenuous efforts to define the constitution (the Charter) as 'sovereign', with the aim of elevating the legalization of bourgeois freedom and private property above all political power. According to him, the constitution is simply the fundamental norm; yet no norm can be sovereign, only a concrete subject, people or king, someone who can will and command, can be sovereign (Schmitt, 2008 [1928]: 136). The Lisbon Treaty recycles this thesis on the constitution's sovereignty by means of the notion of 'economic constitution'. Within this novel architecture, the economic constitution comes to play the same role as 'substructure' or 'base' among the Marxian vulgate, except that in Ordoliberalism the 'substructure' is itself juridical in nature: it is the basis on which all powers are erected (the Commission, the Council, etc.), to the extent that they are all designed to guarantee the independence of the 'general interest' with respect to all 'particular interests', and above all with respect to organized citizens. Contrary to Habermas (2012: 115 and 121), we would argue that the true 'construction error' or 'congenital defect' of the European Union is not to be

found in an ‘unfinished political union’ deprived of the means of a common economic politics. It rather resides in the very logic of a ‘political union’ which has been built on successive transfers of sovereignty on the basis of constitutional economic principles. These transfers were not imposed on the various states of the European Union by one single state. Rather, they were enabled by the various sovereign states themselves when they elevated an immovable ‘constitution’ over and above their own powers, thereby limiting the space in which they could subsequently conduct their own political affairs.

## The European Crisis

The rise in nationalism that we are currently witnessing in Europe is occurring in the dual context of a marked erosion of state sovereignty at the hands of globalization and the concurrent challenge to sovereignty posed by European integration. It is not only regional entities who now aspire to acquire the status of nation (the Scottish, Catalans, Flemish, etc.), whole swathes of the European electorate now seek to reclaim the ‘national independence’ that has been confiscated by ‘Brussels eurocracy’. This nationalism seeks to achieve a ‘great leap backwards’ by restoring national state prerogatives to control immigration, commerce, monetary affairs and the budget. In a context of massive unemployment, precarity and worker impoverishment, the return to full economic and monetary sovereignty is envisaged as the only possible response to the calamitous austerity politics being rolled out in Europe. Certain European leaders see this nationalist fever as a passing symptom. A more ‘flexible’ and ‘intelligent’ austerity politics would be sufficient to contain it. Monetary easing and a judicious dose of Keynesian stimulus based on European investments would help to soften the combined *punitive deflation* of wage and public spending cuts. And yet the chances of any reorientation of short-term economic policy are slim and visions of some kind of compromise between neoliberalism and Keynesianism are likely to dissipate rapidly. This is not simply an effect of the power relations between political forces in Europe, but also of the very *principles* upon which European integration was constructed, which only permit a few very slight adjustments at the margins. As Foucault helps us to see, the European crisis is in fact *structural*. At stake here is nothing other than the specific form of European neoliberalization, the constitutionalization



of the three ‘golden rules’ and their vigilant protection at the hands of European institutions. Put in place and successively reinforced by treaty after treaty since the end of the 1950s, this disciplinary corset today represents an institutional constraint whose vice-like grip cannot be undone by European leaders, even when they sense the importance and urgency of doing so.

The project of economic integration, with a single currency as its essential milestone, was supposed to bring countries together, to homogenize conditions and standards of living, to unify markets and production factors. Freedom of movement for commodities, capital and people was supposed to guarantee a durable state of peace between neighbouring countries. Each of these idyllic perspectives has been challenged in recent years. In order to confront the crisis of money and debt, European leaders have reinforced the impact of constraints that are consubstantial with the foundations of Europe. Far from taking a more social, cooperativist or solidaristic path, Europe's neoliberal orientation has been radicalized. The crisis of public debt, following in the wake of the financial crisis, has actually accelerated the remaking of states and societies according to neoliberal market and enterprise norms. And yet the standardization carried out by the Troika's ‘men in black’ has led to unprecedented social and political tensions in several European countries, with the result that a number of governments now hesitate to pursue the flexibilization of labour, the reduction of corporate taxes and the weakening of social protections and public services at whatever cost.

## **Constructing a Democratic European Citizenship**

It is not enough to invoke the principle of sovereignty if one wants to struggle against the sovereignty of the ‘economic constitution’. In the first place, the principle is inherently equivocal. In strict terms, sovereignty refers to an absolute power that stands above all laws (*ex legibus solutus*), whether internally, with respect to the members of a state, or externally, in relationships with other states (serving to legitimate the right to war). Furthermore, the subject of sovereignty can be the people or the state, which is far from being the same thing (cf. Brown, 2014: 43–72). When the nationalist and xenophobic far right makes a claim to sovereignty, what it understands by this is the sovereignty of the state over the people (a strong state capable of satisfying the desire for authority). If the thematic of

sovereignty must be mobilized, it is in order to *champion* the sovereignty of the people against the sovereignty of the state, not by claiming absolute power for the people, which is a meaningless fiction, but rather by demanding that the people exert direct control over their own leaders and parliamentary representatives, who have organized or consented to transfers of sovereignty. But in the second place, it is necessary to go beyond sovereignty itself by championing a democratic European citizenship against the sovereignty of the constitution. It is far from accidental that the European pseudo-citizenship recognized in the treaties is in fact merely an adjunct to national state citizenship. The only 'citizenship' recognized as 'common' to all citizens is that of the consumer intent on activating the principle of competition. In this sense, one must observe that any economic constitution and any political constitution based on an economic constitution are *in essence* anti-democratic. One consequence of this observation is that any intervention that seeks to democratize European institutions on the basis of the existing 'constitution' turns its back on democracy. This is particularly true of all those projects of 'European sovereignty' which are added on top of national sovereignty (whether in the form of a federal state or otherwise). One is deluded in believing that European citizenship could be granted by a sovereign power, whatever form it might take. The absolute premise of any debate on the institutional architecture of Europe is to engage in the practical construction of a transnational European citizenship defined less by status than by the struggle for rights that are wider than those of national state citizenship: rights of control, of initiative and participation. We must not shy away from things: Europe has never been a 'common house' for its citizens. When measured against the imperative of a European citizenship, it appears rather as a glass tower built by an oligarchy of experts. The European constitution came into being by elevating 'constitutional sovereignty' over and above the sovereignty of the people. The double mechanism of technocratic governance (the European Commission and council of governments) is itself a complex form of governmentality that we would do well to analyze in the terms provided by the lectures of 1978–79, but also moving beyond the framework provided by Foucault. By putting states into competition with each other within the European Union, this form of governmentality has transformed the core of national political citizenship while at the same time blocking any pathway to a democratic and transnational European citizenship. It has thereby directly contributed to the

propagation of nationalism in its most hateful forms. Let there be no confusion about this last remark. This is in no way about incriminating German nationalism by arguing that neoliberal Europe is the resurgence of the German empire. However, it is an undeniable fact that Europe today is more Ordoliberal than Germany ever was, in the sense that it forms a sort of empire of private law whose foundations are fundamentally Ordoliberal.

Europe is shaking on its foundations. We are confronted with the following choice: either a withdrawal into nationalism or the refoundation of Europe. It is time that we struggle to make Europe a *political commons*. In our view, only an authentically internationalist left can lead this fight.

## Note

1. Specifically, the Treaty sets out a series of prohibitions relating to ‘undertakings and concerted practices which may affect trade between Member States and which have as their object or effect the prevention, restriction or distortion of competition within the common market’ (European Commission, 1957: 31).

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# **16 The Rise and Fall (and rise again?) of Neoliberalism in Latin America**

**Peter Kingstone**

## **Introduction**

Neoliberal economic reform arrived in Latin America earlier than in any other region in the world – a technocratic revolution in Chile, led by a group of professional economists trained at the University of Chicago – the ‘Chicago Boys’. The playful moniker contrasted with the brutality of the military regime that launched the reform process. General Augusto Pinochet's coup led to thousands of Chilean citizens dead, tortured, disappeared, and dealing with devastating economic consequences flowing from the rapid economic changes. There is little argument that the coup and the economic reforms produced terrible traumas. Even the Chilean military has conceded that it systematically violated human rights. Yet, conflicting interpretations remain over the causes of the coup, the economic and political issues facing the country, and the consequences of the neoliberal reform program. For observers on the left, the coup (and the accompanying US economic pressure) violated a democratic choice to promote a workable and socially just transformation of the structure of economic power and social relations. For observers on the right, Salvador Allende's ‘macroeconomic populism’ is a perfect example of Latin American leftists’ dismissiveness of the reality of resource constraints. Today, very few Chileans would defend the human rights violations of the dictatorship (although even that is relatively recent), but the controversy over the economic programs of Allende and Pinochet has persisted unabated.

The bitter disagreements over the Chilean story are a microcosm of the arguments over neoliberalism's history in the region as a whole. Margaret Thatcher's phrase ‘there is no alternative’ seemed axiomatic in Latin America in the 1980s and into the 1990s as one by one Latin American countries

introduced neoliberal reforms. Even nationalist heroes, like Carlos Andrés Pérez in Venezuela, or Victor Paz Estenssoro in Bolivia, or nationalist/workers' parties like the Partido Justicialista (Peronist) in Argentina, succumbed to the force of the neoliberal wave and became instead agents of the reform agenda. In other instances, candidates campaigning on deceptive or ambiguous platforms delivered 'neoliberalism by surprise' (Stokes, 2001), as with Fernando Collor in Brazil or Alberto Fujimori in Peru. By the mid-1990s, neoliberal reforms had swept through the region with Cuba the lone holdout.

Yet, by the end of the 1990s, disenchantment with weak economic performance produced a new swing to the left, beginning with the election of Hugo Chávez in Venezuela in 1999. Within a few years, leftist parties governed roughly half the countries in the region. Over the 2000s, inequality and poverty declined, fueled by a mix of increased social spending, solid economic growth, and a strong macroeconomic environment. But, the good times came to an end as the 'Good Times Index' – a measure of the external economic constraints on developing country governments (Campello, 2016) – shifted downwards. A decade and a half into the so-called *Pink Tide*, the prospects for the left appeared greatly weakened and neoliberal economic prescriptions had regained prominence, particularly in Argentina and Brazil where right-wing presidents moved quickly to reverse the spending policies and priorities of their leftist predecessors.

This rapid shift from nationalist and state-led policies in most of the region to neoliberal hegemony to the *Pink Tide* and back to neoliberalism presents a difficult analytical challenge: how should we understand this dramatic and relatively rapid sequence of reforms and counter reforms? In one respect, the answer is straightforward. This is simply a continuation of the century-long battle in Latin America over how to overcome the region's long history of economic, social and political exclusion. But, the controversies over why these problems persist and how to overcome them have been intense, bitter, and sometimes violent.

Reviewing alternative explanations for this long pattern generally and neoliberalism specifically poses several problems. For one, the topic is vast, spanning multiple disciplines, countless topic areas and a range of competing

theoretical approaches. Moreover, analyses of neoliberalism's performance in the region reflect deep underlying differences in ontology, epistemology and ideology for which there is no mediating test – for example, neoliberals and Marxists both offer cohesive and plausible, but completely incompatible narratives that cannot be resolved with empirical evidence. Indeed, these fundamental disagreements are so deep, they make the very term contentious. For that reason, some scholars have adopted ‘market oriented’ reforms in favor of ‘neoliberalism’ to avoid entanglement in normative or philosophical disputes.

I have chosen to narrow this vast subject in two ways. First, the chapter focuses on major points of interpretation and contention among scholars looking only at the subjects of the economic problem of the role of the state and the political problem of explaining support/opposition to neoliberalism. Second, scholars working on these topics draw on a variety of theoretical approaches, but to simplify the discussion this chapter distinguishes between arguments by the ‘thickness’ of the conception of neoliberalism. ‘Thick’ approaches view neoliberalism as an inseparable whole – a cohesive political, social and economic project that alters the very nature of social relations. Neoliberals and ‘radical’ critics (for want of a better term) profoundly disagree on virtually everything, but share a reliance on a ‘thick’ conception. On the other side, philosophically, stand a wide array of scholars in economics and political science who use a ‘thinner’ conception of neoliberalism – one that sees a diverse set of problems with economic, political and social implications. But, each of these elements can and do vary independently with meaningful consequences. In this conception, neoliberal policies are not all inherently bad or good, and governments can be more or less democratic, independent of neoliberal policies. Scholars drawing on thin conceptions may share normative viewpoints with ‘thick’ scholars on either side of the ideological divide, but rely on theories and empirical tests that don't accept the validity of thick conceptions.

The central argument of this chapter is that all three traditions, neoliberal, radical and ‘thin’ social science, have produced impressive scholarship with powerful and persuasive analyses. Yet, scholars are struggling with the same set of issues and the same theoretical problems that have driven debate for decades. Latin America in the new millennium remains a region

characterized by low to moderate growth at best, rising risks of inflation and macroeconomic imbalances, high levels of inequality, and dangerously fraught politics. For neoliberals, the failings of the left offer proof of the inability of the state to drive economic development and the dangers of politicians unable to make disciplined economic choices. For radical critics, the re-emerging tensions give proof of the need for deep structural reforms that break with global capitalism and fundamentally alter the structure of property and production. For the diverse group of 'thin' analysts, the end of the 'golden years' of the *Pink Tide* reveal the limits of our ability to answer key questions about how to produce economic growth with democratic politics and social justice. In short, empirically, we know a great deal more about Latin America and its politics and economics, but our theories have not brought us closer to answers to the central questions of development in the region.

## **Neoliberalism as an Economic Problem: The Role of the State**

The argument over market versus state in Latin America began in the early twentieth century as newly mobilized working classes joined with an emergent industrial bourgeoisie in favor of state-led industrialization, primarily through import substitution industrialization (ISI) (Cardoso and Faletto, 1979; Collier and Collier, 1991). ISI as an economic program and the interests behind it conflicted directly with an export oriented program backed by landed elites and supported by the large wave of foreign investors who entered into the region in the late nineteenth century. Latin American development could not easily reconcile both sets of interests. Domestic manufacturing (and the workers who benefited from it) was not competitive enough to be export oriented. In order to grow, domestic manufacturers needed protection from imports (as well as foreign direct investment) and needed financing. As Latin American societies lacked large pools of savings to support industry and could not tax economic elites, financing came from commodity exports. The tariff and foreign exchange policies used to promote industry damaged commodity producers/exporters while declining terms of trade made the model untenable over the long term. At the same time, ISI governments sheltered uncompetitive business and their relatively highly



paid workers (compared to Asia, for example (Mahon, 2012). Ultimately, this proved an unstable path as it exposed Latin American economies to balance of payment crises, spiraling inflation, and violent political conflicts.

That was the context in which neoliberal reforms first appeared in the region. By the 1960s, Latin America had reached what Albert Hirschman (1968) referred to as the 'exhaustion of the easy phase' of ISI, with arguably only Brazil (due the size of its internal market) postponing the crisis. By the 1980s, the conditions facing most Latin American countries were dramatically worse: escalating debt, high and in many cases hyperinflation, stalled growth/recession, collapsed commodity prices, and the crippling consequences of both the first (1973) and second (1979) OPEC oil shocks. For neoliberal advocates, all these problems stemmed directly from excessive state involvement in the economy.

Perhaps the most important statement on neoliberalism in Latin America comes from John Williamson and the 'Washington Consensus' (Williamson, 1990). The Washington Consensus was the minimally acceptable policy plan that scholars and policy makers centered in Washington think-tanks, government departments, and international financial organizations could all agree on. At the heart of the problem, as they saw it, was the corrosive role of the state in distorting prices through both direct and indirect forms of intervention in the economy, including: governments conceding wage increases in excess of productivity, inefficient and often unnecessary infrastructure spending, simultaneously excessive *and* regressive welfare state spending, massive indebtedness driven by state-owned enterprises' borrowing, tariff protection generally but especially for politically favored sectors or firms (without any prospect of eventual lowering of tariffs), subsidized or politically directed loans to favored firms or sectors (sometimes even at negative interest rates), and controls on capital movement. Neoliberals could point to the dismal economic record leading up into the 1980s as proof that the state's presence in the economy was the problem. The result was the ten-point platform of policies dubbed the Washington Consensus, including the key pillars of privatization, deregulation, trade liberalization, and controlling deficit spending (even at the expense of painful cuts in social welfare).

By the 2000s, neoliberal policies confronted the reality of at best a spotty record of performance that lent credence to criticisms from scholars and policy makers. For Latin America, the strongest neoliberal response came in John Williamson and Pedro Pablo Kuczynski's follow-up volume, *After the Washington Consensus*. Writing in 2003, Williamson and Kuczynski acknowledged that neoliberalism's advocates had oversold the promise of reforms, but they argued that the record over the 1980s and 1990s did not justify a rejection of market reforms as a solution to the region's growth challenges. Instead, the pair made three key arguments. First, they argued that neoliberalism's record in the region was much better than its critics averred. Inflation, for example, had been a scourge of Latin American economies since the earliest wave of industrialization at the turn of the twentieth century and increasingly so through the century. By the end of the century, inflation, debt and government deficits had all fallen dramatically. Chile, the model neoliberal case in the region, was also one of the best performers on virtually every indicator and therefore good proof of the neoliberal model's value. A second argument was that the problem in Latin America was not that the neoliberal program had gone too far, but that it had not gone far enough (Walton, 2004, also makes this point forcefully). No Latin American government – even Chile – fully liberalized their economies. In particular, labor markets remained largely unreformed despite the neoliberal view that labor market rigidities were a critical cause of high levels of informality and therefore a leading contributor to poverty and inequality (Saavedra, 2003). A third argument offered by Kuczynski and Williamson was that many neoliberal reforms depended on strong, effective institutions that supported market oriented policies, but those supporting institutions were often missing or weak. For example, banking reforms depend on prudential regulation, or privatization depends on regulatory institutions, and both depended on effective judiciaries which were largely lacking in the region. The limitations of neoliberal reforms, therefore, were due to deficiencies in the politics of specific countries, not in the program itself. How a government creates the required institutions is beyond the scope of neoliberal theory and therefore not a flaw in the blueprint.

The problem for neoliberalism, however, is that the historical record offers little support for the argument that markets undergirded by a lean state lead to widely shared growth in the region either. In the end, the neoliberal blueprint

rests on a thicker model of political economy with important ontological and normative bases. In particular, this view assumes that the state *cannot* make good policy choices, that ‘getting prices right’ is sufficient to renew economic growth, and that efficient use of resources can solve long-standing social injustices. If any of these assumptions prove wrong, then neoliberalism's policy prescriptions are questionable. In addition, neoliberalism's silence on the institutional requirements for effective policies constitutes a fatal flaw. If neoliberalism requires Western ‘Weberian’ bureaucratic institutions to achieve the intended results, then dropping the institutional setting from the diagnosis and the prescribed solutions is ahistorical and wishful thinking. Neoliberalism also assumes that a minimal state with well elaborated property rights and a supporting rule of law protects fair social outcomes. But, if instead it allows economic elites to use their position to undermine democratic politics and subvert social justice, then the blueprint is also fatally flawed. For scholars drawing on both radical and thin critiques, the empirical record shows that the basic underlying assumptions of neoliberalism are untenable.

## **Critiques of Neoliberalism as an Economic Problem**

Neoliberalism as an economic program has faced considerable criticism in Latin America, both from radical critics and scholars operating with thinner conceptions of the program. For radical critics, neoliberalism is fundamentally political – an expression of class interests that restores the capacity of elites to concentrate income and wealth, restrict workers’ rights specifically and citizens’ rights more generally, and ensure elite dominance over the economy, politics and society (e.g., Crabtree and Durand, 2017). For scholars like James Petras (1999) and Henry Veltmeyer, Alfredo Saad-Filho and Deborah Johnson (2005), Gerard Duménil and Dominique Lévy (2005), or Emir Sader (2009), neoliberalism's economic limitations are not unexpected – they are a direct outgrowth of policies that are meant to ensure profits and wealth for narrow sectors of the elite rather than growth or social inclusion. For radical critics, any program that leaves intact existing property rights and the structure of production cannot produce just outcomes.

Scholars operating with thin conceptions do not accept either of these limiting parameters and have challenged both neoliberal and the radical views

on theoretical and empirical grounds. Many of these arguments accept the neoliberal diagnosis that the state's role in the economy was an important cause of the problems in the 1960s and 1970s (e.g., Castañeda, 1994). Thin critiques accept capitalism as a legitimate means of organizing the economy, but focus on the ways that the neoliberal program or specific elements of the program fail to promote growth, to regulate market elites, or to ensure a 'human face' – i.e., socially equitable outcomes.

## **Neoliberalism and Growth**

For critics of neoliberal economics, the expectation that growth would resume simply by getting prices right was unrealistic from the start. Even if neoliberalism successfully corrected macroeconomic imbalances and removed distortions at the micro-level of the economy, it did not mean that growth – and especially growth with widely distributed benefits – would resume given the array of competitive challenges that firms faced in Latin America. These included limited access to capital, shortages of skilled labor, poor infrastructure, weak capacities to innovate and low investments in R&D (both private and public) (Paus, 2013), as well as growing competition from lower wage economies (Gallagher and Porzecanski, 2010). Moreover, economists working on the challenges of development rejected the neoliberal view that it did not matter whether increasing output came from manufacturing, agriculture or services. Latin American governments had over-invested in areas where the country had no comparative advantage and therefore a 're-commodification' or 'premature industrialization' was not a problem as long as output was growing. For critical economists, this missed the vital role of manufacturing in driving economic development and the danger of simply exporting commodities (Rodrik, 2015).

Economic critics argued that policies need to consider the specific context and history (Banuri, 1991) and should be tailored to address the 'binding constraints' on each individual country's development (Rodrik, 2012). The 'one size fits all' neoliberal prescription misunderstands the Latin American experience, treats the region as a single undifferentiated unit, and selectively focuses on the failings of ISI while ignoring its successes (Fishlow, 1991). The state played an important role in supporting development in all late developing countries (and almost all developed ones as well (Chang, 2002).

Indeed, Albert Hirschman made the case that the thirty years of postwar ISI were comparable to ‘les trentes glorieuses’ in France – a period of sustained growth and dramatic social gains (Hirschman, 1987). Dismantling the state's capacity to support development risked sacrificing ‘the ability to get policies right in the interest of getting prices right’ (Fishlow, 1991).

The proof lies in the region's experience over the 1990s. The rush to implement trade liberalization, privatization, deregulation, financial liberalization, and reducing budget deficits helped eliminate inflation and improved macroeconomic performance. But, on virtually all other economic indicators, the region suffered from both weak performance and extreme volatility. Growth during the 1990s was modest, but volatile, while poverty and inequality rose or remained the same, unemployment increased, and domestic manufacturing declined. The dismantling of the institutions of industrial promotion led to a ‘re-commodification’ of Latin America, with labor shifting into lower value-added and lower productivity activities. Alongside the rise in commodity production and exports, the region also witnessed large increases in finance and related sectors (such as insurance and real estate) – sectors shielded from international competition and generating little in increased productivity and widely shared welfare gains (Paus, 2013, 2014). The weakness of neoliberalism's economic performance over the period played a considerable role in the emergence of the *Pink Tide*. Perhaps the biggest culprit, however, was the effect of repeated currency crises on the region.

## **Neoliberalism and Pro-Cyclical Policy**

While important neoliberal scholars argued against the liberalization of the capital account (Williamson, 1990; Bhagwati, 2004), the lynchpin of neoliberal reform was macroeconomic balance. As a consequence, Latin American governments, regardless of partisan composition, had to embrace policies that encouraged and protected capital inflows and had to signal strongly the credibility of their commitment to do so (Rodrik, 1989; Kingstone and Young, 2009). As Javier Santiso has documented, Latin American presidents and finance ministers needed to show officials in Western banks and international financial institutions that they were fully committed to a course of liberalization in order to keep the investment

flowing (Santiso, 2003). Portfolio investment (or 'hot money') became one of the key vehicles for capital inflows over the 1990s. Yet portfolio investment is highly risky due to the speed with which it can exit. The overwhelming amount of information and the speed of decision making in the financial sector meant that a few leading indicators and a limited number of market leaders (such as Bloomberg News) could produce rapid shifts in the direction of flows. Latin American leaders, needing to drive down debt, reduce budget deficits, improve the ratio of export revenues to debt servicing, and maintain adequate foreign currency reserves, did not have the luxury of fully independent exchange rate regimes if they wanted to ensure the credibility and attractiveness of their economies for foreign investment.

The need to maintain a liberalized capital account exposed Latin American economies to rapid and brutal capital outflows. From the Peso Crisis of 1994 (and the ensuing 'Tequila Effect' that rocked the region in its wake), to the Brazil 'Real' crisis of 1999, to the collapse of the Argentine Peso in 2001, Latin Americans lived with extraordinary volatility. While neoliberals tend to blame governments for policy errors, Latin American governments certainly bore no responsibility for the contagion effects of otherwise isolated crises (such as the 1995 'Tequila Effect' that swept across Latin America after the 1994 Mexican Peso Crisis, or the 1997 Asian Flu). Fears of capital outflows led governments to pursue pro-cyclical policies, regardless of the effects on the domestic economy and society. Even officials at the Inter-American Development Bank and the World Bank worried about this dynamic (Hausmann et al., 1999; Gutiérrez and Revilla, 2010). Deepening recession as a way to preserve capital inflows undermined the capacity to grow the economy and generate the revenues needed to manage both domestic social and political concerns as well as foreign currency obligations.

Argentina's 'dollarization' system highlights the dilemma perfectly. Recognizing that the government had lost all credibility, both with citizens and foreign investors, President Carlos Menem and his Finance Minister Domingo Cavallo offered the 'Convertibility Plan' as a way to establish a credible and stable currency. The plan effectively dollarized the economy, guaranteeing the convertibility of the peso at a one to one rate, eliminating the role of the Central Bank by creating a currency board with a strict mandate to release or withdraw one peso for every dollar in reserves. In

effect, the government sacrificed the ability to use monetary policy in exchange for the promise of stability and to encourage foreign investment. The plan was an immediate success in curbing inflation, renewing inflows, and restoring growth. But, over time, an increasingly overvalued currency began to undermine the competitiveness of the economy and to decrease government revenues. Within a few years, it became clear that the government would have to end convertibility and devalue the currency. The danger was that holders of the Argentine peso (especially domestic ones) were waiting for it to happen and looking to get their money out beforehand. At the point where it became clear that the government could no longer maintain convertibility, billions held by Argentines fled the country within days, triggering a second round of outflows from foreigners holding pesos. The collapse of the peso led to one of the worst political crises in Argentine history (Starr, 1997). The economic consequences were even worse (Manzetti, 2003).

## **Neoliberalism and Regulation**

No area demonstrated the problem of leaving the institutional context unexplained more than privatization and regulation. Privatization held a particularly important place in the neoliberal prescription for Latin America given the very large presence of state-owned enterprises (SOEs) in the economy and their critical role in the debt crisis of the 1980s. A substantial literature argued that SOEs were drags on economic growth for a variety of reasons: inefficient management structures/governance; vulnerability to political manipulation and exploitation; moral hazard problems; and use by politicians to fulfill political rather than market goals. Privatization was held up as a powerful tool to attract new foreign investment and introduce more advanced technology, but also to significantly reshape behavior. Privatization advocates argued that it would re-orient economic actors towards efficiency while reducing corruption and the ability of politicians to interfere in the marketplace (Kuczynski, 1988). At its best, it did achieve impressive results. For example, Brazil's *multilatinas* – the new Latin American multinational corporations (MNCs) playing a larger role in the global marketplace – in most instances grew out of privatization. The experiences of companies such as Embraer or Vale suggest that successful privatization *can* produce good outcomes with lasting benefits for both the firms and the country. Indeed,

even the inevitability of obsolescing bargains – an inherent problem in utility privatization contracts – don't necessarily lead to bad outcomes. For example, in areas as contentious as water and sanitation privatization, under the right circumstances governments and private owners can renegotiate contracts effectively (Post, 2014). But, as Jonas Prager (1992) warned presciently early in the process, privatization is not a panacea and poorly done may leave firms (and the economy at large) worse off. Privatizations occurring under poor auspices may lead to much worse outcomes than simply leaving production in state hands.

Bolivia's ambitious and innovative privatization program under Gonzalo Sánchez de Lozada offers a sampling of a range of possible perverse outcomes – ones that manifested repeatedly throughout Latin America. Sánchez de Lozada's *Plan de Todos* (Plan for All) envisioned a capitalization scheme of SOEs in six key sectors. The idea was that the winning bidder would pay the sale price to the firm itself so that the proceeds effectively *capitalize* the newly private firm and allow it to invest in competitive improvements. The government retained 50% of the shares with the intention of distributing the shares to the whole population creating, in effect, a universal, national non-contributory pension (*Bonosol*). The plan thereby attempted to solve several problems at the same time: (a) privatization and capitalization to promote efficiency and investment; and (b) popular participation to address both political opposition *and* the very low level of pension coverage in Bolivia at the time. To make sure the plan met its larger goals, the various privatizations built in performance targets related to accessibility and quality of service and made ownership contingent on meeting targets. The *Plan de Todos* was arguably Latin America's most creative privatization scheme – a unique solution for a country with serious economic and social challenges and desperately short of financial resources.

Yet, the weakness of the country's regulatory, monitoring and enforcement institutions resulted in sub-optimal outcomes at best and outright failures at worst (Kohl, 2004). Sale of the airline, Lloyd Aéreo Boliviano, to Brazil's private airline, VASP, led to its rapid demise primarily through asset stripping and reduction of routes and employment. Within roughly a decade, Bolivia's national airline closed its operations. Similarly, the sale of Bolivia's national rail service led to aggressive asset stripping and the end of rail



service for the country. In both cases, the purchaser did not come close to its investment targets and in the absence of any enforcement mechanism enriched itself at the cost of substantial social welfare costs, including employment losses. The privatization of the oil and gas sector helped bring greatly needed new investment into the respective sectors. But, the government's weak bargaining leverage led it to offer extremely favorable terms to the new private operators, leaving little for itself in shared revenue or taxes and leading to new conflicts as the bad bargain became contentious. The sale of the telecommunications company, ENTEL, also showed the risks of privatizing from a weak bargaining position as the new owner, the Italian state-owned STET, demanded an extended exclusivity period during which it retained a monopoly on service. Institutional weaknesses also meant that regulators had difficulties monitoring compliance with the terms of the contract (particularly on universalizing access to service, and on investment requirements). Bolivia's most famous privatization conflict, the 2003 Water War of Cochabamba, was not part of Sánchez de Lozada's program, but illustrates another risk of privatization. Poor communication, non-transparent decision making, in addition to rapid price increases and fears about access to services rapidly escalated into a violent conflict with the government of Hugo Banzer (Kohl and Farthing, 2006). Eventually, the government backed down and the new private owner, a consortium led by Bechtel, left the country, but only after a state of siege had been declared and one citizen had been killed and seventy injured in the process. Bolivia's troubled experience has numerous parallels all across the region, where privatization has engendered more organized opposition than any other neoliberal reform (Kingstone, Young and Aubrey, 2013).

Note that for thin critics of neoliberalism, privatization is not inherently wrong. Privatizations conducted under transparent rules, with strategic aims (as opposed to corrupt purposes or simply out of desperation), and governed by clear rules embedded in effective institutions, can lead to positive outcomes. Ensuring competition is especially important (Megginson and Netter, 2001). The problem is that in too many cases, privatizations occurred under inauspicious circumstances, with the wrong motivation, and ineffective oversight and regulatory capacity – 'Privatization South American style', as Luigi Manzetti dubbed it (Manzetti, 1999). The risks of corruption in the privatization process helped make it the most visible and least supported

plank of the neoliberal reform process (Lora and Panizza, 2003; Baker, 2010). Yet, even when done well, privatization also contributed to another key corrosive consequence of neoliberal reforms: loss of formal employment (Chong and López de Silanes, 2003).

## **Neoliberalism and Employment**

Neoliberalism's promise of growth that could lift all boats failed particularly on the challenge of employment. Neoliberalism's critics warned that trade liberalization and privatization entailed employment losses that would not be made up by employment elsewhere. By the late 1990s, even committed neoliberals had to concede that the expected gains to labor – an abundant factor that should have gained from increasing trade openness – had not materialized. Instead, the gains went to skilled labor – a scarce resource. Indeed, increasing returns to education, along with slowly rising rates of education, were the major drivers of social mobility gains from the 1990s into the 2000s (López-Calva and Lustig, 2010). Unemployment did not increase dramatically, but that was because employment shifted into low-paying service jobs and workers were absorbed by the growing informal sector of the economy (Saavedra, 2003). As Nancy Birdsall and Miguel Székely have argued, employment is the most powerful mechanism for lifting people out of poverty (Birdsall and Székely, 2003). In Latin America, formal employment is particularly critical as most welfare schemes are linked to the formal sector. For example, most Latin Americans had little to no pension coverage with very limited non-contributory social assistance in the 1980s and 1990s to make up the gap. The movement of workers from higher paying jobs with access to the formal welfare systems such as pensions, unemployment insurance or healthcare to low-paying or informal jobs deepened poverty and increased the exposure to risk for the poor and the indigent throughout the 1990s. By 1999, unemployment was up over 50% for the region from the early 1990s and worries about employment helped make neoliberal reforms increasingly unpopular and discredited and were an important element in the wave of electoral victories for a re-energized Left.

## **Neoliberalism as a Political Problem**

As contentious as neoliberalism was in the region as an economic program, the politics of neoliberalism have proven even more controversial. As with neoliberal economics, radicals and neoliberals draw on thick conceptions fundamentally at odds with each other. Scholars relying on thin conceptions recognize widespread variations across the region and over time that question the validity of thick conceptions. Such scholars have highlighted cross-regional differences relating to the onset of neoliberalism, the passage and implementation of policies, and the consequences for society. At the heart of the disagreement is the extent to which neoliberal economics is compatible with democratic politics. Unfortunately, fundamental differences of ontology, epistemology and ideology separate different conceptions of the problem, making it difficult to mediate among them theoretically or empirically. For neoliberals, the political problem is shielding economic decision makers from politics; for radicals, neoliberalism is fundamentally an elite project of domination. There is ample evidence to support both views and therefore both offer plausible (and to their adherents, persuasive) narratives. Yet, for scholars operating with a thin conception of neoliberalism, the widely varied tableau across the region suggests that neoliberalism and democracy – even in their messiness – are not inherently incompatible.

## **The Neoliberal View of Politics**

The neoliberal view of politics is fundamentally technocratic, focused on the need to insulate economic policy makers from the pressures of organized interests or the temptations of populism. In this view, organized interests make demands that are self-interested and destructive of larger social welfare goals. Voters generally, and organized interests specifically, make costly demands on public resources or on protections from the market that are subsidized by other segments of the population. Thus, for example, import tariffs are a tax on society that benefits national, inefficient industries. On the opposite side of the ledger, politicians make irresponsible (and unsustainable) commitments in order to curry favor with organized interests and voters. This exchange supports clientelism, populism and corruption, all of which undermine economic performance. It was these policy errors, rooted in clientelism and populism, that produced the distortions that led inexorably to the crises of the 1980s (Dornbusch and Edwards, 1991). In this conception, the entrance of the International Monetary Fund and World Bank onto the

scene is simply the recognition that economic policy has gone far astray and governments need technical support to re-establish macroeconomic balance and restore growth.

Neoliberalism's conception of politics beyond that is remarkably thin. As a program, it assumes that application of the correct policies will renew growth and in turn gain political support. Taken on its own terms, it is not inherently an authoritarian project. Once voters take their medicine, painful as it is, public welfare will improve and the politicians responsible for implementation of the program will benefit. Yet, even if its adherents are not authoritarian intentionally, it lends itself to an authoritarian interpretation. Neoliberal accounts of politics associate the normal give and take of democratic politics with irresponsibility. Their elevation (and even veneration) of a particular version of 'technical' knowledge as both axiomatic and somehow apolitical, along with a patronizing attitude towards democratically elected leaders and voters both contribute to a sense that neoliberalism is incompatible with democracy as only centralized, insulated and technical policy making can assure good outcomes. Neither radical nor 'thin' critiques accept these assumptions.

## **The Radical Critique in Latin America**

For radical critics, the question of neoliberalism's relation with democracy is unambiguous: 'technical' policy making is inherently political and insulating policy makers simply means suppressing the voices of the large majority who stand to lose under neoliberal reforms. Scholars embracing radical views share at least three premises about the process of reform. First, neoliberalism is an effort by economic elites to entrench their domination of both the economy and politics. One key indicator is the increasing financialization of the economy and the central role of international financial institutions (IFIs). Second, formal democratic rules are unable to generate genuinely democratic outcomes as global capitalism and its domestic agents subvert use of them to further their own goals. Throughout Latin America, neoliberalism advanced through an alliance of technical and business elites that filled key economic policy posts and removed the decision-making process from public deliberation or scrutiny (Teichman, 2001). Finally, neoliberals managed this process by hollowing out civil society through a variety of means, including

weakening or outright coercing organized interests, withdrawing state resources, and promoting the conversion of citizens into consumers and/or subjects.

There is no shortage of evidence to support this narrative of neoliberalism and scholarship from a variety of traditions have helped develop it. International financial institutions explicitly coerced indebted Latin American governments to implement neoliberal reforms. In myriad cases, legislative debate over policy was non-existent and mobilized opposition ignored or suppressed. For example, Mexico's turn to neoliberalism – one of the earliest in Latin America – began with the country's default on its external debt in 1982. The party had historically managed tensions between liberal and nationalist wings, moving in a pendulum from presidency to presidency as a strategy for managing social conflict. The 1982 debt crisis allowed the technocratic, liberal wing to gain permanent control and begin privatization as well as trade and financial liberalization. This story of external forces pressing the onset of reform (with or without domestic allies) repeated itself again and again. In Bolivia, Victor Paz Estenssoro, the father of the 1952 Revolution, turned economic policy over to the IMF in a context of over 15,000% inflation. In Argentina, Carlos Menem, the winner of the 1989 presidential election as the candidate of Juan and Evita Perón's party, obtained blanket authority to make economic policy through executive decrees and initiated a neoliberal reform in direct violation of his electoral promises. In Chile, the newly democratic regime of the Concertación government entered into office constrained on economic policy by institutional reforms imposed by the outgoing General Pinochet and the implicit underlying threat from business elites (Silva, 1996). In Brazil and Peru, Fernando Collor and Alberto Fujimori campaigned on vague, populist and generally uninformative platforms before launching neoliberal reforms on election (Cameron, 1994; Kingstone, 1999).

Neoliberal reformers sought to eliminate political opposition and to break the bases of organized resistance (Veltmeyer et al., 1997). For example, in both Argentina and Mexico, unions had formal institutionalized leadership roles in the parties that introduced neoliberal reforms, the Partido Justicialista (Peronist) and the Partido Revolucionario Institucional (PRI). In Argentina, President Carlos Menem displaced unions from the formal leadership

structure of the party (Levistky, 2003) and crafted new clientelist modes of organizing urban poor as their voting base (Auyero, 2000). In Mexico, the PRI targeted key unions and union leaders for criminal investigation and prosecution as a way to destroy independent bases of opposition to the neoliberal direction (Teichman, 1996). All across the region, union membership declined (Murillo and Schrank, 2010) and strikes and protests dwindled dramatically (Kurtz, 2004). The unraveling of the existing corporatist system meant that the state withdrew resources that were critical for solving the collective action costs of organizing (Collier and Handlin, 2009). Corporatism in Latin America was not a democratic form of state–society relations, but it did ensure access for less powerful groups by offering resources in exchange for political support. In the context of diminishing state resources and withdrawal of formalized access, even previously privileged middle-upper class groups such as small business lost the ability to represent their interests (Nylen, 1992; Shadlen, 2002).

This withdrawal of the state led to a generalized weakening of the capacity of civil society to organize. As Marcus Kurtz observed, democratization opened new potential channels of participation, but in the face of harsh material conditions, fewer and fewer citizens used them (Kurtz, 2004: 255). Philip Oxhorn called this new form of social organization ‘neopluralism’ (Oxhorn, 1998) and argued it was an explicit attempt by the state to fragment social interests. Others portrayed the new emphasis on individuals and individual rights as an explicit effort to undermine collective claims and convert citizens into ‘subjects’ unable to resist authoritarian means of governing them (discussed in Vilas, 1997; Alvarez et al., 1998; Fernandes, 2012). Forrest Colburn described a region that had come to the ‘end of politics’ (Colburn, 2002). Globalization and the demise of the left meant that there were no political forces focusing attention on poverty and inequality exactly at the time that economic openness undermined labor's bargaining power. The result was consumerism gone wild as Latin Americans turned their attention to the lures of consumption while ignoring the damage. Alejandro Foxley's analysis of ‘neoconservative’ economics in Latin America reached the same conclusions about the damage neoliberal reforms inflicted on society (Foxley, 1982). For example, the ‘seven modernizations’ in Chile – including profound privatizing reforms of social security, health, and education – embraced a highly individualized notion of citizen rights that attacked

principles of solidarity across classes as well as generations embedded in the existing systems. In sum, radical critics painted a picture wholly incompatible with the neoliberal view. This narrative rests on a solid foundation of observations of deep and unsettling changes that showed neoliberalism as a destructive force, politically, socially and economically.

## **Thin Conceptions of Neoliberalism and Variations in the Politics of Reform**

For other observers, the story of neoliberalism in the region is not so clear-cut. Like radical critics, thin analysts have recognized that external pressure, particularly from IFIs, played a role in the introduction and maintenance of some neoliberal reforms. Similarly, organized elite interests benefited from neoliberal reforms and in some cases lobbied actively to introduce them. Scholars have also recognized that the dominance of neoliberalism in financial circles meant that policy makers faced limits to their policy autonomy (Santiso, 2003; Kingstone and Young, 2009). They've also documented a wide variety of ways that policy makers undermined democracy to advance reforms. There is considerable evidence that neoliberal reforms have altered civil society and, in particular, weakened labor unions. In short, scholars working with thin conceptions of neoliberalism have offered extensive analyses consistent with radical views.

But, the defining feature of thin conceptions is that they allow for considerable variation on these themes. Just as neoliberals were wrong to condemn ISI with broad strokes, so neoliberalism's performance on both economic and political grounds varied and those variations matter. Analyses within this broad set of studies are open to the possibility that domestic policy makers saw neoliberal reforms as an appropriate response to the cluster of very specific challenges confronting their countries, and voters backed neoliberal candidates because they preferred the policies and programs offered to them. In some cases, presidents imposed policy reforms with little or no concessions, but in other cases the implementation of reforms happened with legislative debate and concessions, responsiveness to public sentiment, and engagement with organized interests. Finally, neoliberalism's effect on policy and society is not so clear-cut, with considerable policy efforts to

address poverty and inequality beginning in the midst of neoliberal economic reforms and new groups mobilizing to fill the space once occupied by labor and other groups privileged in the corporatist system. In effect, the central lessons from this thinner perspective are that the experiences in the region vary widely and that neoliberalism is not inherently undemocratic.

## **The Initiation and Implementation of Reform**

Almost all Latin American governments initiated neoliberal reforms while under the economic pressures from the debt crisis of the 1980s and its associated burdens of balance of payments difficulties, high inflation, and unsustainable budget deficits. For many governments, the decision to initiate reforms happened under tremendous duress. There was little to no public debate about neoliberal reforms even in countries that were not simply coerced by external agents. Nevertheless, once the process began, domestic politics mattered and had important consequences for the timing, speed and depth of reforms. These three, in turn, affected the democratic nature of the reform process, though how and to what extent is debated. For Javier Corrales, deep reforms improved both economic problems and helped foster institutions of governance and accountability (Corrales, 2012). By contrast, Evelyn Huber and Fred Solt argued that rapid and extensive reform harmed democratic governance (Huber and Solt, 2004). The risk of rapid reforms is that they ignored institutions of horizontal accountability and excluded societal actors, especially those directly affected by specific policies. It is no accident that privatization provoked sharp resistance, particularly in places like Peru and Bolivia (Kingstone et al., 2013) where deep neoliberal reforms happened very quickly and where neither the legal system nor the system of representation worked as checks on executive power. Corruption concerns were particularly strong in such cases. For example, opposition to privatization was strongest in countries precisely where it had proceeded rapidly and citizens associated the process with corruption (Lora and Panizza, 2003).

The ultimate test of neoliberal reformers' appeal was their ability to win elections explicitly on neoliberal programs, or alternatively to win re-election after introducing them. Although the reform process began without electoral mandates arguably in every country in the region, neoliberal reformers won



re-election repeatedly throughout the 1990s. There are at least three alternative ways of thinking about how and why this happened. In the conventional neoliberal model of reform, governments introduce neoliberal reforms rapidly, pay high social and economic costs immediately, but then win support as the benefits begin to kick in (Przeworski, 1991). In another similar, but subtler, conception, voters lack information about the benefits of neoliberal reforms. Presidential candidates campaign on false promises of security-oriented policies because they know that voters will reject neoliberalism even though it is the 'correct' set of policy responses (or alternatively, candidates discover upon election that the situation is much more dire than they had anticipated and neoliberal policies are necessary). In this case, candidates are still representing voters sincerely, but with reference to more and better information. As with the conventional model, economic improvements lead voters to re-elect the neoliberal reformer (Stokes, 2001). Finally, a third approach draws on prospect theory and makes the case that risk-accepting voters, fearful of the prospect of deeper losses, support candidates promising painful reforms in the hope of preventing even more pain (Weyland, 2004). Voters continue to support painful reforms only while in this 'domain of losses' as improvements in their material condition returns to risk-averse preferences. All three of these models offer explanations of why voters would back politicians who explicitly promise painful policies, or violate electoral promises and inflict painful policies. As Stokes (2001) notes, this is not an ideal mode of representation, but it is still a meaningful form of representation and all three present robust tests of vertical accountability.

Latin America's weak parties, limited programmatic identification, and diffuse class voting make it hard to evaluate democratic support for neoliberalism (Carlin et al., 2015). But the evidence of the underlying democratic qualities of neoliberal reform don't depend solely on elections. Other scholars conducting public opinion research argued that neoliberal reforms were not universally unpopular or that Latin American voters had an express preference for the state over the market. In particular, Andy Baker's work on public attitudes towards neoliberal policy argued that voters supported free trade explicitly because of its effect on the prices of consumer goods (Baker, 2010). In contrast to Colburn's lament, consumption is not simply a hollow form of materialism in which Latin Americans go shopping while neoliberalism wreaks havoc. High barriers to trade protected a very

small minority of formally organized labor (as well as businesses), but imposed high costs on all other consumers. Latin American citizens discriminated among elements of neoliberal reforms based on how it affected them as consumers, not simply as workers or producers. Indeed, consumers' rights and the effects of policy on consumers became an important mode of social mobilization and an additional source of vertical accountability in response to less popular areas, such as privatization (Rhodes, 2006). Other work argued that Latin Americans were, in fact, much more centrist on economic matters than radical critics believed (Morales, 2008; Baker and Greene, 2011). Surveys across the region showed that voters were mildly pro-market during the 1990s and only moved *leftwards* (but did not become leftist) in the face of neoliberalism's policy failures over the decade.

Another factor that tempered claims of neoliberalism's undemocratic nature is that reformist governments moderated and/or modified neoliberal reforms repeatedly throughout the reform period. The timing, pace and depth of reform varied dramatically because of these concessions, but critical details of reform policies varied as well in order to accommodate concerns both inside and outside the government. For example, Sebastian Etchemendy argued that reformist governments pursued alternative models of reform based on differences in compensation for 'losers' such as organized labor, informal poor, and domestic industrialists. Compensation included subsidies, targeted programs, and market shares, but in all cases served the purpose of cementing support for reform even at the expense of policy integrity or efficiency (Etchemendy, 2011). Similarly, Maria Victoria Murillo charts the ways partisan identity shaped the privatization and regulation process to better reflect the governing party ideology and the preferences of its base constituencies (Murillo, 2009). Kingstone, Young and Aubrey (2013) argued that resistance to privatization proved effective in stopping, delaying or modifying plans when labor was able to forge cross-class alliances rather than simply acting alone in defense of their own narrower self-interest. More importantly, in countries with stronger democratic institutions, such as in Costa Rica or Uruguay, opposition parties allied with protestors and converted social protests into meaningful and successful resistance within the legislature (Kingstone et al., 2013).

Other scholars focused on the quality of democratic institutions and the

relation between reformist presidents and their own parties and legislatures to help understand why reforms happened under more or less democratic circumstances. For example, the Inter-American Development Bank's *Politics of Policies* project captured the wide disparities in the region in the capacity of legislatures and bureaucracies to design and implement economic and social welfare oriented policies. The quality of policy turned on these elements of state capacity and the incentive for political parties to focus on national and programmatic appeals as opposed to narrow, particularistic and clientelist benefits (Inter-American Development Bank, 2006). Gustavo Flores Macías, focusing on reforms under leftist governments, argued more generally that well institutionalized party systems and their related properties (continuity of parties across time, routinized internal procedures, strong roots in society, and legitimacy of parties as representative institutions) produced gradual, incremental and ultimately more stable policy reforms (Flores Macías, 2012). What these, and a wide array of studies of patterns of reform, suggest is that the variations in the details of neoliberal policy reforms, the extent of reform, the number of concessions and modifications, and the speed with which reforms passed all reflect the capacity of democratic institutions to manage and modify the reform process. Presidents who ignored voter concerns routinely found their bases of support – even from their own parties – dangerously eroded, with several being impeached or fleeing their own countries (for example, Carlos Andrés Pérez of Venezuela or Gonzalo Sánchez de Lozada of Bolivia). Even presidents who appeared to govern in the strongest examples of ‘delegative’ democracy, such as Carlos Menem or Alberto Fujimori of Peru stopped pursuing reforms once they lost support for deepening the reform process (Manzetti, 1999; Corrales, 2002).

## **Policy Reforms Under Neoliberalism**

The underlying democratic pressure affecting governments from early on in the reform process led to surprising amounts of social policy innovation to address problems of poverty and inequality, even under governments pursuing neoliberal reform. Despite the extremely difficult economic and financial circumstances during the 1990s, a number of Latin American countries enshrined important social rights in their constitutions and decentralized, local elections showed sign of growing responsiveness of candidates to the informal, urban poor (Holland, 2017). Policy makers also

began to experiment with targeted programs for the poor, including globally celebrated programs like *Bolsa Família* in Brazil or *Oportunidades* in Mexico, as well as new approaches to solving challenging policy problems such as healthcare (McGuire, 2010). In some cases, such as Brazil, health policy innovations, even during a period of neoliberal reforms, led to dramatic improvements in outcomes. Latin American policy experiments diffused across the region as officials learned from each other across countries and within them. In Brazil, the widely discussed and praised conditional cash transfer program, *Bolsa Família*, began on the municipal level in several cities during the 1990s and was gradually nationalized (Melo, 2008; Sugiyama, 2012). The Workers' Party and its leader Luiz Inácio Lula da Silva gained international recognition for the program as it reached its full implementation under his government. But, the process began many years earlier in a competitive 'credit claiming' process between the Workers' Party and the center-right Social Democratic Party of Brazil (Melo, 2008). Evelyne Huber and John Stephens argued that this process of humanizing neoliberal reform took place in a context of deepening democracy but, in particular, was driven by leftist parties as they sought and won power (Huber and Stephens, 2012). But, even countries without strong leftist parties, such as Mexico or Colombia, explored new ways of delivering benefits to the poor. The 2000s and the *Pink Tide* saw dramatic improvements on social welfare indicators, but the trend across the region began much earlier.

## **Social Mobilization**

Finally, scholars drawing on thin conceptions of neoliberalism also saw substantial evidence of new forms of social organization. On one level, a lot of this new mobilization favored middle-class groups (Collier and Handlin, 2009). Yet over the course of the 1990s, even disadvantaged groups showed renewed abilities to mobilize, capitalizing on the breakdown of corporatist discourse and mechanisms (Silva, 2009). Indigenous groups, in particular, emerged as a political force in countries like Bolivia or Ecuador (Yashar, 2005; Lucero, 2008). Afro Latin American mobilization emerged more visibly and effectively than at any point in history (Johnson, 2012). Kathryn Hochstetler and Mimi Keck trace the emergence of environmental activism, particularly in the wake of democratization in the 1980s (Hochstetler and Keck, 2007). In the same period, women's groups were able to mobilize in

support of stronger claims for rights and opportunities (Htun, 2016). Beginning in Brazil and then spreading elsewhere, new modes of governance, such as 'popular budgeting', opened governments to citizens' input (Nylen, 2003; Wampler and Avritzer, 2004; Goldfrank, 2011). In short, radical claims that neoliberalism was inherently undemocratic, hollowed out civil society, and was unresponsive to the needs and concerns of citizens ran into a counter-narrative of a region in which the reform process varied extensively across cases and time and in which a mix of both positive and negative outcomes and processes played out.

## **Conclusion: The *Pink Tide* and the Return of Neoliberalism**

The *Pink Tide* and the return of the left appeared for a while to signal the superiority of the thin narrative of neoliberalism in the region. The election of Hugo Chávez in 1999 was the beginning of a wave of electoral victories for a reinvigorated left capitalizing on the failure of neoliberal reforms to deliver sustained benefits for much of the population of the region. Between 1999 and 2010, the left returned to power in Argentina, Brazil, Bolivia, Chile, Ecuador, El Salvador, the Dominican Republic, Guatemala, Honduras, Nicaragua, Uruguay and Venezuela. For scholars drawing on thin conceptions of neoliberalism, the triumph of the left was proof of two things: contrary to radical critiques, democratic politics was deepening in Latin America as voters freely chose to replace neoliberal parties and presidents; second, the Washington Consensus was over and a new 'post-liberalism' had taken hold in the region. This post-liberalism included a restored role for the state in the economy and, even more importantly, a commitment to addressing equity issues. What followed was roughly ten years of nearly unprecedented social gains along with renewed growth, low inflation, dramatically improved external accounts, new-found budgetary room for social policy spending, and an overall greatly increased commitment to equity (Birdsall et al., 2012). It appeared as if events had offered proof that both radical critics and neoliberals had been wrong.

By the early 2010s, however, the good times had come to a halt. Commodity prices, soaring substantially due to Chinese growth and its consumption of

agriculture, minerals and metals (Gallagher and Porzecanski, 2010), returned to normal terms of trade. With the notable exception of Chile, Latin American governments had not prepared for the end of the good times and the problems began emerging almost immediately as pressure to cut spending increased. The sense that democracy had been deepening and new patterns of social inclusion spreading showed signs of slowing and even reversing in many countries in the region. The end of easy money exposed or deepened already existing faultlines that threatened constitutional rule. All across the region, leftist governments were losing power, as in Argentina, were removed from power, as in Brazil, or were holding onto power through increasingly questionable means, as in Bolivia, Ecuador, Nicaragua and, most dramatically, Venezuela. Once again, the dramatic shift in orientation raises key questions of interpretation.

For neoliberals, the failure of the left reflects the disregard for resource constraints and over confidence in the power of the state to promote development. Brazil's situation exemplified the neoliberal critique. Over the 1990s and into the first term of Luiz Inácio Lula da Silva (Workers' Party – PT), the 'Brasília Consensus' appeared to be a combination of innovative social policy, commitment to macroeconomic stability, and a role for the state in a market-supporting role. As the country's finances strengthened, and especially after the discovery of the vast 'pre-salt' oil reserves, the PT moved towards a stronger state-led role. Petrobras, the jewel in the Brasília SOE crown – became the leading edge of the state's involvement in the economy. Yet, the idea of a more effective state role appeared much more dubious as the risks of political intervention became clearer. In addition to its highly visible and extremely damaging starring role in the country's largest corruption scandal ever (the *lava jato* scandal), industrial policy decisions had forced Petrobras to purchase local content. Local content rules helped spur a revival of sectors like ship building despite its lack of global competitiveness – a return to the errors of import substitution industrialization. The result was losses for Petrobras and the need to protect a sector that cannot compete globally. In addition, the PT government controlled gas prices as a way to keep inflation down, also at the expense of Petrobras' profitability. For neoliberals, the use of Petrobras illustrated the risks of a return to ISI and populist practices of intervening in the economy for a mix of political goals and with an exaggerated belief in the ability of

state officials to direct economic growth.

For radicals, the lesson was the exact opposite. The *Pink Tide* produced both more radical regimes and more moderate or ‘pragmatic’ ones, leading scholars to refer to the ‘two lefts’ in the region. Scholars drawing on thin conceptions of neoliberalism tended to be more critical of the radical version, as exemplified by Bolivia, Ecuador or Venezuela. Radical critics, however, observed that the ‘moderate’ or ‘pragmatic’ left had compromised its ability to make lasting changes by insisting on working within a set of economic and political rules that primarily profited the very wealthy (see the review by Anderson, 2011). Looking again at Brazil, class compromises limited the ability of the PT to effect meaningful change. While the government under Lula and Dilma had done more for the poor than any government in Brazilian history, the biggest beneficiaries were the same super rich (particularly of the financial sector), who also spearheaded the ‘coup’ that put the poor back in their place and brought a brutal return to austerity and neoliberal policy making under Michel Temer. Ultimately, even the more radical experiments had been undermined by their unwillingness and/or inability to fundamentally challenge dominant economic interests (including the United States). Just as neoliberals saw the end of the *Pink Tide* as a vindication of their view that the state needed to be reined in, radicals saw in it support for the view that a more aggressive state that could break private power was needed.

For scholars drawing on thin conceptions, the question is what happened? Once again, Brazil is the exemplary case. Brazil's political and economic performance in the 1980s and into the 1990s generated a vast literature on its dysfunction. The country's performance shifted so dramatically in the 2000s, that a counter-literature emerged extolling the country's virtues (Brainard and Martinez Diaz, 2009; Fishlow, 2011; Montero, 2014). Within a short period, Brazil went from an emerging global power to one rocked by angry protests (the ‘Vinegar Revolution’ of 2013), a vast corruption scandal, and an impeachment process that bitterly divided the nation (Kingstone and Power, 2017). To what extent were the gains of the 2000s built on a solid foundation and to what extent were they a function of unusually good economic times? To what extent had the quality of democratic representation, accountability and policy making improved? To what extent was it an illusion made possible by the remarkable economic circumstances of the 2000s? These

questions are particularly apt for Brazil, but pertain to the whole region.

Over forty years have passed since the onset of neoliberal reforms in Latin America and the critical debates over the same questions continue. Scholars have produced a vast literature across different traditions, yet we are no closer to understanding how and why an inclusive, democratic path to growth develops. Radical and neoliberal paradigms are at their best as critical reflections on the political economy of the region. Neoliberal mistrust of the state and politicians finds support again and again. The economic failures on the left, including inefficient and ineffective use of state resources and unsustainable commitments on spending are old and recurring problems. The radical vision depends on leftist politicians to break the hold of capitalists on the reins of political and economic power. Yet the turn to authoritarian practices in order to hold onto power in places like Bolivia, Ecuador, Nicaragua and Venezuela highlight the danger that once in power, radical reformers may simply become (or prove to be) corruptible and self-interested rather than revolutionary. By contrast, neoliberals' excessive trust that a diminished state will not become a captive of dominant economic interests runs up against the reality of basic issues like the inability of Latin American states to tax the wealthy (Fairfield, 2015). Similarly, the constraints of the global economy pose monumental challenges to growth that neoliberal views simply gloss over. In the end, both 'thick' conceptions are limited by their own connection to idealized teleologies that limit challenging their own assumptions.

For 'thin' scholars, the challenges lie in their inability to generate theories that address fundamental, underlying questions about representation, the origins of effective institutions, state capacity, and inclusive economic growth. Separating out elements of politics and economics for study – what Ira Katznelson called 'variable driven explanations' (1997) – allows for ever more technically sophisticated examinations of the diverse elements of political economy. Such studies lend themselves to in-depth understandings of specific actors, institutions or processes. But there is no guiding theory that connects the state and social actors in a 'configurative' way and that allows for exploration of the linked, integrative processes that produce social transformation. The result is a wealth of studies of the pieces, but limited ability to understand the whole. In this sense, the 'thick' conceptions offer the



benefit of a cohesive narrative that makes sense of the long process, even as they wrestle with empirical evidence that sits poorly with their worldviews. In the final analysis, both 'thick' and 'thin' paradigms are in need of self-critical reflection. The consequence of not engaging in such critiques is the apparently never-ending cycle of confronting the same set of real-world problems and theoretical questions.

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# **17 China and Neoliberalism: Moving Beyond the China is/is not Neoliberal Dichotomy**

**Isabella M. Weber**

## **Introduction**

The most common research question in the literature on China and neoliberalism is whether China is neoliberal or not, i.e., whether we can classify the Chinese political economy in its totality or some of its elements as neoliberal according to some definition. In light of China's unprecedented scale and pace of economic development, on the one hand, and China's social conflicts and ecological challenges, on the other, the answer to this question is highly politically contested.

Yet, the division between those finding China to be neoliberal and those who deny China to be of a neoliberal nature is not along political lines. There are both scholars sympathetic as well as scholars critical of neoliberalism who conclude that China is neoliberal. The former usually credit China's extraordinary economic growth to increasingly free markets and the rise of private property.<sup>1</sup> By contrast, the latter find marketization and privatization to be the cause of a social and ecological crisis of an unparalleled scale.<sup>2</sup> At the same time, there are scholars from both ideological camps who find China not to be neoliberal. Neoliberals blame China for not obeying the laws of the market and for not granting sufficient protection of private property,<sup>3</sup> while the distortions resulting from an excessive role of the state are found to be the cause of massive trade imbalances, bubbles, social injustice and an overuse of scarce natural resources.<sup>4</sup> Those critical of neoliberalism, in contrast, argue that China's breaking out of underdevelopment, its rapid industrialization and economic growth was only possible because China resisted neoliberal development policies as codified in the Washington Consensus.<sup>5</sup> This enabled China to lift millions of people out of poverty,

make the greatest contribution to the millennium development goals and ultimately challenge the neoliberal world order.

This contradictory state of the literature shows that independent of ideological stance, there are good arguments to be made both for China being and not being neoliberal. In that sense, the question whether China is or is not neoliberal remains unresolved and might in fact be unsolvable. It might be altogether an impossible undertaking to classify the totality of China's massive and rapidly changing political economy under one unique and clearly defined label. It is also questionable whether a classification exercise of this type is helpful to understand either neoliberalism or China. Therefore, this chapter takes a different approach to the theme of China and neoliberalism and poses the following research question: *How and why does neoliberalism become relevant to China?*

It is commonly acknowledged that neoliberalism began its rise to become a hegemonic ideology as a reaction to the crisis of the capitalist world in the 1970s. While the crisis originated in the Western centres of capitalism, the rise of neoliberalism was found to be of a global scale. For example, David Harvey observes in his study, which set the tone for a vast literature on neoliberalism: 'Future historians may well look upon the years 1978–80 as a revolutionary turning-point in the world's social and economic history' (2005: 1). It is well researched how the conditionalities attached to loans by the Bretton Woods institutions granted to debt-ridden developing countries under the Washington Consensus imposed a neoliberal regime on their economies and societies. The role of the same institutions in the context of the collapse of socialist Eastern Europe and Russia is also well documented. The 'big bang' policies applied to the formerly planned command economies, resembling the 'shock therapy' prescribed to the aforementioned developing countries, might be the purest and most violent form of neoliberal policies. In contrast, it remains an open question how neoliberalism became relevant to China as a country that underwent a deep crisis in the late 1970s, but did not break down in ways which would have enabled neoliberalism to be imposed from the outside. This chapter aims to be a first step towards a better understanding of this piece in the history of the global rise of neoliberalism. It will show how China embraced the neoliberal critique of collectivism while simultaneously resisting a full turn towards neoliberalism.

To this end, the next section clarifies theoretically how neoliberalism, as an explicitly anti-collectivist ideology and theoretical paradigm, provides a possible answer to the crisis of the mixed economies of a Keynesian welfare state-type, as well as to the planned command economies of so-called 'really existing socialism', both of which aim to rely, to a different extent, on a collective form of economic organization. The third section provides a historical account of China's political and economic crisis in the late 1970s and shows from a theoretical point of view to what extent this crisis made neoliberal theories relevant to China. The fourth section discusses one key area of reform in which China is often believed to have adopted a neoliberal policy, namely the agricultural reform of the household responsibility system. It also discusses one key area of reform in which China is widely credited with having found a unique approach, but which has been harshly challenged by a more neoliberal form of reform: that is China's dual price track system and the attempts at 'big bang'-type price reforms in the 1980s. This will demonstrate both how contested the implementation of neoliberal policies has been in China's course of reform, and how policies that may not have been based on a neoliberal ideology still served to integrate China into a neoliberal world economy. A final section concludes and provides an outlook on how the conflicts over neoliberal policies in China that have been derived historically and theoretically in previous sections are relevant for China's current debate over the right path of reform.

## **Neoliberalism as Anti-Collectivist Paradigm and the Crisis of Collectivism**

Neoliberalism is the liberal attempt to respond to the conditions and challenges of the twentieth century. It can be conceived as a liberal reaction to the intellectual and political challenges of socialism and Marxism. More broadly, it is an attack against any form of collective economy (*Gemeinwirtschaft*) as the original German title of Mises' (1962 [1922]) *Socialism*, as well as Hayek's *Road to Serfdom* (2005 [1944]), make clear. The importance of socialism and Marxism specifically for the formation of neoliberal thought is reflected in the great number of writings by some of the core neoliberal thinkers on socialism. The figureheads of neoliberalism articulated their ideology in explicit opposition to planning and collectivism.



Organized in a 'thought collective', they actively aimed to challenge this social order globally (Mirowski and Plehwe, 2009).

Marx, in the tradition of the classical economists, posed the question how the distribution of social labor becomes proportional to the needs of society, if social production is organized by the pursuit of profit and market exchange (Weber, 2015: 1). That is, he sought to understand how capitalism can work as a historical mode of production and reproduction. Marx was fascinated with the progressive forces unleashed by capitalism, but at the same time showed how the capitalist mode, relying on the market as a central coordinating mechanism, is based on the exploitation of the working class and must, as a result of its own dynamic, fall into crisis. From Marx's perspective, capitalism is a 'two-edged sword': while powerful in promoting the material forces of society it must fail eventually. For Marxists, a planned economy achieved through a revolution and the socialization of the means of production provides a way out: the promise of a more rational economy that overcomes exploitation.<sup>6</sup>

Neoliberals have challenged both the notion that capitalism is destined to create its own crisis, as well as the labour theory of value that shows that capitalism must rely on exploitation. In their view, there is nothing inherent in capitalism which will lead to its demise. Since, for them, capitalism is founded on individual freedom and not exploitation, there is also no normative imperative to move to a different kind of economic order. Instead, it is the promise of a rational socialist economy that is deemed to fail.

As Mises puts it in his contribution to the Socialist Calculation Debate: '*rational* economic activity is impossible in a socialist commonwealth' (1935 [1920]: 130, emphasis added). For Mises, all those are socialists 'who consider the socialistic order of society economically and ethically superior to that based on private ownership of the means of production' (1962 [1922]: 26). The absence of private ownership implies, for Mises, that market exchange is not possible as a coordinating mechanism for the division of labour. At the same time, he holds that planning cannot be rational since there is no objective standard for prices. Without the possibility of a market mechanism and given that, for Mises, planning must be irrational, a rational division of labour is impossible under socialism. Robbins (1934) and Hayek

(1935a, 1935b) retreat to a ‘second line of defense’ (Lange, 1936: 36) and reduce the problem of the possibility of rational planning under socialism to one of *practicability*, not of abstract possibility. Socialism is possible in theory, but it still does not provide a feasible alternative since it is not practical to solve the large number of equations required for rational planning in a timely manner.

Neoliberals not only challenge the possibility and feasibility of a revolutionary alternative. Based on the neglect of instabilities produced by the inherent dynamics of capitalism, there is also no place for a mixed economy. In their vision, conscious, active fiscal or monetary policy cannot enhance welfare in a market economy or dampen the business cycle. For example, in *Monetary Theory and the Trade Cycle* (1933), Hayek – in line with later Friedmanite monetarists and other types of contemporary proponent of monetary neutrality – suggests a purely monetary theory of the trade cycle, meaning that any kind of ‘disturbance in the smooth course of industrial development’ (Adarkar, 1937: 267) can only be attributed to a monetary policy that fails to ‘leave production and the relative prices of goods ... “undisturbed,” exactly as they would be if there were no money at all’ (Sraffa, 1932: 42). Put differently, the market economy would evolve entirely smoothly and free of crisis as long as the monetary policy was such as to perfectly imitate the natural state of affairs, that is the absence of money. From the standpoint of neoliberals, even more dangerous than monetary policy is any form of direct economic planning. Hayek explicitly states the impossibility of combining the market with planning in the *Road to Serfdom*. He writes:

This does not mean that it is possible to find some ‘middle way’ between competition and central direction, though nothing seems at first more plausible, or is more likely to appeal to reasonable people. Mere common sense proves a treacherous guide in this field. Although competition can bear some mixture of regulation, it cannot be combined with planning to any extent we like without ceasing to operate as an effective guide to production. (Hayek, 2005 [1944]: 46)

In Hayek's view, a type of monetary policy that does not resemble the

absence of money suffices to cause a crisis by creating disproportionalities between the different industrial sectors in relation to the natural outcome of competition between self-interested individuals. Even more so would any kind of direct planning of economic activity that goes beyond the planning that each individual does for himself/herself destroy the natural, rational outcome of “competition as principle of social organisation” (1944, 38).

Having ruled out any collective activity that goes beyond creating the ‘conditions under which the knowledge and initiative of individuals are given the best scope so that they can plan most successfully’ (Hayek, 2005 [1944]: 45), we are left with the neoliberal doctrine of private property and unconstrained competition as the only feasible and desirable alternative for the social organization of the economy. Market exchange, which requires the protection of private property, is the only way to rationally solve the social coordination of production under the social division of labour. The successive ‘extension of the division of labour’, in turn, is social progress itself, since it is the only means that brings ‘production nearer to its goal – the greatest possible satisfaction of wants’ and ‘involves the intensification of the social relation’ (Mises, 1962 [1922]: 299). For Mises, and neoliberalism more broadly, the evolution of the division of labour is not limited to the scale of the nation. Instead, trade unites the globe and ‘[w]hoever advocates the economic self-sufficiency of nations and states, seeks to disintegrate the œcumenical society’ (Mises, 1962 [1922]: 29). Since the price mechanism is what regulates the exchange between individuals, and this exchange is the only way to facilitate social relations and organize the economy freely, undistorted prices are central to neoliberalism. The state does not need to be small; it may be large and violent, but its only mission is to provide the conditions for unrestrained competition in all spheres. Any attempt to *collectively* shape the economy other than by market exchanges must lead to an irrational order, crisis and collapse.

As is well established in the literature, the crisis of the mixed economies in the capitalist centres, as well as of countries in the periphery that had pursued active policies of development planning, provided the ground for a relaunch of the neoliberal ideology that had initially failed to prevent a global spread of collectivist policies in the post-Second World War era.<sup>7</sup> The crisis of the 1970s, as a crisis of an economic order that allowed for conscious collective

policies such as labour organization, monetary policy, price controls, import substitution and industrial planning, provided the ground for neoliberalism's ascent. The mixed economy was perceived as a failure; the planned economy was the model of the cold war enemy, so the time had come for the economic doctrine that had long rejected both as irrational economic orders. In China, too, collective economic order was in crisis in the late 1970s. Yet it is not clear to what extent this crisis made neoliberalism relevant to China. In order to clarify this question, let us first take a closer look at the nature of China's crisis in the next section.

## **China's Crisis of the Late 1970s and the Basic Ideological Reorientation**

In China, a social order, broadly speaking based on a central command economy and the paradigm of continuous revolution and mass movements, entered a state of crisis in the years after Mao's passing in 1976.

Neoliberalism studies of China tend to subsume this crisis under tendencies of capital accumulation. For example, So and Chu argue that in 'China as in other countries northern, southern, and eastern, the impulse to carry out neoliberal reforms was irresistible when the state faced a capital accumulation crisis in the 1970s and the 1980s' (2012: 170). This kind of universalization neither helps understand the global dynamic of the suggested crisis of accumulation nor clarifies the specific historical circumstances that challenged China to enter into an age of reform.

Wu (2010) makes a greater effort to grasp the specificities of the Chinese situation, while also identifying China's crisis in terms of a crisis of capital accumulation. He observes that the 'state had adopted a policy of extracting rural surplus capital to fund industrialization, whereas in the city consumption was suppressed and production prioritized' (2010: 622). The reason 'effective accumulation supported by state-led industrialization had begun to reach its limits' was 'underurbanization' and a lack of 'mass consumption' (2010: 622). It is true that, in the Stalinist tradition, China had extracted rural surplus for industrialization and prioritized production over consumption. Yet, Wu misses the distinction between heavy and light industry. Facing a constant threat of war, China had prioritized the

development of heavy industries for a long time and the designated successor of Mao, Hua Guofeng, aimed to further intensify this trend in a new leap towards higher heavy industry production (Naughton, 1995: 65). Urban consumption was limited as a result of the overemphasis on heavy industry at the expense of light industry. However, the more fundamental problem was the low provision of consumption goods for the rural population, which resulted in a 'scissors crisis' of the type that the Soviet Union had experienced in the 1920s (Erlich, 1967: xvi, 12; Naughton, 1995: 32; Nolan, 1995: 195). The price of agricultural products was too low in relation to the undersupply of light industry products. This heavily constrained the willingness of farmers to produce for the urban market and contributed to low agricultural outputs.

However, such a description of the sectoral disproportionalities, too, fails to fully grasp the crisis faced by China after Mao's death. More fundamentally, the revolution was found to have failed in delivering its most basic material promises. High-ranking cadres and revolutionaries of the first generation, as well as young urban intellectuals, had spent many years in the countryside living the lives of peasants. What those urban elites returning to the centres of power had learnt was that many people still went hungry and still had to fear the cold winter.<sup>8</sup> By international standards, China had abolished many of the ugliest aspects of poverty (World Bank, 1983). Child mortality was reduced thanks to systematic vaccinations. Literacy had vastly increased, partly with the help of those sent from the cities to the countryside. But after 30 years, the revolution had failed to guarantee the most fundamental material needs of the peasant majority in whose name the bitter liberation war was fought.

Two events added weight to the sentiment of the failure of the revolution. Since the 1950s, successive waves of peasants had fled Shenzhen to neighbouring Hong Kong. In the 1970s, there was once again such a wave in emigration. Peasants decided that they would be better off in colonial, capitalist Hong Kong than in the People's Republic (Fei, 2011). In sharp contrast to China's own failure to solve the problem of material life for its rural population, large numbers of delegations, encouraged to travel abroad by Hua Guofeng, were confronted with the prosperity of Western capitalist countries as well as that of China's East Asian neighbours. It is reported that Deng Liqun, vice president of the Academy of Science and a key figure for

the early rural reforms, 'in talking about his visit to foreign countries, ... sighed with emotion that the Western countries were now prosperous, rich, civilised and polite' (Hua, Zhang and Luo, 1993: 23). And more than that, he is quoted as saying: 'There is no sign of revolution at all' (ibid.).

China was in a deep crisis given the persistence of poverty in the countryside, the experience of industrial backwardness in relation to the outside world, and the continuous occurrence of shortages and oversupply. In this context of crisis, a wide-ranging ideological challenge was launched in the late 1970s against both the Maoist emphasis on self-sufficiency and the so-called idealism of the 'gang of four' (*sirenbang*), who had just been arrested and were charged to be responsible for the Cultural Revolution.

During the years of the Cultural Revolution, the leading ideology was noncommensurable with the most basic foundation of neoliberalism. The neoliberal critique of collectivist forms of the economy was irrelevant, as the aim to create a rational economic order of some sort was itself dismissed by Mao. Political principles ruled over what economists like to call 'scientific economic inquiry' (Lin, 1981: 3). Political economy instead of economics, was found to be the appropriate approach. Any discussion of issues concerning the forces of production, such as the achievement of an optimal allocation of resources, efficiency, technical change, etc., independent of the social relations of production, was regarded as 'economism' (Riskin, 1987: 163). In that sense, the question posed by neoliberals- whether a collectivist or a market order would be superior in achieving a rational economic order- was not even conceived. Forms of economic organization were judged by their political content, not by their economic rationality. This was, however, to be reversed in the late 1970s with a return towards orthodox historical materialism.

In 1977, Lin Chun (1977), at the time a young teacher in a provincial party school, wrote an invited paper for the journal *Historical Research*, which echoed a more general reorientation towards the materialism of Marx, Engels, Lenin and Stalin (Meisner, 1985). In contrast to the Gang of Four, who would have tried to jump forward in history by raising the consciousness of the masses and revolutionizing the relations of production, Lin argued that it was material development that decided historical progress. Historical materialism

teaches that productive forces determine the relations of production, the base determines the superstructure, ultimately the productive forces determine all social relations and the development of society (Lin, 1977: 4). Consequently, economic development is the most pressing task in the advancement of socialism.

This reassessment of historical progress was codified in the official 1981 'Resolution on Certain Questions in the History of Our Party since the Founding of the People's Republic of China' and Mao himself became subject to evaluation. Mao's theories of class struggle under socialism and of continuous revolution, his impatience and his overestimation of man's will, were singled out as gravely mistaken, utopian and unscientific. What was instead correct, according to the 'Resolution', was something that had been decided at the Eighth National Congress of the Party held in September 1956: 'the principal contradiction within the country was no longer the contradiction between the working class and the bourgeoisie but between the demand of the people for rapid economic and cultural development and the existing state of our economy and culture'.<sup>9</sup> Therefore the 'whole nation' had to 'concentrate all efforts on developing the productive forces, industrializing the country'. As Hu Qiaomu already pointed out in his 1978 report to the State Council, the task of the Chinese leadership is to 'Act in Accordance with Economic Laws' to guide the evolution of the economic formation of society. While efficiency had hitherto been condemned as a goal independent of the social relations of production, Premier Zhao Ziyang included it in the 1981 government work report: 'The core issue is to improve efficiency in production, construction, distribution, and other aspects of the economy in every possible way' (2009: 111). In contrast to the late Maoist years, this ideological shift towards economic determinism and efficiency meant that the Chinese leadership found some basic common ground with neoliberalism in terms of their understanding of the economic order.

The Maoist development paradigm was also fundamentally opposed to neoliberalism in its basic rejection of the primacy of the division of labour and its emphasis on self-sufficiency. Partly for strategic and partly for ideological reasons, Mao rejected the Soviet vision 'of one vast people's workshop, which will embrace the entire national economy' and in which 'the factories, workshops, mines and other productive institutions will all be

subdivisions' (Bukharin and Preobrazhensky, 1969 [1920]: 114) for the vast countryside. Mao instead promoted a "many-workshops" approach, in which each unit and locality, largely independent of others, distributed resources for itself' (Riskin, 1987: 7). The turn in the late 1970s towards an emphasis on efficiency, however, favoured 'specialized units and division of labour', while at 'the level of the individual worker, specialization and division of labour meant a strictly enforced individual responsibility system with an emphasis on individual material incentives' (Riskin, 1987: 164). Before embracing the division of labour, China disapproved, to some extent, of the very problem that neoliberal economics seeks to resolve via market exchange among private property holders and that neoliberal thinkers see as unsolvable by planning under public ownership.

So far, we can conclude that China's crisis of the late 1970s resulted in a reorientation towards economic development and an appraisal of an enhanced division of labour. However, these two focal points are not specific to the economic paradigm of neoliberalism, but rather mark what Lin (1981) calls the 'reinstatement of economics' as a specific rationality. In the late 1970s, China re-established economics as a science and designated it as a central governance tool. Yet, it was still an open question which type of economics would be applied to achieve economic progress and solve the problem of coordinating the social division of labour. In fact, this openness resulted in two contradictory developments. On the one hand, under Deng Xiaoping's slogan of opening minds to the world, many foreign economists, representing the full range of schools of thought, were invited to teach and present their work in China starting from the late 1970s.<sup>10</sup> On the other hand, particularly in the first years of reform, there were strong voices suggesting that planning had failed in China because of political turmoil, and that the most promising way forward for China's economic development was an improved version of planning, possibly to be achieved with the help of modern computers (Naughton, 1995: 127).

It was only three years after the beginning of reform, in 1980, that crisis was proclaimed for the first time as an inherent feature of the planned economy. Four young economists and graduate students in Beijing, Huang Jiangnan, Wang Qishan<sup>11</sup>, Weng Yongxi and Zhu Jiaming, who had returned from the countryside in the late 1970s and were concerned with the future of their



country, moved to centre stage of China's reform process and became famous as 'four reform gentlemen' (*gaige si junzi*) (Liu, 2010). Through several historical coincidences, they were invited by the then-premier Zhao Ziyang to what came to be known as the first dialogue between young and old (*diyi qinglao duihua*) (Fewsmith, 1994: 72).<sup>12</sup> The four young economists applied Marx's theory of the crisis of capitalism to the socialist planned economy and argued that structural crisis was as inevitable in a planned command economy as in capitalism. China was facing a crisis that was inherent in the system of planning and not a result of mistakes (Liu, 2016). In their view, so-called 'planned and balanced development' was impossible to achieve.<sup>13</sup> Marx had delivered an analysis of the inevitability of crisis under capitalism. But the planned economy initially envisioned by the communist revolutionaries as an order that would overcome the anarchy of the market did not fulfil the promise of being free of crisis. Hence, the 'four reform gentlemen' suggested that the socialist countries' attempt to establish planned economies free of social contradictions was misguided idealism.

In this way, the criticism of idealism that was previously mobilized against the 'revisionism of the Gang of Four' was now extended to the basic form of China's economy. The implicit message was that a reform of the economic system was inevitable. The attack against idealism was in line with Deng Xiaoping's slogan 'to seek truth from facts' (*shishi qiushi*) which was established as the most basic principle in the so-called debate over the criterion for truth (Schoenhals, 1991). Shortly after, the 1981 new year editorial of the leading state newspaper, the *People's Daily*, for the first time acknowledged an economic crisis under socialism.<sup>14</sup> It argued that the rapid yet disproportional development that had occurred after the fall of the Gang of Four had revealed a previously obscured danger. 'Leftist mistakes' of the past had to be avoided but, more than that, China had to find a new guiding line of thought. China would need to develop this line of thought from an appraisal of concrete circumstances and based on economic and other objective laws. But in a poor country with a population as large as that of China, quick results should not be expected, as one 'cannot hope for a miracle at one stroke' (*People's Daily*, 1981).

It is at this point that we can say that the neoliberal critique of the impossibility of a rational planned economy had become fully relevant to the

Chinese reformers. Not in the sense that these young Chinese economists had necessarily read any of the neoliberal thinkers, but in the sense that they arrived at a cognate conclusion: namely, that instead of delivering the promised ideal, the planned economy must result in crisis. Contrary to neoliberal economists, however, they did not at the same time discard Marx's theory of the crisis of capitalism. They unconsciously sided with the neoliberals against the state socialist ideal of a planned economy and consciously with Marx against the neoliberal ideal of an unrestrained market economy. In this regard, China was left without an ideal system, and could only follow Deng Xiaoping's famous verdict of 'crossing the river by groping for stones' while not even knowing where the other side of the river might be.

A common interpretation of the intervention of the 'four gentlemen' as a mere call for more market is symptomatic of a narrative which reduces the Chinese reforms since the 1980s to an unfinished move towards a neoliberal economy. For example, Mitchell (2017), reporting in the Financial Times on Wang Qishan's retirement from the Politburo Standing Committee in October 2017 after having steered Xi Jinping's anti-corruption campaign for five years, describes the aim of the essay of the 'four gentlemen' as 'urging the state to reduce its interference in the marketplace'. Mitchell is thus puzzled by the alleged contradiction that Wang has remained dedicated to 'reasserting the party's authority over spheres from which it had been slowly but steadily withdrawing'. Interpretations of the Chinese reform discourse such as that by Mitchell, take a critique of the planned economy and arguments raised in favour of a greater role for market elements as a call for a neoliberal market economy. If we, however, give up on the neoliberal view of competition as incompatible with any form of collectivism, it becomes apparent that arguing for a greater role of the market mechanism does not imply a withdrawal of the party or state authority. In fact, in Weber (2018b) I show that the Chinese bureaucracy looks back to a long tradition of consciously using spontaneous market forces as a means of collectivist economic policy. Thus, market competition and state control are not mutually exclusive modes of coordination. Instead, the state plays the market as active participant to control the economy.

Yet the rejection of both the ideal of the pure planned economy and the pure market underlying such a conscious use of market forces by the state has not

remained without challenge. Throughout the 1980s and until the early 1990s, there were Chinese party leaders and economists who continued to call for a more or less pure planned economy. At the same time, from the early 1980s and until today, many economists and, in some instances, also party leaders have raised their voices in favour of an unrestrained market economy. The warning that one should not ‘hope for a miracle at one stroke’ suggests both that there may have been voices arguing for rapid change and that such voices were in the minority. The dominant position was one in favour of cautious change, pragmatic and oriented around concrete material realities, implying that the ideal of a planned economy should not be simply replaced with another ideal such as that of a perfect market economy of the neoliberal-type. Only in the context of this field of forces can we understand China's relation with neoliberalism and the relevance of neoliberal thought to China. The next section will explore episodes in two crucial fields of reform, agricultural reform and price reform, to assess how far China's reform approach has followed a neoliberal logic.

## **Two Important Reform Episodes**

### **The Household Responsibility System as Neoliberal Market Reform?**

The household responsibility system (HRS), which transferred responsibility for the production of agricultural output from the commune to the household and allowed peasants to sell above quota production on the market, was the first major reform to tackle the challenge of providing enough food for China's vast population. It could only be passed when Deng Xiaoping had gained full power in 1980 and was met with fierce opposition from both the top levels of leadership and a number of local cadres wanting to protect the Maoist countryside (Teiwes and Sun, 2016: 123–199). The system was spontaneously implemented by peasants facing a drought in 1979, most famously in Anhui province where governor Wan Li oversaw this experiment and, as a result, was promoted to the central leadership in 1980 (Teiwes and Sun, 2016: 76–82). By 1983, this system resulted in the dismantling of the communes, formerly the basic social unit of China's countryside, and a form

of social collective that aimed to provide all human needs from childcare, to schooling, housing, canteens and healthcare.

The HRS is often taken as privatization and a turn to a neoliberal development agenda both by those who are critical of neoliberalism and those in favour of a neoliberal economic agenda. Leading neoliberal thinkers have invoked it as a prime example of the magical powers of the market and private initiative. During his visit to China in 1988, for example, Milton Friedman noted, with regard to the HRS, that the '[i]ntroduction of a considerable element of privatization in agriculture has produced a remarkable increase in agricultural output and productivity' and that this was 'the most dramatic manifestation of China's success in widening the use of the market' (Friedman, 1990: 1333).

Ronald Coase – a Mont Pèlerin Society (MPS) Member – and Wang Ning (2012) argue that China's reform followed the pattern of spontaneous marginal revolutions and that the HRS, as a form of private farming, was the first of these marginal revolutions. The success of the policy could be explained by the fact that it became widespread before becoming official policy and was, as such, not set by the government but followed the private self-interest of the individual farmers. A similar point is made by Zhang Weiying, one of China's leading neoliberal economists, in a paper presented at the 2014 MPS conference in Hong Kong<sup>15</sup>: 'Wan [Li] was then the Party secretary of Anhui Province. He recognized that the commune system was not working, and that the only way for peasants to have motivation to work hard was to *privatize* agricultural production' (2015: 14, emphasis added). Similarly, for Huang Yasheng (2008), the 'true China miracle' took place in the entrepreneurial decade of the 1980s and was initiated with the HRS. It was the HRS which unleashed the powers of China's rural entrepreneurs and gave rise to the township and village enterprises (TVEs).

There is a basic commonality between the neoliberal ideology that suggests that the unrestrained pursuit of self-interest is the best way for individuals to serve the community and the return to previously condemned individual economic incentives under the HRS. However, there are also fundamental differences both in the ideological origins and practical workings of the HRS. As Andreas (2010) points out in his review of Huang (2008), while the HRS

required the de-collectivization of agricultural production, it also relied on the land reform of the early 1950s. The HRS did not actually privatize land; instead, it distributed rights to the use of the land among households and imposed strict limits on the scale and leasing of land as well as the hiring of agricultural labour. In addition, the domestic agricultural market remained protected from imports.

As Lin Zili (1983), one of China's most eminent economists of the 20th century, makes clear, the HRS required the separation of ownership and management rights. Lin showed that the system combined the principle of centralized ownership in the hands of the public with the decentralization of management in the hands of individuals and households. Such an arrangement is incompatible with the neoliberal premise that markets can only work well if private property rights are well defined. In fact, the opposition of the founding fathers of neoliberalism to any form of market socialism, that is to any regime combining public ownership, planning and the market, becomes apparent in the socialist calculation debate and the fierce rejection of Lange's (1936) suggestion that the problem of calculation in planning could be resolved by utilizing the market (Lavoie 1985: 173–174). Furthermore, while Coase and Wang's (2012) appraisal of the HRS as a privatization of farming is questionable, they are right about it being a marginal revolution in the sense that the market was introduced at the margin while the previous system of planning was left in place. This means that the peasants still had to produce the planned quota of goods before they could turn to any production on their own account. In this regard, the HRS can be said to combine planning with market competition. As discussed in the second section of this chapter, Hayek explicitly rejects the possibility that competition can be 'combined with planning to any extent we like without ceasing to operate as an effective guide to production' (2005 [1944]: 46).

In addition, it is highly questionable that the peasants who returned to older techniques of subsistence farming, maintained as family knowledge well after collectivization, really fit the image of the independent, innovative entrepreneurs of the neoliberal imagination. For the vast majority of these farmers, at least in the early years of reform, it would seem more appropriate to invoke the image of a natural economy in which production is primarily aimed at self-sufficiency, at 'eating full'.

In terms of the ideological origins of the HRS, it is important to recognize that far from representing a new trend at the moment of a global turn to neoliberalism, Lenin (1973 [1921]) had already suggested a form of agricultural contracting in his 'The Tax in Kind'<sup>16</sup> and collectivization was challenged in the 1920s in the Soviet Union and in the 1950s in China by committed communists (Nolan, 1988). Already in 1956, there was disagreement among the Chinese revolutionaries over the speed of collectivization and the scope for contracting (Riskin, 1987: 87). The debate around agricultural contracting was revived after the catastrophic failure of the Great Leap Forward and the Great Famine. Chen Yun, who returned to the centre of power together with Deng Xiaoping and was in charge of economic questions in the early years of reform, had in fact also been the most senior party official for economic affairs in the 1950s and was consistently in favour of agricultural contracting (Lardy and Lieberthal, 1983: xii–xiii). In Chen's view, the state could not efficiently allocate all resources, which meant that supplementary markets were necessary, particularly in agriculture and light industry. Yet at the same time, a strong state and planning must retain primacy to guarantee balance (Lardy and Lieberthal, 1983: xiii–xix).

In sum, the origins of the HRS can be found in the tradition of the Soviet New Economic Policy and China's own early years of communist rule. The HRS is open to the kind of critique that neoliberals directed against any type of mixed economy. Nevertheless, the HRS enabled China to be reintegrated into the global division of labour and, from a neoliberal viewpoint, was preferable to the commune system as a purer form of collectivism. The HRS drew new segments of the population, such as young family members, into productive activities, leading to a decline in rural schooling rates (World Bank, 1983). The rapid increase in agricultural output soon resulted in sideline production dedicated to non-agricultural commodities, in particular in light industry. This gave rise to the famous township and village enterprises (TVEs). Wenzhou, for example, was particularly successful and became a globally significant production hub for light industry (Liu, 1992; Nolan and Dong, 1990). Large parts of the rural surplus labour, set free as a result of the HRS, increasingly migrated to the cities and became a cheap floating labour force – an important factor in generating the price competitiveness of China's urban industries until this day. So, while the HRS

was not itself a product of neoliberalism, it allowed China to be integrated into the global neoliberal order. As a transitional policy, the HRS is appreciated by neoliberals, but it is perceived as an incomplete reform and has, as such, been repeatedly challenged by those voices within China who hope for a more unrestrained form of market economy.

## **Dual Price Track System or 'Big Bang'?<sup>17</sup>**

In light of the great sectoral imbalances in the Chinese economy, price reform was high on the agenda of the reformers very early on. Already in 1978, one of the first reform policies was to increase the price of grain by 20% (Naughton, 1995: 75). Both from the perspective of those who hoped to reform China's economic system by perfecting central planning and those who wanted a greater role for the market, a more rational price system was crucial. In the early 1980s, inspired by the exiled Czech reform economist Ota Šik, the focus was on using input-output techniques and modern computers to create a complete set of what was thought to be a system of rational prices. Ota Šik visited China in early 1981 (Chinese Academy of Social Sciences, 1982: 45). He held that the old planning regime was not compatible with the market system and promoted a substantial increase in enterprise autonomy combined with a rapid liberalization of prices. Price liberalization would ideally be pursued in two steps: first, all prices should be adjusted to an equilibrium level, and second, prices should be liberalized (Šik, 1982: 109). Even though Šik fell out of favour with the first major backlash against reform in 1981, the 'anti-spiritual pollution campaign', a Price Research Centre was established under the State Council to conduct research into the possibility of systematic price adjustment and wholesale price liberalization (Weber, 2018b).

No consensus was achieved in favour of a Šik-type price reform in the early 1980s. Instead, in 1984, at the first nationwide conference of young economists, the Moganshan Conference, a fierce debate over price reform rejected both the idea of wholesale price adjustment based on some mathematical model and the idea of achieving a free market in prices (Hua, Zhang and Luo, 1993; Weber, 2018b). Instead, a practice that had already been implemented both in agricultural reform and in the form of black markets was put forward and won the support of the central leadership. The

idea was to implement a dual price track system where each enterprise had to deliver their planned quota at a planned price but was, at the same time, allowed to sell whatever it could produce beyond the plan at a free market price. In addition, the planned prices of products in undersupply were to be slowly increased, while those in oversupply would be slowly decreased. This policy would serve to rebalance sectoral distortions and move the price system in a more rational direction. At the same time, the dual price track allowed the state to keep control over the most important components of the production and price system, ensuring political and social stability. Avoiding a large and sudden shock to the economy, either in the form of price liberalization or a one-off adjustment of prices, would also serve the interests of economic stability (Weber, 2018b).

However, the dual price track system soon came under attack. On the one hand, it was a slow solution to stark and obvious imbalances in the economy and did not produce any great results in the short term (Weber, 2018b). Furthermore, the often massive differences between plan and market prices encouraged corruption by officials who had access to cheap commodities at plan prices and could sell them at a profit on the market. This phenomenon already existed in the form of black markets, but with the spread of formal markets after their legalization under the dual track system, the problem was perceived as pervasive. Economists who had acquainted themselves with the neoclassical theory of rent-seeking now blamed the dual track system for systematically encouraging corruption.<sup>18</sup> The theory of rent-seeking is based on the idea that each production factor receives a return that reflects its marginal productivity. As long as competition is perfect, capital and labour both receive their fair share and the exercise of individual maximization results in a social optimum. If, however, there is rent seeking, that is, if some receive a return that is higher than their marginal contribution by virtue of their political power- the result will be socially sub-optimal. The individual pursuit of self-interest cannot bring about a socially desirable situation due to political institutions that allow officials to do more than provide the conditions for competition. Officials instead play an active part in the market, becoming market participants. This is very much in line with Hayek's contention that any form of planning must destroy competition and the rational pursuit of production.



In search for an alternative to the dual price track system, in early 1986 Premier Zhao Ziyang established the so-called Programme Office under the state council to develop a blueprint for a package of reforms that would encompass price, wage and tax reform. Following Šik's suggestion, the programme developed by this team of economists recommended that prices should first be adjusted in a few small steps and then liberalized in one go within a few years.<sup>19</sup> Tax and wage reform should be designed as complementary, to reflect the resulting changes in prices. As Lu and Feng (2012) and Wang (1998) argue, if implemented, this reform would have amounted to a 'big bang' very similar to the shock therapy later applied to Russia and Eastern Europe. Wang (1998) points out that privatization is a very slow and complex process, whereas price liberalization can be achieved in a very short amount of time. In that sense, the 'big bang' in Russia and Eastern Europe was primarily about price liberalization. The consequences of such a 'big bang' in China might have produced the same dramatic economic decline that occurred in the other formerly socialist countries (Weber, 2018b). However, the implementation of the reform package of the Programme Office was halted in late 1986. It is an open research question what circumstances led the Chinese leadership to change their mind and abstain from pushing through such a wholesale reform.<sup>20</sup> The available evidence suggests that a group of young economists at the System Reform Research Institute (*tigaisuo*), who laid out the potentially dramatic consequences of this reform using theoretical analysis and in-depth empirical studies of China's enterprises, people's attitude to reform, and the results of a study tour to Hungary and Yugoslavia, played a crucial role in preventing the implementation of this reform (China Economic System Reform Research Institute, 1987; Reynolds, 1987; Weber, 2018b).

The reform package proposed by the Programme Office reflects both a strong element of planning and a neoliberal imaginary of perfect markets. First, it is assumed that by using the methods of central planning, it is possible to calculate equilibrium prices and to adjust prices accordingly. Second, it is suggested that free market prices would spontaneously generate market equilibrium so that price liberalization would not result in a major shock (Weber, 2018b).

Two years later in 1988, Deng Xiaoping took the lead in implementing a new

initiative towards price reform. Under the slogan of ‘crashing through the barrier’ (*chuangguan*), which irrational price reform allegedly posed to systemic economic reform, Deng urged that ‘a short pain would be better than a long pain’ and that China would have to be brave and move rigorously ahead with a complete reform of the price system (Fewsmith, 1994: 221; Weber, 2018b). Deng’s initiative gave rise to a major propaganda campaign to popularize price reform, and economists were charged with preparing concrete plans for a reform programme that would resemble the one that had been discarded in 1986. However, in 1988, inflation in China had for the first time risen to around 20% (Naughton, 1995: 247). This was unprecedented in the post-1949 period and, combined with uncertainty over the effects of reform, aroused public panic. People started hoarding all sorts of commodities, which only pushed inflation up further and, fearing they might lose the savings they had accumulated in the previous years of high growth, started a run on the banks. The situation got so out of hand that the Chinese leadership had to withdraw its plans for comprehensive price liberalization (Weber, 2018b). Chinese commentators generally connect the public anger of 1988 to the social movement of 1989 and its tragic end in Tiananmen square.

Thus, China only narrowly escaped a radical reform process that would have followed the same logic as the shock therapy applied elsewhere. Even though this reform plan was limited to prices and did not encompass privatization, it would nevertheless have been based on the neoliberal idea that complete and perfect competition is the only way to maintain a rational price system and thereby provide ‘correct’ signals for the economic activity of individuals. This reform was only avoided because of a major outburst of social conflict and its abrupt suppression (Weber, 2018b).

## Conclusion

To move beyond the seemingly insoluble question of whether China is or is not neoliberal, I have asked how and why neoliberalism became relevant for China. We have seen that it was the deep economic crisis, the experience of economic backwardness and the pressure to feed China’s large population that resulted in a major ideological reorientation in the late 1970s, following Mao’s death. During the Cultural Revolution, two of the fundamental tenets of liberal economics – the idea that we can judge economic outcomes

independently of their political content and the notion that the social division of labour is desirable for economic progress – were challenged. Along with the reorientation towards orthodox historical materialism, the idea that progress was politically determined was replaced with the ascendancy of economic determinism, while the focus on self-sufficiency gave way to the idea that a deeper social division of labour was necessary in order to unleash productive forces. These two basic ideological shifts made economics a major tool of governance. This led to a boom in the study and use of all kinds of economic knowledge including, but not limited to, the neoliberal school of thought. Soon China's planned economy was subject to critical reassessment. Using Marx's theory of crisis, it was found that the socialist promise of a rational economic order did not hold and that the planned economy was also susceptible to structural crisis. Hence, by other means, the Chinese leadership found itself in agreement with the neoliberal thinkers who had always stressed the impossibility of a rational planned economy.

My analysis of two major reform projects illustrates the challenges and struggles China faced in establishing a new type of economic order. The household responsibility system was the earliest of China's major reforms. In a society in which the rural population was in the majority and food provision a basic challenge, this represented the most crucial reform. In contrast to many neoliberal commentators, my analysis demonstrates that the basic principles of this system are not in accordance with neoliberal anti-collectivism in two important respects. First, in its early phase, the household responsibility system did not dismantle the planning system. Second, even today, land is not privately owned in China, although a 2016 reform officially lifted limits on the leasing of agricultural land. The basic logic of the agricultural reform project was to combine the pursuit of individual interest and the emergence of markets with conscious and active guidance by state planning. In that sense, it represents precisely the kind of mixed economy that has recurrently been subject to harsh criticism by neoliberal thinkers.

My discussion of the price reforms of the 1980s (Weber, 2018b) shows how the dual price track system, following the same basic logic as the household responsibility system, was at least twice directly challenged by China's highest leadership. In 1986 and 1988, China came very close to implementing a full-scale price liberalization, which would have followed the neoliberal

credo that only free market prices can provide correct signals and bring about the most socially desirable outcome. The first attempt to do so was fiercely challenged by a group of Chinese reform economists. The second attempt spawned social protests that are intimately connected to the tragic events of 1989. This history demonstrates that China has attempted comprehensive neoliberal reforms but has never fully embraced them.

We could point to several more recent instances of similar attempts to implement a neoliberal agenda. For example, in the second half of the 1990s, Zhu Rongji and Jiang Zemin aimed for wide-ranging privatization of state-owned enterprises (Wu and Ma, 2016: 152–157). Even though many state-owned enterprises were privatized, large numbers of workers were laid off and private property was officially accepted as an important part of China's socialist economy in 1997, an organized challenge on the part of Chinese intellectuals and party officials meant that the scale of privatization was significantly curtailed with respect to initial plans. In the 2000s, China in fact experienced a recapitalization and strengthening of strategically important SOEs, which was denounced as a reversal of reform by Chinese neoliberals. China's current debate over the appropriate development model, the reform of financial markets and the role of industrial policy needs to be considered in this historical context. Those who claim that reforms remain incomplete are implicitly referring to this legacy of failed attempts of a full turn towards neoliberalism.

In sum, neoliberalism became relevant as China's planned economy entered into a deep crisis and the Chinese leadership reoriented its horizons from revolution towards economic development and integration into the global economy. While powerful forces continue to push for a neoliberal agenda, so far China has not fully embraced this path.<sup>21</sup> The communist party and the state maintain a visible hand that not only seeks to provide the conditions for a smooth play of the invisible hand, but that consciously and actively shapes China's economic development. In this sense, China is a mixed economy. However, even though China is following a logic of governance that is distinct from that of neoliberalism, this does not mean that capitalist competition is less fierce than elsewhere. On the contrary, what we find is a system in which state entities enter competition as active participants rather than as facilitators (Weber, 2018b). Finally, as a mixed economy, China's

economic order is subject to neoliberal critique as well as to direct challenges by neoliberal reformers.

## Notes

1. For example, Ronald Coase and his co-author, Wang Ning (2012: 156), suggest that the Chinese success story has been achieved by letting 'the forces of competition ... work their magic'. The core contribution of the state was stepping back, which allowed for spontaneous market forces to take over and create often unanticipated breakthroughs.

2. For the field of anthropology, Nonini (2008: 145), in his literature review, identifies Anagnost (2004), Greenhalgh and Winckler (2005), Rofel (2007) and Yan (2003) as claiming the 'universality, inevitability and naturalness of neoliberalism(s) in the case of China'. The New Left scholar, Wang Hui (2004), is an example of a prominent historian and literary scholar who has argued that a neoliberal hegemony has emerged in China which is at the root of inequality, difficulties in the social welfare system and an ecological crisis.

3. In the 2017 Economic Freedom Index (Heritage Foundation, 2017), China is classified as 'mostly unfree' and ranked number 111 in the world in terms of its overall score in economic freedom.

4. Wu Jinglian, often referred to as 'market Wu', is one of the leading voices within China who warns of the outcomes of unfinished reforms. In his perspective, those advocating a 'Beijing consensus' as an alternative to the Washington Consensus (see note 5) are employing 'demagogic populist and nationalist slogans to lead the public astray' (Wu and Ma, 2016: viii). Wu and Ma (2016) 'strongly believe that ... the various social ills [are] caused by the delays in reform' (ibid.). Hence, for him, 'the only way out for China is to restart and firmly promote the market-oriented economic reforms' (ibid.).

5. Liew (2005) and Lo (2009), for example, argue that while China at times embraced aspects of the Washington Consensus, its overall development model and economic success is based on a different type of state-market relations. This alternative approach is sometimes labelled the 'China model' or 'Beijing Consensus' (Ramo, 2004; Huang and Cui, 2005) and is

characterized by a role for the state that goes far beyond setting the rules for a market economy.

6. *The ABC of Communism* (Bukharin and Preobrazhensky, 1969 [1920]) is the Soviet classic stating the aims of communist planning.

7. In this sense, neoliberalism is not primarily a new class project, as Harvey (2005) suggests, it is rather an old ideology that gains new relevance under a new class constellation.

8. This aspect of China's crisis was emphasized time and again in oral history interviews that I conducted between July and November 2016 with economists who became influential in the 1980s, many of whom were from the young generation who returned from the countryside to the city as graduate students in their late 20s in the late 1970s.

9. Resolution on Certain Questions in the History of Our Party since the Founding of the People's Republic of China (1981).

10. A forthcoming chapter in the follow-up volume to Mirowski and Plehwe (2009) explores how aspects of neoliberalism were introduced to China through exchanges between Chinese and foreign economists in the early period of reform (Weber, 2018a).

11. Wang Qishan is the only one of the four gentlemen whose career led to the very top level of China's leadership. The other three withdrew or were expelled from the political scene after the events of 1989. Wang Qishan retired from the Politburo Standing Committee and from being head of the party's Central Commission for Discipline and Inspection in October 2017.

12. Author's interview with Weng Yongxi, 18 November 2016.

13. The core of the argument presented by Weng Yongxi, Huang Jiangnan, Zhu Jiaming and Wang Qishan in their dialogue with the central leadership is analysed in Weber (2018b).

14. Author's interview with Huang Jiangnan, 23 November 2016.

15. See conference webpage: <https://www.montpelerin.org/2014-hong-kong-general-meeting-papers/>, accessed on 25 October, 2017.

16. Lenin writes: ‘the political situation in the spring of 1921 was such that immediate, very resolute and urgent measures had to be taken to improve the condition of the peasants and to increase their productive forces. Why the peasants and not the workers? Because you need grain and fuel to improve the condition of the workers’ (1973 [1921]: 341). He continues: ‘Under this peculiar War Communism we actually took from the peasant all his surpluses—and sometimes even a part of his necessities—to meet the requirements of the army and sustain the workers’ (1973 [1921]: 342). This situation should be put to an end by the policy of the tax in kind: ‘we are introducing the tax in kind, that is, we shall take the minimum of grain we require (for the army and the workers) in the form of a tax and obtain the rest in exchange for manufactured goods’ (1973 [1921]: 343). If we consider the tax in kind as a plan quota and consider that Lenin also suggests that the peasants may produce above the tax for local markets, this policy is structurally very similar to the HRS.

17. This section is based on my forthcoming book *China's Escape from the 'Big Bang': The 1980s Price Reform Debate in Historical Perspective* (Weber, 2018b).

18. See, for example, the edited volume *Corruption: The Exchange between Money and Power* (Comparative Socioeconomic Systems Editorial Department, 1989) for a collection of writings on rent seeking.

19. Author's interview with Wu Jinglian, 29 July 2016.

20. Weber (2018b) presents an answer to why China has escaped from such a ‘big bang’ in price reform.

21. See Lo (2016) for a discussion of a turn towards a greater embrace of neoliberal economic policies since 2014–15 under the notions of rebalancing and restructuring.

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# 18 Neoliberalism in Eastern Europe and the Former Soviet Union

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## Introduction

*Prima facie*, the relationship between neoliberalism and Eastern Europe and the former Soviet Union appears simple. Before 1989, the region embodied the antithesis of neoliberalism. Then, it ‘transitioned’ rapidly from ‘communism’ (or ‘state socialism’) to neoliberal capitalism. This story is not entirely fictional, but in this chapter, we explore several threads that complicate it. We ask: precisely what changed, in the organization of society, and in the ruling ideas? Did these changes mark the advent of a new, neoliberal policy regime, different from other ‘varieties of neoliberalism’? Why was the post-1989 shift towards neoliberal capitalism, and not to some other form? Were neoliberal ideas and policies imported ‘from the West’ or did they develop out of a process of East–West interchange, as argued, for example, by Bockman and Eyal (2002; see also Bockman, 2011; Gagy, 2015)? Despite our considerable sympathy for the ‘interchange’ argument, we suggest that it places excessive weight on the networks themselves, with insufficient attention to the concurrent worldwide shift to neoliberalism: from Keynesianism/Fordism in the ‘First World’ and from import-substitution industrialization in the ‘Third World’. This drama can be discussed in two registers. In one, we are speaking of an evolving world economy, in which similar pressures generate similar shifts in all regions. In the other, we factor in the geopolitical power hierarchy, namely, the Second World was experiencing major crisis and dislocation as a result of debt crisis and Soviet imperial breakdown; this afforded the opportunity for a variety of actors to press for neoliberal transformation in the interests of geopolitical realignment. These actors included Western policymakers, business leaders, and think-tanks, but also their friends in the East, particularly in nations (such

as the Baltic States) that were keen to strengthen diplomatic and military links with the West.

Before we address these questions, we should clarify our usage of the term neoliberalism. It can be used as an academic f-word, generating polemical heat but not much analytical light (Springer, 2016). As one recent commentary warns, it has come to connote omnipresence and omnipotence, as if it were an all-enveloping force or *zeitgeist* (Eagleton-Pierce, 2016, p. 12). We don't see neoliberalism as a panurge, but neither do we think it should be restricted to a tightly circumscribed set of ideas or policies (cf. Kozul-Wright and Rayment, 2007; Palley, 2005; Stiglitz, 2002) or to the machinations of a 'thought collective' (Mirowski, 2013, 2016; Mirowski and Plehwe, 2009). We see it, rather, historically, as a loose set of ideas and policies (typically including a commitment to market 'self-regulation' and tariff reduction, a monetarist analysis of inflation, supply-side theory, and the deployment of 'enterprise models' that allow arms of the state to be run like businesses) which, after gaining support among elites in the 1970s, has come to define the current phase of global capitalism.

In the 1970s, the previously dominant and comparatively statist economic paradigms – Keynesianism and national planning in the West, import-substitution industrialization in the South, and Soviet-style state capitalism – came under increasing pressure, for two principal reasons. One was that the concentration of capital, having seemingly reached an apex in the national monopolies of the mid-twentieth century, was advancing increasingly at the trans-national scale (Dale, 2004). The multinational company (MNC) emerged as the dominant institutional form of enterprise, setting new standards in cost, efficiency and market power and gaining crucial advantages over nation-bound rivals. MNCs were able to harvest economies of scale; they could locate particular processes in sites with the strongest advantages, and closer to markets; and they could parlay geographical mobility into bargaining power *vis-à-vis* political jurisdictions. These advantages boosted their profitability relative to nationally-based firms, but their rise simultaneously intensified competition on the global scale. In response, MNCs lobbied governments to reduce corporate taxation and to lift regulatory constraints (Davidson, 2010).

The second reason was the failure of Keynesian and other statist techniques to reverse the growth slowdown and the return of crises. Whereas in the 1960s and early 1970s, per capita annual global growth averaged around 3%, the corresponding figure for the three decades since 1980 has been only around half that, and financial crises have grown in frequency. In conditions of declining profitability and heightened international competition, governments – whether conservative, liberal or social-democratic – pushed through austerity measures, attacks on trade union organization and ‘reformed’ welfare systems to suit business interests. Such offensives were typically justified pragmatically or with reference to specific policy interventions (e.g., monetarism), but over time they came to be viewed as incarnations of a global policy/ideological shift.

Neoliberalism has thus come to define the latest phase in the evolution of capitalism, one characterized by a structural reorientation of the state towards export-oriented, financialized capital, strong commitments to privatization and market-emulating governance systems, and a profound antipathy to social collectives and redistribution (Mudge, 2008; Peck et al., 2010). And if neoliberalism was born in part from globalization, it has also itself become globalized. That is not, however, to imply homogeneity or non-reversibility. Neoliberalism takes ‘variegated’ forms, and even in the neoliberal era, forms of state capitalism continue to exist and thrive – notably in ‘communist’ China and Putin's Russia (Economist, 2012; Kurlantzick, 2016; Nagel, 2012). Let us turn now to look at Eastern Europe and the former USSR.

## **Pre-1989 Roots of Neoliberalism in Eastern Europe**

In respect to the region under consideration, the *étatiste* phase of the global economy is generally identified with ‘communism’ or ‘state socialism’, assumed to have commenced in 1917 (or 1948 for Eastern Europe) and to have ended in 1989–91. In fact, matters were more complex, at both ends. The Soviet Union was positioned outside, and in competition with, what Kees van der Pijl has called the ‘liberal-capitalist heartland’ (Pijl, 1998). For some of the nineteenth and much of the twentieth centuries, the ‘catch-up’ attempts by challengers to the liberal heartland powers, relying as they did on the direct mobilization of people and allocation of resources, constructed forms of state that were proactive in economic development. These structures

flourished above all when intense geopolitical competition coincided with economic de-globalization, and where backward economies led by modernizing elites engaged in catch-up industrialization – for example, 1930s Germany and Japan, or the Asian ‘Tiger economies’ from the 1950s onwards. De-globalization – the breakdown of international trade and capital flows – spurred the nationalization of domestic economies, while militarism drew states into an economic coordination role of the arms industry and other strategic sectors. For the Soviet Union and its allies, these factors, combined with geopolitical competition on the basis of economic backwardness, locked them into a distinctive economic structure characterized by an emphasis on heavy industry, a high savings ratio, allocation by administrative decision and an extensive use of political incentives and ideological appeals geared to raising output. These features, Oskar Lange and others have noted, were not peculiar to ‘socialism’, but were characteristic of ‘war economies’ in general (Lange, 1970, p. 102).

Viewed thus, the Soviet war-economic model did not come into existence until the late 1920s. It developed in response to pressures that were fusing nation states and capital across the world. By way of illustration, consider the Hungarian war economy of the late 1930s and early 1940s. Although the role of the state in economic decision making grew following the Sovietization of Hungary in the late 1940s, the notion that this represented ‘a total economic and political about-face is misleading’. Hungary, as Martha Lampland observes, experienced ‘no techno-political rupture between administrative practices of the state and planned economy between the late 1930s and late 1940s’ (Lampland, 2016, p. 162; see also Berend and Ránki, 1985).

Although technologically backward compared to the ‘liberal heartland’ economies, and relatively poorly equipped to establish successful MNCs, the Soviet-type regimes were in many respects strikingly modern. They were trade-oriented and never autarkic – as Sanchez-Sibony has shown for the Soviet Union, whose commercial policy ‘bespoke accommodation and an abiding desire for participation in a western dominated liberal world order from which the Kremlin derived tremendous material benefits’ (Sanchez-Sibony, 2014, p. 253; see also Frank, 1977). They mobilized their citizenries in the service of rapid economic growth and a future-oriented ideology. They applied science and technology systematically to the production process and

Taylorist techniques to the labour process; and they imposed performance targets on employees within all social institutions (foreshadowing, incidentally, the ‘target culture’ of UK academia today, with its proxy metrics and performance management regimes (Brandist, 2016; Fisher, 2009)). These processes realized what Lampland has described as the ‘full commodification of labor’ (Lampland, 1995, p. 5), as well as ‘rampant economism’ and the ‘intensive individuation of persons’ through shopfloor competitions (Lampland, 2016, p. 270; on working-class resistance to these processes, cf. Haraszti et al., 1977; Pittaway, 2012, 2014).

Soviet-bloc central planners were continuously comparing their economies’ ‘performance’ against Western benchmarks, and introducing successive waves of market reforms in the attempt to ‘catch up and overtake’ the West. Restructuring and revising of structures of accumulation, including relations between enterprises and the state, technology policy and labour relations, was a constant feature. Labour processes were periodically ‘rationalized’. Planning systems were modified, slimmed down or overhauled, with incentive structures being adapted to place premiums on the efficiency of resource and equipment utilization and on quality of output as against sheer quantity. Experiments were introduced that involved the delegation of greater degrees of initiative to enterprise managements, or which encouraged profit-seeking or export-promoting behaviour (on market reforms in the Soviet bloc; cf. Bockman, 2011; Fabry, 2018; Gagy, 2015; Shields, 2012). According to some authors, in certain cases, notably Hungary’s ‘goulash communism’ of the 1970s, the degree of liberalization was such that it represented an early form of neoliberalism (Halmai, 2011, p. 116).

These reform programmes, and associated clashes between managers (and associated functionaries and academics) who pressed for them versus managers (et al.) who resisted them, provided an environment conducive to the growth of what would later become ‘neoliberalism with East European characteristics’. This culture existed *in statu nascendi* in the 1960s and 1970s but grew exponentially in the 1980s when economic crisis and relative decline, together with Moscow’s imperial travails, led to a crescendo of calls for reform. Gradually and inexorably, the Soviet model hollowed out from within, and ideas of a ‘socialist market economy’ and political pluralism gained ground. These developments help explain why the late-1980s

transformation appeared so straightforward. Powerful players, including company directors, functionaries and economists, had already reoriented towards liberal capitalism. As Chris Harman observed, it did not require a great deal of pressure for the entire edifice to collapse: ‘the old people at the top raved about betrayal and even fantasised about telling their police to open fire. But key structures below them were already run by people who, at least privately, accepted the new multinational capitalist common sense’ (Harman, 1990, p. 66).

In a sense, then, Bockman and Eyal are right to propose that ‘East European reformers were converted into adherents of neoliberalism long before 1989 by participating in transnational dialogue and through jurisdiction battles over the role of economists under socialism’ (Bockman and Eyal, 2002, p. 311). Following Latour, they identify a field of actor-networks – in essence, meetings and conferences – at which, from the 1960s onwards, economists from East and West drew inspiration from one another’s ideas and reports. The dialogue was dominated by Western institutions, but it is impossible to divide it into ‘an active, Western “author” of neoliberal ideas and policies and a passive, East European “recipient”’ (Bockman and Eyal, 2002, p. 311). Few, if any, East European economists promoted neoliberalism as we understand the term today; nor, for the most part, did their Western counterparts. However, most were steeped in neoclassical theory, and they found in the ideas and idioms of Western economics resources to bolster their arguments for market reform and the decentralization of planning. Hence, in 1989–91, the package of stabilization and liberalization policies – with the epithet ‘neoliberal’ increasingly frequently attached – that was implemented across the region was perceived by East European reformers as directly continuous with the lessons they had learned over preceding decades. Many of the policymakers and advisers who rose to power and influence in the transition period, moreover, had earlier taken part in East–West conferences and academic exchanges. Examples include Russian Prime Minister Gaidar’s team of economists, two of the Hungarian government’s top advisers, or the ‘Georgetown Gang’ – the Latvian-American neoliberals who captured the economic policy levers in Latvia (Berzins and Sommers, 2011; Bockman and Eyal, 2002, p. 342; Fabry, 2018).

The rapidity with which neoliberalism was embraced in the policy and

economic elites, then, attests to the prior existence of an East–West epistemic community of economists and policymakers (Bockman, 2011; Bockman and Eyal, 2002). However, this has to be placed within the wider context outlined above: the global shift from statism, and the specific interest of Western power centres in pursuing neoliberal change in the East as a means to dissolve Soviet economic and political structures and to yank Eastern Europe out of Moscow's orbit.

This latter factor is emphasized by Peter Gowan in his account of the neoliberal incursion. Eastern Europe's market for policy ideas, he argues, 'suddenly opened in 1989 [and] was swiftly captured by an Anglo-American product with a liberal brand name'. It promptly 'established a virtual monopoly on advice in most target states in the region' (Gowan, 1995, p. 3). In this, Gowan understates the degree of crisis-induced ideas-shopping that existed already in the 1980s, and fails to appreciate the degree to which the legitimacy crisis faced by statist regimes – worldwide – provided propitious terrain for the neoliberal thrust. The strength of his account, on the other hand, is its awareness that the Western powers had learned an old truth from their previous imperial experience: debt crisis provides a golden opportunity to supervise the reorganization of a country's socioeconomic structures in their own interests.

## **Pathways of Neoliberalization**

In 1989–91, Eastern Europe and the Soviet Union emerged as a 'new frontier'. Officially launched in January 1990, when the Solidarity-led government in Poland introduced the 'Sachs-Balcerowicz Plan', the neoliberal recipe for the 'transition economies' centred on macroeconomic stabilization, liberalization of domestic prices and trade, privatization and the introduction of targeted welfare provisions, and the construction of a market-enabling legal framework (Åslund, 2002; Blanchard, 1991; Lipton and Sachs, 1990; Sachs, 1990). Also known as the 'big bang' or 'shock therapy'<sup>1</sup> programme, the plan became hegemonic in public and academic debates, and was applied throughout the region in the 1990s.<sup>2</sup> Its theoretical justification was supplied by some of the 'best and brightest' Western economists, including Olivier Blanchard, Stanley Fischer, David Lipton, Jeffrey Sachs, Larry Summers, and Anders Åslund (Mankiw, 2003, p. 257; see also

Ellerman, 2005). Although most of them had limited knowledge of Soviet-style economies, let alone any practical experience worth mentioning, they were hailed as ‘experts’ by mainstream media and subsequently ‘unleashed’ on the capital cities of the region armed with their ‘one-size-fits-all plans’, the thinly disguised aim of which was to advance the cause of corporate globalization. Their ideas received backing from ‘radical economists’ in the region, such as Leszek Balcerowicz in Poland, Václav Klaus in the Czech Republic, or Yegor Gaidar in Russia, who became key proponents of neoliberal reform. While post-communist elites were amenable to a transition to liberal capitalism, their conversion was not always straightforward, and occurred in a context informed by economic and political coercion, exemplified by Western governments and international financial institutions’ insistence on austerity and rapid privatization as conditions for further loans, as well as extensive investment in the ideological underpinnings of neoliberalism, in particular by the European Union, USAID, and Western-based corporations and think-tanks (Hardy, 2008; Shields, 2012; Wedel, 2001; Zeniewski, 2012).

If programmes of ‘shock therapy’ grabbed the headlines, in practice the neoliberal roll-out took a differentiated form, for example, in terms of the speed and sequencing of reforms, strategies of privatization, and in connection with geo-economic realignments, in particular *vis-à-vis* the EU. In 1990s Ukraine, the prescriptions of the World Bank and International Monetary Fund were rejected. Its privatization programme was tilted towards local interests and against foreign investors, particularly in ‘strategic’ industries. In Poland, management buy-outs were the main method; privatization occurred gradually in the early 1990s, before a sharp acceleration in 1995–96 (Drahokoupil, 2009, p. 40). The Czech Republic, like Russia, preferred the relatively rapid method of privatization by voucher, with regulations that favoured enterprise outsiders but not foreign investors (Drahokoupil, 2009, p. 69). It initially received plaudits from the World Bank and IMF, but its much-trumpeted promise of a dispersed ownership structure came to nothing. Instead, and contrary to expectations, most vouchers were snared by a handful of Investment Privatization Funds, many of which underwent *de facto* nationalization when they were unable to repay loans to state banks, before those same banks were sold off to foreign financial institutions (Genov, 2010, p. 57).



More generally, relations between states and capital did not gravitate towards a single model. In parts of the region, the collapse of government institutions during the transition converged with a neoliberal commitment to 'roll back' the state to permit a high degree of 'state capture' by comprador oligarchies and other business interests. This contributed in Serbia and elsewhere to 'wild capitalism', in which rules and regulations are attenuated and ignored by corporate elites (Upchurch and Marinkovic, 2011), while in Ukraine, political parties have tended to act overtly as vehicles for business interests (Bojcun, 2011). In Russia, the state bureaucracy survived the transition largely intact but became penetrated – and at one stage appeared to be captured – by business interests that thrived on monopolistic and rent-seeking practices (Sakwa, 2010). The moment of the greatest power over the Russian state by business leaders was the mid-1990s. The relationship was then disrupted, first by the rouble crash of 1998, then by the ascendancy to power of Vladimir Putin in 2000. Under Putin, Russia became less neoliberal in certain respects – for example, some strategic enterprises were effectively nationalized. The tutelary authority exerted by the regime over business elites was vigorously reasserted, in a restructuring of state–capital relations (Pirani, 2009).

The extent to which Putin represented a new departure, however, should not be exaggerated. As elsewhere, neoliberal agendas have been pursued not only via macro-level stabilization and liberalization programmes, but also in the field of public policy, notably social welfare and fiscal administration (Pirani, 2009). In this, Stephen Collier's study provides rich materials. Critical of accounts that portray neoliberal transition as coherent and macroeconomic programmes of total marketization and commodification, Collier prefers a Foucauldian approach that apprehends neoliberalism 'as a form of critical reflection on governmental practice' (Collier, 2011, p. 2). The reform process, in his view, following Venelin Ganey (2005), was everywhere tentative, incoherent, and contradictory, and the key vector of neoliberal advance was not macroeconomic programmes but the attempt to create mechanisms of quasi-competition in public sector situations (voucher programmes for schools, monetization of social welfare payments, incentive pricing for regulated industries, mechanisms of quasi-competition in locations where competitive markets cannot function, etc.). They were able to draw on Soviet-era practices of bureaucratically managed competition, and in

so far as they were influenced by Western sources, these tended not to be headline-grabbing visits by US advisers, but proceeded along subtler or circuitous routes. For example, the reforms to regional budget administration that Collier studied in Rostov ‘were adapted from a template that had been developed in a USAID-funded project on tax reform based in Moscow’ (Collier, 2011, p. 166).

Further to the west, Brussels came to ever-greater prominence as the key sponsor of neoliberal reform. Having played a subordinate role to the US and international financial institutions in the earlier phase, the EU now became a major player (Raik, 2004; Shields, 2012; Wahl, 2004). The central aim of its development programmes (such as PHARE, SAPARD and ISPA) was to prepare Eastern European countries for EU membership by promoting and monitoring the progress of economic liberalization, structural adjustment and institutional reform. More momentously, two projects that aimed to consolidate the neoliberal project in Western Europe were extended to the new member states in the East.<sup>3</sup> One, the Single Market, aimed to restore Europe's global competitiveness via the liberalization of previously protected sectors (for example, services, utilities and telecommunication), supplemented by further rounds of privatization. The other, monetary union, aimed to remove barriers and reduce transaction costs and, additionally, created a stick with which to force Eurozone states to reduce public spending through the restrictive monetary policy inscribed in the convergence criteria of the Maastricht Treaty and the Stability and Growth Pact. However, EU enlargement was not only pursued for economic interests, but was also connected to security interests and contributed to the creation of new ‘insiders’ (new EU member states) and ‘outsiders’ (Ukraine, Belarus and other ex-Soviet republics) (Smith and Swain, 2010, pp. 25–28; Smith and Timár, 2010, pp. 117–118). While EU and NATO enlargement were backed by economic and political pressure and blandishments from Western institutions, Eastern European elites were generally content to play along. In Hungary, for example, parliamentarians voted unanimously to sign the Lisbon Treaty, without any debate in parliament; the entire process took seven minutes.

## **Civilizing Missions and their Discontents**

According to neoliberals, stabilization and structural reform would combine to usher in a Schumpeterian process of ‘creative destruction’ through which the previously unproductive sectors of the centrally-planned economies would disappear, making way for new, innovative entrepreneurialism that would provide the basis for a period of sustained economic growth and for a flourishing of liberal-democratic values (Schumpeter, 1975). Given the new market environment, trade liberalization would encourage inflows of foreign capital, which in turn would spark an export-driven surge, with relatively low wages and proximity to Western markets providing a competitive advantage. This ‘market-based approach to development’,<sup>4</sup> it was assumed, would permit a rapid reintegration into the world economy, which, in turn, would lead to economic growth and higher living standards (Gros and Steinherr, 1995; Sachs, 1994, p. 25). The ‘transition’ was also heralded as a civilizing mission, which would enable the peoples of Eastern Europe to enjoy greater individual ‘freedom’ and to ‘rejoin Europe’. As the late Hungarian writer and politician Miklós Vársárhelyi, enthused in 1989:

There will really be a Europe again. The countries of Central and Eastern Europe will finally get an opportunity to unite with the West. We will begin to live under the same conditions. It will take time, but socially, politically, and economically we will achieve what the Western countries have already achieved. The doors are open now. (cited in Gwertzman and Kaufman, 1990, pp. 225–256)

In fact, the doors opened in a highly selective fashion. Some countries joined ‘Europe’, others did not. A few areas joined the ‘global city’, boasting skilled labour and high productivity, but larger swathes joined the ‘global sweatshop’, featuring low-quality jobs in the primary sector (Genov, 2010, p. 210; Smith and Timár, 2010, pp. 118–120). In Russia, Muscovites live as if on a different planet from their compatriots in the ‘mono-cities’ of the rustbelt. Many parts of the former Soviet Union, including Russia and Ukraine, experienced a regression in their place within the international division of labour, with a shift from producing high-skilled manufactures towards semi-manufactures, agricultural goods, and energy and mineral extraction (Burawoy, 2001; Mykhnenko and Swain, 2010). Latvia, although encouraged by Western institutions to focus on the ‘creative industries’, made

its mark instead as a transit and transaction point for asset-stripping, raw material exports and money laundering, as well as a major exporter of labour power (Berzins and Sommers, 2011).

Considered as a whole, with Poland the only exception, the 1990s turned out to be a 'lost decade' (Mitra et al., 2002). Even a relatively robust economy such as the Czech Republic took 18 years to return to the ratio of GDP *vis-à-vis* the EU average that it had registered in 1989 (Holubec, 2010, p. 46). Elsewhere, the situation was even bleaker. Georgia, Moldova, Ukraine, and much of the former Yugoslavia experienced catastrophic declines in economic output (in the case of the latter, this was exacerbated by civil war, NATO bombings and economic sanctions). Russia succumbed to an economic meltdown unprecedented in peacetime. Between 1992 and 1998, its GDP declined by almost half and industrial production by over half, while its grain harvest fell beneath even its level of 1913. Money disappeared from much of economic life such that, by early 1998, half of industrial sales were completed through barter (Pirani, 2009, pp. 47–53; Stiglitz, 2002, pp. 133–165).

Following the transition, unemployment and precarious working conditions became a chronic feature of the region's economies, as the job security associated with 'actually existing socialism' disappeared (Kornai, 2006, pp. 227–232). Double-digit inflation scythed through families' savings in Russia, and in Belarus, Bulgaria, the Baltic States and beyond. Real wages for workers plunged on a scale that surpassed that of the Great Depression (Genov, 2010, p. 138). In 1999, real wages were still lagging behind their 1989 levels in all countries except the Czech Republic. In Hungary, which experienced the loss of 1.5 million jobs (almost one-third of the workforce), real wages were 19% lower, while in many other countries (including Bulgaria, Lithuania, Macedonia and Ukraine) they fell further still; and in Russia, real wages in 1999 stood at a paltry 38% of their 1989 levels (Genov, 2010, p. 138). Fractured along political lines and struggling with falling membership rates, trade unions were poorly positioned to resist the assault (Crowley, 2008; Crowley and Ost, 2001; Iankova, 2002; Vanhuyse, 2006).<sup>5</sup> As a result, inequality and poverty rates skyrocketed, in some cases reaching Latin American levels.

The consequence of this attack on livelihoods was a devaluation of human life itself. In countries like Russia, mortality rates soared, particularly in regions where income differences were the widest (Wilkinson, 2005, p. 118). By 2006, the average Russian man was only expected to live until 65, down from 68 in the 1980s.<sup>6</sup> No other industrialized country has ever experienced such a reverse (Pearce, 2010, p. 125). Women, meanwhile, suffered disproportionately from unemployment and the dislocation of families. Ethnic minorities, in particular the Roma, were hit hard by soaring unemployment, poverty and precarious labours (Ringold, 2000; Ringold et al., 2005). Even as sections of society were becoming increasingly dependent on welfare provisions for their survival, spending on welfare and social protection was cut by governments across the region, irrespective of their location on the political spectrum. This was justified by an increasingly explicit and institutionalized stigmatization of the ‘lazy’ and ‘undeserving’ poor (Makovicky, 2013; Stenning et al., 2010; see also Bodnár, 2007; Kovács, 1998; Ladányi, 2002). Faced with immiserization and social regression, many people had little choice but to refocus on informal economic practices on the fringes or outside the market economy, or to emigrate to Western Europe (Makovicky, 2014; Smith and Rochovska, 2007; Stenning et al., 2010).

Neoliberal accounts have failed to provide convincing explanations of these developments. Instead, they have remained *ad hoc* or, at worst, descended into apologia for ‘market fundamentalism’. To most advocates of radical market reform, the failures and disappointments of transition-associated adjustment in the 1990s were ‘unexpected’ (Zagha et al., 2005, p. xii). In the early 1990s, Kornai noted, with a sense of astonishment, that no ‘forecast of ... serious recession’ was found in the early theoretical writings that outlined the transition programme (cited in Amsden et al., 1994, p. 18). Others have *ex post facto* sought to downplay the colossal slump in economic output, insisting that ‘a substantial part of the big recorded decline, probably about half, was *not real*’, and that the economic decline that did take place was due to factors exogenous to the market system, notably the legacies of communism such as corruption and ‘rent-seeking behaviour’ (Åslund, 2007, p. 63).<sup>7</sup> Comments like these are suggestive of a widely-noted inability of neoliberal scholarship to account seriously for the contradictions of the transformation.

The elixir of economic growth, according to neoliberal theory, would be foreign direct investment (FDI). In the early 1990s, FDI inflows were relatively meagre, but they started to soar from the mid-1990s, and from 1996 FDI stock as a percentage of GDP in Central and Eastern Europe surpassed the world average. To attract foreign investors, many states approved 'flexible' labour laws, low taxation on capital, laws ensuring the protection of private property and the right to expatriate profits. In addition, foreign investors were lured by the combination of well-educated workers, higher-than-average profit rates in key economic sectors and geographical proximity to core capitalist states in the EU. As *The Economist* mused in 2005,

investors ... love the new [EU] members for their low wages, high productivity and simple taxes. Build a factory here and you get EU access at far less than average EU costs. According to the Boston Consulting Group, if you want to sell refrigerators or cars in western Europe, it can be cheaper to make them in Poland than in China. (Economist, 2005)

The flow of foreign capital to Eastern Europe and the former Soviet Union enabled capitalists in the core economies to spur a 'race to the bottom', by forcing workers in their home countries to accept lower wages and conditions. As a Research on Money and Finance (RMF) report shows, the principal beneficiary was German capital, whose main source of growth in the 2000s was through the accumulation of a current account surplus, achieved through pressures on wages and conditions at home (by using the stick of 'outsourcing' production to workplaces to Eastern Europe), rather than productivity growth (Lapavitsas and Research on Money and Finance (RMF), 2010).

If in the neoliberal narrative foreign capital and transnational corporations take the starring roles, the empirical record is underwhelming. For example, the 'FDI model' employed by Serbian governments between 2000 and 2008 failed to increase international competitiveness, producing unstable and unsustainable growth instead (Upchurch and Marinkovic, 2011). Hungary was notably friendly to foreign investors – its method of privatization explicitly favoured transnational corporations (Drahokoupil, 2009) – and

between 1990 and 1998 it attracted more inward investment per capita than any of its neighbours, yet its economy grew more slowly than theirs (based on data from Csaba, 2000; Myant and Drahokoupil, 2011, p. 279). Moreover, as Fabry notes, its dependence on foreign capital left it highly exposed to the 2008 global economic crisis, because current account balances were negatively impacted by profit repatriation practices, because its foreign currency-denominated debt was extremely high, and because its economy was highly dependent on exports to core EU states (Fabry, 2011; see also Pogátsa, 2009; Szalai, 2010). Similarly, the Baltic States pursued radical market reforms (including low corporate taxation, strict adherence to macroeconomic stability and weak social protection) from the outset, in an attempt to break economic ties with Moscow as rapidly as possible (Becker, 2016). However, as Bohle and Greskovits note, most foreign investment in ‘complex industries’ (chemicals, machinery, equipment) went to the Visegrád Four (Poland, Czech Republic, Hungary and Slovakia) and hardly at all to the Baltics (Bohle and Greskovits, 2007a). In contrast, Slovenia, which had adopted the most gradual approach to economic transformation, ‘brushing aside promptings from Jeffrey Sachs and his co-thinkers to pursue the same radical course as countries like Estonia’ (Becker, 2016, p. 42), managed to construct a ‘neo-corporatist’ regime, combining successful macroeconomic performance and democratic inclusion with the most generous welfare state in the region (Bohle and Greskovits, 2007a, 2007b). More generally, there was surprisingly little correlation between economic performance and FDI inflow. In 2003, FDI stock as a percentage of GDP was fairly high in Hungary (58) and Czech Republic (50), but relatively low in Poland (27) and Slovenia (16). (In comparison, the EU average was 33; China 16; the USA 13; Japan 2.) Substantial capital flows (legal and illegal) entered the Baltic States and other states, like Bulgaria and Romania, following their accession to NATO and the EU. However, they served to inflate the bubbles in financial and real estate markets that were to burst in 2008.

In these ways, the specific forms through which neoliberalism was ‘rolled out’ and consolidated in the 2000s contributed to the vulnerability of the region to the 2007–08 global financial crisis.

## **The ‘Great Recession’ of 2008**

The global financial crisis commenced in 2007 as a ‘crisis in the heartland’ of global capitalism with the bursting of the subprime mortgage bubble in the USA (Gowan, 2009). At the time, cautious optimism about the prospects of the economies of Eastern Europe and the former Soviet Union prevailed among economists and policymakers. As late as October 2007, the IMF projected average GDP growth in ‘emerging Europe’ to fall moderately, from 6.4% in 2006 to 5.2% in 2008, and maintained that the ‘significant wage differential *vis-à-vis* western Europe and strong productivity growth would continue to support the competitiveness’ of the region (International Monetary Fund, 2007, p. 91). As it turned out, the IMF's projections were way off chart.

The crisis hit Eastern Europe and the former Soviet Union along two different channels (Dale and Hardy, 2011; Smith and Swain, 2010). First, the ‘global deleveraging’ (massive contraction of lending) that followed the collapse of Lehman Brothers in autumn 2008 meant that investors retreated to ‘safe havens’ in core capitalist states, thereby making it more difficult for peripheral economies to finance their sovereign debts. In Hungary, Romania and Ukraine, this led to speculative attacks on the local currencies, forcing governments to seek financial assistance from the IMF. Second, a ‘Great Recession’ gripped the global economy, reducing demand for exports and causing a downward spiral of falling production, trade and employment. In export-dependent economies such as Estonia, Hungary, Latvia and Slovakia, exports plummeted and capital inflows dried up, leading to sharp falls in output in 2009.

The depth of the crisis varied depending on the scale of housing bubbles, dependence on exports and size of public sector deficits, but the region as a whole was highly exposed due to its inherent weakness, compounded by the wholesale adoption of neoliberal policies. Poland was least affected by the economic crisis. In 2009, its economy actually grew by 2.6%, although this was relatively meagre compared to previous years’ figures. The fact that Poland had a floating exchange rate and that its economy was not exposed to a housing bubble fed by foreign banks certainly softened the impact of the crisis. Moreover, it ‘also benefited from a large domestic market and the presence of export sectors, such as automobiles, that benefited from anti-crisis interventions to boost demand in Western Europe’ (Smith and Swain,



2010, p. 4). However, Poland's success in weathering the global economic storm should be treated with caution. Its modest economic growth masks high rates of poverty and unemployment, and growing wealth inequalities.

At the other end of the spectrum, the Baltic States experienced a harsh shock. Their currencies and banking systems collapsed, resulting in GDP contractions of nearly 15% in 2009. Unemployment rates soared to as much as 20% (Latvia), contributing to a second wave of emigration as people attempted to escape poverty (Berzins and Sommers, 2011). Hungary, another poster boy of neoliberal transformation, was also badly afflicted. As detailed by Fabry (2011), economic growth was stagnating already before the onset of the global crisis, and its budget deficit was touching 10% of GDP. Hungary's economy was doubly exposed. First, foreign currency lending (in particular in Swiss francs and Euros) accounted for as much as 85% of all loans; these became precarious when the value of the forint plunged. As the forint depreciated, many borrowers were forced to sell their homes or cars, while others faced hefty hikes in mortgage payments (Bryant, 2010). The second source of vulnerability was the Hungarian economy's heavy dependence on FDI and exports to Western markets, both of which came to a standstill as the crisis deepened. As Hungary's malaise deepened, the crisis transformed into full-blown political crisis. In March 2009, Gyurcsány – who had gained notoriety following the release of a secret speech in which he admitted his government had ‘lied morning, noon and night’ in order to win the general election of 2006 – was replaced by Gordon Bajnai, as head of a semi-technocratic government. Despite increasing signs of social and political instability – by early 2010, unemployment stood at 11.4% (the highest figure for 16 years), and fascist paramilitaries of the Hungarian Guard (*Magyar Gárda*) were terrorising ethnic minorities, gays and lesbians, and ‘communists’ – Bajnai's government pushed ahead with a new round of austerity measures in an effort to ‘regain the trust’ of international financial institutions and foreign investors. These efforts, however, did not regain the trust of the people. In the 2010 general elections, the previously governing parties were trounced.

Another severely impacted country was Ukraine. In the years prior to the crisis, FDI had spiked, in part due to rising capital flows to the region in general and also due to the liberalization of financial markets that followed

the 2004 Orange Revolution (Bojcun, 2011; Mykhnenko and Swain, 2010). The FDI surge enabled Ukrainian exporters and households to finance, respectively, expanded production and consumption, but, compounded by the high price of hydrocarbon imports from Russia, resulted in deepening public sector and trade deficits. When the crisis struck, foreign investors withdrew their holdings *en masse*, forcing Julia Tymoshenko's government to seek financial assistance from the IMF and six foreign states, including Russia, in order to cover the 2009 state budget. The social consequences of the crisis helped to catalyse a political upheaval, which spilled over into tensions with Russia and thence to civil war.

## Authoritarian Populism

We began this chapter by noting that the transition from comparatively statist formations to neoliberalism occurred in response to a seismic shift in state–capital relations ('globalization') and the return of economic crises in the mid-1970s and early 1980s – and, relatedly, legitimation problems faced by the previously dominant political-economic regime ('Keynesianism'). From 2008, the world economy has experienced renewed crisis, and the now-dominant political-economic regime ('neoliberalism') confronts its own legitimation problems. Yet signs of its demise are nowhere to be found. Instead, pragmatic Keynesian and authoritarian populist adaptations have been the order of the day.<sup>8</sup> The first of these was exemplified by the rediscovery of deficit spending – but above all in the USA and China, not in our region of study, where governments preferred pro-cyclical economic policies, in the hope that these would 'satisfy investors' and expedite accession to the Eurozone (Becker and Jäger, 2010). By contrast, the second, authoritarian populism, has enjoyed a spectacular uplift in Eastern Europe. Across the region, neo-conservative and fascist movements have gained a hearing for their cocktail of chauvinistic sentiment (anti-gay, anti-women, anti-minorities, xenophobic, anti-Semitic and, above all, anti-communist), militarism and Euroscepticism (Makovicky, 2013; Tamás, 2013, 2015). Recent years have seen a rising frequency of attacks on ethnic minorities and LGBT people, and electoral breakthroughs for fascist, Roma-baiting parties in Hungary (*Jobbik*) and Slovakia (*Ludová Strana–Naše Slovensko*), as well as the embrace of 'illiberal' policies and practices by mainstream political parties (e.g., the Orbán and Putin regimes in Hungary and Russia,

respectively).

How might we theorize the relationship between authoritarian populism and neoliberalism? To the extent that the former is illiberal and the latter liberal, they appear antithetical. At the outset of Eastern Europe's transition, the case for 'shock therapy' was explicitly connected to the fear that, given the social costs of adjustment to be inflicted on a large section of society, the quicker the medicine was applied, the better. Recalling the struggles to implement structural adjustment in Latin America in the 1980s, Western advisers were alive to the danger that neoliberal restructuring may precipitate opposition from disaffected groups. 'Populist politicians', warned Sachs, 'will try to hook up with coalitions of workers, managers and bureaucrats in hard-hit sectors to slow or reverse the adjustment' (Sachs, 1994, p. 23; see also Lipton and Sachs, 1990). Proponents of neoliberal reforms therefore stressed the need for a strong state, which, as Kornai described, could 'set the economy right with a firm hand' while keeping 'populist' pressures in check (Kornai, 1990, p. 207; see also Lipton and Sachs, 1990, p. 87).<sup>9</sup>

In the neoliberal imaginary, stable liberal-democratic regimes preside over free markets and tolerant civil societies, but in practice these desiderata are difficult to combine. Neoliberalism arose in battle against labour and anti-systemic movements; in defeating them, it expedited tendencies to social and geographical polarization, and the corrosion of the public sphere. Corporatist and social-democratic traditions of collective will formation found themselves subordinated to the logic of market choice, politics became individualized, and communities fissured and fragmented. In this context, neoliberal politicians were inevitably tempted to court nationalist and authoritarian forms of populism. An early instance of this was theorized by Stuart Hall in Britain. With the breakdown of 'the corporatist consensus' – whether in the form of One Nation Tory paternalism or the links to the trade-union bureaucracy through which Labour had attempted to master the crisis – he argued, the balance of forces within the "unstable equilibrium" between coercion and consent which characterizes all democratic class politics' shifted 'decisively towards the "authoritarian" pole'. This shift was organized 'from above', but it was yoked to 'and to some extent legitimated by a populist groundswell below', one that took the shape, for example, of moral panics around such issues as 'race, law-and-order, permissiveness and social

anarchy'. These served simultaneously to disrupt the communities of solidarity on which anti-neoliberal movements depend and to harness populist consent to displays of authoritarian governance that buttressed Thatcher's market-fundamentalist crusade (Hall, 1980, 1985).

A similar dialectic has been at work in Eastern Europe. Albeit to different degrees in the various states, a region-wide backlash against the effects of neoliberalism has been guided along authoritarian populist (and, relatedly, nationalist-conservative) channels. This backlash is, in a sense, a populist outcry against neoliberalism, particularly as upheld by the experts, journalists and politicians associated with what Tariq Ali dubs 'the Extreme Centre' (Ali, 2015). But although authoritarian populism garners support from individuals who are protesting against experiences of dispossession and disenfranchisement, and although, when in power, it will override and rescind certain policies and practices associated with neoliberalism, overall it represents not a fundamental rupture but an inflection. Political leaders such as Georghe Funar – the mayor of Cluj, who, in the early 1990s, opposed foreign investment from a conservative-ethnicist viewpoint – are not the norm (Petrovici, 2010). Far more common is the attempt – exemplified by the governments of Szydło in Poland or Orbán in Hungary – to steer populist sentiment against foreigners, the freedom of movement of labour, or the bureaucrats of Brussels, none of which is an indispensable element of an identifiably neoliberal form of capitalism (on the fusion of authoritarianism and neoliberalism elsewhere in the wake of the global economic crisis, see Bruff, 2014; Tansel, 2016).

## Conclusion

In this chapter we explored the transition of Eastern Europe and the former USSR from 'communism' (or 'state socialism') to neoliberal capitalism, conceptualizing this process in relation to wider changes in the world economy and the international state system. 'Proto-neoliberal' ideas and social forces, we showed, were already present in Eastern Europe and the former USSR prior to 1989. In the following decades, successive waves of neoliberal reforms were implemented by domestic elites, with the support of Western policymakers, business leaders and think-tanks, as well as international organizations such as the IMF, the World Bank and the EU. As

events since the 2008 crisis have demonstrated, the logic of the transformation was *not* simply to liberate the countries of the region from the shackles of ‘communism’ or to unleash latent entrepreneurial talent, as emphasized by neoliberals, but to open up the economies of the region to the exigencies of global capital, while restructuring and bolstering the power of domestic elites. The outcome has been growing disillusionment and public discontent with simplistic attempts to install a market economy and Western-style liberal democracy, as well as with the political forces, at home and abroad, that have pushed this process along. The capitalist triumphalism of the early 1990s has everywhere given way to the dystopian realities of an authoritarian, restrictive and reactionary mode of neoliberal capitalism.

## Notes

1. As Naomi Klein has shown, the term can be traced to Milton Friedman, who used the term ‘shock treatment’ to describe the market reforms introduced by Chilean dictator Augusto Pinochet. According to Friedman (Friedman and Friedman, 1998, p. 592), the speed, suddenness, and scope of the economic shifts would provoke psychological reactions in the public that ‘facilitate the adjustment’.
2. Some scholars have questioned the idea that neoliberal ideas became hegemonic among policymakers in the region after the transition (see Ganey, 2005). However, the facts on the ground speak otherwise. As a 1996 IMF study noted, between 1990 and 1995, 25 out of 26 ‘transition economies’ introduced neoliberal reforms (Fischer et al., 1996).
3. In 2004, eight ex-Soviet bloc states (the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia, Slovenia) gained membership in the EU. They were joined by Bulgaria and Romania (2007) and Croatia (2013).
4. The term is taken here from the liberal Hungarian economist László Csaba, who defines the central feature of this approach as resting on the idea that the market represents ‘the fundamental coordinating mechanism through which the vicious cycle of poverty can be overcome’ (Csaba, 2007, p. 101).

5. The relative weakness of labour in Eastern Europe is reflected by two statistics. First, union density in new EU member states (24.6% on average) is significantly lower than that of the old member states (38.6% on average). Second, since 1990 to the present, strike rates in Eastern Europe have been significantly lower than in Western Europe (Crowley, 2008, pp. 7, 10; Vanhuysse, 2006).

6. Worldbank Data.

7. Indeed, as Swain et al. have noted, since the demise of the Soviet bloc, there has been spectacular growth in academic literature on ‘corruption’ and the discourse of ‘anti-corruption’ has frequently been invoked in Eastern Europe and the former USSR to justify further neoliberal reforms (Swain et al., 2010).

8. This is not to deny the existence of progressive movements in region. For example, in 2009, trade unions waged large protests against austerity measures in the Czech Republic, Latvia, and Lithuania. Further to the south, Macedonia has been rocked by massive anti-government protests in the last two years, forcing the government of Nikola Gruevski to resign in 2015. However, despite these positive signs, market fundamentalism and authoritarian populism still remain the order of the day throughout the region.

9. As critics have pointed out, this strategy diverged markedly from the ‘minimal state’ extolled by libertarian strands of neoliberal theory.

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# 19 Neoliberalisation of European Social Democracy: Transmissions and Dispositions

Magnus Ryner

## Introduction

In his seminal statement, David Harvey (2005: 19) distinguishes between neoliberalisation as a *utopian* project to realise a theoretical design and neoliberalisation as a political project to restore capitalist class power and the conditions for capital accumulation after the crisis of the 1970s. The former serves as an instrumental rationality to justify and legitimate whatever needs to be done to achieve the latter. When the two are in conflict, that latter prevails and this ‘creative tension’ explains the complex variegated hybridity of actually existing neoliberalism.

This distinction between utopian theory and class-political practice is helpful as a starting-point for understanding how European social democracy has been integrated with neoliberal hegemony. The essential content of utopian theory provides neoliberal practice with a certain substantive kernel: the advancement of entrepreneurial freedom, strong property rights, free markets and free trade provided through publicly constituted and guaranteed institutional frameworks, and the political decision of the state to refrain from discretionary intervention in other respects, enabling, for instance, privatisation. At the same time, actual neoliberalism is much more hybridic and pragmatic in relation to constraints and opportunities as they arise in particular situations.

It is still popular to characterise neoliberalisation in terms of implementation of the theoretical-utopian template, enabled in one way or another by coercive means and sponsored in one way or another by American empire. Also, Harvey himself makes reference to the Pinochet experiment in Chile,

IMF Washington Consensus Structural Adjustment Programmes (to which one can now add Troika Memorandums of Understanding), and perhaps even most starkly, the September 19, 2003 Decrees of the Coalition Provisional Authority in Iraq (Harvey, 2005: 6). At the same time, he immediately qualifies this by stating that such a perspective is insufficient for understanding the rapid proliferation of neoliberal state forms since the mid-1970s: 'The uneven geographical development of neoliberalism on a world stage has evidently been a very complex process entailing multiple determinations and not a little chaos and confusion' (2005: 9).

This chapter aims to sort out some of the chaos and confusion involved in understanding why European social democracies have not so much 'succumbed' to neoliberal ideas and practices, but have rather proven open to actively promote such ideas themselves and thereby played their role in the reconstitution, reproduction and mediation of capitalist social relations in Europe. In pursuit of this endeavour, I will seek to identify the central determinations. In doing so, I will identify the key *transmission* mechanism in post-Bretton Woods transatlantic monetary relations and the manner in which European states responded to William Connally's apposite statement that 'the Dollar is our currency and your problem'. I do not claim that this explains the variegated details of neoliberalisation of European social democracy. However, I do claim that this transmission mechanism structurally re-situated the agency (Hay, 2002) of European social democracy, generating an elite reformulation of preferences. In pursuit of a more sufficient explanation, I will also identify *dispositions* that made European social democracy consent to the adoption of neoliberal ideas and practices within the confines of normal politics. Here I will focus on what can be considered a 'least likely' case, where neoliberalisation of social democracy nevertheless took place, namely that of Sweden. The premise is that by identifying neoliberal dispositions in Swedish social democracy, we are likely to have identified some central sufficient conditions for neoliberalisation of European social democracy.

## I

The reformist social democratic labour movement made a significant impact on the politico-economic development of capitalist democracies in western

Europe in the immediate postwar period through the development of the welfare state. This was most manifestly the case in Scandinavia, where social democratic parties and unions took on a leading role in decommodifying industrial relations and wage determination and in the expansion of tax-financed universal public insurance and social services programmes. The impact was more equivocal in other welfare states. Nevertheless, in continental European states, social democracy may have been junior to the Christian democratic movement, but was still a significant player in the development of welfare state regimes that were 'functionally equivalent' to the social democratic ideal type (van Kersbergen, 1995). Even in Britain, Labour had pertinent effects on the development of welfare capitalism, and to this day the National Health Service (NHS) remains its emblematic achievement. Perhaps the most significant political achievement was the commitment that states made to combat unemployment, which can be explained in political terms as the agenda-setting power that social democracy exercised either in government or as a potent opposition party in electoral competition. For Walter Korpi (2002), this was a manifestation of what Duverger once called the 'contagion of the left'. Ultimately, this was connected to the geopolitical rationale of keeping the west European working class loyal to the transatlantic alliance. The capital controls, fixed exchange rate regime, and the role that the United States played in ensuring expansion of aggregate demand were crucial in this context (Bengtsson and Ryner, 2015: 415–16).

The erosion and ultimate collapse of the Bretton Woods system in 1971 changed all that. It is questionable that American elites were ever committed to capital controls (Konings, 2011), and a strong case can be made that it was part of the package of supporting their European Cold War allies in post-Second World War reconstruction (Calleo, 2001). When Bretton Woods collapsed, global financial markets had already re-emerged so as to significantly constrain economic policy autonomy. This became more pronounced after the US actively embraced capital market liberalisation and started to project power in a flexible exchange rate system. There is strong evidence that pooling sovereignty so as to protect economies from the turbulence of American economic policy has been a major impetus for European monetary integration (Henning, 1998). In effect that meant that Germany came to play a pivotal role in protecting European economies

vulnerable on the capital account, and in the process setting conditions for playing that role. Herein, I maintain, is the key mechanism for neoliberalisation of European social democracy (Ryner, 2015). From this time on, an element that hitherto had been a 'recessive gene' (Anderson, 2009: 65) in the postwar European and German political economy became dominant, namely Ordoliberalism as the operative ideology of the German Central Bank, the Bundesbank. By embracing the Ordoliberal arrangements of monetary affairs, and indeed, as in the case of the Helmut Schmidt administration, playing a leading role in making the arrangement, European social democracy played its role in a restoration of capitalist class power, where financial and export-oriented capital became dominant (van der Pijl, 1984). Stephen Gill has captured the essence of the mechanism through his concept of 'new constitutionalism', or 'the construction of legal or constitutional devices to insulate economic institutions from popular scrutiny or democratic accountability' in order to 'place constraints on macroeconomic policies through the balance of payments constraint' (Gill, 1991: 282, 299).

Today, the operation of the mechanism is in many cases upfront, not particularly subtle, and in many respects similar to the aforementioned coercive impositions of neoliberal utopianism. When Eurozone members, who have ceded the sovereign right to make money to the European Central Bank that is legally obliged not to lend directly to them, find themselves in a position of default or insolvency, the Memorandums of Understanding that they sign are not unlike IMF Structural Adjustment Programmes with all that this entails in terms of macroeconomic austerity, privatisation and structural reforms to facilitate commodification. But the European monetary regime promoting neoliberalism has a longer pedigree and worked in more subtle, indirect, albeit more ambivalent, ways.

## II

According to Harvey, the years 1978 to 1980 contained the turning-points ushering in the neoliberal revolution. Provided that one extends this to 1985 so as to include the Mitterrand U-turn and the Milan Summit committing the European Community to the Single Market, this fits our story to a tee. To the Volcker-Shock, Deng Xiaoping's market reforms, and the elections of

Thatcher and Reagan, we may add as a pivotal turning-point in Europe the 1978 agreement between Helmut Schmidt and Valéry Giscard d'Estaing to create the European Monetary System (EMS).

The EMS looked superficially like a mini-Bretton Woods. Like Bretton Woods, the EMS had fixed exchange rates (the Exchange Rate Mechanism, or ERM). Though not endowed with the same legal weight as the dollar in the Bretton Woods Articles of Agreement, for all intents and purposes the West German mark (DM) became the EMS anchor currency. Maintaining fixed exchange rates was a primary central bank objective of EMS members, which, when necessary, would be backed up by coordinated interventions on foreign exchange markets. If Bretton Woods had the IMF, the EMS had the European Monetary Cooperation Fund (EMCF), which gave unlimited access to VSTFs (very short-term financing) to defend currencies when exchange rate margins were being breached. The ECU could be seen as an equivalent to the SDR (Special Drawing Rights) in Bretton Woods, and was used for hedge-financing in private transactions, but played no significant monetary policy role before the 1987 Basle-Nyborg Agreement.

But the EMS worked very differently from the Bretton Woods system. Indeed, the EMS and later the European Monetary Union (EMU) have, in many respects, more in common with the nineteenth-century gold standard (e.g., Eichengreen and Temin, 2010; Bordo and James, 2010). First, the EMS operated in an environment of internationally mobile foreign exchange markets, which meant that financial flows exerted discipline through interest rate risk-premiums on overly expansionary economic policy. In such situations, VSTF finance only became accessible when the horse had bolted and speculative attacks made exchange rates untenable without major deflationary adjustment. Indeed, the efficacy of VSTFs was weakened by the veto power of the independent German Central Bank, the Bundesbank. It had only agreed to the EMS with caveats set out in the so-called Emminger Letter, which authorised the Bundesbank to opt out from the EMCF and VSTFs when it perceived its commitment to price stability to be threatened. The Bundesbank had also succeeded in removing the original proposal for a 'trigger mechanism', whereby policy adjustments would be coordinated and undertaken symmetrically by strong as well as weak currency countries (Eichengreen, 2007: 285–86). Second, the West German mark, managed by



the Bundesbank, had price stability as its unequivocal primary objective even when this came at the expense of economic growth and unemployment. Indeed, to a significant extent the ERM was based on the credibility accumulated by the Bundesbank as the guarantor of price stability. This is in contrast to Bretton Woods, which was based on US macroeconomic expansion underwritten by the role of the dollar as the global reserve currency (which the DM emphatically was not). ERM membership, in other words, implied prioritising price stability over growth.

The EMU essentially follows the same logic, albeit with revised rules and different contradictions. Since discipline could no longer be exercised through capital flight out of national currencies and interest rate differentials, formal rules constraining especially fiscal policy discretion were formulated in the Growth and Stability Pact.

The EMS and the EMU made Ordoliberalism the dominant operating ideology of European economic management. Ordoliberalism is the new constitutionalist doctrine *par excellence*, as it holds that ‘free’ markets must be *politically* constituted through frameworks that limit the extent to which mobilised mass movements, such as the workers’ movement, can interfere politically. The proletarian condition should be addressed through the promotion of an entrepreneurial sensibility labelled *Vitalpolitik* (Bonefeld, 2012).

The macroeconomic regime that it imposed on EMS members ushered in the era of mass unemployment, profoundly altering the terms of welfare settlements and resulting in a secular decline of the wage share to value added (Korpi, 2002). It also constrained public expenditure and the scope of deficit financing, putting strains on welfare spending and marked the beginning of retrenchment of effective welfare entitlements (Korpi, 2003). In many countries, not least in the wake of the development of the Third Way concept in social democracy (Giddens, 1998), it compelled the development of private alternatives in pension provision and housing (e.g., Milios and Sotiropoulos, 2010; Wood, 2016). On the back of these developments, profit-rates were restored, with an increased amount going to financial profits (Duménil and Lévy, 2004).

None of the above should be understood as implying convergence to a single

European neoliberal model. Variations remained. This is not least the case in Germany itself, where financialisation of everyday life through private pension provision, mortgages and private housing have been more limited than elsewhere. Nevertheless, there was a common direction of neoliberal travel.

### III

The previous sections have argued that the main mechanism of neoliberalisation in Europe and European social democracy is to be found in monetary relations and how they conditioned socio-economic developments through the EMS and the EMU through a new constitutionalism, which generated pressures for welfare state retrenchment and recommodification. But such pressure alone is not a sufficient explanation. Above all, this fails to explain the active consent of European social democratic actors in Europe to neoliberal developments and why they did not seek to challenge or respond to these pressures via the advancement of political alternatives.

There are a whole host of ‘usual suspect’ reasons for this: lack of union power because of low union density, lack of enduring social democratic incumbency in European states, and inadequately developed autonomous economic policy competencies. The Swedish case poses interesting questions for such explanations because neoliberalisation took place despite the absence of these ‘usual suspect’ conditions. This suggests that subtler, but apparently important, factors were sufficient to trigger a neoliberalisation of European social democracy.

In Sweden, the formative new constitutional moment occurred in November 1985 (Svensson, 2001; Ryner, 2002, 2004) when the Ministry of Finance and Central Bank dismantled Sweden's extensive controls of the capital markets. Additionally, and perhaps more importantly, the state borrowing strategy was changed in a way that altered the social effects of its monetary policy targets. The state commenced a ‘sterilisation policy’, whereby it would no longer under any circumstances borrow abroad in order to cover Swedish balance of payments deficits. In short, the exposure of Swedish interest rates to global short-term financial markets was maximised. The purpose of imposing market discipline on socio-economic actors, especially trade unions and

social service ministries in budget bargaining, was clear and explicit. Subsequently, the monetary target of the Central Bank changed from an exchange rate target (where the dollar and the mark were the key currencies and as exchange targets moved towards the ERM in the course of time) to a price stability target and a floating currency, but the underlying rationale and mechanisms remained the same.

The significance of these policy changes cannot be overestimated. Countercyclical fine-tuning had played a critical role for welfare state regulation in Sweden throughout the postwar period. Particularly, it was central for the navigation between the Scylla of unemployment and the Charybdis of wage drift in the solidaristic wage policy of Sweden's trade unions (Martin, 1984). As formally specified in the 'Rehn-Meidner model', the aim of fiscal policy was to contain average profit rates in economic upturns and to stimulate the economy in downturns. If this was done, the wage earner collective could be kept unified around the redistributive wage norm of 'equal pay for equal work'. Excess demand for labour in a full employment economy would give them the power resources to enforce it in bargaining. This solidaristic wage policy performed an essential welfare function as full employment, high wage levels, and an egalitarian wage distribution would take burdens off social policy. This, together with high tax revenues, in turn made it possible to offer universalist programmes with high entitlement levels. Equal pay for equal work implied differential profit rates for individual capitalists. It deliberately favoured companies with high rates of productivity that could pay the going wage rates. Coordinated bargaining and selective labour market policy provided high productivity firms with a stable labour-supply. Low productivity firms, on the other hand, were prematurely squeezed out of business, and in this way employment was redirected to high productivity firms. This ensured high growth and productivity rates and favourable terms of trade for the Swedish economy, which in turn underwrote wage-equalisation and welfare state expansion.

With low profit rates and shares, it was a particular challenge to keep rates of investment high enough to ensure full employment. This required low and stable interest rates at full employment, which only could obtain within a strict regime of capital controls, and collective investment funds providing a cheap source of capital (Pontusson, 1992). It is against this background that

one can appreciate how monumental the shift of the economic policy stance in 1985 actually was. Capital and foreign exchange market deregulation not only dismantled the apparatus intended to pre-empt policy conflict between solidaristic wage policy and the investment rates required for full employment. They deliberately exacerbated the trade-off. Furthermore, it set off a pro-cyclical euphoria–mania–panic dynamic (see Ferri and Minsky 1992), which was compounded by an underfinanced tax reform that reversed previous biases against the accumulation of personal wealth (e.g., Martin, 1999: 243–7; Viotti, 2000; Henrekson and Jakobsson, 2003: 81).

A bubble emerged against the backdrop of rapidly increasing private savings and borrowing, portfolio investments, and turnover on bond and stock markets. The latter increased from a rather stable rate never exceeding 7 billion Swedish krona (SEK) per annum until 1980 to SEK 160 billion in 1985 and SEK 2,600 billion in 1999 (or 133% of GDP) (Oxelheim, 1990; Svensson, 2001; Ryner, 2002: 147; Reiter, 2003: 112–13). Financial intermediaries specialising in real estate had borrowed large sums pent up in Swedish banks, which they in turn had lent as mortgages and for the commercial development of real estate. As the Reagan boom reached its limits in 1990 and the growth rate of real estate values faltered, the business plans of commercial developers shattered and they began to default on their loans. Financial intermediaries in housing defaulted in turn on their bank loans, bringing most Swedish banks to the brink of bankruptcy (Pettersson, 1993: 27–93, 60–80).

Facing the prospective collapse of the financial system, the 1991–94 centre-right government temporarily nationalised or provided state credit guarantees to the banks in trouble and concentrated and managed bad loans in a state institution (Securum). Notwithstanding questions that could have been raised about its merits, reconstituting a liberal financial system was the objective of crisis management and this was achieved. Hence, the character of Swedish capitalism was transformed in the 1990s. The increased turnover on capital markets has already been mentioned, which completely changes incentives and terms of corporate strategy. Furthermore, there has been a major shift away from bank-centred strategic ownership. Above all, foreign ownership by institutional investors increased from 4% of stock market turnover to 43% in 2001, with institutional investors from the USA and the UK being

particularly active (Henrekson and Jakobsson, 2003: 88; Reiter, 2003: 113). The pressure of pushing up shareholder value has been such that most Swedish companies have voluntarily abandoned their long-cherished preferential shares, resulting in a loss of range and depth of strategic control of the traditional house-banks (Reiter, 2003: 113–19). Furthermore, the hollowing-out of public pensions, the encouragement of private pension savings, and the 1999 pension reform have deepened ‘everyday’ financialisation on the retail side (Belfrage and Ryner, 2009).

While future gains were thus privatised, current losses were socialised as public expenditure. These rose by 4% of GDP, while the economic contraction that wiped out 10% of productive capacity between 1991 and 1993 caused a sharp decline of public revenue. Given the precarious status of the krona on currency markets, a broad cross-party agreement with the social democrats on cutbacks of social expenditure was sought and established in a bid to avert a fiscal crisis. It commodified social insurance substantially in the form of increased opportunity costs of not working and an increased dependency on the cash-nexus (Olsson, 1993: 349–72). Cross-party retrenchment consensus was motivated by a ‘sclerosis’ narrative, where the welfare state was seen as the culprit of the crisis in the last instance (Sweden Ministry of Finance, 1993; Feldt, 1994; Persson, 2007: 92–4, 98). Though not part of this consensus, the Swedish union movement nevertheless engaged in concession bargaining to ‘save what could be saved’. By conceding the principle that cut-backs were fiscally necessary, union influence over the social democratic party successfully resisted changes in labour law and more substantive reductions of social insurance income replacement rates, even when that meant unprecedented open demonstrations against the post-1994 social democratic government (Lindberg and Ryner, 2010: 36). Yet, crucially, the concession bargaining stance did not question the reconstitution of liberal finance, but rather accepted financial market mobility as an exogenous non-negotiable constraint. The clearest expression of this is the formulation of the ‘Europe-norm’ as an anchor for wage bargaining coordination. Formulated by the tripartite ‘Edin Group’, chaired by the Chief Economist of the Landsorganisationen (LO; the Swedish Trade Union Confederation), the Europe-norm established that the negotiating room for wage increases was determined by the EU’s rate of inflation plus Sweden’s rate of long-term productivity growth. Rather than being seen as something to

be squeezed through solidaristic wage policy, profit rates were seen as internationally determined exactly because of finance-led capital mobility. Significantly, the Europe-norm became the basis of the LISA-project (Lönebildning, Inflation, Samhällsekonomi, Arbetslöshet), which subsequently framed intra-union wage coordination (LO, 1997; LO tidningen, 1997). Similarly, trade unions remained passive and the LO deferred to the Social Democratic party in the 1999 pension reform, where the Premium Reserve System offered a significant finance-led element (Lundberg, 2003: 174; Belfrage and Ryner, 2009).

In other words, in the decade-and-a-half between 1985 and the turn of the century, Swedish social democracy underwent a significant neoliberalisation. The full employment commitment had been abandoned and though corporatist bargaining remained a central feature, it conformed increasingly to a supply-side based competitive corporatism that is symptomatic of north-European neoliberalism. Social insurance was significantly commodified, and especially so in the case of the pension system. Corporate governance underwent profound financialisation. To this one should add significant privatisation of public service provision across a broad front.

## IV

The transnational pressures generated from the post-Bretton Woods order in Europe was itself an immediate cause for abandoning the central tenets of the Rehn-Meidner model and embarking on neoliberal policies (Moses, 1994). In an international environment characterised by increased capital mobility, it became increasingly difficult to maintain capital controls, especially given the capacity by Swedish multinational corporations to make currency swaps. However, such a structuralist account on its own would only be adequate if one could somehow demonstrate that Swedish social democrats pursued some sort of 'optimal strategy' to advance social democratic ends within the new structural constraints, and if it could be shown that 'there was no alternative'. This, however, ignores instances in which policy makers 'could have acted differently' at formative moments, such as during the 1985 November Revolution and during the 1992–94 banking crisis.

If immutable structural constraints were so powerful, one might ask why

policy makers had to work so hard to create them. Recalling the Mundell-Fleming impossibility theorem, it is not self-evident that in 1985 Sweden needed to sacrifice policy autonomy through a fixed exchange rate policy and it was most certainly not necessary to sterilise the capital account through the borrowing norm. This was a contingent new constitutionalist policy deliberately pursued for disciplinary neoliberal purposes. The alternative explanation that capital controls had been eroded from within because of inflation in the 1970s (Notermans, 1993) is more convincing, but does not then explain why a policy was pursued that generated an inflationary bubble.

Pronouncements by policy makers suggest that the deregulation of financial markets had more to do with (spurious) assumptions about improved credit allocation (Feldt, 1991). But this might well have been achieved without the growth of secondary capital markets. For example, the government could have followed the LO's advice to allow the public pension (AP)funds to invest directly in equity capital, providing a cheap source of capital to expanding firms as a quid pro quo for low average profit rates in support of solidaristic wage policy (e.g., Martin, 1984). Increased employers' contributions to the AP funds at upturns would have served to directly link conjunctural monetary policy and credit allocation policy. Indeed, the more moderate and 'watered down' versions of the controversial 'wage earner funds' of 1978 and 1981 would have worked in a similar way. 'Excess profits' would be directly siphoned off to such funds at times of economic boom (LO/SAP, 1978, 1981). Another, more radical solution would have been the original 1976 Meidner Plan. Here a quid pro quo was proposed where wage earners would accept higher profit rates in exchange for compulsory share emissions, and the distribution of these shares to funds owned by the wage earner collective. In this proposal, Swedish industry would in due course have become socialised (Meidner et al., 1976). Here there is a link that all literature on globalisation and social democracy has missed or chosen to ignore: the possibility to respond to globalisation through the socialisation of the investment function. The original motion of the Metalworkers' to the 1971 LO Congress, which called on the LO to work out a wage earner fund proposal, saw such funds in part as a response to the anticipated increased constraints to pursue the Rehn-Meidner model in a phase where corporations became increasingly transnationalised (LO, 1972).

Power mobilisation theory offers the obvious starting point for explaining the repression of this historical alternative. By the mid-1970s, the balance of socio-political power had shifted from labour to capital in Sweden and this goes a long way towards explaining why Swedish social democracy was unable to socialise the investment function. Hence, in addition to the structural power of transnationally mobile capital, an impressive amount of evidence has been mobilised to demonstrate a decisive mobilisation of capitalist socio-political agency in Sweden. This ensured that socialist responses to the crisis of the 1970s were abandoned, and this set the stage for a business-led neoliberal transformation of politics in the 1980s, spearheaded by the employers' federation, Sveriges arbetsgivarförening (SAF) (Ahrne and Clement, 1992; Olsen, 1994; Blyth, 2002).

However, this does not explain why Swedish social democrats, despite their hegemonic position, did not even seriously attempt to counter SAF's offensive in the 1970s and promote an alternative accumulation strategy. We still lack an explanation as to why the labour movement did not attempt to mobilise over the issue of wage earner funds. Furthermore, the active pursuit of neoliberalism from 1985 onwards is puzzling, given that the established paradigm of the Rehn-Meidner model (correctly) predicted that the outcome would be counter-productive (concerning inflation) and politically costly. At this juncture, the issue was, after all, simply one of defending the terms of the traditional 'social welfare hegemony'. The outcome of the 1982 election, where social democrats returned to power, demonstrated that this was highly feasible politically. Furthermore, the continued use of traditional welfare state imagery affirms that social democrats saw no political payoff in presenting their policies as yielding to neoliberalism. Instead, social democrats in the economic state apparatus clearly thought that neoliberals 'had the better argument' on economic policy. In Steinmo's (1988) words, they had 'changed their minds'. But how are we to account for this changing of their minds?

Neo-Gramscian International Political Economy (Cox, 1992; Gill, 1995) would stress the socialisation effect of participation in transnational elite forums. The problem is that Swedish social democratic elites did not experience participation in such forums as a paradigmatic metamorphosis of their worldview. It rather tended to 'confirm' and 'validate' the manner in which they saw the situation in the first place (Ryner, 2002: chapter 7). There



is, in other words, a transformation ‘prior’ to interaction in these forums that needs explaining. Headway can be made if we follow the basic insights of semiotics, and view ideas not as ontologically primitive causal ‘factors’ but rather as constituted relationally in discursive formations. Pertinent here is Michel Foucault's (1970) distinction between the *content* of an idea, and the *form* through which an argument *has to be ordered and constructed in order to be taken seriously* – the *episteme*. A compelling account of Steinmo's ‘changing of mind’ can be constructed when we shift our attention from the content of policy ideas to the ordering *episteme* of these ideas.

A focus on the content of Swedish social democratic policy ideas affirms the familiar story of a stable Keynesian paradigm from the 1930s to the 1980s, which then is unsettled by the stagflation crisis of the 1970s, and replaced in the monetarist ‘paradigm shift’. However, a focus on the *episteme* leads to a rather different temporal account. Here the Keynesian ‘golden age’ paradigm appears a lot less static than one might have thought to be the case (Ryner, 2002: chapter 7, 2004). Three epistemic shifts have occurred within the Swedish social democratic senior economic policy community since the 1930s. Two of these happened within the Keynesian ‘golden age’ itself. *This means that while on the surface there was continuity in the social democratic policy stance, the understanding and way of formulating this policy stance was fundamentally transformed.*

Space does not allow for an exhaustive presentation of these developments (see Ryner, 2002: 177–87). Nevertheless, in broad terms they are as follows. The first epistemic formation, which I call the *class-strategic episteme*, was represented by the coming together of the thought of Marxist-inspired activists like Gustav Möller and Ernst Wigforss on the one hand and functionalist Keynesians like Gunnar Myrdal on the other. These intellectuals combine a Marxian way to understand the socio-political strategic terrain and political-economic problems with a ‘problem solving theory’ informed by Myrdal's normative institutionalist economics (see Myrdal, 1928 [1963]). Such problem solving, when underpinned by the power mobilisation of organised labour, is understood to operate as a counter-tendency to the contradictions of capitalism. Such counter-tendential problem solving was seen as necessary to humanise capitalism, to save it from itself in the short run, and to embark on a reformist route to democratic socialism (Wigforss,

1914 [1971], 1949; Sweden.SOU, 1935: 293–337; Myrdal, 1945; see also Esping-Andersen, 1985).

In a second phase, the remnants of Marxism are shed. This generates the *instrumentalist-technocratic institutionalist episteme*, which was hegemonic through the 1950s to about the mid-1960s. It was against the backdrop of this *episteme* that the consensus around the Rehn-Meidner model was formed. Already this transformation prepared the ground for interpreting the stagflation crisis of the 1970s, not as a contradiction of capitalism requiring a counteracting ‘planning’, but rather as a falsification of Keynesian ideas, validating the monetarist alternative (e.g., Feldt, 1994: 12–14). In other words, this is a ‘Popperian’ worldview, where the social world is a laboratory for social engineers. Initially, this epistemic shift had little effect on policy content. Indeed, the technocrats were initially not only technocrats but also *qua* Myrdal (1928 [1963]) anti-utilitarians. However, in the 1960s, a utilitarian episteme emerges with a new generation of state managers. It has been dominant in the economic state apparatuses ever since and the neoliberal shift happens within this utilitarian episteme. In short, this episteme reduced significantly the distance that social democratic economic state managers needed to travel in their neoliberal conversion.

There is a striking correspondence between the epistemic shifts and the progressive establishment of the elites of the Swedish social democratic party as the managers of the capitalist state. The evidence suggests the pertinence of basic insights from Poulantzas. Like Foucault, Poulantzas emphasised the importance of the *form* of ideology, which he argued was ‘secreted’ from the day-to-day practices emanating from the complex social division of labour in a capitalist social formation, including the ‘institutional materiality of the state’ (Poulantzas, 1978: 66, cited in Jessop, 1985: 225):

it is ... not so much a question of ideology systemised, and formulated by the organic intellectuals of the bourgeoisie – which always is a second order ideology – as it is the primacy and ‘spontaneous’ forms of ideology that are secreted by the social division of labour and directly embodied in the state apparatuses and the practices of power.

In this account, the content of neoliberal ideas emanating from the Mont Pèlerin Society and the Trilateral Commission are 'second order'. If state managers did not find them convincing, their ideas would not have policy effect. After all, distinguished economists, backed by big business and SAF, had vehemently attacked social democracy in the 1930s, and for that matter continued to do so (from a liberal Keynesian point of view) in the 1950s and the 1960s (see Ryner, 2002: chapters 3 and 4), with little effect. Rather, Poulantzas suggests that the very practice of capitalist economic management as such 'spontaneously' 'secretes' a new way of thinking, which reflects changes of functions and practices ('the institutional materiality of the state'). In this account, the integral relationship between macroeconomic management and working-class mobilisation, as experienced in the practice of the generation of Wigforss, is progressively disarticulated. The political personnel in the Ministry of Finance, and for that matter in corporatist trade unions and social policy ministries and apparatuses, are progressively assigned specific functions in a division of labour concerned with regulating the emerging welfare state (Ryner, 2002: chapter 5). As a new generation is recruited into these apparatuses, management functions and technological expertise, as opposed to socialist agitation functions, are likely to become more important criteria.

This biases political developments in a direction that demobilises working-class organisations as social democracy is incorporated in the state. This tendency to bias is uneven – it varies from state apparatus to state apparatus. Corporatist trade unions, for example, maintain a more direct representative link to the working class, and as a result it is unlikely as a site for a similar ideological transformation (and the Rehn-Meidner model remained the key paradigm for the LO throughout the 1980s). There is, in other words, a bureaucratic politics involved that follows the logic of 'where you stand depends on where you sit' (Allison, 1971). The point is that the hierarchy and power relations of state apparatuses are structurally configured in the capitalist state in a way that biases the demobilisation of a working class that challenges capitalism. The Swedish case indicates that by the 1980s, the demobilisation had gone so far as to having generated an 'open flank' to neoliberalism.

The explanation presented in the previous section works for understanding transformations at the commanding heights of economic management in the Ministry of Finance and the Central Banks. It does not, however, explain the consent of Swedish trade unions. In the 1980s, they were vociferous critics of the November Revolution. However, just when this critique was vindicated in the Nordic banking crisis, unions went silent, acquiesced to deeper financialisation and took a leading role in transforming industrial relations in a competitive corporatist direction. To understand this, we need to move beyond a conception of ideas as cognitive filters to stress their performative dimension and the importance of time-scales in structuring what is politically possible.

After the 1982–91 social democratic government liberalised financial markets in 1985 (completed with the 1989 foreign exchange liberalisation and the 1990/91 tax reform), critique of such liberalisation was a ‘constant theme’ of Swedish trade union confederation analysis (LO, 1997: 89–90). From a distributive justice point of view, the LO maintained that it must be a fundamental social democratic and union objective to secure the functioning of the capitalist economy at the lowest possible return for capital. But capital market liberalisation, and above all the so-called borrowing norm – sterilisation-policy secured by the government abstaining from borrowing to cover current account deficits and leaving this to market transactions – did the opposite by maximising the sensitivity of Swedish interest rates to world markets and increasing the opportunity cost of productive capital (LO, 1988: 18, 22–23). However, the LO offered its most sustained attention to adverse pro-cyclical effects. The elimination of lending-restrictions, in an economy that had been given a strong push by the 16% devaluation in 1982 and already was in a robust upswing with high rates of profit, would cause a massive increase of the quantity of money through an annual credit expansion of 15–20% (LO, 1988: 19, 1989: 32–3, 1991: 4–5, 23, 1992b: 4), favouring wealth-effects over wage increases. This was seen as a poor quid pro quo for union agreement to exercise wage restraint to support the investment and employment effects of the devaluation (LO, 1988: 18), and would overheat the home market through loans-based consumption. This would generate wage drift and inflation, and undermine the cost advantage of the devaluation (LO, 1988: 18–19). What was more, liberalisation implied that the government abdicated all instruments of adjustment except those that would

inflict direct costs on union members: the blunt tool of internationally determined interest rates (LO, 1985: 9, 1986: 5–7, 1988: 20–6, 1992a: 5, 24–5, 1992b: 5, 1995a). Destabilising macroeconomic effects would further augment distributive effects: higher necessary profit rates in an overheating economy created wedges for employers to break up inter-union wage solidarity at the same time as liberalisation, the ‘monetary illusion’, and write-off rules favoured financial returns rather than productive investments in the export sector (LO, 1988: 22–6). While the LO acknowledged that government policy belatedly heeded them on write-off rules in the 1990/91 tax reform, the latter was criticised for lowering tax rates with adverse procyclical and distributive effects (LO, 1989: 34–5).

There is, furthermore, no compelling evidence of cognitive changes of core union interests. If anything, one is struck by their endurance and the extent to which they remain consistent with structuralist inferences about working-class interests, notably to promote employment under non-punitive conditions as a right as well as wide coverage and universal organisation of welfare entitlements for the class itself (Therborn, 1984: 21–3). The Europe-norm was construed exactly as necessary in order to combat mass unemployment, maintain wage solidarity, and stop the corrosion of welfare entitlements, and hence more punitive work conditions, albeit under a much less favourable class realignment (LO tidningen, 1997). It is no surprise that unions in the export sector were party to this reconstitution of a common policy and wage model. Though those employed in high value-added segments were comparatively well placed to defend interests in more decentralised bargaining, it is important to stress that they lost out from the weakening of solidaristic wage policy and higher unemployment, as indicated by the attenuation of co-determination and lower wage shares. At the same time, the acceptance of the Europe-norm, which was less problematic for them than for others, no doubt reflected their interests and power within the union movement (see Bieler, 1999).

Not only was there no redefinition of union interests. Contrary to appearances, when it is conceded that the end of exchange controls makes profit rates exogenously determined (LO, 1989), there was no change in causal beliefs to the effect that financial globalisation was seen as a non-negotiable structural reality. There was continuity here too. Nowhere is that

more evident than when the head of the Edin Group himself, the LO's chief economist, argues that the LO's critique of financial liberalisation in the 1980s had been vindicated *at the same time* as he advocated the Europe-norm to the LO's membership (LO tidningen, 1997: 3). Furthermore, documentary evidence suggests that trade unionists at the confederate level continued to see financial liberalisation as an inherently political, indeed geopolitical, construct and hence as an object of potential contestation (LO, 1995b, 1997).

To understand the rationale of trade union responses in this context, it is important to understand that the banking crisis formed part of a more general crisis of the Swedish Model, with intense and immediate manifestations in the spheres of core union activity: wage bargaining, employment and, somewhat further removed, social policy (Lindberg and Ryner, 2010; Ryner, 2013). It was understood as absolutely imperative that the crises in these spheres must be contained *quickly and in the here and now*. Consequently, aside from long-run struggles that may or may not change matters, it was absolutely necessary to bluntly accept the liberal financial architecture and the macroeconomic framework. Whatever one may think of foreign exchange deregulations and norms-based monetary policy, where interest rates and unemployment 'corrected' 'excessive' wage bargaining, this was *the way things were now* and any attempt to reconstitute wage coordination would have to accept this as a non-negotiable starting-point.

This almost exclusive prioritisation of wage determination in a narrow sense resulted in lower prioritisation of, and ultimately passivity in debates over, financial crisis management. Trade unions abstained from thematising finance as part of their internal education and mobilisation effort, in something that can be described as self-censorship (Ryner, 2013). This question of the importance of the here and now is internally related to the sedimented institutional-material terms of societal bargaining in the corporatist state with its attendant condensation of class compromise (*pace* Jessop, 2010: 340). Trade union economists who were critical of capital market deregulation found it difficult to be recognised as authoritative voices on this issue. By the 1990s, forceful intervention in the debate on financial markets by the trade unions would have been understood as a rather aggressive infringement on government prerogatives. Of course, financial market regulation is highly proximate to the constitution of generalised

commodity production and exchange as such, and is rarely a field characterised by high degrees of labour representation. This arena was well beyond the trade union remit. At the end of the day, given the position they found themselves in the mid-1990s, Swedish trade unions were not prepared to take such a radical step from 'business as usual' to attempt to assert an authoritative voice. Hence, priority was assigned to wage determination, labour law, and social policy, which were recognised as appropriate arenas for trade union action.

## VI

If neoliberalisation has fundamentally been, as Harvey (2005) contends, a political project to restore capitalist class power and the conditions for capital accumulation after the crisis of the 1970s, why has European social democracy consented to, and been an active agent, in this project? This chapter has answered this question, first, by identifying post-Bretton Woods transmission mechanisms in the international monetary regime, instituted first through the EMS and then the EMU, which re-situated social democratic agency and changed its preferences. Moving from the situation of social democratic agency to the action itself, the explanation was further augmented through an analysis of the disposition of Swedish social democracy. The premise was that by focusing on this 'least likely case' of neoliberalisation, it was possible to more sharply identify some key sufficient conditions for social democratic neoliberalisation. In the case of social democratic managers at the apex of the state apparatus, the chapter identified the emergence of a more technocratic mode of reasoning in the postwar period as the critical factor explaining the rather smooth transition from Keynesianism to neoliberalism within the parameters of normal politics. Such a neoliberal conversion was not present in the case of trade unions at the cognitive level. However, trade unions strategically retreated when it became clear that their performative authority within conceivable time-horizons diminished in the 1990s. Hence, although never converted to neoliberal ideology, they thereby contributed to its proliferation and reproduction.

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## **20 Neoliberalism and Supra-National Institutions**

**Nitsan Chorev**

The diffusion of neoliberal economic ideas, policies and organizational logic has been a remarkable demonstration of the various ties that connect countries to each other. By way of imposition, persuasion and, at times, without doing anything at all, countries that were first to embrace the neoliberal economic model – first and foremost, the United States – saw other countries adopting local versions of that model (Harvey, 2005; Simmons, Dobbin and Garrett, 2006; Evans and Sewell, 2013). This diffusion has been achieved, in part, by way of direct relationships between countries. Indeed, a growing literature on inter-state diffusion has described and analyzed the various ways by which policies in some countries are influenced by policies in other countries (Henisz, Zelner and Guillén, 2005; Simmons et al., 2006; Chorev, 2012a). What is quite remarkable, and possibly unprecedented, is the extent to which international organizations have been central to the process of diffusion as well. Indeed, scholars have studied in great detail the ways by which the International Monetary Fund (IMF), the World Bank, and to a somewhat lesser extent, the World Trade Organization (WTO) have been primary agents in the dissemination of neoliberal reforms in the former Soviet Union, Latin America, sub-Saharan Africa and elsewhere (Sell, 2003; Abdelal, 2007; Babb, 2009). Given scholars' general dismissal of the influence and capabilities of international organizations (and independently of whether we see these international organizations as autonomous or in the service of rich countries), the remarkable role of international organizations in spreading neoliberalism should be accepted for what it is: an illustration that the international level is and should be considered constitutive – an active space with real consequences.

In general, however, the literature on the diffusion of neoliberal models via international organizations has concentrated on those that seemed to have mattered most: the IMF, the World Bank and the WTO. A number of fruitful



discussions emerged regarding the influence of developed countries, particularly the US, over the neoliberalization of these institutions (Gowan, 1999; Babb, 2009; Chorev and Babb, 2009), the potential autonomy of these organizations (Abdelal, 2007; Weaver, 2008; Park and Vetterlein, 2010), as well as the ability of recipient countries to resist (Plehwe, Walpen and Neunhöffer, 2005; Chorev, 2012a). Much less attention has been given to the rest of the supra-national universe, even in relatively comprehensive works (see, for example, Cox, 1986; Gowan, 1999; Harvey, 2005). In fact, there are only a few studies in the social sciences analyzing international organizations in the context of neoliberalism, or even globalization.<sup>1</sup> The reason for this neglect is clear enough. Specialized Agencies of the United Nations (UN), for example, seem to play a marginal role, if any, in diffusing neoliberal logic elsewhere. If anything, they seem to be – like most governments – the recipients, rather than the conveyers, of a neoliberal logic.

In fact, however, UN agencies and other international organizations are an integral and hardly marginal part of the story of the rise and diffusion of neoliberalism. In particular, they are instrumental to our understanding of the diversity of neoliberal models, as well as the institutionalization of neoliberalism. Looking at the World Health Organization (WHO) and other global health institutions, in this chapter I show that while adhering to the neoliberal logic developed elsewhere, international organizations have done so in a way that redefined and transformed the meaning of neoliberal policies, contributing to the diversity that others have referred to as ‘actually existing neoliberalism’ (Brenner and Theodore, 2002; see also Plehwe et al., 2005), both at the international *and* at the national level.

Additionally, the supra-national realm was *made* (or *remade*) by neoliberalism not only by transforming existing international organizations but, as importantly, by leading to the establishment of completely new types of global institution, which, I argue, fit much better to the neoliberal logic. The literature on new forms of global governance in general, and public-private partnerships (PPPs) in particular, is extensive (Keck and Sikkink, 1998; Buse and Walt, 2000; O'Brien et al., 2000; Osbore, 2000; Jessop, 2004; Slaughter, 2004; Börzel and Risse, 2005; Rosenau, 2007; Schäferhoff, Campe and Kaan, 2009). Much of the analysis of PPPs, however, is descriptive or evaluative, rather than analytical. In the second part of the chapter, I describe

these new types of international institution and argue that it is these institutions, rather than the older international financial institutions, that are likely to help sustain but also further modify existing neoliberal models. Along the way, some of these new institutions might, in fact, weaken the influence of the IMF and the World Bank, which allowed the diffusion of neoliberalism in the first place.<sup>2</sup>

## **Restructuring Neoliberalism at the International Level**

The World Bank's dissemination of neoliberal economic policies deviated from the Bank's previous practices partly in its focus on macroeconomic reforms. Countries depending on IMF and World Bank loans were asked, for example, to reform their exchange rate, fiscal and monetary policies. But, importantly, World Bank policy recommendations also extended to many non-economic policy realms, such as health. Budget cuts in the public sector, for example, which were a Bank priority, were to directly affect available funds in the public health sector. To help public health sectors manage the planned budget cuts, the World Bank also pressed for the introduction of 'user fees', which supporters believed would rationalize the system and critics argued would block access to those most in need (de Ferranti, 1985; Gilson, Russell and Buse, 1995). At the WTO, in turn, an agreement on trade-related intellectual property rights (TRIPS), which strengthened the intellectual property protection of novel medicines, had the potential of preventing access to copies of patented drugs ('generics') at the time when HIV/AIDS was rapidly spreading across the globe and novel medicines were prohibitively costly (Sell, 2003).

The reforms proposed by the World Bank put great pressure on other international organizations, maybe most particularly on UN agencies, which saw their mandates – on health, education, labor and other realms – being taken over by the World Bank, the IMF and the WTO. The World Health Organization was particularly vulnerable for a number of reasons. First, the 1980s saw the WHO in a midst of a serious crisis due to increasing budgetary constraints and ineffective leadership. Second, the policies called for by the World Bank and the WTO contradicted not only the WHO's suggested

policies but the Organization's core principles as well (Chorev, 2012b).

The response of the WHO bureaucracy to the pressures emanating from the World Bank's proposed health reforms gives an insight into how, and the extent to which, *other* international organizations were transformed into neoliberalized international organizations, and what effect it had on the dissemination of the neoliberal logic across various countries. I argue that in response to external pressures, international organizations like the WHO certainly transformed to become more compatible with the dominant neoliberal logic. However, international bureaucracies were also able to 'adjust' the neoliberal logic so that it was more compatible with their own principles and interests. The result was an array of 'actually existing neoliberalisms' also at the international level. This, in turn, had an important effect on the dissemination of the neoliberal logic. Countries now had competing logics of neoliberalism to imitate. International organizations like the WHO, therefore, have not only deviated from the World Bank's version of neoliberalism but, indirectly, contributed to the deviation, diversity and divergence scholars have seen at the national level as well (Fourcade-Gourinchas and Babb, 2002; Prasad, 2006).

Three examples are particularly useful in illustrating the ability of the WHO bureaucracy to adapt to a neoliberal logic while protecting some of its principles: how it 'marketed' health in the new environment; how it calculated and justified health priorities; and how it fought for access to affordable medicines in the context of TRIPS.

The chief threat for the WHO, with the growing dominance of the World Bank, was marginalization to the point of oblivion. Marginalization not only of the Organization, but also of health as a legitimate international concern. This was certainly a major worry for Dr. Gro Harlem Brundtland, who became the Director-General of the WHO in 1998. Dr. Brundtland – the former Prime Minister of Norway and internationally known for chairing the UN World Commission on Environment and Development – seemed to have few illusions about the WHO's ability to maintain countries' interest in health as an end in itself. This was an era in which economic growth, and only economic growth, could motivate international or even national action. The WHO did not try to convince governments otherwise. Instead, under the

leadership of Brundtland, the WHO bureaucracy tried to regain the interest of governments in health by suggesting that health was fundamental for what they cared for, namely, economic growth. To do so, the WHO recruited the opinion not of public health experts, but of well-known economists. In 2000, Brundtland established the Commission on Macroeconomics and Health. The Commission was headed by the economist Jeffrey Sachs and included former ministers of finance and officers from the World Bank, the IMF and the WTO. Brundtland instructed the Commission to '[place] health at the heart of the development agenda' (Brundtland, 2000). And the Commission complied. The Commission report presented evidence that improving the health of the poor would lead to lowered fertility rates, improved educational performance, increased labor productivity and improved macroeconomic stability and, therefore, would contribute to economic growth. The Commission also established that for low- and middle-income countries, investing in health and health technologies was one of the most effective means to achieve economic development (Commission on Macroeconomics and Health, 2001).

What is remarkable about this instance is the following: on the one hand, the WHO secretariat seemingly capitulated to the neoliberal logic by replacing a pure health logic with one that subordinates health to economic considerations. On the other hand, by doing so, the WHO was also able to turn the World Bank logic on its head. Rather than suggesting, as the World Bank certainly did, that investment in health would be the consequence of economic growth, the WHO now suggested that, on the contrary, investment in health is the most efficient way to bring about economic growth in the first place. In that way, the WHO did more than protect its status in the international order, but spearheaded the growing interest in health later on. It certainly offered an effective justification for future health-related declarations and initiatives, including the Millennium Development Goals (MDGs), where three of the eight goals were health-related, and the Global Fund to Fight AIDS, Tuberculosis and Malaria, one of the most ambitious global health initiatives in history.

The successful defense of investment in health, however, required also a legitimate way of prioritization. Here, too, a conflict between World Bank and WHO preferences seemed inevitable. Traditionally, WHO prioritized populations that were 'most in need', so while affordability clearly mattered,

it was a second-order consideration. The World Bank, in turn, prioritized cost-effectiveness and, as a result, also shifted attention from infectious diseases, which often affected the most vulnerable populations, to non-communicable diseases, which are more prevalent among affluent populations (World Bank, 1993). The WHO responded by accepting cost-effectiveness as the legitimate way to set priorities (WHO, 2000, 2002). However, the WHO's top new priorities were still the three major communicable diseases that often affect those most in need, namely, malaria, tuberculosis and, later, HIV/AIDS. All three initiatives were presented as contributing to economic development. For example, one slogan for the malaria initiative was 'Roll Back Malaria, Roll in Development'. For all three diseases, cost-effectiveness was used to justify the choice of the preferred interventions. In the malaria initiative, for example, the WHO supported for-profit markets for selling bed-nets rather than distributing them for free. But attention to cost-effective calculations brought the WHO not only to consider the effectiveness of costly interventions, but also to consider means to reduce those costs. This brought the WHO to intervene in a particularly contentious debate over access to HIV/AIDS drugs and TRIPS (Chorev, 2012b).

The WHO secretariat was forced into a position on the international trade agreement when governments of developing countries and activists around the world started protesting that TRIPS would make it impossible for governments with scarce resources to buy much cheaper generic versions of patented HIV/AIDS drugs. As with its relationship with the World Bank, the WHO secretariat was able to avoid a head-on collision with the WTO (and the US government, which strongly supported TRIPS): not by submitting to its logic, but by reinterpreting that logic in a way that was more compatible with the WHO's position. Specifically, an early report written by WHO officials, *Globalization and Access to Drugs: Implications of the WTO/TRIPS Agreement* (WHO, 1997), managed to defend the principle of universal access to drugs without questioning the right for intellectual property protection. Rather than challenging TRIPS, the report made the much less controversial claim that TRIPS, if interpreted correctly, already achieved the appropriate balance between intellectual property protection and access to medicines. In other words, to avoid direct confrontation, WHO officials made the case that the agreement – as long as it is interpreted correctly – was in fact compatible with the health needs of developing countries.

Neoliberalism, in short, affected not only international financial institutions, but, as a result of pressures from those institutions, other international organizations as well. In this section, I described part of the programmatic transformation of the WHO (I discuss the organizational transformation below), and argued that WHO's choices were not a complete capitulation to neoliberalism, but what I elsewhere call a 'strategic' response to it (Chorev, 2012b), which led to a *distorted* adoption of the neoliberal logic as it was understood by the World Bank. The WHO, of course, was hardly unique in its response. Other international organizations have reacted in a similar way. The International Labor Organization (ILO), for example, has fought against its increasing marginality by abandoning a more ambitious but controversial agenda and focusing its attention on the less controversial 'core' labor standards (Helfer, 2006; Standing, 2008). And it is interesting to read the account of Richard Jolly (1991), who was centrally involved in the UNICEF report, *Adjustment with a Human Face*, that was critical of the World Bank's structural adjustment programs (Cornia, Jolly and Stewart, 1987). He writes: 'UNICEF was careful never to claim that deterioration in the human situation was the *result* of adjustment policies, or that some adjustment was not necessary in most cases.' Instead, UNICEF insisted that 'the fact that adjustment was not itself the cause [of the human difficulties and social setbacks, especially of vulnerable groups] did not absolve orthodox policies from the charge of failing to do enough to prevent further human deterioration or offset the human consequences' (Jolly, 1991: 1818). Like the WHO's report in regard to TRIPS, UNICEF's response to structural adjustment programs demonstrates the ability to reconstitute neoliberalism from inside rather than outside.

International organizations' adaptation to – rather than adoption of – the neoliberal expectations of the US government, the World Bank and others, significantly affected the international landscape. Rather than a unified realm where other international organizations obediently echo an existing, hegemonic paradigm, the international arena is more accurately described as a contentious realm where international organizations, while certainly experiencing a neoliberal turn, adopt 'neoliberalized' policies that fit better with their own institutional inclinations. But the international landscape was not the only one effected. International organizations function as particularly crucial dissemination mechanisms (Meyer and Rowan, 1977), and the

diversity across international organizations offered a ‘neoliberalisms menu’ for governments going through their own neoliberal turns. Governments, as we well know, have clearly deviated from conventional neoliberal scripts due to domestic circumstances (Fourcade-Gourinchas and Babb, 2002; Prasad, 2006). In addition, I suggest that governments were able to deviate from conventional neoliberal scripts by following the scripts not of the World Bank, the IMF or the WTO, but of competing scripts developed by other international organizations, such as the WHO or UNICEF. One example is some governments’ deviation from the ‘user fees’ scheme supported by the World Bank, which was enabled by the WHO's reports criticizing user fees, especially as the scheme affected maternal health and HIV/AIDS and tuberculosis patients (WHO, 1993, 2003, 2005a, 2005b). A better-known example is governments’ resistance to a strict interpretation of TRIPS. Drawing, among other sources, on the WHO's reading of TRIPS, the South African government and later many other governments, chose to interpret TRIPS in a way more compatible with public health concerns (Chorev, 2012a). In short, international organizations have not only created their own versions of neoliberalism, but they have done so in a way that has influenced the diversity of neoliberalism adopted by governments as well.

## **Neoliberalizing the International Structure**

It was not only norms, policies and programs that were transformed as part of the neoliberal turn at the international level. As significant, the organizational structure of the international arena as a whole, and the organizational structure and logic of individual supra-national institutions, have also transformed.<sup>3</sup> First, new international institutions emerged that were designed differently from international organizations established in the postwar period. The structure of these institutions, as well as the logic of operation and orientation they followed, is much more compatible, I argue, with neoliberal sensibilities, priorities and preferences. Second, existing international (governmental) organizations also adopted new organizational rules and practices, which changed their relationships with member states and created new relationships with a variety of actors, who were now considered to be legitimate ‘stakeholders’.

Pressure both from rich member states (donor countries) and from new

sources of funds, particularly private foundations, led to the channeling of resources and responsibilities from existing international organizations to newly established ones. Many of those organizations were designed as public-private partnerships (PPPs) (Lee, Humphreys and Pugh, 1997; Utting and Zammit, 2009), where private donors but also representatives of civil society organizations take part in the decision-making processes. The global health regime, now including many organizations other than the WHO and the World Bank, is again a useful site for the emergence of these new institutions.

Starting in the late 1990s, a wave of public-private partnerships has transformed the global health regime, with both organizational and programmatic innovations. New organizations included public-private research and development partnerships, such as the International AIDS Vaccine Initiative (IAVI), which had the goal of developing a preventive HIV vaccine. Seth Berkley, the CEO and founder of IAVI, recounted in an interview the considerations leading to the decision to have an independent entity rather than making IAVI part of the UN: '[It] wouldn't have the flexibility, it would be too bureaucratic, it would be too consensus-driven, you couldn't take the risks, you couldn't stand the heat that would occur when you drop something. ... So there was a sense this couldn't be done in the UN.'<sup>4</sup> Founders of many other new international initiatives similarly viewed international organizations' bureaucratic and political characteristics as obstacles to achieving results. These sentiments, of course, were entirely compatible with and particularly palatable in a neoliberal context that celebrated the private market and denounced political interventions and public bureaucracies (Chorev, 2012b: 215–216).

IAVI was launched in 1996 and soon observers commented that 'a new model for poor-country assistance seems to have been born' (Mallaby, 2000). Even a partnership initiated by the WHO, Medicines for Malaria Venture (MMV), was established as a foundation, independent of the WHO. Again, the logic was based on the need to avoid 'politically motivated decision making' (Butler, 1998). Institutional independence was also sought for programs devoted to the provision of services, such as the distribution of drugs, vaccines and other commodities, including the Global Alliance for Vaccines and Immunization (GAVI, later called the GAVI Alliance)



(Muraskin, 2004) and the Global Fund to Fight AIDS, Tuberculosis, and Malaria, with the responsibility for raising and distributing the requisite funds to combat these three major diseases. By 2005, a study commissioned by the WHO identified 24 public-private health partnerships targeting the creation of new health products for the benefit of developing countries (Ziemba, 2005). Private foundations – especially the Bill and Melinda Gates Foundation – contributed most of the funds. Governments also contributed relatively generously, potentially at the expense of donations to organizations like the WHO. While the private sector contributed to partnerships more than to WHO-led initiatives, business participation was more limited than promised by those who justified independence from the UN as necessary to lure corporate support (WHO, 2006: 74–75).

The aversion to politicized decision-making processes also influenced the type of governance designed for PPPs. A small governing board was preferred over a large one, and expertise was preferred over political representation. Political representatives were assigned a given constituency (such as developed countries/donors or developing countries/recipients/implementers) rather than a country. The goal was to design, as far as possible, a governing body that would resemble a board of directors in a for-profit enterprise (Chorev, 2012b: 217). The Global Fund board, for example, has 20 voting members, including: seven representatives from developing countries, eight representatives from donors, and five representatives from civil society and the private sector. GAVI's board includes, in addition to the permanent seats occupied, among others, by the WHO, the World Bank and the Bill and Melinda Gates Foundation, eleven additional rotating seats for two developing countries, three developed countries, one non-governmental organization (NGO), one developing country industry, one developed country industry, one foundation, one technical health institute and one representative of research and academia. *Both* international organizations *and* governments have been marginalized by these new voting arrangements. Those with the more prominent voices are donors (either governments or private foundations) and civil society organizations. While the growing influence of civil society organizations is clearly the making of these groups' mobilization, and even though they do often make demands not supported by donors, it should be mentioned that the neoliberal distrust of political organizations and bureaucracies is entirely

compatible with preferring civil society organizations over governments in representing countries' populations. This is indicated not only in representation on boards, but also the growing tendency – by both international and bilateral aid agencies – to channel their donations to civil society organizations rather than government agencies (Dietrich, 2013).

The 'neoliberalization' of the international realm is also manifested in the relations between the new international organizations and potential recipients. Need is no longer a good enough reason for financial support. New global institutions such as GAVI and the Global Fund require countries to apply for funds, and they may reject countries whose applications are deemed inadequate. Adopting the notion, held by Bill Gates, among others, that poor nations could benefit from corporate-style incentive systems, both GAVI and the Global Fund make eligibility for additional installments of funds contingent on performance. For example, if a country does not reach the required number of additional children immunized using GAVI aid, GAVI could withhold additional cash and could stop sending vaccines to that country. Similarly, the Global Fund awards grants only to proposals that are likely to succeed, and funds are released incrementally, based on demonstrated results against agreed targets (Chorev, 2012b).

Performance-based funding (often with minimal technical support) puts much responsibility on the shoulders of governments, many of them with inadequate bureaucratic capacity. This was not traditionally the logic of aid provided by the WHO, the World Bank, or others, but these organizations have recently adopted similar practices. The WHO has arguably chosen this path partly in response to the proliferation of public-private partnerships and other health initiatives, which turned the WHO from an organization with a monopoly over global health issues into one actor among many. An *Issue Brief* published by the Council of Foreign Relations suggested that, as of 2015, there were more than 40 bilateral donors, 25 UN agencies, 20 global and regional funds, and 90 global initiatives that targeted health activities. Combined, they had more than US\$31 billion in funding, while the WHO received as little as 5% of this sum.<sup>5</sup> To respond to the challenge, the WHO began to welcome NGOs, private foundations and private industries as more active participants in its deliberations. The WHO also established its own public-private partnerships, like MMV, in which it could maintain a more

central role. Finally, the WHO skilfully reinvented its role as the 'coordinating authority', which is one of the functions assigned to it in the WHO Constitution. Historically, the WHO reputation was based much more on ambitious, proactive interventionist projects – such as the eradication of smallpox. But already in the late 1990s, experts called for a narrower role for the WHO that would avoid the need to compete with new health entities while still maintaining the WHO's leadership position (Godlee, 1994) – and 'coordination' of the activities and responsibilities of these new health institutions was that role.

Taking seriously the role of coordination allowed the WHO to adapt better to a new fashionable concept, that of 'country ownership'. Defined as 'sufficient political support [among stakeholders within and outside the government] to implement its developmental strategy',<sup>6</sup> this concept was based on the World Bank's increasing conviction that ownership by the borrower was a significant determinant of effectiveness of external financing (Collier and Dollar, 1998). But 'ownership', which was embraced by both the IMF and the World Bank, was also a response to criticisms against the, at times, patronizing and culturally-insensitive ways in which the World Bank and others (including the WHO) imposed 'one size fits all' solutions on countries, independently of these countries' specific needs and constraints. 'Ownership', in contrast, holds – as Michel Kazatchkine, a former executive director of the Global Fund, put it – that 'countries themselves set their priorities, design programs, implement them and are accountable for what is being achieved.'<sup>7</sup>

The emergence of new types of international 'mixed' institutions – some public, some private, some member-free foundations, some still member-driven – and the transformation of existing organizations are visible in every international arena, not only health. Some prominent examples include the UN Global Compact, the Global Environment Facility (GEF), the Financing Facility for Remittances, Education For All, and the Global Partnership on Output-Based Aid (GPOBA). And initiatives launched by existing international organizations often do not maintain the intergovernmental governing logic of the postwar period. Important variations notwithstanding, a shift from traditional intergovernmental organizations to a logic of 'partnerships' is unmistakable. While the international arena today is still largely run by the international financial institutions, and while governments

– particularly governments of rich countries – are still the dominant players, they are now forced to share the stage with competing entities, which are designed to be leaner, less burdened by political considerations or bureaucratic rigidity, and to benefit from the largesse not only of governments but of the private sector as well. This organizational revolution, I suggest, is an unintended consequence of a neoliberal logic that is extremely suspicious of political bureaucracies and very trusting of profit-motivated management. In other words, this is not a market revolution as such, but, more accurately, a managerial revolution.

In addition to the implications for international organizations, there are also obvious implications for states and governments that are worth mentioning. First, states' participation in international organizations, which in the past has been a right based on the principle of sovereignty, is now increasingly based on the logic of ownership. Traditionally, countries' sovereignty was respected in the form of equal participation – policies and programs in most international organizations were initiated, debated and decided by all member states. At the same time, once those policies were decided, all countries were expected to accept those policies. This process of decision-making meant that countries had less control over their own policies (since they were expected to respect collective decisions) but, importantly, more influence over other countries' policies (since with the power of their vote they could shape the collective decisions of what other members were expected to respect). The new focus on ownership meant that countries had more control over their own policies but much less influence over other countries' actions. In regard to relations among states, therefore, the current model of global governance does not exactly weaken (some) states' international position, but instead 'individuates' them (Chorev, Andia and Cipler, 2014).

A less obvious implication of 'ownership' – and of considering 'stakeholders within and outside the government' – is the fact that states are no longer represented in international organizations only by their governments, but rather by a collection of stakeholders. This fragmentation of a country's voice clearly weakens governments' influence in the international arena. And this fragmentation applies not only to decision-making at the international level (that is, the composition of organizations' governing bodies), but also to decision-making at the domestic level. At the Global Fund, for example,

applications have to be devised by a collaboration of domestic participants, not by the government alone. Ownership, then, not only individuates states but also imposes on (recipient) states a certain level of deliberation and pluralism.

Second, states' claim for support, which in the past has been granted on the basis of need, increasingly needs to be legitimated on the basis of adequate behavior. A multilateral logic of rights was replaced with a technocratic logic of performance. It is worth noting, however, that disciplinary mechanisms are more often used in cases of mismanagement, embezzlement, and corruption, not in cases of well-meaning but poor performance (for example, failing to reach agreed targets). Whether intentionally or not, the main concern here has become, therefore, not with capacity but with 'good (or good enough) governance.' The focus, at least for now, is on legality rather than competence.

## **Conclusion**

Supra-national institutions have played a part in the neoliberal project in more than one way. The more familiar narrative is that of international financial institutions – the IMF and the World Bank – imposing neoliberal economic policies on indebted countries. This is a central part of the story, but only one aspect of it. In this chapter, I offered two additional perspectives that are important to consider for a better understanding of the spread and institutionalization of neoliberalism, both at the international and the national levels. First, I argued that neoliberal sensibilities spread from the World Bank (and rich countries) to other international organizations. However, drawing on the case of the WHO, I showed that these other international organizations did not simply adopt the same kind of policy reforms supported by the World Bank, but rather adopted 'deviant' versions of neoliberalism, and in that way also expanded the repertoire of neoliberal policies that are available for neoliberalizing governments. Second, I showed that one indirect but nonetheless consequential neoliberal influence on the international level is the emergence of a new type of supra-national institution, one that is trying to resemble a for-profit company rather than a political (or politicized) institution. In this new type of organization, international bureaucracies and governments are expected to share the stage with private foundations, civil

society organizations and industry. In addition, this new type of organization brings to the international level new sensibilities – among them, much greater concern with efficiency and transparency, possibly at the expense to equity or need. These new institutions are much more fragile than the postwar institutions were – for example, the Bill and Melinda Gates Foundation, but also the US government, are much more likely to abruptly stop their voluntary funding of the Global Fund than governments are likely to stop their contributions to the WHO. But if they survive, and if the institutional logic they advocate becomes dominant, this may transform the transnational level to an even greater extent than the direct neoliberal reforms have done.

## Notes

1. There are some important exceptions to this generalization, including Helfer (2006), Standing (2008), and Brown, Cueto and Fee (2006). The literature has been much more interested in the rise of *new* international organizations rather than the transformation of existing ones, which is analyzed in the second part of this chapter.
2. This part of the argument greatly benefited from conversations with Sarah Babb and a co-authored paper (Babb and Chorev, 2016).
3. This part of the argument partly draws on Chorev, Andia and Ciplet (2014).
4. Interview by the author with Seth Berkley, CEO and founder of IAVI, New York, 19 February 2009.
5. [www.cfr.org/global-governance/global-governance-monitor/p18985#!/public-health?printId=4324](http://www.cfr.org/global-governance/global-governance-monitor/p18985#!/public-health?printId=4324) (accessed 2 September 2015).
6. [http://web.worldbank.org/archive/website01013/WEB/0\\_CON-5.HTM](http://web.worldbank.org/archive/website01013/WEB/0_CON-5.HTM)
7. [http://english.ohmynews.com/articleview/article\\_view.asp?no=382131&rel\\_no=1](http://english.ohmynews.com/articleview/article_view.asp?no=382131&rel_no=1)

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## **Part IV The State**

# 21 The Neoliberal State: Power Against 'Politics'

William Davies

## Introduction

In his landmark critique of Victorian *laissez-faire* ideology and its consequences, *The Great Transformation* (1944), Karl Polanyi argued that 'a belief in spontaneous progress must make us blind to the role of government in economic life' (1957 [1944]: 37). This blindness could only be sustained, Polanyi reasoned, thanks to 'the institutional separation of society into an economic and political sphere' (1957 [1944]: 71). This notion of market and state as separate domains, operating according to different logics, is at the heart of the liberal vision of freedom. The question is whether it represents some underlying ontological reality, namely that market and state *are* independent of each other, or whether, as Polanyi claimed, it masks a political agenda, whereby the state *imagines and constructs* the free market it purports to be absent from.

The critical distinction between liberalism and neoliberalism is that the latter abandons the vision of market and state as independent and ontologically distinct entities. In that respect, Polanyi's critique is one that is shared by neoliberal thinkers, only with very different ramifications. Where Polanyi argued that the myth of the self-regulating market was unsustainable and needed abandoning altogether, neoliberal thinkers have always argued for a more realistic, state-led market agenda, which is attuned to the dependence of economic liberalism on competition law, property rights, a culture of enterprise, a strong police force, strict monetary policies, and so on. Neoliberals are anything but 'blind to the role of government in economic life'. In that respect, the starting point of neoliberal reason and reform is implicitly a political and sociological one (Gane, 2014), which recognizes that markets and individual economic liberty will not thrive of their own

accord, but need actively instituting and defending. As Phillip Mirowski stresses, neoliberalism is a *constructivist* political project (Mirowski, 2009).

The state is a central instrument for the advancement of a neoliberal agenda. Commitment to a strong state, capable of rebuffing political and ideological challenges to capitalist competition, is a defining feature of neoliberalism, both as a system of thought and of applied political strategy. There is scant evidence of neoliberal reforms ever leading to a ‘smaller’ or ‘weaker’ state in any meaningful sense, even if certain functions have been removed from the state via policies of privatization and outsourcing. However, the state is also an object of considerable critical scrutiny and resentment under neoliberalism. As Jamie Peck argues, ‘neoliberalism's curse has been that it can live neither with, nor without, the state’ (Peck, 2008: 39). The suspicion that the state and its agents are wasteful, self-serving, irrational, blind to the merits of competition, excessively ‘intellectual’ and resistant to change is an abiding feature of neoliberal critique. The paradoxical status of the state under neoliberalism, being simultaneously the key instigator of reform and main obstacle to it, means that this anxiety can never be entirely allayed.

In the face of this ambivalence, neoliberal critique focuses on seeking to rationalize the state using techniques drawn from the world of business or to actively involve business in the running of public sectors. Reforms known as ‘new public management’ took off from the 1980s onwards, seeking to remodel state bureaucracies on private sector enterprise, using target-setting and audit to disrupt allegedly slow and wasteful public sector administrations (Hood, 1995). Outsourcing and public-private partnerships have produced a new institutional sphere between market and state conventionally understood, that can be analyzed in terms of networks of ‘governance’ or ‘governmentality’ that redistribute state functions into various new administrative units (Rhodes, 1996; Rose and Miller, 2013). Neoliberalism often involves the determined pursuit of state agendas, but in ways that bypass inconvenient, ‘political’ or supposedly inefficient instruments of government.

This chapter explores the neoliberal state in three different ways. First, it discusses the idea of the neoliberal state, as it exists in neoliberal thought between the 1920s and the 1970s. I will show how neoliberals such as



Friedrich Hayek consciously distanced themselves from the Victorian vision of *laissez-faire*, and committed to an active state agenda. This is something that Michel Foucault highlighted in his renowned lectures on neoliberalism (Foucault, 2008). Second, I will specify key features of the ‘actually existing’ neoliberal state, including its status over the course of the global financial crisis of 2007–09. Neoliberalism does not shrink state power, but it does involve it shifting from spheres designated (pejoratively) as ‘political’ to those viewed as unpolluted by the dangers of politics. Finally, I will identify some of the core contradictions at the heart of the neoliberal state, and draw out what these mean for the critique of neoliberalism.

## **The Idea of the Neoliberal State**

A defining feature of neoliberal thinking is the presumption that there is no *a priori* distinction between the realm of the ‘political’ and that of the ‘economic’. The way in which individuals act in the marketplace is not substantially any different from how they act in public sector bureaucracies or as participants in democracy. From a neoliberal perspective ‘there is no separate economic motive’ (Hayek, 2007 [1944]: 93), a principle reiterated by various members of the Chicago School of Economics (e.g., Friedman, 1962; Becker, 1976). A commensurate assumption is that there is no ‘separate’ institutional sphere of economy. A recurring motif of neoliberal political critique is to extend metaphors, norms and measures from the economic realm of markets and business to the political realm of government. For example, the discourse of ‘national competitiveness’ borrows the language and methodologies of business strategy, and applies them to questions of national executive decision-making, representing political leaders as national ‘CEOs’.

In *The Birth of Biopolitics* (2008), Foucault argues that this application of economic critique to the state was the main hallmark of neoliberalism. In contrast to liberalism, which required government to develop techniques and knowledge through which to retreat into a limited ‘political’ space and leave economic activity alone, neoliberalism involves relentless efforts to remake social and political life around an ideal plucked from the market. As Foucault argued, it:

...is not a question of freeing an empty space [as *laissez-faire* was], but of taking the formal principles of a market economy and referring and relating them to, of projecting them on to a general art of government. (Foucault, 2008: 131)

It is not simply that neoliberalism privileges markets, but that it seeks to buttress markets (and market-like behaviours and culture) using the force of the state and to transform the state around principles extracted from the market (Davies, 2014). Foucault examined this via the writings of the Freiburg School of ordoliberalism and the Chicago School of neoclassical economics. While these two intellectual traditions are strongly divergent in their theoretical approach and political implications, what they share is the assumption that the state (in addition to other non-market realms of existence) can and should be reformed through a deliberate re-organization around principles associated with the marketplace.

In the case of ordoliberalism, the authority of the state is derived from its capacity to enforce the rules of the market 'game', preventing firms from dominating markets, combating inflation, entrenching property rights, and defending the rights of entrepreneurs and small businesses through competition law (Bonefeld, 2012). The state should act aggressively to produce an overarching framework, robust enough to withstand whatever economic upheavals occur within the competitive market (Gerber, 1994). Ordoliberalism allows for copious state intervention, but only to act upon the conditions and formal properties of economic action, and never to direct or control it. The ordoliberal state would be focused purely on a priori conditions of competition, and blind to utilitarian questions of outcomes. This philosophy is resonant with the fear of 'moral hazard' that is often used to obstruct government interventions in the market, on the basis that flexibility in the application of rules will make them ineffective in disciplining behaviour in future.

It needs noting that the ordoliberal paradigm is compatible with many policies associated with social democracy or even socialism. Welfare policies and social spending could be perfectly legitimate, so long as they were structured in such a way as to preserve the formal structure of the competitive market as the a priori logic of society. Many German and French neoliberal

thinkers of the 1930s saw neoliberalism as a path between socialism and *laissez-faire*, that would harness the capabilities of the growing welfare state towards the promotion of enterprise (Burgin, 2012). What was often known as the ‘social market’ model (including by many neoliberal think-tanks in the UK during the 1960s and 1970s) was as much about harnessing the instruments of social democracy as it was about promoting the free market (Gamble, 1988). In this respect, neoliberalism was and remains an agenda for the transformation of society, and not simply for the expansion of the market (Dardot and Laval, 2013). In addition to the influence that ordoliberals exerted over German reconstruction and European integration during the 1950s, legacies of this tradition might also include the ‘Third Way’ policies of centre-left governments of the 1990s, which focused on ‘active’ labour market interventions rather than labour market protections.

From the perspective of the Chicago School (and equally the Virginia School of public choice) by contrast, the authority of the state needs to be relentlessly questioned and tested through the application of neoclassical economics to the study of law-makers, bureaucrats and democratic processes. ‘The economic critique the [American] neo-liberals try to apply to governmental policy’, Foucault argued, ‘is also a filtering of every action by the public authorities in terms of contradiction, lack of consistency and nonsense’ (2008: 246). The ‘imperialism’ of neoclassical economics is therefore an integral part of the American neoliberal project of state rationalization, which gradually crowds out alternative logics from the social and political realms (Fine and Milonakis, 2009). This is manifestly a more state-phobic, pro-business orientation than that of ordoliberalism and the traditions that spun off it. It is also in strong contrast to liberal political philosophies, which preserved space for a separate realm of political interaction not reducible to economics (Brown, 2015). It rests on a latent libertarian suspicion that politicians, bureaucrats and law-makers are likely to be just as self-interested as business-people and consumers, only less honest about this fact.

Implicit and sometimes explicit in this analysis is the idea that the ideals associated with the state are more dangerous than those associated with the market. Perversely, the ideals of the market might be a more effective (and certainly a safer) basis on which to safeguard key political principles, such as

democracy, liberty and justice. If all action is fundamentally economic action, it makes perfect sense to treat the state as a particular type of economic entity, and to view economic institutions as safeguards of political values. Gary Becker claimed that ‘there is relatively little to choose between an ideal free enterprise system and an ideal political democracy; both are efficient and responsive to preferences of the “electorate”’ (Becker, 1958: 108). However, the neoliberal stance is that the market will act as a *better* guarantor of democracy than vice versa. It therefore makes sense to entrench the market in a quasi-constitutional fashion, and assume that democracy (or at least, individual liberty) will follow. The alternative, to trust democracy to safeguard markets, is treated as self-evidently misguided, given the rise of socialism and fascism over the course of the twentieth century.

So what *are* the perceived virtues of markets that need to be used as a basis on which to re-imagine and reconstruct the state? There is potentially a wide range of answers to this question, from more conservative ones which point to the ethic of self-reliance associated with entrepreneurship, to more modernizing ones, which view the market as a source of constant innovation. Here I want to focus on two perceived ideals of the market that provide inspiration, purpose and templates for the reform of the state: competition and explicitness.

## Competitiveness

As various scholars have argued, competition and competitiveness are primary and fundamental virtues within neoliberal thinking (Dardot and Laval, 2013; Davies, 2014; Brown, 2015). It is precisely the capacity of markets to produce new and unequal outcomes that makes them valuable, because this inequality is deemed a valid empirical reflection on the ideas, efforts, productivity and knowledge of those who are party to the market contest. Competition, according to Hayek, is a ‘discovery procedure’ (Hayek, 2002).

This implies various roles for the state. First and foremost, the state must act as the regulator and guarantor of economic competition via the provision and enforcement of antitrust law. Ever since the earliest congregations of neoliberal thinkers in the 1930s, antitrust had been viewed as one of the most

important functions of the state (Gerber, 1998). What this indicates is that, while competition might be viewed as an ideal that emanates from the market, it is not something that real-world markets will safeguard left to their own devices. It will not exist or survive naturally and inevitably, in the way that classical liberals like Adam Smith assumed. Businesses, individuals and entrepreneurs are just as likely to form cartels, avoid competition or seek to suppress it, and this provides the state with an important regulatory and legal function (Bonefeld, 2012). In this sense, the 'free' market needs the state to act as its law-giver and policeman (as Polanyi argued), just as much as the 'liberal' state needs the market to provide it with discipline.

Given the unique qualities of competition as a basis for social interaction, it makes sense that other institutions and spheres of existence should be governed in ways to render them competitive. This provides the state with additional areas of focus. First, the neoliberal state must strive to push competition and competitive dynamics into areas of social life that are otherwise resistant to entrepreneurial values and ethos, such as universities, and to inculcate people with a respect for competition generally (Dardot and Laval, 2013). Each individual is exhorted to become 'an entrepreneur of himself', and learn and train accordingly, for optimal positioning in the market (Foucault, 2008: 226; Binkley, 2014). Second, government institutions should themselves be re-imagined along competitive principles where possible, reducing the state's monopoly power through outsourcing and seeking to make 'national competitiveness' a loosely-defined teleology of all policy (Cerny, 1990). Neoliberals (and other conservative economists such as Joseph Schumpeter) of the mid-twentieth century shared a deep-set fear that the benefits of competition were invisible to the public, who were too easily seduced by the short-term promises of socialists and planners (Schumpeter, 1976). Ideally, therefore, the rules of competition would be placed beyond the scope of democratic politics, where they could not be touched. Unelected commissions, regulators and auditors would serve a valuable function in safeguarding competition from short-sighted political counter-movements.

## **Explicitness**

A second principle that the market upholds, and that carries potential political value for the state, is what might be termed explicitness. Chicago School

economist George Stigler argued that 'the price system lays the cards face up on the table', in contrast to other institutions which are mired in opacity and ambiguity (Stigler, 1975: 36). Right from the beginning of the 'socialist calculation debate', which catalyzed the earliest forms of neoliberal critique in the 1920s (Gane, 2013), the merits of the price system have been treated by neoliberals as partly phenomenological in nature. While markets have an in-built system of explicit, quantitative and public valuation in the form of prices, socialism was deemed to suffer from a necessary inability to grasp value in any rational or objective way. As Ludwig von Mises put it in 1920, under socialism 'there is only groping in the dark' (1990 [1920]: 17). This stems from a pessimistic view of moral discourse, shared by both European and American neoliberals, which assumed that it would be impossible to reach agreement on common values or goals in the absence of a neutral calculative technology such as markets, economics or some combination of the two.

This celebration of the market's public, phenomenological properties has certain implications for the critique and reform of the state. These can be seen in the overall push for better 'governance' in the public sector in general, and for more 'transparency', 'accountability' and 'value for money', in particular. Capturing the 'outputs' of public sector workers and agencies in quantitative, standardized forms represents a way of reconfiguring the state in market-like ways, without simply privatizing it. Performing cost-benefit analysis becomes a crucial way of capturing the value of public goods or social costs (Fourcade, 2011). The political pessimism of the neoliberal mindset, which doubts the capacity for collective action or agreement on normative or teleological grounds alone, becomes manifest in a constant evaluative scrutiny of public sector employees and professions – a feature of what Michael Power has termed the 'audit society' (Power, 1997). The various new forms of audit, derived from the private sector or invented anew for the public sector, have often been bracketed together as 'new public management' (Hood, 1995). But the same quest for explicitness can also be seen in subsequent efforts to quantify the work of the state, such as new metrics for the capture of 'social value' or the push for more 'open data' through which the public can critically scrutinize the work of government in the digital age.

# The Neoliberal State in Practice

Being both the agent of reform and the object of critique, the state provides neoliberalism with a profound dilemma. Which part of the state will *drive* reform and which part of the state will be the *object* of reform? Unless state agencies and civil servants are expected to undergo some mystical conversion to the neoliberal vision, the practical realities of the neoliberal state involve a permanent confrontation with this problem. The prosaic day-to-day activities of the neoliberal state are too copious and various to be easily synthesized into a brief description. It goes without saying that such a state never entirely conforms to the ideals of competitiveness and explicitness described in the previous section, but operates via channels that remain noticeably 'political'. Neoliberal politics is riven as much as any other politics by what Weber famously termed the 'strong and slow boring of hard boards', confronting obstacles that need to be overcome via compromise, coalition-building and patience. The strategic battles that are prioritized will vary from case to case, depending on national political traditions and the contingent strength of opposition in parliaments, within the state and in civil society. There is no pure or perfect example of the neoliberal state. This also accounts for the fact that neoliberal reform is perpetually incomplete, chasing ideals that remain elusive, and hence endlessly compelling.

The neoliberal project of state reform typically operates in a parasitical fashion, drawing on the political and social energies of one set of existing institutions and traditions, so as to subvert or undermine others (Mitchell, 2002). Paradoxically, the reduction of politics to economics requires copious political will and authority to be achieved (Davies, 2014). With the exception of the think-tanks which were set up in the decades preceding the Reagan and Thatcher victories, neoliberalism has no indigenous bases from which to launch its critique and transformation of the state, so depends on building alliances within sympathetic corners of state and civil society. This is manifestly a political challenge, but one of the most effective rhetorical and cultural strategies is to re-purpose the category of 'political' as a pejorative one, designating certain state institutions as corrupted by 'politics' and in need of reform. The legislature, permanent civil service, professions and trade unions are frequent objects of this kind of rhetorical strategy. A key justification for this fear of 'politics' is that democracy and political

movements lead to unaffordable promises being made to citizens, leading inexorably towards inflation (Blyth, 2013). Meanwhile, another set of interests and power centres can be designated as 'non-political', allowing them to act in ways that seem to circumvent the intrinsic defects of the state. The more that economic policy-making can be insulated from the vanity and ideologies of politicians, the better it will be for the public in the long term. This argument in favour of quasi- permanent policies, and against the vagaries of political whims, was summed up in an influential paper, 'Rules Rather Than Discretion' (Kydland and Prescott, 1977).

So what are the ostensibly 'non-political' sources of power or authority, through which such projects of transformation can be pursued? Three significant categories are worth noting: popular sentiment, technocracy and executive decision. Let's briefly explore each of these in turn.

## **Popular Sentiment**

In the British context, one of the earliest commentaries to identify the rise of neoliberal politics was Stuart Hall's article 'The Great Moving Right Show' (Hall, 1979). This piece, which coined the term 'Thatcherism', noted that the New Right's

...success and effectivity does not lie in its capacity to dupe unsuspecting folk but in the way it addresses real problems, real and live experiences, real contradictions – and yet is able to represent them within a logic of discourse which pulls them systematically into line with policies and class strategies of the Right. (Hall, 1979: 20)

From Gramscian perspectives such as Hall's, one of the central questions concerning the rise of neoliberal policies is how they were capable of achieving popular legitimacy and consent to the extent that they did. Hall identified particular ways in which Thatcherism connected popular moral and cultural assumptions to the changing structural and economic landscape of the 1970s. Many of these assumptions were 'conservative' ones, which placed emphasis on family, self-reliance and national tradition, all of which



were spoken to explicitly by Thatcher and Reagan, regardless of whether their economic policies actually safeguarded these values. Conversely, the more radical individualism unleashed by the 1960s was another cultural vein that could be tapped by neoliberalism, with its rhetoric of 'freedom' and rhetorical attacks on 'authority' (Harvey, 2005). The fact that *both* conservatism and social liberalism could be co-opted by neoliberal political movements is evidence of its flexibility and close attention to cultural politics. But it also demonstrates the breadth of antipathy towards the Keynesian welfare state by the late 1970s. Ultimately, neoliberalism produced a new type of political 'centre ground' that appeared to usurp traditional categories of 'left' and 'right'.

As an ideology, neoliberalism is able to channel both conservatism and social liberalism coherently, because it is fuelled by an ideal of decentralized decision-making. As Hayek's work demonstrated, the main target of neoliberal critique was the socialist 'intellectual' who *planned* the economy around their own values and theories (Hayek, 2007 [1944]). By contrast, the promise of neoliberalism was of an organic and evolving system (organized around markets), driven by the variegated impulses and sentiments of ordinary people. In its scepticism towards government elites, this vision could appeal to both conservatives and New Left, and spoke to the ideal of a new mode of individual autonomy that was more authentic than that offered by representative democracy.

This form of culturally-attuned populism offers a source of legitimacy to the neoliberal state, but it is not quite the same as that offered by representative democracy. Part of the popular mood that Thatcher and Reagan tapped into and encouraged was one of rising distrust of the political system and a sense that the most important identities and preferences were being exercised outside politics. Political parties and activists are treated as unrepresentative of 'ordinary' people, who make up the 'silent majority' first addressed by Nixon (Freedman, 2012). In place of party organization and campaigning, new types of 'post-democratic' political strategies accelerated during the neoliberal era, focused on management of the media and achieving emotional connections between leading politicians and voters (Crouch, 2004). Techniques borrowed from the world of marketing, such as branding and focus groups, became important instruments of legitimacy-building for

political parties under neoliberalism, as conventional democratic participation falls (Mair, 2013). Some assumed or evidenced popular sentiment typically hovers over the neoliberal state, as one of its limiting and enabling conditions. Post-2008, for example, narratives about ‘balancing the books’ through public spending cuts seemed to resonate with public opinion in the UK, making any break with the neoliberal macroeconomic consensus harder to achieve (Stanley, 2014).

## Technocracy

A second ostensibly ‘non-political’ basis on which to criticize and reform the state is the introduction of new agencies and institutions, which sit outside traditional channels of democracy, tradition and bureaucracy. Think-tanks served a similar function for neoliberal intellectual development during the Keynesian era, providing a space outside the existing universities and state agencies where experts could gather (Cockett, 1995). In the age of the neoliberal state, this effort to shift power towards unelected, untraditional new bodies is commonly described as ‘technocracy’. To challenge the power of elected officials and permanent civil servants, new commissions, regulators, auditors and quangos are established within and around the neoliberal state. Where government services are privatized or outsourced, new types of regulator and inspector are needed to ensure that services are being delivered in an accountable and efficient fashion. These technocratic agencies employ tests, audits, evaluations and rankings, which can be applied to state and non-state activities indiscriminately. Techniques such as ‘benchmarking’ allow state and non-state agencies to be assessed according to a single set of metrics (Brown, 2015). The assumption accompanying this trend is that value-for-money and productivity are virtues that are the same in all cases, and that expert evaluation will bring them to light.

The standard-bearer for these new quasi-state bodies is independent central banking. As Wolfgang Streeck has argued, placing control over interest rates outside the limits of ‘politics’ (conventionally understood) is a fundamental principle of neoliberalism, rendering the economic ‘rules of the game’ impermeable to fluctuations in politics or democracy, which are deemed to suffer from an intrinsic bias towards inflationary policies (Streeck, 2014). The formation of the European Community and subsequently the Euro,

represented a particularly acute case of shifting regulatory and monetary power outside the realms of 'politics', given that there was no national or democratic sovereignty behind this new economic architecture. From a neoliberal perspective, the authority of the European Commission and European Central Bank derives precisely from the fact that they lack any political interest or agenda.

While such regulatory agencies have a quasi-judicial role in enforcing rules with a spirit of neutrality, increasingly their authority has derived from an appeal to evidence rather than to normative principle. Anti-trust authorities, for example, have been reformed since the 1970s so as to foreground questions of evidence of efficiency (Pitofsky, 2008; Davies, 2010). Under applied neoliberalism, the neutrality of regulators is sought less in the law than in the formalism and objectivity of the evaluation techniques and methodologies being applied. Quantitative audit provides the 'rules of the game' that the ordoliberals had imagined being enshrined in law. All of this means that the neoliberal state relies on a new breed of technocratic elite, who operate outside traditional forms of professional vocation or knowledge. Unlike Weberian bureaucrats, these elites switch office (and sector) constantly and are qualified by virtue of their styles of analysis, rather than the knowledge that they actually hold. Economists, risk managers, auditors, policy 'entrepreneurs', innovation 'gurus', and so on, serve as key figures in the running of the neoliberal, anti-political state.

A further effect of this turn towards technocracy is the rise of entire industries dedicated to delivering services that were once monopolized by the state (Bowman et al., 2015). Once the 'political' or 'civic' questions of public service delivery have been sidelined, and technical matters of 'governance' have become dominant, then public sector agencies increasingly compete with or give way to corporate contractors, including in areas such as prisons and security which would once have been viewed as fundamental functions of state sovereignty. Effective 'leaders' are able to move between multiple sectors, on the grounds that they are focused on 'results' alone. The rise of outsourcing demonstrates that the teleology of the neoliberal state is not towards privatization in a pure, *laissez-faire* sense. Rather, it is towards new, highly complex alliances between the state and the market, in which power and agency end up in an ambiguous space of 'governance' somewhere

between the two. In contrast to the ideal of liberalism criticized by Polanyi, the state and the market blend into one another.

In practice, the rise of technocratic governance as a basis for regulation and accountability represents a prime opportunity for corporate profit maximization. The circuit of consultancy, which provides expert guidance on achievement of 'competitiveness' and 'value for money', is itself organized around the pursuit of fees. The 'revolving door' between states, regulators and private business serves to ensure that the rules governing business behaviour do not interfere with the need for profitability, in an age where shareholder value is the core principle of corporate governance. This can lead to neo-mercantilist policy-making, in which national or regional policies (including taxation) are set in such a way as to attract and benefit mobile capital to the greatest extent possible (Jessop, 2002; Harvey, 2005). The rise of technocratic governance does not *necessarily* lead towards pro-corporate policies, but it blurs the distinction between public and private goals in ways that reduces the authority of the state to obstruct corporate strategies or levy taxes. The injunction that the state become more 'agile', 'competitive' and 'pro-enterprise' provides an entry point for lobbyists and corporate strategists to start bargaining over the nature of the regulation that they will be subjected to.

## **Executive Decision**

A third and potentially most decisive way in which the neoliberal state can be positioned against 'politics' is via an inflation of executive power, potentially to the point of extra-judicial, 'exceptional' measures. This includes a switch in the character of disciplinary institutions and policies to becoming more punitive, surveillance-based and violent. Extra-judicial and unconstitutional measures can be viewed as legitimate from a neoliberal perspective, where they entrench institutions and policies deemed to safeguard economic competition and therefore liberty. Many early neoliberal thinkers had a latent respect for the political ideas of Schmitt and even Lenin, and saw democracy as something worth circumventing in pursuit of liberty (Gamble, 1988; Mirowski, 2009). Undemocratic or even anti-democratic political institutions were viewed as valuable instruments in the broader fight against socialism, and for a new economic liberalism. The infamous case of the 'Chicago Boys'

and Friedman's advice to the Pinochet regime in Chile are manifestations of this (Valdés, 1995; Harvey, 2005), while the high centralization of political power in the British executive arm of state can be seen as a necessary condition of Thatcherism (Gray, 2015).

The business world has developed an exuberant devotion to 'leadership' over the course of the neoliberal era, trusting the instinct of charismatic individuals to steer organizations towards success, and remunerating them accordingly. As Hayek imagined it, impulsive decision-making (as opposed to reasoned, theoretical judgement) on the part of entrepreneurs and consumers was a crucial factor in the spontaneous organization of markets. But a similar reverence for instinct and strong 'leadership' is also projected onto the executive branch of government, where the charisma of a neoliberal leader provides the types of decisive and unambiguous decisions that gives confidence to markets. Whatever else they do, political leaders are expected to act *decisively* and *unambiguously* in the neoliberal era, providing signals to markets that are easy to interpret and incorporate into investment strategies (Streeck, 2014).

The increased resort to violent and punitive forms of discipline under neoliberalism is arguably a consequence of the decline of 'social' policies of various forms. As the rationality for acting on behalf of 'society' has been drawn into question (Rose, 1996), so problems of poverty and disruptive behaviour become viewed more via the lens of policing and punishment (Wacquant, 2009). The rapid rise of the American prison population since the 1970s is one testimony to this, while the increasingly punitive face of welfare reform and social policy in the UK (aimed at controlling individual behaviour through constant penalization of miscreants) is another (Davies, 2016). The expansion of security apparatuses in the years following September 11 made any perceived vestige of liberalism within neoliberalism impossible to maintain.

From a Schmittian perspective, violence and extra-judicial decision-making are always available to sovereign powers (Schmitt, 1996). But the neoliberal state takes advantage of this fact to pursue strategic acts of economic reconstruction and rescue, and not simply in pursuit of security. Examples include the use of the police to achieve key strategic victories, such as that

over striking miners in the UK in 1984–85 (Harvey, 2005). The rescue of the financial sector in 2008–09 using public finance demonstrated the leeway that the neoliberal state possesses, when it comes to acting quickly and radically to maintain key parts of the economic architecture. In the European context, states had to exploit crucial exceptions in the laws of the European Union in order to do this, claiming that executive decisions were being taken to safeguard the very existence of the economic system (Davies, 2013). In the wake of the banking crisis, the European Commission engaged in exceptional acts of political intervention, such as installing technocrats as Prime Ministers of both Italy and Greece, to ensure that the Eurozone retained financial credibility at all costs. The survival of the neoliberal policy paradigm over the course of the global financial crisis was partly achieved through such exceptional executive decisions, which over-rode normative considerations or political debates, but strove to maintain the status quo at any cost.

## **Contradictions of the Neoliberal State**

The shift of political power and authority into purportedly ‘non-political’ realms of state, government and society is a duplicitous operation. It is conducted using the rhetoric of liberalism and *laissez-faire*, but very often involves the expansion of state powers in areas such as surveillance, audit, control over local government and military power. Its vision of the ‘free market’ stresses the role of entrepreneurs, start-ups and small businesses, yet its regulatory transformations benefit monopolies. The failure to ever achieve the idealized vision of a ‘competitive’, ‘free’ market economy, overseen by an apolitical rule-enforcer, means that the project of neoliberal reform is endlessly incomplete, and new targets for ‘modernization’ and ‘marketization’ can always be found.

As this project progresses, the effect is to make clearer the distinction between the liberal state and the neoliberal state. The elements of the state which appear most in need of reform under the neoliberal gaze are those which are deemed inflexible, normative and immune to economic logic, namely the sovereign-legal dimensions of state power which are fundamental to liberalism. As Foucault argued, liberalism and neoliberalism are alternative responses to the ‘impossibility of the existence of an economic sovereign’ (Foucault, 2008: 283). Liberalism deals with this problem by splitting the

realm of economy from the realm of legal sovereignty, even if it is ultimately not able to sustain this split (for reasons Polanyi demonstrates).

Neoliberalism's response is a more contradictory one: to progressively oust the sovereign components of the state using techniques of utilitarian calculus and market principles. This does not necessarily mean that the state is actually weakened, but that power shifts further into networks of governance, audit and management, which operate outside the space designated as 'political' and 'democratic'.

It is, however, worth recognizing the severity of the contradiction that runs through the neoliberal state, and drawing out some of its manifestations. Ultimately, neoliberalism is a state-centric project that has no coherent account of what state legitimacy means, which poses questions about its sustainability in the long term (Davies, 2014). There is a perpetual risk that the political institutions and individuals which have power invested in them under neoliberalism start to take on the characteristics of the very 'political' institutions and elites that neoliberal critique has always raged against.

One manifestation of this is in the ambiguous status granted to 'experts' within and around the neoliberal state. Neoliberal thought, as Mirowski argues, starts from an epistemological critique of social science, planning and centralized bureaucracy, all of which are deemed incapable of capturing the dynamic, embodied and affective forms of knowledge that the market is able to process (Mirowski, 2009). The legitimacy of the neoliberal state is not, therefore, to be found in bureaucratic monopolization of knowledge (as per Weber's theory of the modern state) but, on the contrary, in the empty formalism – or even ignorance – of its experts (Davies and McGoey, 2012). Those that come to occupy elite policy-making positions have toolkits and methodologies with which to analyze a problem, but no substantive knowledge of how it works or what caused it.

One of the risks that follows this is that the neoliberal state will appear incompetent and incapable of responding to systemic crises, such as the global financial crisis or global warming. Representing such crises as unknowable and unpredictable, as neoliberals have done (Mirowski, 2013), is a strategy that may be politically unsustainable in the long term. The alternative risk is that technocrats start to look increasingly like the old

socialist ‘planners’ which neoliberalism was initially inspired to resist. The complex web of state-corporate governance through which various services are provided under neoliberalism means that spaces of freedom and democracy tend to become ensnared in managerial systems of risk management and control. Public sector workers and professionals feel that their spaces of autonomous judgement are shrinking all the time, while the stress of constant audit registers in rising mental health problems in professions such as teaching and care work. With respect to the financial sector, the reliance of banks on state guarantees, ‘unconventional’ monetary policies and credit means that the state is unable to distance itself from planning the economy to the extent that Hayekians would have once wished. The rhetoric of the ‘small state’ loses all correspondence with the empirical reality of governmentality.

Another way of conceiving this threat to the neoliberal state is in terms of the limits of de-politicization. The neoliberal state may not promise to treat every human being equally under law as a liberal state does, but it does promise that each economic agent will be treated equally within a space of competition. It is not founded on a commitment to liberalism as a political doctrine, but its authority claims necessarily derive in part from the *liberal spirit* with which economic evaluation and contestation is conducted (Davies, 2014: 59–63). The sense that society is a ‘level playing field’, that the ‘rules of the game’ are applied fairly, that the ‘referee’ has no interest in the outcome, these are among the normative and cultural presuppositions that a legitimate neoliberal state depends on. Where it becomes publicly apparent that the adjudicators are not external to the contest, but also actively pursuing their own agendas, a key aspect of neoliberal credibility disintegrates.

The rise of technocracy and ‘governance’ is implicated in this. Where the distinction between state and business, public and private, becomes blurred, legitimacy crises become inevitable sooner or later. In the financial sector, for example, a great deal of regulatory activity was shared between state regulators and private sector bodies such as credit-raters, while elites moved between different sectors seamlessly. The reality that credit-raters (and accountants and auditors) are *also* in pursuit of profit, and cannot perform impartial judgement on behalf of the public in some quasi-legal fashion indefinitely, was an integral factor in how the global financial crisis occurred.



Where state institutions and instruments are modelled upon markets and business, they themselves lose any external, necessarily *political* perspective from which to interrogate economic activity. Being an anti-political political programme, this is the bind that neoliberalism was always destined for.

The question remains whether such contradictions necessarily weaken the neoliberal state, or whether the paradoxical status of the neoliberal state offers it additional agility in the face of legitimacy crises. Neoliberalism always has a ready-made solution to the failures of the state: more outsourcing, auditing, 'competitiveness' and less bureaucracy, 'politics' and legal 'red tape'. Senior political leaders can continue to denigrate political parties, judges and public sector bureaucrats, and blame them for failures and inefficiencies that occur. This critique of the liberal, democratic and bureaucratic wings of the state can be used to further empower other types of centralized political agency, such as technocrats and executive decision-makers, whose authority is closer to that of a corporate executive than a civil servant or elected representative. Subsequent failures can continue to provide an excuse for more neoliberal reform. Even drastic market failures can be attributed to the state, from a staunchly neoliberal perspective (Foucault, 2008: 116).

A more hopeful scenario is one in which the anti-political rhetoric of neoliberal politics loses credibility, and the state is confronted by widespread demands for democratization, including in those various areas deemed too complex or important for democratic involvement. The decentralization of many state functions into the hands of commercial contractors makes this all the harder, raising the importance of investigative journalism and whistleblowing as the means of extending the public gaze towards new centres of power. The state is arguably far less dependent on cultural hegemony than it was in the 1970s, when the neoliberal project was first allied to discernible popular sentiments. Insurgent conservative movements, such as those which drove Brexit and the rise of Donald Trump in 2016, are antagonistic to many core tenets of the neoliberal state, and represent a danger to the ambition to anchor sovereign powers in 'apolitical' centres of expertise such as the European Commission. What insulates the neoliberal state against such cultural-political threats is the fact that power is already distributed via networks of governance, where it may not easily be requisitioned by

populists. Consultants, auditors, contractors and invisible ‘experts’ now play a much greater role in the day-to-day functioning of the neoliberal state, making public scrutiny ever harder. This means that it is not clear exactly *where* public and democratic politics will be revived or, when it is revived, how it will ‘take back control’ (to borrow the phrase of the pro-Brexit campaigning group, Vote Leave). But this uncertainty is in itself a danger to the neoliberal project and a source of its paranoia.

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## 22 Neoliberalism, Crime and Criminal Justice1

**Pat O'Malley**

Neoliberalism has become a conceptual trash heap capable of accommodating multiple distasteful phenomena without much argument as to whether one or the other component really belongs. (Boas and Gans-Morse, 2009: 39)

### **Neoliberal Penalty**

The debate over the impact of neoliberalism on penal policy and practice is by now familiar to criminologists; indeed, recently Nicola Lacey (2013: 260) has argued that we may identify a 'neoliberal penalty thesis' as a major contemporary issue. Lacey suggests this can be reduced to the hypothesis that 'the decline or attenuation of social democracy, and the concomitant rise of (neo)liberalism has been associated with an intensification of penalty'. Broadly speaking, neoliberalism is understood in criminology as having a cluster of interrelated features emerging primarily during the 1970s, assembled most prominently by the 'Reagan–Thatcher' axis and continued in various guises until the present day. The precise array of elements that make up neoliberalism varies somewhat from commentator to commentator, but generally focuses on economic deregulation, promotion of competitive markets as an optimal mechanism for distribution of goods and services, and the winding back of the welfare state on grounds of minimizing taxation and promoting individual responsibility (e.g., O'Malley, 1992; Reiner, 2006). As well, it is generally recognized that the state changes in line with these features, becoming more coercive in order to force through such changes against trade unions, uncompetitive industries and individuals who have become 'welfare dependent' or who in other ways have lost the will to be 'active on their own behalf'. Roll-on effects, most notably the increase in



social inequality and creation of a marginalized 'underclass' of unemployed usually are seen as intensifying neoliberalism's repressive characteristics.

This political formation, in turn, is understood to have generated a characteristic set of penal policies and apparatuses, variously characterized as 'neoliberal penalty' (hereafter NLP), appearing in its own right (Wacquant, 2009a, 2009b) or as a key element in more complex formations, such as Garland's (2001a) 'culture of control'. Typically, it is argued that NLP is characterized by three broad interlinked trends:

- An increasing use of punishment – a 'punitive turn' – especially focused on the greater use of imprisonment and longer terms of imprisonment, particularly in the pursuit of increasing individual responsibility for offending.
- A linked stripping back of 'welfare' or 'therapeutic' sanctions both because these detract from responsibility and because of their cost and alleged failure to correct offenders.
- A focus on penalty as providing protection for citizens, sometimes understood as the 'customers' of justice and 'victims' of crime.

Different accounts add or subtract other 'neoliberal' elements, such as:

- specific *techniques* (e.g., cost–benefit analysis, risk-based practices) said to reflect neoliberalism's 'economic' or 'business' focus;
- *apparatuses* such as private prisons and electronic monitoring that are consistent with its market orientation;
- *procedures* (e.g., victim participation in court procedure) that relate to the 'consumerization of justice';
- *mentalities*, such as just deserts, linked with the individualization of responsibility, and retribution, linked to the victim focus.

Much analysis has focused on the emergence or accentuated use of specific sanctions or assemblages, also often characterized as 'neoliberal', such as 'three strikes' legislation, home detention, electronic monitoring, naming and shaming, and boot camps. Characteristically, these are each said to relate to different components of neoliberalism, with home detention and electronic monitoring said to reflect an 'economic register', boot camps and shaming reflecting individual responsibility, and so on (see generally O'Malley, 1999).

A great deal of emphasis has been placed on a linked focus of current penalty on social exclusion rather than reintegration, especially with respect to an underclass conceived in neoliberal discourse as not having adapted to the new post-industrial economy and its competitive conditions. Finally, emergent risk-based practices are seen to express neoliberal economic preferences for prevention over cure, for improved cost-effectiveness, and for protecting the public (Garland, 2001a; O'Malley, 1992; Reiner, 2006).

Of course, few if any commentators argue that all of these penal practices and arrangements will be present in every jurisdiction. This can be seen as weakening the thesis if only because commentators are free to pick and choose *post hoc* the nature and identity of linkages between punishment to neoliberalism (O'Malley, 1999). But for the moment it is enough to point out that NLP appears as a complex and variable formation although almost always tied to the key characteristics noted above. In this form, neoliberal penalty is represented as generally ascendant in most jurisdictions in the 'West' – certainly in the US, the UK, much of Europe and Australasia, and in some accounts also South America. In this it is regarded as closely mirroring or expressing the mandates of the broader neoliberal political rationality that has gained near-global influence.

Accounts vary, however, with respect to the extent of causal power to be attributed to neoliberalism. In more uncompromising accounts, such as that associated with Loïc Wacquant, neoliberal penalty appears instrumentally as an effect of the global influence of a powerful US hegemony backed up by institutions such as the International Monetary Fund. A ruling class of state leaders, transnational CEOs and bureaucrats imposes a neoliberal political and economic regime, a *core element* of which is a penal politics aimed at coercively transforming or excluding unproductive elements of the population through 'prisonfare' or 'workfare' (Wacquant, 2009a: 285–91, 306–7). In this account, NLP is not merely an effect or a specific result of neoliberalism, but a core defining feature. While Wacquant spends little time mapping out the extent of NLP beyond the US, or the specific processes involved in marketing it, his thesis proposes that its American proponents are actively engaged in exporting NLP, particularly to Europe and South America, creating a 'global firestorm in law and order' (Wacquant, 2009b: 162).

Wacquant's thesis has attracted more than its share of criticism (e.g., Lacey, 2008, 2013; O'Malley, 2014; Valverde, 2010) but it has at least the merit of making tangible claims about the specific influence of neoliberalism on penal politics. More usually, however, neoliberalism is connected to penalty as part of an interacting bundle of forces. In Garland's (2001a) 'culture of control' thesis, it is joined up with the emergence of risk techniques, the impact of robustly high crime rates and the impact of crime on the middle classes. In Young's (1999) account, it is part of – perhaps even an expression of – a fundamental shift in the entire social formation towards social segregation and exclusion. In other views (O'Malley, 1992), neoliberalism bears on penalty primarily through the shaping of risk, which in turn reshapes crime prevention, policing, sentencing and the content of sanctions. These accounts may be seen as less dogmatic about NLP through their attribution of change to a number of factors. But at the same time, they make it difficult to discern exactly how to untangle neoliberalism's specific influence.

No matter whether in 'strong' or 'weak' form, the NLP thesis shares a common view that it is identifiable by contrast to that which it is seen to be displacing: the penal framework of 'social democracy' or 'the welfare state'. Neoliberal penal reform is depicted as undoing the assemblage that Garland (1985) referred to as the 'welfare sanction', that had emerged around the turn of the twentieth century. In the welfare sanction, correctional expertise challenged or trumped the punitive moralism that characterized nineteenth-century liberalism. Penal policies were largely distanced from populist politics: a scientific approach was held to require some insulation from the politics of vengeance that would always be expected to flow from crime victims and the 'uneducated' public. But whereas Garland's account of the formation of the welfare sanction carefully traced the discursive shifts, intellectual and political struggles and compromises, unexpected outcomes and so on that constituted penal transformation in the early 1900s, most accounts of current NLP 'read off' the penal more or less directly from a few fairly abstract characteristics of the politico-economic rationality. Close attention to the complex 'transmission belt' between a general neoliberal 'diagram of power' to a specific historical formation of punishment is more or less missing. This sparse attention in the NLP thesis to a politics of resistance, compromise, unanticipated outcomes and responsive change

means that by and large (with the significant exception of Harcourt's (2008, 2010) work) no detailed genealogy of neoliberal penalty has emerged.<sup>2</sup>

Thus, while the NLP thesis has been highly influential and arguably a fertile ground for criminological understandings of contemporary penalty, a series of interrelated questions emerge that seem not to have been systematically examined or for which answers appear problematic. These may roughly be expressed as follows:

- What exactly 'is' neoliberalism as it emerges in detailed analysis rather than the broad and abstract – or alternatively fragmentary and selective – characterizations deployed in criminology? And what are the implications of this analysis for the NLP thesis?
- How adequate are the characterizations of current forms of punitive penalty as 'neoliberal'?
- How adequate is the outline of the 'transmission' belt between accounts of neoliberalism and the penal politics that are said to be their 'expression'?

## **What is Neoliberalism?**

Most criminologists are happy to refer to neoliberalism as if it were a settled, consistent and rational formation of practical policy preferences. For Wacquant, as noted, it appears even as a specific internationalizing political programme emanating from definable American agencies and institutions. However, it can be argued that it is only by deploying high levels of abstraction that it is possible to talk of neoliberalism as one thing, such are its diverse formulations, instabilities, hybridizations with other rationalities, particular regional histories – especially cross-nationally – and so on. David Harvey (2005: 70–1), in his detailed analysis of neoliberal states, concluded that neoliberalism had experienced a diverse, uneven and 'chaotic' evolution, producing a 'welter of divergent and often wildly disparate state practices' – primarily because the abstract model of neoliberalism is unworkable in practice. As a result, 'any attempt to extract some composite picture of a typical neoliberal state from this unstable and volatile historical geography would seem to be a fool's errand' (Harvey, 2005: 71).

Even summary analyses, such as that of Steger and Roy (2010), conclude that the term 'neoliberalism' has to be used with extreme care given that it has been associated with political leaders as different as Reagan, Blair, Keating, Pinochet, Yeltsin and so on, none of whom self-identified as neoliberals, and some of whom (Keating, Blair) declared themselves opponents of neoliberalism. Likewise, they suggest that because neoliberalism has been adapted to specific environments 'it makes sense to think of our subject in the plural – *neoliberalisms* rather than a single monolithic manifestation' (Steger and Roy, 2010: xi). Even this presumes that there is an original or singular 'it' that has been adapted to different conditions and this has become differentiated. More recent and extended analyses, such as Jamie Peck's (e.g., Peck, 2010), prefer to regard its object of analysis as always in the plural, and indeed as a series of constantly changing neoliberalisms:

neoliberalism never represented a singular vision free of doubt and dispute. It follows that there is no beeline trajectory from the complicated present back to some foundational eureka moment. The process of constructing neoliberalism has been a continuous one. So the neoliberal idea, its conceptual moment did not 'come first' – to be followed by a series of translations, all the way down to the prosaic practices and mundane manifestations of market governance 'on the ground'. 'Finding neoliberalism' is therefore not about locating some essential center from which all else flows. (Peck, 2010: xiii)

In this view, analyses, and especially analyses of NLP, have misrepresented neoliberalism as a coherent rationality, as a set of abstract and incompletely integrated foundational principles. For Peck, in particular, neoliberalisms have always appeared as 'messy hybrids', rather than the consistent doctrines selectively drawn upon and idealized in criminological theory. Moreover, contrary, say, to Wacquant's clear imagery, nor have they simply radiated out from one place, certainly not in American cabals: indeed, Peck sees some of the earliest innovations occurring in Chile before the Reagan reforms were clearly articulated, while German Ordoliberalism of the first half of the twentieth century has been regarded by others (e.g., Rose, 1996) as a key starting point. Characterized more by repeated failure rather than the implied vision of constant success that inhabits theoretical accounts, neoliberalism

rarely stands still long enough to be pinned down. For Peck, even more significantly, the constant need to reinvent neoliberalisms in the face of failures and conflicting interpretations means not only that neoliberalisms are always under (re)construction, but that such ‘institutional reinvention [is] spawned as much by the *limits* of earlier forms of neoliberalization as by some advancing “logic”’ (Peck, 2010: 6–7).

As Bob Jessop (2011) suggests, this places agency and contingency centre stage. If neoliberalisms now appear as fractured, inconsistent, internally contested, geopolitically diverse and multiple, fluid, failing and arbitrary, what can be said of ‘neoliberal penalty’? Little wonder that NLP has been so hard to pin down except at the price of generalizations that are often vague enough to be unconvincing and leave the work of connecting up the abstractions and the specific penalty to be done elsewhere. As well, the fact that all of these detailed accounts of neoliberalism emphasize that neoliberalism does not stand still, but constantly morphs into new forms is something surprisingly absent from most accounts of neoliberal penalty. Or more precisely, while criminologists tracking NLP have diligently and competently mapped many changes in the penal assemblages of various jurisdictions, they rarely if ever track these changes to *shifts* in neoliberalism. Rather, changes are mapped as if they are simply consistent with an abstract neoliberalism, a singular neoliberalism that is unchanging.

The possible implications of such insights for the NLP thesis thus seem far-reaching. If historical neoliberalism is plural, mobile and labile, then how adequate can any account be of a neoliberal penalty unless it relates to a specific political formation, affecting penal policy at a specific time and place? It would require much more careful work to be done linking such specific formations of neoliberalism to specific formations of penalty in detail. Indeed, empirical examination of variability within NLP make for problems exactly on these grounds.

## **Neoliberalism, Resistance and Hybridity**

In the NLP literature, America appears as the heartland of increased punitivism associated with the shift away from social democracy. We might judge from some of the less temperate literature that this would imply a

consistently feral punitive penalty across all or most states. For Garland (2011), however, such a proposal holds no water simply because he has shown in detail with respect to such iconic sanctions as the death penalty, there is no ‘typical’ American penalty. Thus, while he accepts that the period since the 1960s ‘has seen the political dominance of social conservatism and neoliberalism as well as a new form of racial segregation in the build-up of mass incarceration ... and a revival of capital punishment’ (2011: 182), he continues that it is a

...complex social field – state institutions, group relations, culture, and history, operating as a changing contradictory whole – rather than any single attitude or institution that has shaped the past and the present of American capital punishment. (Garland, 2011: 182)

If the same kinds of influence may be thought of as shaping all penal policy, which seems not unreasonable, then this suggests again that most of the analytic work required to link abstractions of neoliberalism to the concreteness of specific penal policies and assemblages – even within the US alone – would have to focus on the political and social space between neoliberalism and that which is regarded as its penological expression. This point is explicitly taken up by Lacey (2013: 273), who argues that imprisonment rates in the US vary so much between states that it is hard to credit any notion of an ‘overarching neoliberal penal state’:

Even in the USA, therefore, the ‘workfare’ to ‘prisonfare’ nexus is working differently in different parts of the country – a fact which seems highly likely to be related to institutional differences in sub-national political systems....

For Loïc Wacquant (2009a, 2009b), not only is the US characterized by NLP, but the spread of neoliberalism from the US necessarily has resulted in the spread of its component neoliberal penalty. The image of a ‘global firestorm’ of punitivism is one of his more striking turns of phrase. Yet as all criminologists would know, a burgeoning literature has been growing up

precisely around the fact that treating ‘western European’ or Anglophone penalties as a unity with respect to a wave of punitivism is highly problematic (e.g., Mayer and O'Malley, 2005; Newburn, 2010; O'Malley, 2002; Pratt, 2008a, 2008b). While not inconsistent with the ‘globalization’ thesis in NLP, studies such as Pratt's work on Scandinavia suggests that resistance to NLP has been long-term and quite successful. It is difficult to discern a marked trend towards NLP in countries such as Sweden. Of course, it can and has been argued that such work has simply located where resistance has been effective: it does not deny the association between increased punitivism and globalizing neoliberalism.

This geopolitical ‘unevenness’ has led to attempts, such as that of Cavadino and Dignan (2006), to link penalties to differences between *more or less* social democratic versus *more or less* neoliberal formations. They have found an association between neoliberalism and punitive penalties (as measured by rates of imprisonment). But their model of neoliberalism is extremely vague and stripped-down. In a nutshell, they suggest that the key issue is that neoliberal political economies have high prison rates because they foster ‘exclusionary cultural attitudes towards deviant and marginal citizens’ (2006: 23). Social democratic political economies, on the other hand, promote more inclusionary approaches. Obviously, this resonates, for example, with accounts such as Jock Young's (1999) of the ‘exclusive society’, but it takes us very little distance in understanding anything as complex as the neoliberalisms of the sort we have been examining. Moreover, even Cavadino and Dignan (2008) have retreated somewhat from their position and emphasized the need to examine the political institutions, political media and general cultures that mediate between political economy and penal practices. This is a position pretty much in line with the critique of their work by Nicola Lacey (2008), who argued that these institutional levels play a critical role. For example, countries with a first-past-the-post electoral system, she suggests, are more likely to embrace extreme penal policies because the winners are less likely to have to negotiate with coalition partners, to make concessions within their own ranks, and so on. While such revisions are important, it is difficult not to notice how far we have moved from the rich and complex issues surrounding the nature of specific neoliberalisms and their ‘corresponding’ penalties. That is, the neoliberal penalty thesis (which Lacey later (2013) rejects) has in effect been watered



down to an inclusionary/exclusionary binary in order that it can be correlated 'globally' with such a vague index of 'penalty' as rates of imprisonment.

This literature does, however, point to the possible role of issues highlighted in Jamie Peck's (2010) analysis. Peck puts considerable emphasis on the fact that when models of neoliberalism are transported between countries or states, they never remain untouched. The norm is that they 'arrive' in environments where there are different social and economic problems, intellectual and social histories, institutional arrangements, existing political rationalities, and so on. Inevitably, *hybridity* is the norm. And given the multiplicity of neoliberalism's starting points, hybridity has always been 'its' character once it escapes the ideal knowledges of think-tanks and university departments.

Arguably, hybridity is a key characteristic even of the supposedly foundational 'neoliberal' regimes of the 1970s in Britain and the UK – the Thatcher–Reagan 'axis'. While time may have distanced us from the terminology of that period, neoliberalism was not that often mentioned, at least not at first. Rather, the catch-all nomenclature was that of the 'New Right'. The New Right, while doubtlessly influenced by such neoliberalisms as the Chicago School (for example, through the role of Milton Friedman in Reagan's administration), was also shaped by its legacy from other 'Right' politics. Notably, these included Reagan's involvement in the Goldwater Republican movement. And Thatcher, of course, carried with her the Conservative Party and its often-reactionary membership. In terminology that was only then beginning to emerge, these supposedly foundational neoliberal regimes were much more accurately understood as amalgams of neoliberals and neo-conservatives (Brown, 2006). And this could be expected to show up in their associated penalties.<sup>3</sup> Indeed, Peck (2010: 30) argues that the forced cohabitation between neoliberalism and other political forces means that it is perforce 'institutionally promiscuous'.

In one account (O'Malley, 1999), neoliberalism – especially because of its economistic register and market orientation – is associated in penalty with such developments as 'enterprising prisoner schemes', monetary fines, and 'risk-needs' programmes that revise welfare sanctions around tighter assessments of effectiveness. These 'neoliberal' criminologies centre

‘rational choice offenders’ – or what Garland (1996) refers to as ‘criminologies of the (universal) self’ – in which the criminal is the *homo economicus* as everyman. Neo-conservatives, on the other hand, are understood to be less enamoured of market models where these conflict with conservative moralities and give free rein to libertarian strains in opposition to the more socially authoritarian elements traditional in conservative thought and practice. Neo-conservative penalty is seen as much more closely associated with punitive interventions based on retribution, ‘shock’ tactics such as Boot camps, harsh discipline, chain gangs and the death penalty. And rather than the universalizing criminologies of the self, these rationalities are associated with exclusionary ‘criminologies of the other’ associated with what Jonathan Simon (1998) refers to as ‘managing the monstrous’.

Such a ‘New Right’ alliance between neoliberals and neo-conservatives was understood to give rise to the a ‘volatile and contradictory’ penalty (O'Malley, 1999) in which a wide variety of sanctions, seemingly at odds with each other in their foundational principles and assumptions, jostled together in a continually changing penal politics. The picture became even more convoluted when it was recognized that neoliberalism could be and often is intertwined with rationalities associated with social democracy. This might be seen to include Third Way politics and the Blair (and successive) government's continued promotion of a form of penalty associated with a ‘tough on crime’ rhetoric and practice. As many commentators have noted, social democratic resistance continued not only within complex actually-existing political regimes, but also within the penal institutions themselves. ‘Social’ resistance from welfare professionals embedded in the prisons, probation services and so on, has itself had a marked effect on policies and practices imposed by ‘neoliberal’ governments, producing their own hybridities of ‘welfare’ and the ‘neoliberal’ penalties (Kemshall, 2000; O'Malley, 2004).

Once we move to this more historically specific form of analysis, the more it appears that ‘neoliberal penalty’ appears akin in formation to the ‘welfare penalty’ that preceded it: a highly variable, often internally inconsistent and changing array of penalties that is no more than a vague umbrella term that perhaps conceals more than it reveals. For such reasons, as will be seen shortly, some have advocated that the term NLP (and certainly the NLP

thesis) be abandoned. However, before jumping to this conclusion, it may be worth taking a closer look at some much more specific accounts by *non-criminologists* (largely ignored by criminologists) in which neoliberalism has been linked to penalty.

## **The Neoliberal Penalty that Never Was**

While it may be there is no single starting point for neoliberalism, accounts such as Harvey's are interesting precisely because they go back to a key blueprint of historical neoliberal 'theory' – the theory of Hayek and his followers, in which 'the state' is something to be dismantled as far as possible. Thus, Harvey (2005: 80–1) argues that the emergence of the 'nemeses' of neoliberalism – populism, nationalism and authoritarianism – arise out of the need to deal with 'social incoherence' that is itself the product of neoliberalism's 'drive towards market freedoms and the commodification of everything':

The destruction of forms of social solidarity and even, as Thatcher suggested, of the very idea of society itself, leaves a gaping hole in social order. It then becomes peculiarly difficult to combat anomie and control the resultant anti-social behaviours such as criminality, pornography, or the virtual enslavement of others. (Harvey, 2005: 80)

If Harvey is correct, then much of what is attributed as the 'neoliberal' characteristic of NLP's 'punitive turn' has to be rethought. For Harvey, at least, the punitive turn is far from an inbuilt component or corollary of neoliberal political economy: it is precisely a reaction to failures in neoliberalism. Put another way, the punitive turn may have been put in place by governments that embrace neoliberal ideas in other domains, but it is quite misleading to regard it as a neoliberal penalty let alone an integral part of neoliberalism itself. Here, surely, we have something that begins to approach the kind of complexity that Garland addressed in his examination of the emergence of the welfare sanction: not a simple transmission belt from fixed and abstract governmental attributes to specific penal policy, but a messy and emergent politics capable of radically transforming the plans of 'original'

political framework(s).

Pursuing this point further, Harvey (2005: 77–8) points out that ‘neoliberal’ commentators have argued that such state institutions as criminal courts, prisons and police would become largely irrelevant with the orderly working out of neoliberal theory. In this, among others, Harvey had in mind the interventions of those such as Milton Friedman, who had advocated abandoning the War on Drugs in favour of a drug policy based on legalization and reliance on market mechanisms to drive down demand and minimize harms. Now Friedman was not simply any neoliberal. Clearly, his position was at odds with other ‘American neoliberals’, such as George Bush, who were advocating a highly moralized warfare on illicit drug use. More precisely he emerged from the Chicago School, and it is this highly specific form of (self-defined) neoliberalism that is most closely associated with an ‘economizing’ of criminal justice to which Harvey refers. This becomes all the more clear when we turn to another Chicago School leader, Gary Becker, who has made decisive statements on matters of crime and punishment.

Becker's (1974) criminology was based on the subjectivity of the rational choice actor, and his analysis had a heavy emphasis on punishment rather than reform. Likewise, as would be expected, an economic register was at the forefront of all aspects of his writing. But if this makes Becker an arch-candidate as a neoliberal penologist, there is one significant problem. Becker did not envisage an expansion of the penal sphere, certainly not an increase in imprisonment – quite the reverse. True, he did not propose its total withering away. His distinctive position was that prison would/should become marginal, while money should become the sanction *par excellence* for contemporary societies. Money damages should be paid where a private individual was harmed, money fines paid where the state was harmed. The difference between the two sanctions (as Bentham had argued two centuries earlier) he regards as merely procedural. Prison is reserved only for the relative handful too dangerous to be at large, or who would not pay. Surprisingly, while Foucault (2008) devoted a lecture to Becker and his criminology/penology as epitomizing ‘American’ neoliberalism, he failed to pay attention to Becker's writings on the fine – and, in this omission, he shares much with criminologists, especially, and, significantly, those concerned with neoliberal penalty.

Becker's catalogue of the advantages of fines and damages – borrowed almost totally from Bentham – includes: the infinite gradation of money sanctions to match offence seriousness; the restitutorial potential of the sanction; its low costs of administration; its reversibility in the case of injustice; the absence of force; and the lesser degree of disruption to the economy through the removal of workers from the workforce. Becker recognized explicitly that his proposal would involve major changes in penal thought and practice, but he argued strongly that the enormous cost savings associated with large-scale closing of prisons would make rational economic sense. And in the early 1970s, this was perhaps little more revolutionary than any other of the elements of Chicago School neoliberalism itself, such as radical privatization and marketization, which were to become elements in the new political economy of the late twentieth century.<sup>4</sup> But perhaps this discussion has run ahead of itself, for it is essential to see exactly why Becker took this stance on fines and punishment.

Becker, as Foucault (2008: 248–58) makes clear, defines crime as any action that puts the individual at risk of legal penalty. In Foucault's (2008: 251) words, 'the crime is that which is punished by the law and that's all there is to it'. Foucault points out that this definition of crime follows from the Chicago School's distinctive focus on human capital. All actors are imagined as seeking an income that is productive of personal satisfaction. In this way subjects become 'entrepreneurs of themselves' (rather, say, than as producers), managing their capital – skills, education, inventiveness – in order to maximize satisfactions. In this way, all manner of human desires can be subjected to an economic grid of intelligibility and thus rendered governable through economic means, agencies, apparatuses, and so on. It is this attempt to universalize the economic framework of governance that Foucault saw as distinguishing these 'American' neoliberals from previous liberalisms.

With respect to crime, the problem confronting Chicagoans was the dominance of individual justice. The nineteenth-century liberal reformers (Bentham especially) initially sought to impose an economic grid on crime by centring the *homo economicus* – the abstract universal subject performing the felicity calculus. However, because these reformers understood crime not as an economic issue but as a *legal* problem with penalties applied according to

the moral register of law, the criminal became the problem rather than the crime. As Foucault mapped out in *Discipline and Punish* (1977), this led to the unanticipated shift from *homo economicus* to an individualized *homo criminalis* about whom information would be gathered in the form of a criminal record. As a result, the criminal was understood within a moral register and subject to an ‘anthropology’ of crime: individualized justice emerged from this human science of crime.

By imposing a vision imported from human capital, the Chicagoans were able to escape *homo criminalis* and its anthropology. Instead, ‘the criminal, any person, is treated only as everyone whomsoever who invests in an action, expects a profit from it, and who accepts the risk of loss’ (Foucault, 2008: 253). Now the Chicagoans could reintroduce a fully economic register of crime, for it is no longer necessary to carry out an anthropology of the criminal. Once more the offence becomes the focus rather than the offender. At the same time, as crime appears merely as a calculated risk involved in profit-seeking activity, and no different from any other profit-seeking action, it is no longer necessary to apply a moral register. The penalty, then, is set not by a moral register but by an economic register: actions that attract penal sanctions are those profit-seeking actions that inflict non-market externalities on other entrepreneurs. The price of these externalities sets the level of the penalty. Hence, for Becker, crime may now be reduced to any action or set of actions that attracts a legal penalty (or premium). In this way, crime appears as a matter of capital in a market. Not only is an economic register re-established, but the field of its governance becomes intelligible in terms of governing markets: of pricing, supply and demand – rather than of extirpating crime.

But the exercise of law also has negative externalities – it has a cost, and the question that emerges within this neoliberal framework concerns the relative costs of crime and its prevention and punishment. For Bentham and the early liberal reformers, the economic problem was to minimize the costs of running the criminal justice system that aimed at extinguishing crime. For Becker, since the aim no longer is to extirpate crime, the economic problematic of criminal justice is how to balance the costs of crime and the costs of justice. Total extirpation would face the problem that each unit move in this direction would be geometrically more expensive, the law of diminishing returns.

Crime, then, does not appear as a moral question, requiring absolute conformity and punishment, but as an economic question focused on the cost of harms and their governance. ‘Good penal policy [thus] does not aim at the extinction of crime but at a balance between the curves of the supply of crime and negative demand’ (Foucault, 2008: 256).

It is unfortunate that Foucault did not follow up Becker's work on the fine, precisely because the character of the fine as a sanction is not just that it allows compensation for harms, nor just that it is cheap to administer. Perhaps its most significant characteristic is that it is literally a price: a technique for pricing crime and thus governing its supply and demand. Like a price, but unlike other legal penalties, the fine may be paid by anyone – not necessarily the offender, but quite possibly the offender's spouse, employer, child, and so on. The focus is thus not on the offender, but on the offence. In this sense, fines do not seek to punish, but to govern demand through pricing. Those sufficiently determined to offend may pay this price – a money premium – all that matters to the system of penalty is that the price is paid by someone, and that the distribution of crime is kept below a certain ‘tolerable’ level (O'Malley, 2009, 2010). The fine appears as the sanction *par excellence* for a (neoliberal) economization of crime and criminal justice.

In light of this, it is surprising indeed to note that Becker is arguing a ‘neoliberal’ case for fines in a country where fines have a comparatively weak purchase as a sanction (outside traffic fines and regulatory offences) – especially if we consider fines as a primary sanction rather than an add-on to imprisonment. This has not changed since 1974. Seemingly, no one heeded this eminent Nobel Prize-winning neoliberal with his eminently ‘neoliberal’ penalty. Instead, NLP was locking people up *en masse*, in historically unprecedented numbers – a step that Becker regarded as economically irrational. Moreover, what actually happened to fines was something rather different from anything envisaged by Becker. Becker's monetary ‘offender pays’ penalty was not followed up by the displacement of prison by fines, quite the reverse. Rather, what happened in the US was the invention of prison fees, fines and other monetary costs as loadings on top of offenders’ prison sentences. Prisoners in the US have come to be charged money (a lot of money) for the ‘services’ of the prison system that hosted them (Harris et al., 2010). Certainly, *post facto* we can see a ‘neoliberalism’ in this, of an

economic rationalist sort. But this is something very different from what the Chicagoan 'neoliberal' advocated or envisaged, and appears to have owed nothing to his input. It is an unanticipated emergence which, no doubt, a determined NLP theoretician could attribute as an effect of neoliberalism.

One conclusion, obvious but rarely mobilized in criminology, is that struggles go on among those self-described or described by others as 'neoliberals'. Some lose out, some are projects like Becker's that are stillborn, others like the prison fees array emerge more or less unexpectedly out of a possible hybrid of economic rationalist and punitive mentalities which are associated with broad conceptions of neoliberalism (and/or 'neo-conservatism'). In consequence, there is no unified neoliberal penalty nor a unified neoliberalism from which it is derived. But there may be mentalities and plans from which penal trajectories can be imagined by thinkers from specific schools of thought or in specific political environments. Becker is a case in point. If analysis of Becker's case tells us anything, it is that neoliberalism is a descriptor that embraces widely divergent mentalities, and that in understanding specific penal development we need to attend both to the specificity of the political rationality from which it originates, and the ways in which the broader mentality (the Chicago School) is connected to penal developments by specific patterns of governmental logic (Becker's justifications for the fine, his sketch of how they could 'work'), and the conditions and the ways in which specific political conditions fostered or frustrated such development.

The necessity for such fine detail, and the risks involved in loose usages of NLP, is nowhere more clearly illustrated than in the fact that the Chicago School itself was not united, and is capable of generating widely divergent penalties. Bernard Harcourt (2008: 41) has pointed out that for Becker's colleague Richard Posner (1986: 1195) 'the major function of criminal law in a capitalist society is to prevent people from bypassing the system of voluntary, compensated exchange'. While denying that there is in fact a causal link between this view and the rise of a NLP, Harcourt (2008: 41) nevertheless argues that:

The new discourse of neoliberal penalty facilitates the growth of the penal sphere. It makes it easier to resist government intervention in the



marketplace and to embrace criminalizing any and all deviations from the market. It facilitates passing new criminal statutes and wielding the penal sanction more liberally – *because that is where administration is necessary; that is where the state can legitimately act; that is the proper sphere of policing*. In other words, the neoliberal vision not only goes hand-in-hand with a certain way of perceiving markets and history – of believing, for instance, that the early markets of the eighteenth century were regulated excessively and that ours today are free. It also facilitates the growth of the penal sphere. By marginalizing and pushing punishment to the outskirts of the market, the neoliberal discourse fertilizes the penal sphere.

While Harcourt's argument points only to a *possible* link, he highlights the fact that we cannot necessarily read-off the outcome of a penal politics even if we can identify a specific variant of 'neoliberalism' at issue. Chicagoans were famously proud of the diversity of positions that were possible (and adopted) within their framework.

## **Conclusions: Diagrams of Power?**

In light of all this, maybe as Mariana Valverde (2010) suggests, we should place a moratorium on the use of 'neoliberalism' in penological and criminological analyses until we are clearer about what we are saying. More severely, Nicola Lacey (2013: 277) has suggested that:

The conceptual vagueness of neoliberalism, and the institutional deficit that characterizes the neoliberal penalty thesis, dooms it to failure as an explanatory account of contemporary punishment. Historical and comparative examples ... comprehensively undermine the idea that 'neoliberalism' is plausible as an explanation of current trends in punishment, striking though it may be as characterization of a certain kind of political reaction to a constellation of current geo-political and economic conditions. The neoliberal penalty thesis should, therefore, be abandoned.

Instead, Lacey suggests that it is necessary to build ‘a systematic account of how political institutions shape penalty’ with an aim to generate an ‘institutionally concrete view of the relation of punishment to politics’. In this, she argues, we need to move on to ‘causal, genealogical or other more ambitious frameworks’ (2013: 278). Evidently, the analysis above provides considerable support to such a view. At the same time, there is something in Lacey's account that is resonant of the early reactions to Foucault's analysis of the disciplinary prison in *Punishment and Discipline* (1977). Prisons, it was argued, did not look like the model drawn together by Foucault largely from the plans outlined in Bentham's Panopticon Papers and related sources. Prisons may have taken something from such sources, but in practice Bentham himself (like Becker years later) was frustrated by the failure to translate his diagrams into practice. Historians reacted to this account of prisons with dismay, but completely misinterpreted his aim: he was not writing a history of the prison, a description of ‘modern’ penalty or even an analysis of how discipline came to invest penal thought and practice (O'Malley and Valverde, 2014). Rather, he was mapping out a *diagram of power*. Diagrams of power are not literal descriptions of actually existing institutions, apparatuses or techniques, but ‘ideal knowledges’: precisely the kinds of blueprint represented by the Panopticon Papers and by Becker's proposal. Foucault made clear that such plans never get translated into practice without being transformed by resistance, misinterpretation, incompetence, unanticipated effects, and so on. Rather, they are proposals about how to govern, to be understood in their own right. As well, they are important because they indicate the ways in which political mentalities are linked by their proponents to specific apparatuses and techniques intended to realize the programmes of government. By attending to these plans and proposals *as mapped out by the protagonists themselves*, analysis avoids setting itself up as claiming a privileged access to the truth that allows it to reveal concealed interests, logics, cabals and so forth while nevertheless providing strategic knowledge about governance. A very crude outline of such a project is provided above, working through the ‘diagrammatic’ account of the neoliberalism of the Chicago School and Becker's vision of a penalty based on money sanctions.

Returning now to the question of neoliberal penalty, it may be perceived that the project envisaged by Nicola Lacey is akin to examining the history of

actually existing prisons while abandoning the analysis of diagram(s) of power and their genealogy. Such an operation now appears unnecessary, as both forms of analyses are useful and even complementary. This does not mean, however, that the NLP thesis somehow survives, because it has been seen that analysis of diagrams of penal power takes us away from any broad 'reality' called neoliberalism. Posner and Becker's penalties are almost as far apart as any existing programmes despite being within the Chicago School, which in turn may be seen as only one brand of neoliberalism. But now what status can be given to 'neoliberalism'? Recall Harvey's comment that *the abstract model of neoliberalism is unworkable in practice* and that as a result 'any attempt to extract some composite picture of a typical neoliberal state from this unstable and volatile historical geography would seem to be a fool's errand' (Harvey, 2005: 71). It would be easy to imagine he is outlining a diagram of power. But such diagrams as Becker's and Bentham's are only abstract in the sense of being plans: they are themselves historically existing. 'Neoliberalism' and 'neoliberal penalty' are abstract in a quite different way. They are not things that historically exist, but rather, are second-order constructs. Neoliberal penalty is thus of the same order as the 'welfare penalty' with which it is contrasted: neither an historically existing governmental programme, nor an abstraction in the form of a specific diagram of power. In both of these senses, there is no neoliberal penalty and its usage should be abandoned. However, this does not dispose of its use as an umbrella term for certain general purposes.

Simply disposing of 'neoliberalism' altogether in the analysis of penalty maybe to strip criminology of what has been a productive concept or category, playing a key role in understanding the emergence and transformation of new discourses and forms of punishment. We may now be in a position where this usefulness is becoming compromised: through its supersession by other more contemporary 'isms' and penalties; through its misuse in some less than helpful criminological scholarship; and because of the increasing sophistication of our understandings of the diagrams and programmes sheltering under the umbrella of 'neoliberalism'. But this should not blind us to its past value in highlighting in broad brush strokes major changes that were occurring in penalty after the 1960s. Nor should it blind us to some of the difficulties that would confront a criminology that had (as yet) no alternative 'big picture' concept to reference some major shifts in the

genealogy of liberalism and penalty.

## Notes

1. An earlier version of this chapter was first presented as 'Rethinking neoliberalism, crime and criminal justice'. International Workshop on Neoliberalism and Criminal Justice. Universidad Nacional de Litoral, Santa Fe, Argentina, 13–14 May 2015. I would like to thank Maximo Sozzo and other participants for their helpful comments. Thanks are due also to Mariana Valverde and Gavin Smith.

2. Garland's (2001) *Culture of Control* does provide a detailed genealogy of the complex formation that is his concern. But the sketchy outline of the 'neoliberal' component of this culture compares very unfavourably with his earlier work on the welfare sanction.

3. I am aware of course that many of the caveats entered against the indiscriminate, abstract and vague use of 'neoliberal' could also be raised with respect to 'neo-conservatism'. However, my point here is only to outline the difficulty of attributing penal practices to neoliberalism where specific regimes are amalgams of diverse political rationalities.

4. It is also worth noting that liberal scholars were at the same time detecting a move towards 'decarceration' – an 'emptying' of the prisons and confining institutions – in mainstream criminal justice and mental health fields, driven largely by a fiscal crisis (Scull, 1978).

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# **23 CO<sub>2</sub> as Neoliberal Fetish: The Love of Crisis and the Depoliticized Immuno-Biopolitics of Climate Change Governance**

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## **Introduction**

The argument advanced in this chapter attempts to interrogate a paradoxical condition. On the one hand, the environment and, in particular, the process of global climate change, is apparently intensely politicized and the climate problematic elevated to the status of a global political concern. On the other hand, a group of increasingly influential political theorists insists that a process of post-politicization of the public sphere, in parallel and intertwined with processes of neoliberalization, has been the key marker of pervasive practices of de-politicization over the past few decades.

It is, indeed, undisputable that a widespread public consensus has emerged over the perilous state of nature and the precarious environmental condition we are in (IPCC, 2009). Global climate change is increasingly staged as signaling a great danger of epic dimensions that, if unheeded, might radically perturb, if not announce the premature end of, civilization-as-we-know-it (Klein, 2015). The imminent danger to the future of our common human and non-human world calls for radical changes in all manner of domains, from the way we technically produce and socially organize the transformation and socio-physical metabolism of nature to routines and cultures of consumption and forms of appropriate environmental governance (for a standard review, see Giddens, 2009). The 'International Community', emblematically represented by the successive Conference of the Parties (COP) meetings, has reached a fragile consensus on both the 'nature' of the problem and the array of managerial and institutional arrangements and appropriate technologies –

including large-scale geo-engineering of the earth system – to adapt to or mitigate the most dramatic consequences of climate change. Despite different constitutive positions (Hulme, 2009), this climate consensus is now largely shared by most political elites, business leaders, activists, and the scientific community. The few remaining sceptics are increasingly marginalized as either maverick hardliners or conservative bullies.

The elevation of climate change and its consequences to the dignity of a matter of political concern and public policy has unfolded in parallel – so the argument goes – to the consolidation of a post-politicizing process that has evacuated dispute and disagreement from the spaces of public encounter, de-politicized the public realm, and established a consensual governmentality that a growing chorus of political theorists define as post-democratic (Žižek, 1999; Mouffe, 2005; Rancière, 2006; Wilson and Swyngedouw, 2014). This post-political frame is structured around the perceived inevitability of capitalism as a socio-economic system and the naturalization of market logic as the basic organizational structure of the social and economic order for which there is ostensibly no feasible or desirable alternative. The corresponding mode of neoliberal governmentality is structured around dialogical forms of consensus formation, technocratic management and problem-fixing governance, sustained by populist discursive regimes (Swyngedouw, 2009, 2010). The post-political suturing of the terrain of agonistic public encounter is institutionally choreographed in the form of post-democratic governance regimes that provide the institutional and regulatory embedding for a broadly neoliberal policy regime (Crouch, 2004; Marquand, 2004). In the process, the presumed democratic principles of political equality and dissensus are increasingly muted or disavowed (Brown, 2015).

At first glance, the cultures and economies that are discussed under the generic term of ‘neoliberalization’ are – in their political manifestation – indeed decidedly paradoxical. Instituted representational democracy is more widespread than ever: identitarian concerns such as sexual, gender, ethnic, religious or other preferences are made visible; all manner of issues and problems, such as climate change, security, migration, etc., are seemingly politicized; ‘participatory’ and ‘inclusive’ forms of governance at a range of geographical scales are nurtured and fostered; and lifestyle preferences, the

re-engineering of our climate, the heroic resistances of indigenous peoples, fracking, the garbage left on the sidewalk, the plight of the whale, governments' austerity agendas to get the economy out of the doldrums – all these issues and an infinity of others are disputed and rendered contentious. That is, they are discussed, dissected, evaluated, raised to issues of public concern and debated at length in a variety of public and political arenas. Everything, so it seems, can be made visible, audible, and contestable. In short, democracy as the theatre of and for the pluralistic and disputed consideration of matters of public concern seems to be alive and kicking. It appears that we shall forever live happily in the complacent security and consensualized knowledge that democracy has been fine-tuned to assure the proper biopolitical management of a liberal and pluralist society under the uncontested aegis of an equally triumphant neoliberalism basking in a naturalized market-based configuration for the production and distribution of goods and services. Remaining problems and issues will be dealt with properly through consensual pluralist techno-managerial expert negotiation. And those who dissent will face the military wrath of the righteous!

This is supposed to be the final realization of the Platonic liberal democratic idyll of an untroubled, undivided, cohesive and common-sense society in which everyone knows his or her place and performs his or her duties in their own – and therefore everyone's – interests, through a diversity of institutionalized forms of representative government, aided and supported by stakeholder-based participatory governance arrangements for all sorts of recognized problems, issues and matters of concern. It is precisely this parallax gap between the elevation of the environmental condition to a global public concern and the alleged processes of de-politicization that sets the contours and contents of this chapter.

In this contribution, I am concerned with the historical production of such a post-politicizing and post-democratic regime. I contend that the environmental question in general and the climate change argument and how it is publicly staged in particular have been and continue to be one of the markers through which post-politicization is wrought. In other words, the particular way in which the environmental condition has been elevated to a matter of public concern can be mobilized as a lens through which to grapple with the contested formation of a neoliberalizing post-political frame as a

particular contemporary modality of de-politicization.

I shall proceed in four steps. In the first part, I explore the key characteristics of neoliberal post-politicization. In the subsequent part, the framing of climate change as a particular form of crisis will be explored. I shall then argue that the techno-managerialism of climate change governance constitutes a particular form of what Roberto Esposito calls an immunological biopolitics. In the final part of the chapter, I shall summarize how the dispositifs of climate change are a constitutive moment in the unfolding of the process of post-politicization.

## **Living Post-Democratically: The Contours of Post-Politicization**

More than ten years ago, the political scientist David Marquand already argued that while the formal envelope of democracy survives, 'its substance is becoming ever more attenuated' (Marquand, 2004: 4). Pierre Rosanvallon also insists that politics is increasingly being replaced 'by widely disseminated techniques of management, leaving room for one sole actor on the scene: international society, uniting under the same banner the champions of the market and the prophets of the law' (Rosanvallon, 2006: 228). In a landmark publication, Colin Crouch defined this emerging new regime as 'post-democracy', a condition he describes as follows:

While elections certainly exist and can change governments, public electoral debate is a tightly controlled spectacle, managed by rival teams of professional experts in the techniques of persuasion, and considering a small range of issues selected by those teams. The mass of citizens plays a passive, quiescent, even apathetic part, responding only to the signals given them. Behind the spectacle of the electoral game, politics is really shaped in private by interaction between elected governments and elites that overwhelmingly represent business interests. ... Under the conditions of a post-democracy that increasingly cedes power to business lobbies, there is little hope for an agenda of strong egalitarian policies for the redistribution of power and wealth, or for the restraint of

powerful interests. (Crouch, 2004: 4)

Richard Rorty associated post-democracy with the rapid erosion of democratic rights and values, and offers an even more chilling vision: '[a]t the end of this process of erosion, democracy would have been replaced by something quite different. This would probably be neither military dictatorship nor Orwellian totalitarianism, but rather a relatively benevolent despotism, imposed by what would gradually become a hereditary *nomenklatura*' (Rorty, 2004). Jacques Rancière defines post-democracy as consensus democracy, 'a political idyll of achieving the common good by an enlightened government of elites buoyed by the confidence of the masses' (Rancière, 1998: 93). For him, this post-democratic order revolves around a consensual arrangement in which all those that are named and counted take part and participate within a given and generally accepted and shared/partitioned social and spatial distribution of things and people. While there may be conflicts of interest and opinion, there is widespread agreement over the conditions that exist and what needs to be done (Rancière, 2003: 2).

The emergence and characteristics of the process of post-democratization combines a series of interrelated dynamics that have begun to suture the political landscape, centering on the gradual imposition of techno-managerial rule of interest intermediation. These features can be summarized as follows (see also Swyngedouw, 2011):

1. The political process of generalized but geographically differentially patterned neoliberalization, despite its heterogeneous, differentiated and uneven dynamics (see Harvey, 2005; Brenner, Peck and Theodore, 2010), has been marked by what Bronwen Morgan and Wendy Brown called an 'economization of politics' (Morgan, 2005; Brown, 2015). This refers to the increasing hegemony of the market paradigm, which holds that public choices can be considered politically viable only when they operate under or can be aligned with the imposition of strict market rule.
2. This correlates with what Pierre Bourdieu identified as 'the depoliticization of the economic', i.e., market rules have become naturalized and cannot be rendered subject to political deliberation, disagreement and contestation (Bourdieu, 2002; see also Madra and

Adaman in this volume). In other words, neoliberalizing governmentality has elevated 'the market' as a terrain beyond dispute. A particular fantasy of autopoietic organization of how to produce and organize the distribution of social wealth, i.e., of 'the economy', has indeed sutured the political imaginary, one centered on a practice that seemingly separates economic dynamics from the political process. At the same time, much of the concern of governmental policy efforts are geared at assuring the 'proper' functioning of this fantasy in the real movement of economic life, often despite recurrent evidence of absent 'economic' self-regulation and autopoietic stabilization, as well as growing inequality.

3. This de-politicization of the economy limits or circumscribes the political choices offered to citizens, something Henri Giroux refers to as the 'terror of neoliberalization' (Giroux, 2004; see also Purcell, 2008). Moreover, the available options are often deemed too complex for ordinary citizens (or even professional politicians) to comprehend or judge, which necessitates continuous appeal to experts to legitimize decisions (Sloterdijk, 2005). In particular, 'economists' and 'economics' have been elevated to the expert terrain of legitimizing quasi-religious propositions. The growing apathy of ordinary people with respect to the democratic political process is noted but dismissed as not central to the 'proper' functioning of democratic institutions (Vergopoulos, 2001).
4. This process is a profoundly paradoxical one. The implosion of totalitarian state socialism (or its transformation to authoritarian state capitalism as in the case of China and increasingly so in Russia) marked the end of two competing visions of what constitutes a 'good' society. Yet, the historical 'victory' of 'democratic' capitalism has increasingly effaced concern with democracy as presumed universal equality. Simultaneously, it has also hastened, on the one hand, the transformation from a political to a managerial state and, on the other, from democracy as the instituted space of agonistic encounter to the broadening and deepening of individual consumer choice and hegemony of the market imperative as the naturalized resource allocation technology within a consensually agreed and unquestionable socio-economic order (Rancière, 1998; Jörke, 2005, 2008; Blühdorn, 2006; Dean, 2009).
5. The erosion of political control and accountability and, consequently, the rise of more autocratic forms of governing signal a re-ordering of the

state–civil society nexus, whereby the state (and increasing non-state public agents) operates increasingly ‘at a distance’ (Swyngedouw, 2000). This is particularly evident in the emergence of new scalar and inter-scalar arrangements of governance (at both sub-national and supra-national scales, such as urban development bodies, public-private partnerships, successive COP meetings, the European Union, the World Trade Organization or G-20 meetings) that reorganize the institutional forms of governing, as well as their scalar *gestalt*. Such arrangements of governance-beyond-the-state have become part of the system of governing, of organizing the ‘conduct of conduct’ (Swyngedouw, 2004, 2005). This process is accompanied by the extension of the regulatory and interventionist powers of authorities through the inclusion of what Ulrich Beck called ‘unauthorized actors’ (experts, managers, participatory governance arrangements, consultants, and the like) that lack political legitimacy (Beck, 1997).

6. In addition, their proliferation is embedded in geographically variable configurations of a neoliberal polity that combines a desire to construct politically the market as the necessary social institution of resource mobilization and allocation, a critique of the presumed continuing ‘excess’ of the state, an engineering of the social in the direction of greater individualized responsibility, and consolidation of the ‘tyranny of participation’ (Cooke and Kothari, 2001), often operating in what Maarten Hajer defines as an ‘institutional void’ with opaque rules and procedures (Hajer, 2003).
7. Agonistic political debate is increasingly replaced by disputes over the mobilization of a series of new governmental technologies, managerial dispositifs and institutional forms, articulated around reflexive risk-calculation (self-assessment), accountancy rules and accountancy-based disciplining, quantification, and benchmarking of performance (Dean, 1999). ‘Doing politics’ is reduced to a form of institutionalized social management (Baeten, 2009), whereby problems are dealt with through enrolling managerial technologies and administrative procedures (Nancy, 1992).
8. The public management of consensus relies on the opinion poll (rather than the ballot box), the perpetual canvassing of ‘popular’ views, signaling the parameters of what needs to be ‘policed’. Post-democratic arrangements hinge, therefore, on the mobilization and normalization of



a certain populism (Mudde, 2004). These populist tactics are maintained through the nurturing of fear, crises, and the invocation of specters of pending catastrophe if urgent and decisive action is not taken (Swyngedouw, 2007). Consider, for example, the striking similarities in the mobilization of discourses of crisis by the elite expert-governance assemblage around questions such as the financial-economic crisis, the environment, immigration, terrorism, and the like (Badiou, 2010; Swyngedouw, 2013).

Post-democracy as consensus politics, however, inaugurates neither the disappearance of serial exclusion, radical socio-political conflict, antagonism and occasionally violent encounter, nor greater political inclusion. For example, the deterritorialization and denationalization of biopolitical relations, primarily as the result of growing diasporic nomadism, (forced) migration, and the explosion of multi-place networked identities, have given rise to truncated political rights, whereby some people are more equal than others in the exercise of political rights or commanding institutional powers that are still primarily territorial (Swyngedouw and Swyngedouw, 2009). Differential and unequal social and political citizenship rights, for example, are inscribed in or assigned to bodies depending on places of origin, destination, and patterns of mobility (Isin, 2000). The geographically unequal and spatially fragmented political rights enjoyed by different individuals in different political-geographical settings – like the right to vote – are a case in point. Related to this, as Bob Jessop notes, ‘the scope of consensus politics is expanded to the whole of humanity but the presumed identity of the bare individual as *pars totalis* and a universal global humanity has been disturbed by a fundamentalism of identities that erupts onto the world stage’ (Jessop, 2005: 186). In other words, the universalizing procedures of consensus politics is cut through by all manner of fragmenting forces that often revolve around the resurgence of the ‘ethnic’ evil, i.e., identity politics as the cause that disrupts the consensually established order. While identitarian politics is loudly acclaimed, xenophobic or nationalist movements arise, whereby ‘incorrect’ outsiders are violently excluded often through erecting all manner of new material, legal or other geographical barriers, walls, and camps (De Cauter, 2004; Diken and Laustsen, 2004; Minca, 2005; Brown, 2014). In other words, post-democratic consensual procedures are cut through by all manner of often-disavowed antagonisms, recurrent violent outbreaks, and

moments of intense social unrest.

While a consensual view refuses ‘to legitimize the centrality of antagonism in democratic politics, the post-democratic *Zeitgeist* forces the expression of this dissent through channels bound to fuel a spiral of increasingly uncontrolled violence [and] ... violent expressions of hatred which upon entering the de-politicized public sphere, can only be identified and opposed in moral or cultural (or eventually military) terms’ (Stavrakakis, 2006: 264–5). The rise of racism, violent urban eruptions, ethnic or religious rivalries, and so forth, become key arenas of social conflict (Žižek, 2008). In the absence of the agonistic politicization of these antagonisms, they become expressed in either hysterical outbursts of violence or, from a liberal cosmopolitan perspective, in the affective powers of moral or ‘humanitarian’ outrage (Kaika, 2016). Occasionally, such outbursts take the form of radically democratizing political movements, as illustrated by the Spanish *Indignados*, the Greek *Outraged*, or the various Occupy!-type movements that have dotted the urban landscape in recent years (Wilson and Swyngedouw, 2014).

In sum, post-politicization is thus about the administration and biopolitical policing of social, economic or environmental issues, and they remain, of course, fully within the realm of the possible, of existing social relations: ‘The ultimate sign of post-politics in all Western countries’, Žižek maintains, ‘is the growth of a managerial approach to government: government is re-conceived as a managerial function, deprived of its proper political dimension’ (Žižek, 2002: 303). Politics becomes something one can do without making decisions that divide and separate (Thomson, 2003). In the absence of a politicization of demands that is banned from the consensual order and is not permitted to enter the public sphere of agonistic disagreement, violent encounter remains one of the few courses open for the affective staging of active discontent. Of course, such manifestations of disagreement and dissent signal the possibility for a return, a re-treating, of ‘the political’. The post-democratic consensus and processes of de-politicization do not efface the political fully. De-politicization is always incomplete, leaves a trace and, hence, the promise of a return of the political – a return, in Žižek's words, of the repressed.

**The Climate as Object Cause of Desire: Love your**

# Crisis

The successive COP Climate Meetings, together with the increasingly desperate scientific publications of the Intergovernmental Panel on Climate Change (IPCC), maintain climate issues high on the political and social agenda. Media reports, spurred on by a flood of scientific research galvanized by popular interest and concern, indeed render climate as remaining a highly contentious terrain. Carbon dioxide (CO<sub>2</sub>) and other greenhouse gases nonetheless continue their seemingly unstoppable climb. The apocalyptic narrative of a galloping climate disaster keeps fueling our imaginations. Imaginaries of a dystopian future are nurtured, not in the least by various political and economic elites, to invoke the specter of an inevitable socio-ecological catastrophe if *nothing* is done so that *something will* be done. Their performative gesture is, of course, to turn the revealed ecological *endgame* into a manageable *crisis*. While catastrophe denotes the irreversible radical transformation of the existing into a spiraling abyssal decline, crisis is a conjunctural condition that requires particular techno-managerial attention by those entitled or assigned to do so. The notion of crisis also promises the possibility of its *containment*, such that the dystopian revelation is postponed or deflected. Thus, the embrace of catastrophic language serves primarily to turn nightmare into crisis management, to assure that the situation is serious but not catastrophic. This nurturing of fear, which is invariably followed by a set of techno-managerial fixes, serves precisely to de-politicize (Swyngedouw, 2010).

For the elites from the Global North, the ecological condition is – correctly of course – understood as potentially threatening to civilization as we know it. At the same time, their image of a dystopian future functions as a fantasy that sustains a practice of adjusting things today such that civilization as we know it (neoliberal capitalism) can continue for a bit longer, spurred on by the conviction that radical techno-managerial change can be achieved without changing radically the contours and political-ecological relations of capitalist eco-development. Consider, for example, Al Gore's documentary, *An Inconvenient Truth*, which, despite its apocalyptic imaginary, insists that technical and organizational changes and innovations to mitigate climate change are possible and necessary, such that 'our way of life' can be sustained for some time longer. The imaginary of crisis and potential collapse

produces an ecology of fear, danger and uncertainty, while reassuring ‘the people’ (not as a political category but, rather, the ‘population’ as a bio-sociological category) that the techno-scientific and socio-economic elites have the necessary toolkit to readjust the earth's geo climatic machine such that things can stay basically as they are. An even more telling example is provided by The Breakthrough Institute's *An Ecomodernist Manifesto* (see [thebreakthrough.org](http://thebreakthrough.org)) that offers a view promising accelerated capitalist expansion combined with a geo-engineered mitigation and adaptation to climate change. Radical socio-technical change is fully endorsed as the means to manicure our relationship with nature such that the socio-ecological condition can be managed in ways that accelerate capital accumulation (Nordhaus and Shellenberger, 2015). An immunological biopolitical regime is ushered in and re-enforced: one that promises to massage the environmental condition such that some of us remain shielded (immunologized) from the worse excesses of the havoc climate change threatens to unleash. What is, of course, radically disavowed in their pronouncements is the fact that many people in many places of the world already live in the socio-ecological catastrophe. The ecological Armageddon is already a reality for many. While the elites nurture an apocalyptic dystopia that can nonetheless be avoided with the mobilization of the right prophylactic dispositifs (for them), the majority of the world already lives ‘within the collapse of civilization’ (The Invisible Committee, 2009). The Apocalypse is, indeed, a combined and uneven one, both in time and across space (see Calder Williams, 2011).

Despite the important differences between the transcendental biblical use of the Apocalypse and the thoroughly material and socio-physical ecological catastrophes-to-come, the latter equally de-politicizes matters. As Alain Badiou contends:

[T]he rise of the ‘rights of Nature’ is a contemporary form of the opium of the people. It is an only slightly camouflaged religion: the millenarian terror, concern for everything save the properly political destiny of peoples, new instruments for control of everyday life, the obsession with hygiene, the fear of death and catastrophes. ... It is a gigantic operation in the depoliticization of subjects. (Badiou, 2008: 139)

Environmental problems are, indeed, commonly staged as universally threatening to the survival of humankind, announcing the premature termination of civilization as we know it and sustained by what Mike Davis aptly called 'ecologies of fear' (Davis, 1999). Much of the discursive matrix articulating the environmental condition we are in is systematically quilted by the continuous invocation of fear and danger, the specter of ecological annihilation, or at least seriously distressed socio-ecological conditions for many people in the near future. The nurturing of fear, in turn, is partly sustained by a particular set of phantasmagorical imaginations that serve to reinforce the seriousness of the situation (Katz, 1995). The apocalyptic imaginary of a world without water or, at least, with endemic water shortages; ravaged by hurricanes whose intensity is amplified by climate change; pictures of scorched land as global warming shifts the geo-pluvial regime and spatial variability of droughts and floods; icebergs that disintegrate; alarming reductions in biodiversity as species disappear or are threatened with extinction; post-apocalyptic images of nuclear wastelands; the threat of peak-oil; the devastations raked by wildfires, tsunamis, spreading diseases like SARS, Avian Flu, Ebola, or HIV – all these imaginaries of a Nature out of synch, destabilized, threatening, and out of control are paralleled by equally disturbing images of a society that continues piling up waste, pumping CO<sub>2</sub> into the atmosphere, recombining DNA, deforesting the earth, and so forth. In sum, our ecological predicament is sutured by millennialism fears sustained by an apocalyptic rhetoric and representational tactics, and by a series of performative gestures signaling an overwhelming danger – one that threatens to undermine the very coordinates of our everyday lives and routines and may shake-up the foundations of that which we take for granted.

Of course, apocalyptic imaginaries have been around for a long time as an integral part of Western thought, first of Christianity and later emerging as the underbelly of fast-forwarding technological modernization and its associated doomsday thinkers. As Martin Jay argued, while traditional apocalyptic versions still held out the hope for redemption, for a 'second coming', for the promise of a 'new dawn', environmental apocalyptic imaginaries are 'leaving behind any hope of rebirth or renewal ... in favor of an unquenchable fascination with being on the verge of an end that never comes' (Jay, 1994: 33). The emergence of new forms of millennialism

around the environmental nexus is, indeed, of a particular kind that promises neither redemption nor realization. As Klaus Scherpe insists, this is not simply apocalypse now, but apocalypse forever. It is a vision that does not suggest, prefigure, or expect the necessity of an event that will alter the course of history (Scherpe, 1987). The environmentally apocalyptic future, forever postponed, neither promises redemption nor does it possess a name, a positive designation.

The attractions of such an apocalyptic imaginary are related to a series of characteristics. In contrast to standard left arguments about the apocalyptic dynamics of unbridled capitalism, I would argue that sustaining and nurturing apocalyptic imageries are an integral and vital part of the new cultural politics of capitalism for which the management of fear is a central leitmotiv (Badiou, 2007), while also providing part of the cultural support for a process of neoliberal post-politicization (Swyngedouw, 2010). At the symbolic level, apocalyptic imaginaries are extraordinarily powerful in disavowing or displacing social conflict and antagonisms. Apocalyptic imaginations are decidedly populist and foreclose a proper political framing. Or, in other words, the presentation of climate change as a global humanitarian cause produces a thoroughly de-politicized imaginary, one that does not revolve around choosing one trajectory rather than another, or identifies clear adversaries in a political process; it is one that is not articulated with specific political programs or socio-ecological projects or transformations. It insists that we have to make sure that radical techno-managerial and socio-cultural transformations, organized within the horizons of a capitalist order that is beyond dispute, are initiated that retrofit the climate (Swyngedouw, 2007). In other words, we have to change radically, but within the contours of the existing state of the situation – ‘the partition of the sensible’ in Rancière's words (Rancière, 2004), so that nothing really has to change.

This negative apocalyptic imaginary finds its positive injunction around a fetishist invocation of CO<sub>2</sub> as the ‘thing’ around which our environmental dreams, aspirations, contestations and policies crystallize. The *point de capiton*, the quilting point through which the signifying chain that weaves a discursive matrix of meaning and content for the climate change problematic proceeds, is CO<sub>2</sub>– the *objet petit a* that simultaneously expresses our deepest fears and around which the desire for change, for a better socio-climatic

world, is expressed. The fetishist disavowal of the multiple and complex relations through which environmental changes unfold finds its completion in the double reductionism to this singular socio-chemical component (CO<sub>2</sub>).

First, the complex capitalist socio-ecological (power) relations through which the unbridled release of carbon is orchestrated are customarily disavowed while, second, the pathological syndrome is reduced to an objectified and fetishized 'thing' (CO<sub>2</sub> and other greenhouse gases) that are staged as the object-cause of concern, thereby further obscuring the political and socio-ecological relations sustaining climate change.

The reification of complex processes to a thing-like object-cause in the form of a socio-chemical compound around which our environmental desires crystallize is, furthermore, inscribed with a particular social meaning and function through its enrolment as commodity in the processes of capital circulation and market exchange (Bumpus and Liverman, 2008; Liverman, 2009). The commodification of CO<sub>2</sub> – primarily via the Kyoto protocol and various offsetting schemes – in turn, has triggered a rapidly growing financialized market in greenhouse gas commodities. The procedure of pricing CO<sub>2</sub> reduces the extraordinary socio-spatial heterogeneities and complexities of 'natural' CO<sub>2</sub>'s to a universal singular, obscuring – in Marx's view of commodity fetishism – that a commodity is 'a very strange thing, abounding in metaphysical subtleties and theological niceties' (Marx, 2004 [1867]: 162). Commodification renders strictly homologous the pumping of one ton of CO<sub>2</sub> into the atmosphere by a coal-fired power plant in, say, the United Kingdom on the one hand, and sinking one ton of CO<sub>2</sub> through planting trees by, say, a local Brazilian community on the other. While the socio- and political-ecological framings of these two processes are radically different and incommensurable, monetizing CO<sub>2</sub> renders them fully interchangeable and commensurable. This commodification of CO<sub>2</sub> – primarily via the Kyoto protocol and various offsetting schemes – has triggered a rapidly growing derivatives market of climate futures and options (Lohmann, 2010). There is, indeed, an uncanny articulation between the financialization of everything under neoliberal capitalism and the managerial or institutional architecture of carbon-trading schemes.

Of course, the economy is 'greening', 'sustainable' policies and practices are

now part of the standard toolkit of any private or public actor, carbon is traded and sequestered, trees are planted, activists act, energy efficiency increases, and technologies are retrofitted. Nonetheless, greenhouse gasses keep on rising, and old and new fossil energy sources continue to be exploited (coal, fracking, and tar sands in particular). ‘Greening’ the economy does not seem to deflect the process of disastrous socio-environmental transformation. In the meantime, climate change scientists continue to crunch their numbers and calibrate their models. There is growing consensus now that the objective of the ‘International Community’ to keep global warming below 2° Celsius can no longer be achieved, regardless of measures taken. Even a global temperature rise of 4° Celsius seems inevitable now, while some fear, if things continue as they are, that even greater temperature increases are very likely (New et al., 2011). A four-degree rise will have profound effects and, in all likelihood, push climate behaviour over the tipping point whereby catastrophic change is inevitable, unleashing fast and unpredictable geographical transformations in climate patterns.

## **The Immuno-Biopolitics of Climate Change Adaptation**

As suggested above, neoliberal climate governance provides for an apparently immunological prophylactic against the threat of an irremediable externally revengeful nature. This immunological biopolitical gesture projects our survival into the future without considering the need or potential for a transformation of socio-natural relations themselves; it invites and nurtures techno-managerial adaptations to assure the ‘sustainability’ of the existing. Climate change policies centering on socio-technical arrangements and intermediaries to mitigate humans’ eco-physical imprint (from carbon trading to the manufacturing of carbon sinks and alternative energy sources) could, at best, only provide a palliative to temporarily postpone the Endgame of an uninhabitable earth. Concomitantly, it offers, in its eco-modernizing straightjacket, the promise of a radical re-interpretation that nonetheless keeps capitalism on its course. That is, it promises the crafting of, in Roberto Esposito's words, an immunological biopolitics that seemingly guarantees our survival (Esposito, 2008, 2011, 2012).



Esposito's main claim insists on how present-day neoliberal governmentality is sutured by an immunological drive, a mission to hermetically seal-off objects of government from possibly harmful intruders and recalcitrant or destabilizing outsiders that threaten the bio-happiness, if not sheer survival, of the population, and guarantees that life can continue to be lived. Immunological should be understood here as the suspension of the obligation of mutual gift-giving in a community. The (neo)liberal injunction of individual freedom and choice is precisely the founding gesture of an immunological biopolitics, one elevated to the key injunction pursued by neoliberal forms of governmentality. Immuno-politics are clearly at work, for example, in hegemonic Western practices around the environment, immigration or international terrorism. Indeed, a rapidly expanding arsenal of soft and hard technologies is put in place in an ever-denser layering of immunological technical, infrastructural and institutional-legal dispositifs – from tighter immigration law and continuous surveillance to the actual construction of steel and concrete walls and barriers, not to speak of the strict cordoning off when infectious diseases threaten to spatialize in manners that might penetrate the immuno-engineered bubbles of the elites' local life. The immunological state undertakes the dirty work so that the governed objects of biopolitical governmentality can continue to live everyday life in cocooned, pod-like geo-political and geo-ecological capsules, apparently unencumbered by the dangers and risks that cut through our desire for an Arcadian life. For example, the attempts to geo-engineer the climate through large-scale solar deflection, deep-earth carbon storage, large-scale adaptation, and the like promise an immunological prophylactic that permits life to go on for some without major social or political-economic change (Neyrat, 2016). As Pierre-Oliver Garcia puts it:

An immunitary power takes control of the risks, dangers and fragilities of individuals to make them live in a peaceful manner while obscuring any form of dissensus. (Garcia, 2015: 321)

In fact, the pursuit of an immunological biopolitics is one of the few remaining terrains of state power in a world where the privatization-cum-commodification of everything, combined with a hollowing out of territorial state sovereignty precisely because of the processes of globalization, has

nurtured a redirection of state functions primarily to the management of the population and its happiness. Immuno-biopolitics is, therefore, one of the vitally important structuring devices in the process of hegemonizing techno-managerial post-politicization. Walls, iron curtains, surveillance drones, IT-policing, bio-medical cordons, torture camps, climate change adaptation, and the like, testify to the immuno-biopolitical drive of contemporary governance (see Ernstson and Swyngedouw, 2017).

## Climate and Post-Politicization

The above summary charts how climate change governance is one of the domains through which the post-political consensual framework is forged; one that disavows dissensus and prevents agonistic disagreement over real alternative socio-ecological futures by nurturing a widely populist and de-politicizing discourse and practice. The contours of such de-politicizing techno-managerial configuration can be summarized as follows:

1. The climate change conundrum is not only portrayed as global, but is constituted as a universal humanitarian threat. We are all potential victims. '*The*' Environment and '*the*' People, Humanity as a whole in a material and philosophical manner, is invoked as being under threat. However, the 'People' here are not constituted as heterogeneous political subjects, but as universal victims, suffering from processes beyond their control. As such, the argument cuts across the idiosyncrasies of often antagonistic human and non-human 'natures' and their specific 'acting outs', silences ideological and other constitutive social differences and disavows democratic conflicts about possible different socio-ecological configurations by distilling a common threat to both Nature and Humanity (Hulme, 2008).
2. The nature–society dichotomy and the causal power of Nature to derail civilizations are re-enforced. It is a process that Neil Smith refers to as 'nature-washing':

Nature-washing is a process by which social transformations of nature are well enough acknowledged, but in which that socially changed nature becomes a new super determinant of our social fate.

It might well be society's fault for changing nature, but it is the consequent power of that nature that brings on the apocalypse. The causal power of nature is not compromised but would seem to be augmented by social injections into that nature. (Smith, 2008: 245)

3. While the part-anthropogenic process of the accumulation of greenhouse gases is readily acknowledged, the related ecological problems are externalized. CO<sub>2</sub> becomes the fetishized stand-in for the totality of climate change calamities and, therefore, it suffices to reverse atmospheric CO<sub>2</sub> levels to a negotiated idealized point in history, to return to climatic *status quo ex-ante*. An extraordinary techno-managerial apparatus is under way, ranging from myriad new eco-technologies and Promethean geo-engineering proposals to unruly and complex managerial and institutional configurations, with a view to producing a socio-ecological fix, to make sure nothing really changes fundamentally in the socio-ecological structuring of the Anthropocene (see, for example, The Royal Society, 2009; Szerszynski, 2010). Stabilizing the climate seems to be a condition for life as we know it to continue.
4. Consensual discourse 'displaces social antagonism and constructs the enemy ... the enemy is externalized or reified into a positive ontological entity [excessive CO<sub>2</sub>] (even if this entity is spectral) whose annihilation would restore balance and justice' (Žižek, 2006: 555). The enemy is conceived as an *intruder* who has *corrupted* the system. CO<sub>2</sub> stands here as the classic example of a fetishized and externalized foe that must be addressed. Problems, therefore, are not the result of the 'system', of unevenly distributed power relations, of the networks of control and influence, of rampant injustices, or of a fatal flaw inscribed in the system, but are blamed on an outsider (Žižek, 2006). That is why the solution can be found in dealing with the 'pathological' phenomenon, the resolution for which resides in the system itself. The 'enemy' remains socially empty or vacuous, and homogenized; the enemy is a mere thing, not socially embodied, named, and counted. While a proper politics would endorse the view that CO<sub>2</sub>-as-crisis stands as the pathological symptom of the normal, one that expresses the excesses

inscribed in the very normal functioning of the system, the dominant policy architecture around climate change insists that this state is excessive to the system, while prophylactic qualities are assigned to the mobilization of the very inner dynamics and logic of the system that produced the problem in the first place (privatization, commodification and market exchange of, often fictitious, CO<sub>2</sub>).

5. The climate consensus is conjured in the 'Name of the People', but supported by an assumedly neutral scientific technocracy that elevates, often without much political mediation, 'matters of fact' into the dignity of 'matters of concern', and advocates a direct relationship between people and political participation. It is assumed that this will lead to a good, if not optimal, solution. The architecture of consensual governing takes the form of stakeholder participation or forms of participatory governance that operates beyond-the-state and permits a form of self-management, self-organization, and controlled self-disciplining, under the aegis of a non-disputed liberal-capitalist order (Dean, 1999; Lemke, 1999; Swyngedouw, 2005). Such consensual tactics do not identify a privileged subject of change (like the proletariat for Marxists, women for feminists, or the 'creative class' for competitive capitalism), but instead invoke a common condition or predicament, the need for common humanity-wide action, multi-scalar collaboration and co-operation. There are no internal social tensions or internal generative conflicts. Yet, it is precisely this constitutive split of the people, the recognition of radically differentiated and often opposing social, political, or ecological desires, that calls the proper democratic political into being.
6. The ecological problem does not invite a transformation of the existing socio-ecological order, but rather calls on the elites to undertake action such that nothing really has to change, so that life can basically continue as before. In this sense, the climate consensus is inherently reactionary, an ideological (or, rather, imaginary) support structure for securing the socio-political *status quo*. It is inherently non-political and non-partisan. A Gramscian 'passive revolution' has taken place over the past few years, whereby the elites have not only acknowledged the climate conundrum and, thereby, answered the call of the 'people' to take the climate seriously, but are moving rapidly to convince the world that, indeed, capitalism can not only solve the climate riddle, but that it can

actually make a new and more sustainable climate by unmaking the one it has co-produced over the past few hundred years.

7. Post-political climate governance does not solve problems; they are simply displaced. Consider, for example, the current argument over how the nuclear option is again portrayed as a possible and realistic option to secure a sustainable energy future and as an alternative to deal both with CO<sub>2</sub> emissions and peak oil (even after the horror of Fukushima) (Lovelock, 2007). The redemption of our CO<sub>2</sub> quagmire is found in replacing the socio-ecologically excessive presence of CO<sub>2</sub> with another socio-natural imbroglio, U235/238, and the inevitable production of all manner of co-produced socio-natural transuranic elements. The nuclear 'fix' is now increasingly staged (and will undoubtedly be implemented) as one of the possible remedies to save both climate and capital. It hardly arouses passions for a better and ecologically-sound society.
8. Most problematically, no proper names are assigned to a post-political consensual politics. Post-political populism is associated with a politics of not naming in the sense of giving a definite or proper name to its domain or field of action. Only vague concepts like climate change policy, biodiversity policy or a vacuous discourse of sustainability replaces the proper names of politics. These proper names, according to Jacques Rancière, are what nonetheless constitutes a genuine democracy – that is, a space where the unnamed, uncounted, and, consequently, un-symbolized become named and counted (Rancière, 1998). Climate change has no positively embodied political name or signifier; it does not call a political subject into being or, rather, there is not a political subject inaugurating its name. In contrast to other signifiers that signal a positively embodied content with respect to the future (like socialism, communism, liberalism), an ecologically and climatologically different future world is only captured in its negativity; a pure negativity without promises of redemption, without a positive injunction that 'transcends'/sublimates negativity and without proper subject. Yet, the gaze on tomorrow permits recasting social, political and other pressing issues today as future conditions that can be retroactively re-scripted as a techno-managerial issue. Poverty, ecological problems of all kinds and socio-ecological inequities will eventually be sorted out by dealing with CO<sub>2</sub> today. As demands are expressed (reduce CO<sub>2</sub>) that remain

particular, post-politics forecloses universalization as a positive socio-environmental project. In other words, the environmental problem does not posit a positive and named socio-environmental situation, an embodied vision, a desire that awaits realization, a passion to be realized.

## **Conclusion: Re-Thinking the Political Environment**

We have argued that the particular framing of climate change and its associated populist politics as outlined above attempts to foreclose politicization and evacuate dissent through the formation of a particular regime of environmental governance that revolves around consensus, agreement, participatory negotiation of different interests and technocratic expert management in the context of a non-disputed management of market-based socio-economic organization. A consensual post-democracy emerges here, one that either eliminates fundamental conflict or elevates it to antithetical ultra-politics. The consensual times we are currently living in have, thus, eliminated a democratizing political space of disagreement.

These post-politicizing climate change policies rest on the following foundations. First, the social and ecological problems caused by modernity/capitalism are external side-effects; they are not an inherent and integral part of the relations of liberal politics and capitalist economies. Second, a strictly populist politics emerges here; one that elevates the interest of an imaginary 'the People', 'Nature', or 'the environment' to the level of the universal, rather than opening spaces that permit the universalization of the claims of particular socio-natures, environments, or social groups or classes. Third, these side-effects are constituted as global, universal and threatening. Fourth, the 'enemy', or target of concern, is continuously externalized and becomes socially disembodied, is always vague, ambiguous, unnamed and uncounted, and ultimately empty. Fifth, the target of concern can be managed through a consensual dialogical politics whereby demands become depoliticized and politics naturalized within a given socio-ecological order for which there is ostensibly no real alternative.

The post-political environmental consensus, therefore, is one that is radically reactionary, one that forestalls the articulation of divergent, conflicting and

alternative trajectories of future socio-environmental possibilities and of human–human and human–nature articulations and assemblages. It clings to a harmonious view of Nature that can be recaptured while reproducing, if not solidifying, a liberal-capitalist order for which there seems to be no alternative. Much of the sustainability argument has evacuated the politics of the possible, the radical contestation of alternative future socio-environmental possibilities and socio-natural arrangements and has silenced the antagonisms and conflicts that are constitutive of our socio-natural orders by externalizing conflict. It is inherently reactionary.

As Alain Badiou argues, ‘proper’ politics must revolve around the construction of great new fictions that create real possibilities for constructing different socio-environmental futures (Badiou, 2005). To the extent that the current post-political condition that combines apocalyptic environmental visions with a hegemonic neoliberal view of social ordering constitutes one particular fiction (one that, in fact, forecloses dissent, conflict and the possibility of a different future), there is an urgent need for different stories and fictions that can be mobilized for realization. This requires foregrounding and naming different socio-environmental futures and recognizing conflict, difference and struggle over the naming and trajectories of these futures. Socio-environmental conflict, therefore, should not be subsumed under the homogenizing mantle of a populist environmentalist-sustainability discourse, but should be legitimized as constitutive of a democratic order. This, of course, turns the climate question into a question of democracy and the urgent need to recapture the democratic-as-politicizing-force in post-democratic times.

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# 24 Neoliberalizing the Welfare State: Marketizing Social Policy/Disciplining Clients

Sanford F. Schram

## Introduction

We live during a time of transformation for the welfare state. Across the developed world but elsewhere too, changes in social welfare policies reflect the growing influence of the market-centered philosophy of neoliberalism (Schram, 2015: Ch. 1). It has become the default logic for public policymaking today. A long time in coming to ascendancy, neoliberalism arose in response as the welfare state gained traction during and after the Great Depression of the 1930s (Peck, 2011). Neoliberalism's basic tenets were promulgated by Ludwig von Mises, Friedrich Hayek, Milton Friedman, and Gary Becker. It came to be associated with the 'Chicago School' of Economics. Especially as articulated by Becker and Chicago School fellow travelers, neoliberalism is centrally about the superiority of economic logic as the basis for all decision-making, public as well as private, collective and individual. A critical feature of neoliberalism is that it blurs the boundary between the market, civil society and the state. Neoliberalism disseminates economic rationality to be the touchstone not just for the market but for civil society and the state as well. Its emphasis on economic rationality as standing in for what is rational *per se* promotes the marketization of an increasing number of practices throughout society. Most dramatically, it has led to a wholesale revision in public policy in a number of domains so that they are more consistent with market logic in the name of better promoting market-compliant behavior by as much of the citizenry as possible. It places increased emphasis on people practicing personal responsibility by applying economic logic to all forms of decision-making across a variety of spheres of life. People are expected to practice personal responsibility by investing in their own human capital to make themselves less of a burden on society as a

whole or face the consequences of a heightened disciplinary regime. It is this last part that is often neglected (Harcourt, 2010). Neoliberalism's emphasis on personal responsibility for the choices people make has led to a more get-tough approach to social welfare policy.

The ongoing neoliberalization of social welfare policy itself is now taking place during a time of transformation that is fraught with risks for individuals, families and societies as a whole, indeed for the global economy overall. The ascendancy of neoliberalism as the prevailing rationality of our time is unfolding during what policy analysts call a 'critical juncture', where a well-ingrained 'path dependency' in social welfare policies has come under increased pressure to change (Pierson, 2000). This critical juncture is associated with a cyclical swing back from policy commitments that have dominated the social welfare state in the post-World War II era (Stiglitz, 2012). The waning of support for the welfare state is, however, complicated by changes in the economy in recent years. In today's world, post the Great Recession, where the economy seems to be recovering but in an increasingly unequal way, there is a return of what we can call 'ordinary capitalism' that has provided a new neoliberal normal of growing inequality and dwindling economic opportunities for people on the bottom of the socio-economic order (Schram, 2015: Ch. 1). Under neoliberalism's insistence on the pervasive reliance on economic logic as the basis for all decision-making, public as well as private, collective as well as individual, the state buttresses markets rather than counters them and inequality grows virtually unabated, as not a bug but rather as a feature of this latest (neoliberal) iteration of the return to ordinary capitalism (Sassen, 2006).

In this context, the neoliberalization of social welfare policy indicates a stark shift in orientation. While the state's social welfare policy in capitalist societies has always been attuned to market forces, neoliberal welfare policy represents a significant shift away from a state that sought to buffer the effects of the market for those who were least able to participate in it effectively to now re-purposing the welfare state to be one that explicitly is committed to working to buttress the market rather than to counteract its most deleterious effects (Schram, 2015: Ch. 1). Examining changes in major social welfare policy primarily in the US, but also in other countries, provides evidence of how the neoliberalization of social welfare policy today includes

putting in place a heightened disciplinary regime for managing subordinate populations who are deemed to be deficient in complying with the dictates of an increasingly marketized society where people are expected to leverage their human capital in order to provide for themselves and their families.

In what follows, I trace the rise of neoliberalism as the default logic of today's political economy throughout the world. I examine in detail its animating sources and its underlying philosophical roots. I review how it has come to be the common sense of capitalist political economies across the globe, and how it operates to structure public policymaking and policy design in those societies. I specify the way neoliberalism has influenced welfare policy implementation in the United States. I conclude with considerations on how to get beyond neoliberalism in social welfare policy via what I call a 'radical incrementalism' that makes small changes within the existing social welfare policies that lay the groundwork for more progressive changes down the road.

## **The Rise of Neoliberalism: from Explicit Theory to Default Practice**

Neoliberalism evolved in the twentieth century from being the preoccupation of economic theorists to becoming the default logic for public policymaking across the globe. At first, it was sustained largely in the writings of Ludwig von Mises and Friedrich Hayek and their followers in the Mont Pèlerin Society (Jones, 2014;

[www.salon.com/2013/03/09/the\\_world\\_according\\_to\\_milton\\_friedman\\_partn](http://www.salon.com/2013/03/09/the_world_according_to_milton_friedman_partn)

It most centrally is reflected in their critiques of the welfare state, but especially in the thinking of John Maynard Keynes and the idea that the state should be a bulwark to counter the market. For Keynes, only the state was large and powerful enough to counter the excesses that come with swings in the market. The rise of Keynesianism and its emphasis on countercyclical policy provoked a strong reaction from theorists like Hayek in particular.

Hayek believed that the state could not be omniscient and that the decentralized market produced more points of information and was therefore a more intelligent system of decision-making. Hayek's *Road to Serfdom*

(2007 [1944]) critiqued the idea of a welfare state that would undermine the autonomy of markets. He did concede the need for the state to provide for those who could not participate in the market enough to sustain themselves and their families. Hayek's work went on to prove to be catalytic in rolling back welfare state policies, not just in capitalist societies but eventually also in communist countries after the fall of the Soviet Union.

Hayek, however, was no simple conservative or classic economic liberal who prized individual freedom in some unreflective way. His neoliberalism is well captured when he said:

We assign responsibility to a man, not in order to say that as he was he might have acted differently, but in order to make him different.... It is doubtless because the opportunity to build one's own life also means an unceasing task, a discipline that man must impose upon himself if he is to achieve his aims, that many people are afraid of liberty. (Hayek, 1960: 70–5)

While vigilant in highlighting unwarranted forms of coercion, Hayek was in many ways the father of what would come to be called 'responsibilization' and the idea that society needed to be structured to discipline subordinate populations to be economically compliant. Hayek saw neoliberalism in the practices that worked to produce a certain type of citizen/subject who was market savvy and compliant in all their choice-making activities.

Milton Friedman was distinctively influential in developing the Chicago School of economic theorizing. His biggest contribution to the rise of neoliberalism was to pose his ideas of monetarism to that of Keynesianism (Jones, 2014). Rather than an active state counteracting the swings of the market, the state should back away from such fiscal policies that raised or lowered taxes and spending and instead impose a stable monetary system of moderate predictable growth. The goal of the state should not be to aggressively respond to market swings but instead should tamp things down by putting in place a stable flow of money. By the late 1970s, in the US in particular, the problems of simultaneous high inflation and low economic growth – i.e., stagflation – produced growing frustration with Keynesian

policies, the election of Ronald Reagan as president and the institution of Friedman's monetarism as official policy by the US government's Federal Reserve Board, which was charged with primary responsibility for managing the monetary system. Friedman's ideas had gone from the classroom and his textbooks to the halls of government. Now the state's job was not to counter the market but to support it.

The 'Reagan Revolution', as it was called, produced reductions in social welfare spending, deregulation of the economy, tax cuts for the wealthy (Moynihan, 1988). It was mirrored in the policies of Margaret Thatcher in her long run as Prime Minister of England (Krieger, 1986). It was Thatcher who gave us TINA (there is no alternative) as the most thoughtless version of the need to back away from Keynesianism (Hay and Payne, 2015). As would become a commonplace slogan, the era of big government was over. While poverty rose and inequality accelerated, the momentum had swung away from the Keynesian welfare state toward a neoliberalized political economy where the state facilitated rather than counteracted an economy that had these inequitable outcomes. Growing poverty and inequality were not unintended bugs in the system of neoliberalism as much as they were defining features of a system where the state facilitated economic growth that produced winners and losers.

By then neoliberalism was more a 'thought collective' than an explicit ideological program (Mirowski, 2014). Its tacit nature is represented in how it came to be implicitly associated with what was called the 'Washington Consensus' (Williamson, 2004). The Washington Consensus involved committing international lending practices to promoting economic liberalization in the debtor countries. Most famously, donors such as the World Bank and the International Monetary Fund came to impose 'structural adjustment' policies on the borrowing countries in exchange for the loans received. Latin American, African and Asian countries in particular commonly found the new terms of loans to involve conditions that led to the deregulation of the economy, reductions in taxes, cuts in social welfare spending and the privatization of state operations as well as the imposition of monetarist policies. Problems of growing poverty and accelerating inequality again were immediately noticeable but did not deter the growing insistence for 'structural adjustment'. The Washington Consensus extended beyond the

state to include the non-governmental organizations and others involved in promoting development to economically disadvantaged parts of the world.

Neoliberalism is not anti-liberalism; instead, it is a new form of liberalism. It is about both economic and political liberalism (Brown, 2015). It is very much an attempt at a return to the classic *laissez-faire*, free market economic liberalism of Adam Smith. But it is also based in an appreciation that with the New Deal in the US and social democracies in Europe there was the rise of the welfare state that was justified by a pro-government interventionist form of political liberalism which unavoidably remade the relationship of the state to the market. Neoliberalism might have at its core a wish or desire to roll back the state to return to *laissez-faire* economic policies and put in place a market fundamentalism. In this sense, neoliberalism is a form of conservatism that seeks to undo the welfare state as a counter to the market. Yet, as much as conservatives might have wished that that would happen, they quickly saw that history was not something that could be simply undone.

Instead, neoliberals were with time to appreciate the implications Karl Marx's understanding of history as an undeniable force in shaping people's ability to act. In 1848, Marx wrote in *The Eighteenth Brumaire Louis Napoleon*:

Men make their own history, but they do not make it as they please; they do not make it under self-selected circumstances, but under circumstances existing already, given and transmitted from the past. The tradition of all dead generations weighs like a nightmare on the brains of the living. And just as they seem to be occupied with revolutionizing themselves and things, creating something that did not exist before, precisely in such epochs of revolutionary crisis they anxiously conjure up the spirits of the past to their service, borrowing from them names, battle slogans, and costumes in order to present this new scene in world history in time-honored disguise and borrowed language. (Marx, 1937 [1848]: 1)

For Marx, people are not completely free to act, individually or collectively, but they are free to act in response to structured conditions in any one place and time. In other words, they had to account for what came before and not

simply wish it away. This was very true for neoliberals who wished to roll back the welfare state and enact a return to some type of market fundamentalism.

This points toward what has become a critical feature of neoliberalism, especially in its relationship to the welfare state. While neoliberals might have wanted to repeal welfare policies, as attempted under Reagan and Thatcher, more often than not, something else happened. Repeal was perhaps Plan A, but given that the welfare state had come to be entrenched, they could not simply undo it. The welfare state had become institutionalized. Its policies had acquired their own path dependency that generated a positive 'policy feedback' (as policy analysts call it) (Mettler and Soss, 2004). As people came to be accustomed to the benefits they gained from relying on the welfare state, they became more politically supportive of maintaining these policies. So, in that sense, there was no real chance of totally going back to a set of policies like those that pre-dated the welfare state. That would be Plan A. And if Plan A was not possible then a Plan B was needed. If the welfare state could not be repealed so as to reinstate market fundamentalism, then the next best thing would be to marketize the state. Over time, this has come to be a hallmark characteristic of neoliberalism, perhaps more than monetarism, deregulation, and tax cuts. Instead, of repealing the welfare state, neoliberalism involves marketizing welfare state operations so they run more like a business in the name of getting everyone involved in them, policymakers, program administrators, and clients to act in market-compliant ways.

In this sense, neoliberalism is really Plan B for market fundamentalists (Schram, 2015: 28–31). It is what they had to do given the historical significance of the welfare state, the path dependency of its policies, the positive policy feedback that they generated and the unavoidable reality that history is a real force that cannot simply be dismissed or wished away. Therefore, it is not surprising that neoliberalism is most often confronted with confusion when it is introduced as a topic of analysis. It is less a full-blown ideology than a hybrid practice that has evolved out of historical circumstances. In practice, neoliberalism is not about market fundamentalism as much as it is about marketizing the state. It is less about doing away with the state than getting it to operate in market-compliant ways. In fact, it might

be best to refer to neoliberalism not as an ideology at all, but instead as a more subordinate meaning system, a 'practical rationality', i.e., the common sense for making public policy today in a post-Keynesian era (March and Olsen, 2010).

Jamie Peck aptly speaks of 'zombie neoliberalism', where neoliberalism policy changes get enacted simply because they go unchallenged as the default logic for making public policy in the current era (Peck, 2010). While neoliberalism might have been an explicit theoretical orientation at one point, today it is more an implied understanding of what is to be done. Today, almost no one admits to being a neoliberal, even if they pursue neoliberal marketizing strategies for changing the relationship of the state to the market. It is generally understood as the common sense of public policymaking in the US most especially, but increasingly elsewhere as well, that when the welfare state cannot be rolled back, we search for ways to marketize it so that it becomes less of a counter to the market and something that runs along market lines so as to better promote markets.

Wendy Brown has insightfully noted that neoliberalism is more about the state than the market (Brown, 2015). She notes that it is most centrally about changing politics so that it too operates in market-compliant ways, as in allowing wealth to dominate the electoral process and monied lobbyists to draft the laws that get enacted as well as rewriting public policies to be more supportive of markets and those who dominate them. Neoliberalism's greatest effects are perhaps seen in its being the default logic for the politics of remaking the state more so than how it works to reshape markets.

The zombie-like quality of neoliberal thought today is perhaps no accident, as Henry Giroux notes:

Neoliberalism is not merely an economic system, but also a cultural apparatus and pedagogy that are instrumental in forming a new mass sensibility, a new condition for the widespread acceptance of the capitalist system, even the general belief in its eternity. Seeking to hide its ideological and constructed nature, neoliberal ideology attempts through its massive cultural apparatuses to produce an unquestioned common sense that hides its basic assumptions so as to prevent them



from being questioned. (Giroux, 2015)

Therefore, a good case can be made that neoliberalism has gone from being an explicit economic philosophy to an implicit understanding about the politics associated with remaking the state. It is the common sense of the politics of public policymaking. It reflects history as a real force to be contended with. It raises the issue of what Hegel called the 'cunning of reason', where actors unknowingly enact what history has led them to do in spite of their own best intentions.<sup>1</sup> The thoughtlessness of neoliberalism today may only make it that much harder to counteract. It is something that people do simply because that is the way things get done at this point in time. As result, neoliberal failures often lead to a doubling-down where they are replaced or modified with other even more intensified forms of neoliberalism. Nowhere is this tragedy more noticeable it seems than when we look at the neoliberal marketization of US welfare policy for the poor.

## **Marketizing the Welfare State: Neoliberal Social Welfare Policy**

Neoliberalism as enacted today is producing nothing less than a regime-wide transformation of the welfare state. We can see this transformation as traversing the continuum of domestic policy across the welfare state. The idea of state policy existing on a continuum is put to good use by Pierre Bourdieu. Bourdieu has noted that the state is riven with conflict and that it is better to characterize it as a 'bureaucratic field' (Bourdieu, 1994). Bourdieu suggests that within this bureaucratic field there is a continuum of domestic policy, with the left hand of the state providing aid and the right hand of the state imposing discipline. Yet for Loïc Wacquant, there has been a joining of the left and right hands of the state in recent years as policies have become more punitive, emphasizing punishing the poor for their failure to conform to social and legal norms, especially regarding work and family (Wacquant, 2009). Social welfare and criminal justice policies, for instance, have become more alike, aiding and disciplining the poor simultaneously so that they will be less likely to engage in deviant social practices. Neoliberalism is spreading punishment across domestic policies in the name of disciplining the poor to

become personally responsible, market-compliant actors (Soss, Fording and Schram, 2011a).

Yet neoliberalization involves more than punishment in the name of disciplining the poor. The marketization of social welfare policies actually has been the most noteworthy development under neoliberalism. In policy after policy, there has been a dramatic shift to relying on private providers, where clients are turned into consumers who get to make choices, and both are held accountable via performance measurement systems that indicate whether market-based objectives have been met. Examples in the US include: welfare reform where private providers now dominate in placing clients in jobs, managed-care systems for regulating the private provision of publicly funded health care, Section 8 vouchers for subsidizing low-income families' participation in private housing markets, and education vouchers that subsidize parents' placing their children in private charter schools (where students must score sufficiently high on standardized tests for the schools to continue to participate in the privatized public education system in that locality).

Neoliberalism involves both carrots and sticks; it is about discipline more than just punishment (Soss, Fording and Schram, 2011a: 6–9). Discipline is not just negative in limiting people's behavior; it is also productive in seeking to bring into being a new type of responsabilized citizen/subject who applies economic rationality to all their choice-making practices. To help usher in this new citizen/subject, service providers across the social welfare state are also being disciplined in ways that make for profound transformations in the delivery of all kinds of public services. As part of the effort, public policies across the social welfare continuum are themselves undergoing a fundamental transformation as they are being neoliberalized to shift to imposing discipline to achieve market compliance by all actors in the system, service providers as well as clients. From income redistribution programs such as public assistance for the poor to criminal justice policies such as the system of mass incarceration that has arisen in the era of the war on drugs, social welfare policies are becoming more alike as they feature a strong disciplinary approach grounded in marketized operations. Increasingly, for-profit providers are required to demonstrate they can meet performance standards. Clients must manage to make do with whatever limited

opportunities the economy provides.

Getting people to be self-reliant in an economy that offers them dwindling opportunities inevitably intensifies the disciplinary core of social welfare's neoliberalization. Today, many people are still struggling with the effects of the Great Recession and the growing inequality and economic hardship it has produced. It has proven to be a pivotal moment not just economically but also politically. Just as the roots of the economic transformation stretch back before the Great Recession, the influence of wealth to forestall state action to address issues of social welfare has been growing for just as long (Bonica et al., 2013). The growing inequality in income and wealth has led to massive expenditures in lobbying by the wealthy to lower taxes, reduce regulation of business, and limit social welfare legislation. As a result, there is now the distinct possibility of the United States moving to a tiered society. At the top, there is a limited stratum of upper-class and upper-middle-class people, ensconced in positions of corporate oversight and needed professional occupations. At the bottom is everyone who is increasingly deemed as not deserving of the state's attention, in part because they failed to position themselves as successful participants for the globalizing economy and are therefore seen as a burden that a globally competitive corporate sector cannot and will not carry. At the extreme, those in poverty are cast aside as disposable populations who are to be monitored, surveilled, disciplined, and punished more than they are to be helped.

The hollowed-out welfare state has less to offer those disadvantaged by economic transformation. Increasingly what it does have to offer is not so much assistance as discipline – discipline focused on getting people to internalize market logic and accept personal responsibility for the need to find whatever means, however limited, to get by in the changing economy (Soss, Fording and Schram, 2011a: Ch. 2). This is the core of what is being called neoliberalism, a new liberalism that restructures the state to operate consistently with market logic in order to better promote market-compliant behavior by as many people as possible (Brown, 2003, 2006).

Neoliberalizing social welfare programs prioritize people learning to be economically minded about everything they do so they can more profitably develop their human capital and become less in need of relying on the

government for assistance. Everyone must learn to think about all aspects of their lives in terms of return on investment (what is commonly now called ROI) (Heady, 2010). Even government programs for the poor come to be centered on inculcating this neoliberal ethos (Schram, 2006: Ch. 5). The result is that self-governance replaces the government. It is the ultimate form of privatization. Neoliberalism is heavily invested in getting ordinary people to be not just factors in production, but sources of capital themselves. Activating those on the bottom of the socio-economic ladder to participate more extensively in investing in their own futures through acquiring debt, whether for schooling, buying a home, or other purposes, becomes an important source of economic growth in an economy led by the financial industry.<sup>2</sup>

Yet, for those who fail at becoming on their own financially savvy neoliberal citizen-subjects, who can develop and leverage their own human capital, the state works to inculcate market-compliant behavior via a panoply of incentives and penalties. And when that does not work, especially as the inequitable economy grows in ways that do not create economic opportunities for them, then coercive controls are imposed. The goal is to control and contain those left behind so as a disposable population they are less of a burden on the rest of society. Social welfare institutions must of necessity be adjusted accordingly. In the transformed context, we see a shift from redistributing resources to the economically disadvantaged to an emphasis on enforcing compliance to behavioral standards so that subordinate populations become less of a burden on society.

Given its disciplinary focus, neoliberal social welfare unavoidably has moralistic and tutorial dimensions, focused on telling the poor how to behave more so than providing them with needed assistance. The inculcation of personal responsibility becomes central to the welfare state. In this highly neoliberalized paternalistic context, the helping professions that provide the critical social services are inevitably transformed. It is here at this neoliberal terminus that we find a transformed social work, depoliticized and refocused on managing disposable populations. Social work no longer stands outside power but now is more than ever thoroughly assimilated to it. Across a wide variety of populations in need of various forms of assistance and treatment, social work shifts to technologies of the state, forms of governmentality,

practices associated with getting served populations to internalize an ethic of self-discipline and personal responsibility. The goal of this responsabilization is for subordinate populations to handle their own problems as best they can on their own, with the aim that they become less of a burden for the constrained state. As a result, they should become more willing to take up whatever limited positions in the globalizing economy that they are afforded.

Social work increasingly comprises forms of psychological services focused on helping realize the disciplinary demands of the neoliberalizing state, which is now ever more dedicated to managing rather than serving disposable populations. When examining changes across a number of different areas of human service provision today, most striking are the parallel shifts in treatment toward a more disciplinary approach to managing service populations (Schram and Silverman, 2012). It is the end of social work as we knew it and the ascendancy of a neoliberal regime that disciplines subordinate populations to be market compliant regardless of the consequences.

## **Marketizing US Welfare Policy for the Poor: From Medicalization to Neoliberalization**

Especially for the poorest populations in the most neoliberalized regimes, like the US, the marketized welfare policies we see being put in place rely heavily on the medicalization of the problems they ostensibly confront.

Medicalization is, arguably, the main way that welfare policy discourse today creates a stage for enacting what Michel Foucault called 'neoliberal governmentality', where the state is in the business of disciplining the poor to become self-disciplined citizen-subjects who will be less of a burden on the rest of us in spite of the persistent poverty they endure (Lemke, 2001).

Neoliberal governmentality is premised on the idea that all of social life, public and private, in civil society as well as in the state and the market, should be seen as a venue for developing and deploying one's personal human capital so as to perform as a social actor consistent with market logic. This hypertrophy of market logic to become the common-sense basis for making all social choices requires that people become disciplined citizen-subjects who internalize market rationality as their social ethic. For low-

income people who lack ability to perform effectively in this manner or who simply resist the orientation, there is the emerging danger that they will be seen as in need of behavioral modification in the form of what is called behavioral health and related services offering treatment to overcome whatever personal limitations prevent them from practicing neoliberal governmentality (Kaylor, 2008). Social welfare policy increasingly is oriented toward combining medical and economic logics in the service of disciplining clients to act consistently with neoliberal governmentality and thereby reduce the burdens of the state in assisting people to live otherwise.

In the process, what emerges is a paternalistic economic-therapeutic-managerial discourse for treating subordinate populations in an age of neoliberalization (Schram, 1995). The goal is to re-inscribe the neoliberal cardinal principle that all people in the social order need to take personal responsibility for the choices they make.<sup>3</sup> The goal is to produce disciplined citizen-subjects who are capable of effectively making rational choices for improving their life chances, leaving aside and even rationalizing the fact that low-income individuals and subordinated populations are really given nothing more than an empty gesture when asked to choose between the lesser of two evils. These forced, false choices invariably leave the poor just as they are: poor still. This is the pervasive reality of the fraudulent nature of the choice system neoliberalism puts in place, whether it is about choosing a social welfare service provider, charter school, or low-wage job.

Emerging out of pre-existing 'culture of poverty' arguments that got inflected as part of the right-wing reaction to progressive social policy in the 1960s, by the 1990s the US-led western welfare states, increasingly focused on getting the poor to accept responsibility for their bad choices. The idea of bad choices had become ascendant in welfare policy discourse and had helped frame 'welfare dependency', rather than poverty, as the problem that needed attention (Schram, 2000: 62–3). This amounted to nothing less than an aphasic shift, where welfare discourse operates to impair our ability to put into words the trauma of poverty, and we use euphemistic substitutes such as 'welfare dependency' to paper over our complicity in perpetuating other people's destitution, while simultaneously shifting the blame away from the structure of society to the individual behavior of those who are forced to live in poverty (Schram, 2006: 136–9). With this old aphasic shift taking a new

form, welfare dependency becomes the center of our discursive terrain dealing with how, in the contemporary parlance of our therapeutic culture, to 'treat' recipients for their diseased condition of dependence on welfare. Welfare use beyond the shortest periods of time as a form of transitional aid, as, say, when a single mother relies on welfare while working through a divorce, is now considered abuse. In other words, welfare use beyond a few months is now welfare abuse, signaling the need to undergo treatment to overcome one's dependency on welfare. The dependency metaphor operates like a metonymy in which a contiguous reference point is emphasized rather than the original object of concern. The poverty that precedes welfare dependency is ignored, and instead we are asked to focus on the reliance on welfare.

This semiotic shift is, arguably, most convenient for the rich and powerful in the United States, who increasingly need to deflect attention from the lack of upward mobility afforded to the lower classes in the ossifying and deeply unequal class structure that has emerged with the changing economy associated with globalization, and the proliferation of low-wage jobs as the only recourse to subsistence for many. Dependency becomes a displacement for talking about the underlying structural poverty of that economy, which our liberal, individualistic, agentistic political discourse cannot effectively address. So 'welfare use', 'welfare receipt', and the especially *verboten* 'welfare taking' are all being replaced by 'welfare dependency'. As a result, reliance on welfare is articulated as a sign that a single mother suffers from 'welfare dependency', which, like other dependencies, is something from which the client needs to be weaned with an appropriate therapeutic treatment. Under welfare reform, all applicants for assistance are screened, diagnosed, assessed, and referred for the appropriate treatment to accelerate the process by which they can overcome their vulnerability to being dependent on welfare.

Medicalization represents modernity's preference for science over religion, expressed in the growing propensity to conceive myriad personal problems in medicalized terms. It envisions the poor as sick, as opposed to bad (Conrad, 2007). Yet that revised outlook comes with a price: welfare dependency is defined as the product of an individual's behavior, more than the inequities in the social structure or political economy. In this way, medicalization suggests

that upward mobility is still possible. The poor are not fated to be poor; they can be cured of their ills and thereby activated to advance economically. This convenient displacement story, redirecting focus away from the structural embeddedness of persistent poverty in the changing economy, serves the political interests of powerful groups invested in not having to attack those structural roots of contemporary poverty. By highlighting that the poor can be cured of their dependency on welfare, medicalizing implies that mobility is still possible, when in fact it is less than likely.

One manifestation of how medicalization implies mobility is the proliferation of ‘barriers’ talk in welfare policy implementation (Houser et al., 2015). A major preoccupation in welfare reform as a new form of governance is assisting recipients to overcome ‘barriers to self-sufficiency’. ‘Barriers’, contrary to the term’s ostensible meaning, is most often construed under welfare reform as personal problems. Racial and sexual discrimination in the workplace or the lack of decently paying jobs is not usually acknowledged in state welfare programs as a barrier to moving from welfare to work. Instead, barriers are most often discussed as personal problems arising from internal issues specific to the individual rather than as external conditions in society that are blocking one’s advancement. As a result, more and more programming under welfare reform is concentrated on what are seen as the related conditions that give rise to welfare dependency, be they mental health issues, behavioral problems, or addictions. In the masculinized discourse of welfare reform, even children risk being referred to as barriers to work. The goal is to get single mothers to be comfortable being the breadwinner for their families, even if it means cutting back on their commitments to their children. Yet the idea of instilling a commitment to taking paid employment is couched in the terms of liberal political discourse. Self-esteem classes as well as psychological counseling have become common features of welfare-to-work programs as ways of engendering the self-confidence needed for participants to become the autonomous, self-sufficient actors assumed by liberal political discourse (Soss, Fording and Schram, 2011a: Chs 9–10).

These ‘soft-skills’ classes are often provided by contract agencies who have the background to work on getting people to change their behavior. This cadre of organizations include non-profit, for-profit and even faith-based organizations. The issues addressed involve the full gamut associated with



‘barriers’ confronting welfare families, not just getting a job, but also marriage, parenting and other issues that can lead to single mothers, in particular, needing to rely on welfare. The overarching goal is the inculcation of personal responsibility as an alternative to providing cash assistance. No doubt placing adult recipients in jobs becomes the priority issue under welfare as reformed.

Over time, this issue enacts its own neoliberal self-fulfilling prophecy. US welfare policy for the poor, mostly single mothers with children, was dramatically reformed in 1996. The 60-year-old Aid to Families with Dependent Children (AFDC) was replaced with Temporary Assistance for Needy Families (TANF) program with the passage of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996. With time limits, work requirements, sanctions for non-compliance with welfare-to-work rules, the welfare rolls plummeted more than 60% in five years (Soss, Fording and Schram, 2011a). The participation rate of eligible poor families has declined dramatically as well. Predictably, the percentage of income-eligible families receiving public assistance declined from 84% to 40% between 1995 and 2005 (Brown, 2010). Although levels of need expanded greatly during the Great Recession that began in late 2007, TANF caseloads largely held steady at these low levels, leading most policy analysts to conclude that participation rates among income-eligible families have declined even further. At the same time, extreme poverty levels increased every year since welfare reform was enacted (Edin and Shaefer, 2015: xvii; Shaefer and Edin, 2012).

Eventually, welfare became the medical treatment program it posed as. Its get-tough regime chased away most eligible families. Only those who most desperately needed assistance applied. As more and more of the welfare population exited under welfare-to-work programs that required recipients to make ‘rapid attachment’ to paid employment in the labor force, the remaining population is increasingly made up of recipients who have indeed incurred certain personal problems at high rates. For instance, it is estimated that ‘a growing share of [those individuals receiving] Temporary Assistance for Needy Families [TANF], which offers cash support to low-income single caregivers, is composed of individuals with mental illness, as new work requirements result in faster exits of those without mental health conditions’

(Danziger, Frank and Maera, 2009: 1). The rate of depression among TANF recipients grew in the post-welfare reform era. This, ironically, reinforces the medicalized character of welfare dependency as if it were a real phenomenon that was always already there in the first place, as if most recipients were always suffering from the illness of welfare dependency and its related medicalized conditions. Just like any good discourse, 'welfare dependency' then became its own self-fulfilling prophecy, making itself real by manufacturing the reality that, it claims, pre-existed it. Reliance on welfare comes to be seen less as an economic problem and more as a mental health issue.

Yet medicalization has not changed fundamental attitudes about welfare, which remain ambivalent at best. Most Americans still do not in principle oppose government assistance for low-income families, and in fact continue to believe that we have a collective obligation to help the poor. For instance, from the 1980s through 2009, 60–70% of Americans indicated they supported government assistance for the poor and believed government had a responsibility to guarantee every citizen food to eat and a place to sleep (Pew Research Center, 2009). At the same time, most Americans also continued to believe that those in need should receive assistance only if they maintain a commitment to personal responsibility and a work ethic.

The campaign against welfare dependency was successful not because it changed this mix of attitudes. Instead, its success was in reframing the issue to focus on welfare dependency as a problem that needed immediate treatment. The problem of dependency came to be seen as a major source of society's economic, as well as social and cultural, ills. It increasingly was framed as creating a significant drain on the economy even as it encouraged out-of-wedlock births, single-parent families, and a decline in the work ethic. The dependency frame saw public assistance not as a hard-won protection *for* poor workers and their families; instead, it viewed welfare as a policy imposed *against* workers' values as well as their bank accounts.

This 'us versus them' identity politics reframing of welfare has been facilitated by the fact that welfare has for a long time been depicted in the mass media using highly misleading racial terms and imagery. As a result, the public tends to exaggerate grossly the extent to which blacks have

received public assistance and in turn has become increasingly critical of welfare as a program for poor blacks, who are seen as 'other' people, not like most white middle-class families, and who do not adhere to work and family values. Racial resentments and old stereotypes of black laziness have become more influential in spawning growing hostility toward welfare (Gilens, 2000).

With the medicalized discourse of welfare dependency firmly entrenched today in public deliberations about welfare use, welfare reform increasingly has turned into the social policy equivalent of a twelve-step program. Rather than a program to redistribute needed income to poor families with children, it has become a behavioral modification regime centered on getting the parents of these children to become self-disciplined so that they in turn will become self-sufficient according to ascendant work and family values. Increasingly, this behavioral modification regime is implemented via public-private partnerships in which state and local governments contract with private, often for-profit, providers to move single mothers with children off welfare and into low-wage jobs, or if not that, then marriages. In this way, medicalization facilitated neoliberal marketization of welfare programming in service of producing a newly disciplined subordinate population that is being regimented into the low-wage labor markets of the increasingly unequal globalizing economy. In the process, the 'welfare poor' increasingly became the 'working poor', while extreme poverty increased and the profits of low-wage employers soared. Medicalization helps depoliticize poverty as a problem that the individual must seek treatment for rather than a public issue that we as a society need to address. Medicalization is the handmaiden of a profoundly depoliticizing neoliberalization that intensifies the focus on disciplining the poor to realize the objective of manufacturing a subordinated low-wage workforce for a changing economy that was being retrofitted to compete in the global economy.

## **Neoliberal Governance: Organizational Reforms and New Policy Tools**

The marketization of the welfare state involves both neoliberal organization reforms and policy tools to enact its medicalized approach to combating welfare dependency. Neoliberal organizational reforms, such as devolution,

privatization, and performance management accountability schemes, have been joined with paternalist policy tools, including sanctions, i.e., financial penalties, for non-compliant clients, to create a flexible but disciplinary approach to managing the populations being served (Soss, Fording and Schram, 2011b). What we can call 'neoliberal paternalism' represents a significant movement to marketize the operations of social service organizations more generally so that they inculcate in clients rationally responsible behavior that leads them to be market compliant, and thus less dependent on the shrinking human services and more willing to accept the positions slotted for them on the bottom of the socio-economic order (Brown, 2003). Organizations are being disciplined so that they can be held accountable for in turn disciplining their clients in this more market-focused environment. Neoliberal paternalism is transforming the human services into a disciplinary regime for managing poverty populations in the face of state austerity and market dysfunction.

This transformed environment involves: (1) deskilling in staffing patterns associated with relying on former clients as caseworkers, (2) marketizing of administrative operations stemming from the reliance on for-profit providers who are held accountable via performance management schemes, and (3) disciplining of clients via paternalist policy tools. These changes in organization and policy were a long time in coming. From the penultimate moment of the welfare rights movement in the early 1970s until the passage of welfare reform legislation in the mid-1990s, the number of welfare recipients stabilized at relatively high levels (even as benefits declined). Recipient families came to have essentially entitlement rights to assistance, albeit modest and often. Welfare policies nonetheless have long been entwined with multiple purposes, among the most important of which have been to return to the roots of social service work and instill or restore morality in the poor so as to assimilate marginal groups into mainstream behaviors and institutions (Katz, 1997). Further, as Richard Cloward and Frances Fox Piven contend, welfare policy has historically served to 'regulate the poor', effectively undermining their potential as a political or economic threat (Cloward and Piven, 1975). Others have noted that welfare served to regulate gender relations by stigmatizing single mothers receiving aid (Gordon, 1994). The stigmatization of welfare recipients as undeserving people who need to be treated suspiciously has not only deterred many

welfare recipients from applying for public assistance, but also communicated to the 'working poor' more generally that they should do whatever they can to avoid falling into the censorious category of the 'welfare poor'. Welfare reform in the 1990s, however, accentuated the disciplinary dimensions of welfare policy in dramatic ways.

The shift to a more disciplinary approach to managing the welfare poor was facilitated by a concerted campaign by conservative political leaders to replace poverty with welfare dependency as the primary problem to be attacked (Schram and Soss, 2001). With this heightened rhetoric about welfare dependency, the importation of behavioral-health models of treatment and associated organizational and staffing patterns came to be seen as not only plausible but desirable. As a result, welfare reform has remade the delivery of welfare-to-work services along lines that parallel addiction recovery programs (see the drug treatment example below). Welfare agencies have instituted services that are the social welfare policy equivalent of a twelve-step program: individuals learn in the new 'work-first' regime to be 'active' participants in the labor force rather than 'passive' recipients of welfare (Schram, 2006: Ch. 7). Such a view of welfare dependency has led to the importation of a 'recovery model' into welfare reform, one aspect of which is the staffing of welfare-to-work contract agencies with 'recovered' former welfare recipients. While former recipients have been relied on in the past, several studies of welfare reform have in recent years noted that the agencies studied had undergone change such that now about one-third of the case managers are former recipients (Ridzi, 2009: 137; Watkins-Hayes, 2009: 14). This proportion indicates numbers that go beyond mere tokenism (Turco, 2010). One of the virtues of the recovery model is that it is consistent with long-standing calls for a representative bureaucracy (RB) (Meier, 1975) that can practice cultural competence (CC) concerning the unique needs of its clients (Brintnall, 2008): a culturally competent bureaucracy is one 'having the knowledge, skills, and values to work effectively with diverse populations and to adapt institutional policies and professional practices to meet the unique needs of client populations' (Satterwhite and Teng, 2007: 2). A representative bureaucracy that draws from the community it is serving is seen as furthering the ability of an agency to practice cultural competency in ways that are sensitive to community members' distinctive concerns and problems (Carrizales, 2010). In other words, RB = CC. The recovery model

holds out hope that a more representative bureaucracy will be more sensitive to the ways in which its welfare clients are approaching the unique challenges that have brought them to the agency's doorstep.

Yet there are ironies in this way of moving toward realizing the  $RB = CC$  formula. Former recipients, as indigenous workers from the community, under the medicalized version of welfare are seen as former addicts in recovery. If welfare is seen as a dangerously addictive substance, then the implementation of a disciplinary treatment regime is a logical next step. The medicalization of welfare in fact should be seen primarily in metaphorical terms, as just described, and the main way of providing this medicalized treatment has been to increasingly rely on former clients who have gotten off welfare and can serve as 'success story' role models in ways that are consistent with the 'recovery model' in addictions treatment (Ridzi, 2009; Watkins-Hayes, 2009). The decentralized service delivery systems and private providers that so characterize welfare reform are fertile ground for the importation of medical models of dependency treatment. The use of performance management systems is also entirely consistent with the need to track measureable outcomes resulting from the provision of services or the application of treatment to clients.

Under this scheme, case management is a routinized and deskilled position focused largely on monitoring client adherence to program rules and disciplining them when they are out of compliance. There is, in fact, evidence that with the shift to a more decentralized, privatized system of provision, local contract agencies have gone ahead and moved to a more deskilled welfare-to-work case management by replacing civil servants, social workers, and other professionals with former welfare recipients (Ridzi, 2009; Watkins-Hayes, 2009). In the process, a form of community self-surveillance is put in place that Cathy Cohen calls 'advanced marginalization', where some members of a subordinate group get to achieve a modicum of upward social-economic mobility by taking on responsibilities for monitoring and disciplining other members of that subordinate community (Cohen, 1999).

While this staffing pattern may at times be relied on for less controversial reasons as a simple cost-saving measure consonant with the business model, it is also entirely consistent with a recovery model philosophy that puts forth

former recipients as behavioral role models. These former recipients are frequently referred to in the literature as ‘success stories’ (Schram and Soss, 2001). Yet the recovery model suggests they are hired for another reason. The recovery model is grounded in the philosophy that underpins the twelve-step program of Alcoholics Anonymous and its predecessors, which over time has spread to other areas of drug treatment and mental health services, along with the core conviction that clients must be willing to support one another in overcoming their addictions (Alcoholics Anonymous, 1953).

Government programs are now run more like businesses, and the application of the business model to welfare involves getting case managers and their clients to internalize the business ethic as well. Policy changes emphasize case managers using disciplinary cost-saving techniques to get clients to move from welfare to paid employment as quickly as possible regardless of whether they and their children improve their well-being.

In the new neoliberalized welfare system, local devolution and privatization have been joined by performance management. Performance management accountability schemes measure the performance of private contract agencies to hold them accountable for meeting performance outcome goals. Performance management more than anything else has led many working in the system to suggest that ‘social work’ has been replaced by a much more preferred ‘business model’ (Soss, Fording and Schram, 2011a). Agencies inevitably feel the pressure to outperform the other agencies being evaluated in these performance schemes. Proponents of neoliberal organizational reform predict that local organizations will respond to the competition among provider agencies by innovating in ways that advance statewide goals and improve client services. Devolution will provide the *freedoms* they need to experiment with promising new approaches. Performance feedback will provide the *evidence* they need to learn from their own experiments and the best practices of others. Performance-based competition will create *incentives* for local organizations to make use of this information and adopt program improvements that work.

Studies have suggested several reasons why organizations may deviate from this script in ‘rationally perverse’ ways. Performance indicators provide ambiguous cues that, in practice, get ‘selected, interpreted, and used by actors

in different ways consistent with their institutional interests' (Moynihan, 2008: 9). Positive innovations may fail to emerge because managers do not have the authority to make changes, access learning forums, or devise effective strategies for reforming the organizational status quo. Performance 'tunnel vision' can divert attention from important-but-unmeasured operations and lead managers to innovate in ways that subvert program goals (Radin, 2006). To boost their numbers, providers may engage in 'creaming' practices, focusing their services on less-disadvantaged clients who can be moved above performance thresholds with less investment (Bell and Orr, 2002).

In this environment, case managers are under constant pressure to get their clients to stay in compliance with welfare-to-work rules and if the clients fail to do so they are penalized with sanctions that reduce their benefits. This preoccupation with monitoring clients for compliance represents a change in the role of the case manager as part of the administrative transformation of welfare policy implementation. The rise of neoliberal paternalism in fact is associated with a shift in the nature of casework, marked by the passage of federal welfare reform in 1996 (Lurie, 2006). The prime directives for TANF case managers today are to convey and enforce work expectations and to advance and enable transitions to employment. Efforts to promote family and child well-being are downplayed in this frame, but they are not entirely abandoned. Under neoliberal paternalism, they are assimilated into efforts to promote work based on the idea that 'work first' will put clients on the most reliable path toward achieving a self-sufficient, stable, and healthy family.

Thus, case managers today initiate their relationships with new clients by screening them for work readiness and delivering an 'orientation' to describe work expectations and penalties for non-compliance. In parallel with individualized drug treatment plans, welfare-to-work case managers then develop 'individual responsibility plans' – or 'contracts of mutual responsibility' – to specify the steps that each client will take in order to move from welfare to work. These rites of passage establish a relationship in which the case manager's primary tasks are to facilitate, monitor, and enforce the completion of required work activities. In celebratory portrayals of the new system, case managers are described as being deeply involved in their clients' development, as 'authority figures as well as helpmates' (Mead,



2004: 158).

In some states, this ethos is expressed by the neoliberal relabeling of caseworkers as 'career counselors'. The label evokes images of a well-trained professional who draws on diverse resources to advise and assist entrepreneurial job seekers. In practice, however, few aspects of welfare case management today fit this template. It is rare today that welfare-to-work caseworkers have a social work degree of any kind. Many, however, have management degrees from Strayer, DeVry, Capella, or other vocationally oriented schools that line the strip malls across the country. It is common in many states that a sizeable number of case managers are former recipients who qualified for their jobs by virtue of their experience with the system. Under the business model of service provision, the relationship between client and case manager is rooted in an employment metaphor: the client has signed a 'contract' to do a job and should approach the program as if it were a job.

The case manager's job is now to enforce that contract, often using the threat of sanctions to gain compliance. As one major study reported, case managers spend most of their time enforcing compliance to individual responsibility plans and very little time counseling clients (Soss, Fording and Schram, 2011a: 223–6). The change is palpable. One former recipient case manager, as reported in this study, stressed in a most poignantly metaphorical way that welfare is no longer a social service. She suggested it was now herding cattle instead of tending sheep; while a shepherd takes care of the sheep, a cattle herder just runs the herd through a pen in an insensitive fashion.

The shift from tending sheep to herding cattle at one level is not necessarily that significant since both can be interpreted as dehumanizing. Yet the desensitization implied by this way of characterizing the shift is noteworthy in itself. It also points to another problem with performance measurement. The preoccupation with numbers emphasizes meeting benchmarks as the primary goal irrespective of whether the client is actually helped. In the public management literature, this is the problem of suboptimization (Guilfoyle, 2012). Simon Guilfoyle refers to suboptimization as analogous to synecdoche, in which a part stands in for the whole. Suboptimization occurs when a measure of one particular outcome of service provision implies that

other dimensions, usually less measureable, if no less important, have also been met. Suboptimization is rife in human services where the intended outcomes almost always include difficult-to-measure subjective states of being, including improvements in overall well-being. Suboptimization results when outcome goals are achieved in name only and the full spirit of the goal is lost or forgotten in the process. Meeting performance benchmark targets can misleadingly imply that the overall goal has been met when in fact only an indirect indicator implies that is the case. Welfare-to-work targets might be met but all that has really happened is that we have moved clients from the 'welfare poor' to the 'working poor' with no real improvements in their overall well-being.

Yet suboptimization's deleterious effects go further. They can produce an instrumentalization, a veritable means-ends inversion, where the performance measurement benchmark or target becomes the end in itself. Under these conditions, human service professionals are encouraged to forget about the overall goals of their program and focus exclusively on meeting the designated benchmarks. Once this happens, it is likely that all work with clients is converted into activities associated with meeting the target irrespective of whether the broader goal is achieved. Once an agency puts in place a performance measurement system it risks creating an instrumentalization that changes the very work that human service workers do. With all the debate about 'high-stakes testing' under neoliberal education reform, the threat of performance measurement to change how work is done is most popularly discussed in the mainstream media as the 'teach to the test' effect, where school teachers teach students only what they need to know to improve their test scores even if this means their overall learning is not really enhanced (because critical thinking skills and other important forms of learning are neglected).

The 'business model' may be replacing 'social work' as the way to deliver neoliberal, marketized welfare-to-work programming but the results are proving to be devastating for the poor, who are increasingly blamed for their welfare dependency as a treatable condition. The result is that more of the 'welfare poor' are being made into the 'working poor', while their poverty persists but employers increasingly profit (Edin and Shaefer, 2015: 157–8; Shaefer and Edin, 2012).

# Getting beyond Neoliberal Welfare Policy: The Road to Radical Incrementalism

The disciplinary approach to the poor is spreading from the US to other countries (Brodkin and Marston, 2013). The results elsewhere are proving no better than in the US. As more and more evidence mounts about the horrors of neoliberal welfare policies, interest grows in moving beyond neoliberalism's insistence that the welfare state buttress markets rather than counter them. Yet, just as neoliberals could not simply wish away the welfare state, the same is true for the opponents of neoliberalism. The road beyond neoliberalism is most likely one that goes through it, not around it. That means engaging it, not ignoring it, and in the process trying to bend it to better purposes and more humane ends. I call this sort of realistic approach 'radical incrementalism', where small incremental steps within the existing regime are strategically taken that lay down a path for eventually getting beyond it (Schram, 2015: 173–98).

For instance, welfare policies that enhance people's ability to participate in markets effectively so as to live decently need to be supported, even as we insist that social protections be maintained and even improved so that no one has to endure poverty whether they are participating in labor markets or not. We can do this; we can do two things at once. We can walk and chew gum at the same time. We can work both sides of the street. We can work through neoliberalism so as to get past it. Rather than bemoaning its hegemonic status, we should begin the process of working through it in radically incremental ways: right now, before neoliberalism imposes any more hardship than it already has done.

## Notes

1. On how contemporary feminism may be unreflectively realizing the goals of neoliberalism that overvalorize individual choice via market participation, see Fraser (2009).
2. Now even retirees are being reconstructed in the neoliberal imaginary as protoworkers who must produce or find other ways to reduce their reliance

on state-funded pensions. See Coole (2012).

3. In many ways, neoliberal governmentality ends up undermining the individualization that comes when human services work to empower clients to practice self-determination. See Yeatman, Dowsett and Gursansky (2009).

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# 25 Religious Neoliberalism

**Jason Hackworth**

## Introduction

This volume is devoted to explaining the various permutations and applications of neoliberalism. This chapter covers a small part of that larger picture – the importance and rise of what might be deemed ‘religious neoliberalism’. By that I mean the various attempts to weave together a religious justification for the largely secular project of neoliberalism. In many ways, religion has an awkward at least, countervailing at most, relationship with neoliberalism. All of the world's major religions are at least superficially devoted to themes that do not fit well with neoliberalism – e.g., cooperation, community, reciprocity, love. As a major influence on thought, religion could thus be deemed, and in fact has been deemed, a threat to neoliberalism. Ayn Rand once famously referred to Christianity as the ‘kindergarten of socialism’ (Burns, 2009). Despite, or perhaps because of, these differences, Rightist scholars and ideologues have devoted themselves to framing neoliberalism and Christianity as not only mutually compatible, but mutually supportive. This chapter covers one version of these efforts – specifically those by American scholars and theologians to create theological legitimacy for neoliberalism – but versions of this story are also occurring in the UK (Cooper, 2013), Australia (Maddox, 2005) and Canada (McDonald, 2010). Though these efforts are more marginal to the neoliberal thought collective than, say, the Mont Pèlerin Group or the Chicago School, they have a political importance that far surpasses those seminal institutions. Namely, by providing a theological legitimacy for an idea that Christians might find alienating, they form the political basis for the modern Right, and thus the legislative basis to implement neoliberalism.

## Religious Neoliberalism

The idea that government should be uninvolved in social welfare and the

market has gone from fringe to foundational among the American Right during the past 50 years. Figures like Friedrich Hayek, Ayn Rand, and Milton Friedman were cast as the ‘lunatic fringe’ as recently as the early 1960s for promoting such ideas, but now are iconic figures among the Right and beyond (Girvetz, 1963; Peck, 2010). Their message of individuated capitalism – one where people succeeded and failed purely on their own devices – is now an axiom on the Right in most western countries, and increasingly pervasive across the political spectrum. The American version of this ideational transition, from fringe to center, was built on an unusually disciplined electoral coalition of evangelicals, military conservatives, and libertarians (Diamond, 1995). This coalition has doggedly supported deregulatory policies and politicians almost reflexively since US President Nixon, despite their own internal differences and ambivalence about the proper role for government in society.

The support among libertarians is easy to understand.<sup>1</sup> The foundational principle of the movement is an almost non-existent state, and Hayek, Rand, and Friedman are viewed as quasi-religious figures among modern libertarians. But military conservatives and evangelicals do not necessarily bow before the altar of Hayek, so their support is more curious. Military conservatives are organized around a big state idea – namely, that the American military should be the strongest in the world and backed by a muscular foreign policy. And evangelicals, though internally varied, are generally organized around a moral politics that, among other features, self-consciously venerates compassion for the least-fortunate (Elisha, 2008). How can a community so openly support ideas and policies that lack compassion for the poor? How can self-professed Christians support policies that eliminate or reduce housing, food, and care options for the poor? How does one get Christians to support such an ideology?

The prevailing wisdom is that the Rightist fantasy of state-less or state-light welfare is frequently tied to the rhetoric and scholarship of mid-twentieth century secular academic figures – Hayek, Rand, Friedman, and von Mises, in particular. These figures are frequently invoked to intellectualize the political movement. Yet, by themselves, it is unlikely that their ideas would have had much of a political influence beyond a small group of privileged conservatives. Their ideas read as mean-spirited assaults on popular social

programs like Social Security; cold celebrations of greed that many (particularly Christian) Americans might find alienating. Explaining the rise of neoliberal capitalism as a sudden epiphany – an acceptance of secular neoliberal ideas – is doubtful. This chapter highlights some of the tortured (but politically successful) efforts of religious fundamentalist authors and activists to derive a biblical justification for neoliberalism, and suggests that these efforts have been underrepresented in recent narratives about the Right. Though less frequently invoked than the work of secular neoliberals, *religious* neoliberals scripted a narrative that brought evangelical Christians into the anti-governmental, anti-welfare fold – forming the political coalition undergirding the Republican Party and the neoliberal movement more generally. There are many dimensions to this coalition – ranging from cynical and self-conscious strategies by political operatives to fuse the factions of the Right, to casual reinforcement of anti-statist rhetoric in leading evangelical books, magazines, and blogs. But whatever their differences, they have created an important ideational bond between disparate factions of the conservative coalition. There are multiple components to this bond (see my *Faith Based* for a more complete description).<sup>2</sup> I will focus on one: attempts to extract biblical legitimacy for neoliberal ideas.

## Neoliberalism for God's Sake

The Religious Right has played a significant role in the formation of the political Right in the US (Diamond, 1995; Phillips, 2006). These ideas emanate from overwhelmingly White and Protestant positionality, but it is precisely this positionality that has been deployed to sanctify certain neoliberal principles, so it is useful to review (and to keep in perspective) here. It is also worth noting that despite the superficial uniformity of where these ideas come from, the Religious Right is actually a highly varied group of people, faiths, congregations, and organizations (Wilcox and Larson, 2006). I do not mean to dismiss this variation entirely, but the focus here is on those organizations and ideas within the evangelical fold that are focused on unifying Christians against socialism and for neoliberalism.

Three sub-movements stand out in this regard. First, Dominionism – the belief that Christians should take control of government and, in some more extreme forms, impose biblical law – provides ample justification for

criticizing the secular interventionist state and its institutions. Second, Christian libertarianism, while small in size, provides the most direct and comprehensive biblical justification for neoliberalism. Third, Prosperity Theology provides a biblical justification for embracing the market and property rights. Though rejected by many theologians, its practitioners are highly influential, and its adherents are numerous. These movements are described below. The sketches are based on academic and popular accounts of each from both supporters and critics.

## **Dominionism**

Dominionism, also known as 'Dominion Theology', is the largest and most encompassing of the logics being considered here, and it is perhaps the one that is most widely held as an assumption by evangelicals in the US. It is also the most internally varied and controversial of the three logics being considered here. As Sara Diamond (1995: 246), a sociologist that many credit with coining the phrase 'Dominionism', explains:

Dominion theology ... was really more of a world view than a discrete set of tenets. Essentially, Dominionism revolved around the idea that Christians, and Christians alone, are biblically mandated to occupy all secular institutions until Christ returns. By definition, Dominionism precluded coalition or consensus-building between believers and non-believers.

The idea is derived from a controversial reading of Genesis 1:26 (King James Version) which reads as follows:

And God said, Let us make man in our image, after our likeness: and let them have dominion over the fish of the sea, and over the fowl of the air, and over the cattle, and over all the earth, and over every creeping thing that creepeth upon the earth.

And a similar verse a few passages later (Genesis 1:28; KJV), which reads as

follows:

And God blessed them, and God said unto them, Be fruitful, and multiply, and replenish the earth, and subdue it: and have dominion over the fish of the sea, and over the fowl of the air, and over every living thing that moveth upon the earth.

Dominion theologians interpret these passages as an invitation to unabashedly infuse Christian people and principles into secular government and, in the US context, to 'return America to its Christian roots'.<sup>3</sup> While the term was coined by Diamond (1995), the belief system itself is often traced to the work of former Dutch prime minister Abraham Kuyper (1837–1920). Kuyper, a Calvinist, felt that all human actions were part of building God's kingdom – it is ironic that his ideas are now deployed by Dominionists as a way to exclude non-Christians in government given that he is generally considered a pluralist. Many credit him today with the concept of state funding for faith-based agencies, and the idea that the mixture of religion and government was not an improper one for a liberal democratic state (Daly, 2006).<sup>4</sup> In the US context, this perspective was co-opted and radicalized most prolifically by two theologians, Francis Schaeffer (1912–1984) and Rousas Rushdoony (1916–2001). Schaeffer's highly influential book, *A Christian Manifesto* (1982), called on Christians to lose their ambivalence about infusing their religion with their politics. Accordingly, it was not only permissible for evangelical Christians to aggressively advocate for Christianizing government, but was also their responsibility.

Rushdoony extended and radicalized this notion further by suggesting that theonomy – biblical law – be imposed on the US. Many consider his work as the beginning of an even more extreme version of Dominionism, called Christian Reconstructionism. In this worldview, Old Testament biblical law would be imposed to include 'capital punishment for homosexuality, adultery and abortion; a ban on long-term debt; a return to the gold standard economy; the abolition of income tax; and the destruction of the government welfare system' (Diamond, 1989: 240–1). Certainly, the most prolific,<sup>5</sup> and arguably the most influential, living Reconstructionist is Gary North. The son-in-law of the late Rushdoony, North was an active member of secular libertarian



groups when he was young, but became a strict Christian Reconstructionist later in his life – so strict, in fact, that he rejected Rushdoony and Schaeffer as moderates on various issues. North was formally trained as an economist<sup>6</sup> and still retains a strict Austrian School libertarian perspective (Clauson, 2006). He founded the Institute for Christian Economics, a think-tank that produces books and material that ridicules secular government, particularly welfare and government redistribution (Diamond, 1995). His books are written in a more popular style and are widely available in Christian bookstores in the United States. Reconstructionists like North invoke a sense of eschatological urgency to this agenda by suggesting that it is the duty of Christians to impose such an order before Christ returns to earth. Their belief system is ‘post-millennial’ in that they believe that followers will have to rule the earth for 1,000 years before his return, so it is urgent for Christians to take-over and replace secular government now. This view contrasts with pre-millennialists who think that Christ will return before this to usher in the 1,000 years of Christian rule, so it is less urgent to institute political change at this moment. In either case, Reconstructionism is widely viewed by both followers and critics as the most extreme form of Dominion Theology.

As a label, Dominionism is highly controversial. Above all else, it was coined by Diamond (1989, 1995, 1998), a sociologist who is widely critical of the American conservative movement, and Frederick Clarkson (1994), a religion scholar who has made a career out of criticizing the Religious Right. As such, some conservative journalists, writers and leaders have dismissed it as ‘conspiratorial nonsense’ (Kurtz, 2005), and an attempt ‘to smear the Republican Party as the party of domestic theocracy’ (Williams, 2005). Others who are less defensive, point to the fact that figures like Rushdoony and ideas like Reconstructionism are not shared in a wide doctrinaire way by evangelical Christians. Still others point out that most conservative evangelicals are pre-millennialists in orientation and, thus, are not predisposed toward having the urgency of post-millennial Reconstructionists. But while they may not be self-labels, it is also true that the foundational ideas of Dominionism – or whatever we choose to call it – are important to many evangelicals (Rudin, 2006). The Religious Right has, for example, made the appointment of sympathetic judges a key agenda item over the past 30 years, in part because of Dominionist assumptions. Moreover, the idea that Christians should hold dominion over the earth has been mobilized more

recently to motivate more moderate politics, such as a pro-environmental stance by an increasing number of evangelicals (Cizik, 2005). Thus, as William Martin (1996) and others suggest, the label is more hotly contested than the idea itself.<sup>7</sup> As Martin (1996: 354) pointed out in reference to an interview he did for his book, *With God on Our Side*:

Because it is so genuinely radical, most leaders of the Religious Right are careful to distance themselves from it. At the same time, it clearly holds some appeal for many of them. One undoubtedly spoke for others when he confessed, 'Though we hide their books under the bed, we read them just the same'. In addition, several key leaders have acknowledged an intellectual debt to the theonomists. Jerry Falwell and D. James Kennedy have endorsed Reconstructionist books. Rushdoony has appeared on Kennedy's television program and the 700 Club several times. Pat Robertson makes frequent use of dominion language; his book, *The Secret Kingdom*, has often been cited for its theonomy elements; and pluralists were made uncomfortable when, during his presidential campaign, he said he 'would only bring Christians and Jews into the government...'. He added, 'There are a lot of us floating around in Christian leadership – James Kennedy is one of them – who don't go all the way with the theonomy thing, but who want to rebuild America based on the Bible.'

Dominionism may not be the label-of-choice by its followers but it encapsulates a belief system that is less disputed than its label.

In part because of the discomfort that many followers have over the label, it is difficult to arrive at solid figures on how large the Dominionist community is. Rushdoony once estimated the size of Reconstructionists at 20 million (Sugg, 2005), but gave little reason for arriving at this figure, so it is difficult to tell how accurate it is. Perhaps more relevant is the fact that the writings of Dominionists and Reconstructionists are widely available and that many Religious Right figures have expressed public sympathies for the ideas, or used them as a justification for various political interventions. Diamond (1995: 248) expresses this well:

What is important about Reconstructionism and other expressions of dominion theology was not so much the eccentricities of its key advocates but rather that diffuse influence that America was ordained as a Christian nation and that Christians, exclusively, were to rule and reign. Most activists in the Christian Right were not well versed in the arcane teachings of Rousas Rushdoony [and other Reconstructionist ideologues] ... But there was a wide following for softer forms of Dominionism. Among the most popular of Christian Right ministries was one called WallBuilders, a lucrative book and tape sales operation, that promoted the claims that America's Founding Fathers were nearly all evangelical Christians, and that the only answer to rampant social problems was for Christians alone to run for elected office.

The work of North and others was also useful for creating a theological justification for many of the arguments that have emerged in the US over the past several decades regarding welfare, taxes, and the state in general. The ideas have become less radical as more adherents express their support. Dominionist ideas have been expressed in recent mainstream discussions on a variety of topics ranging from environmentalism, to economics, to faith-based welfare.

So what influence does Dominionist thinking have on the adoption of neoliberalism in the United States? First and foremost, Dominionism is a foundational assumption held by many evangelicals. It creates a theological justification for criticizing various forms of government intervention, whether that be through the protest of 'activist' judges or the promotion of political figures who will 'return America to its Christian roots'. Second, this theology is rooted to a neo-Calvinist perspective that is both anti-statist (when it comes to welfare) and highly individualist when it comes to poverty. Thus, Dominionism helps deepen and sanctify the critique of secular welfare. Yet, by the same token, Dominionist Theology is a shaky foundation upon which to build neoliberal politics, so we should not go too far in emphasizing its influence. In particular, Dominionism, while opening a space for criticizing secular government, envisions a top-down theocratic state that would certainly not appeal to purist secular neoliberals like Hayek. Similar to Hilton's (1986) description of the alliance that economic liberals and

evangelicals had in eighteenth-century England and Scotland, modern-day neoliberals and Dominionists may share a common enemy, but their endgame is considerably different. In politics, though, the antipathy against secular interventionism has been shared enough by Dominionists and neoliberals to consider their alliance – while shaky and headed for different ends – a powerful one of convenience.

## **Christian Libertarianism**

Christian libertarianism is a loosely organized effort to synthesize the often-juxtaposed projects of conservative Christianity and secular libertarianism. It is a hybrid movement that does not draw on a single line of scholars, theologians or ideologues, but because many of the latter – both contemporary and historical – are powerful people who edit national magazines, write for journals, and run think-tanks, it is worth considering the influence of this particular construction. The most frequently cited biblical verse in support of this position is John 8:36 (KJV), which reads: ‘If the Son therefore shall make you free, ye shall be free indeed.’ Beyond this, Christian libertarians have drawn on three principle sources of inspiration for their movement. First, Christian libertarians draw inspiration from classical liberals who integrated some degree of Christianity in their liberal writings, the two most famous being John Locke and Lord Acton. Acton (1988) was the most outspoken in this regard and now has a think-tank named after him. In one of his more oft-quoted<sup>8</sup> passages, he sets out how his Christianity and his liberalism are synergistic:

Liberty is not the power of doing what we like, but the right of being able to do what we ought. ... Liberty is the prevention of control by others. This requires self-control and, therefore, religious and spiritual influences. ... [In Western countries] Liberty has not subsisted outside of Christianity.

Second, and related to this synthesis, Austrian schooler Murray Rothbard (2006) outlines the three ‘libertarian experiments’ by early American colonists in Albemarle North Carolina, Rhode Island, and Pennsylvania. He

suggests that the libertarianism of these early colonists was heavily influenced by and infused with Christian principles. Third, a number of others, including Hopfl (1991), have gone back much further to suggest that Martin Luther and the Reformation was based on a form of Christian libertarianism. He argues that 'libertarian, egalitarian, communal motifs were part of the texture of his [Luther's] theology' (Hopfl, 1991: p. xii). Whatever the source, however, the basic idea of Christian libertarianism is that society should aim for the maximum feasible freedom within a biblical framework, primarily the Ten Commandments.

There is, though, a great deal of controversy about this notion from both secular and sectarian corners. Some 'libertarian Christians', who are quick to suggest that they are not the same as 'Christian libertarians', quibble with the latter's interpretation of biblical verses, and how law makers should intervene with moral 'crimes' that have no obvious victim, such as lust. Christian libertarians believe that such crimes should be punished by the state, while libertarian Christians believe that government should exist only to punish crimes that victimize other people (Olree, 2006; Antle, 2007). Other theological differences between Christian libertarianism and Libertarian Christianity include the former being more likely to be tied to theonomic or Reconstructionist views, while the latter seems more tied to secular libertarianism and predestination. Overall, though, they both draw inspiration from the aforementioned verse (John 8:36) and are deeply skeptical of the interventionist secular state, particularly as it manifests in the form of taxes and social welfare.

Most secular critics, however, either do not make such a nuanced theological distinction, or are focused on a deeper contradiction that they see within Christian libertarianism, namely that libertarianism is an intrinsically secular ideal involving a small state. It is, thus, challenging to call oneself a libertarian if you consider 'biblical sins' like abortion, adultery, or homosexuality, or vices like alcohol, gambling, and prostitution to be punishable by the state. Ryan Sager (2006), for example, a secular neoliberal himself, is skeptical that the alliance between libertarians and Christians that undergirds the Republican Party in the US is sustainable. He points out that there has been an effort to 'fuse' the two perspectives since the 1960s, but that it has always been a tenuous alliance. In his own words:

Whatever alliances have been formed, libertarians have always tended to see social conservatives as rubes ready to thump nonbelievers on the head with the Bible the first chance they get, and social conservatives have always tended to see libertarians as dope-smoking devil worshippers. (Sager, 2006: 8)

Despite these differences, he suggests:

these two warring factions would ally to take over the Republican Party. By 2004, forty years later, they would dominate the entire country. (Sager, 2006: 21)

But to Sager, this alliance of convenience, albeit a powerful one, is beginning to break apart the Republican Party (see also Kirkpatrick, 2007). To him, secular libertarianism and evangelicalism are fundamentally incompatible ideas. Others have expressed skepticism about a tightly-fused alliance, but have nonetheless identified some ground for overlap. Doug Bandow (1994), for example, shares some of Sager's skepticism, but goes much further in trying to build bridges between Christianity and libertarianism. While Bandow (1994: 34–5) is skeptical that the connections are as firm as some argue, he does see ample ground for overlap:

Even Christians who are not libertarians and libertarians who are not Christians have many opportunities to cooperate on protecting religious freedom, restricting state expansion, encouraging private education, keeping the government out of child care, opposing welfare systems that destroy families, and so on. And given both groups' need to find additional allies, it is increasingly important that Christians and libertarians not only talk with each other, but work together.

The areas that he identifies are revealing for what such an agenda might look like in an actualized political sense. Others have attempted to steer clear of the basic philosophical compatibility between libertarians and Christians by

simply renaming the movement but still accepting its basic premises. Lienesch (1993: 107–8), for example, deems Christian libertarians ‘Christian capitalists’ and explains that:

In constructing their economic thinking, they borrow heavily from secular conservative writings, which they cite and combine in a seemingly unsystematic way. The writers they refer to most frequently include libertarians of the Austrian school of Frederick A. Hayek and Ludwig von Mises. ... Among the currents that come together to form this theory of Christian capitalism, libertarianism seems to run the deepest and strongest. Religious conservatives turn easily to free market economic theory, and they draw heavily on the Austrian school thinkers such as von Mises, Hayek, and Murray Rothbard. In a free market theory they find the fundamental principles of their economic psychology, including individual self-interest, the profit motive, and free enterprise. Borrowing from these themes, Christian capitalist thinkers translate their meanings, turning free market theory, with its free-wheeling and forward-looking emphasis on entrepreneurship, into a more restrained and more pessimistic theory of self-discipline and social order.

Still others have tried to turn the debate to a consideration of the aforementioned historical roots of the movement to legitimate it and downplay its internal contradictions. Rothbard (1980, 2006), for example, though not a self-identified ‘Christian libertarian’,<sup>9</sup> suggested that an individual's religion should not preclude their ability to be a libertarian. He acknowledged that many present libertarians are atheists, but emphasized the fact that many libertarians have historically been Christian:

There is no necessary connection between being for or against libertarianism and one's position on religion. It is true that many if not most libertarians at the present time are atheists, but this correlates with the fact that most intellectuals, of most political persuasions, are atheists as well. There are many libertarians who are theists, Jewish or Christian. Among the classical liberal forebears of modern libertarianism in a more

religious age there were a myriad of Christians: from John Lilburne, Roger Williams, Anne Hutchinson, and John Locke in the seventeenth century, down to Cobden and Bright, Frederic Bastiat and the French laissez-faire liberals, and the great Lord Acton. (Rothbard, 1980: 11)

In short, theological and secular controversies have been raised about the Christian libertarian alliance, but it would be misleading to say that these have undermined its importance for a fairly powerful set of adherents.

Though, as Antle (2007) laments, 'they are ... at a disadvantage without a theological tradition robust enough to compete with the Social Gospel on the left or Christian Reconstructionism on the extreme right', Christian libertarianism has some very powerful advocates. Arguably the most powerful person currently pushing a hybrid agenda of Christianity and libertarianism is Marvin Olasky. Olasky was a journalism professor at the University of Texas, and editor of the influential *World Magazine*. As an author of over 200 articles and books, a frequent talk show guest, advisor to President Bush, and popular journalist, Olasky has chosen to directly weave libertarianism and conservative Christianity into public policy discussions (Grann, 1999). Prior to the 1990s, Olasky was a relatively obscure professor, but this changed dramatically both with the publication of his infamous book, *The Tragedy of American Compassion* (1992), and then the rise of George W. Bush as governor and later president. *Tragedy* was a harsh critique of the secular welfare state. It venerated the religious charity-based approach of the eighteenth and nineteenth centuries that was able to separate the 'deserving' from 'undeserving' poor, and which drew on community rather than federal government resources. It was welcomed with open arms by the rising Republican congressional delegation, whose leader, Newt Gingrich, famously delivered a copy to each freshman congressman in 1994. His neo-Calvinist tough-love approach to poverty softened the political edge of anti-welfarism (and anti-statism) that is intrinsic to libertarianism (and the Republican Party platform at the time) (Grann, 1999). It also contributed to building a platform that would help bring George Bush to power. Olasky was a direct advisor to Bush in Texas during his gubernatorial campaigns and is credited with devising the language of 'compassionate conservatism' (Olasky, 2000). While Olasky has not inspired a theological movement and does not have a



literal congregation, his connections to powerful people and mainstream credentials give him and his ideas a legitimacy that extremists like North and Rushdoony have never possessed.

Related to this mainstream legitimacy, the ideas of Christian libertarianism are also promulgated by the Acton Institute for the Study of Religion and Liberty, named for the aforementioned patriarch of the movement, Lord Acton. The Acton Institute was founded in 1990, is located in Grand Rapids, Michigan, and is directed by Robert Sirico (Acton Institute, 2008). Among others, the aforementioned Marvin Olasky and Doug Bandow feature as board members. Through its journal (*Journal of Markets and Morality*), its magazine (*Religion and Liberty*), and its newsletter (*Acton Notes*), the organization promotes a blend of libertarianism and Christianity. Much like Olasky's focus, the Acton Institute is not aiming to devise or build a particular theological movement, but rather is directed at promoting the hybrid perspective of libertarianism and Christianity in public policy discussions. Though it is not as powerful as some secular libertarian think-tanks, such as the CATO Institute, it is recognized as influential and is certainly the most influential of its perspective.

Christian libertarianism and the variants of it are likely the smallest movement of those being discussed in this chapter. But, by the same token, it is an idea that is promoted by people and institutions that are more powerful than either Dominionists or Prosperity Theologians. Moreover, it is the most direct attempt to weave together neoliberalism (otherwise known as libertarianism) and conservative Christian theologies. It creates a biblically-justified space to critique secular government, particularly taxes and welfare. It tends to be less extreme than Reconstructionism, but for the most part shares the view that the Bible creates bounds that some secular libertarians are unwilling to accept. So, as with Dominionism, Christian libertarianism shares an intellectual enemy with neoliberalism, but has a very different ideal endgame. It creates a theological justification for abhorring big-government, taxes, and welfare, and has had a great deal of behind-the-scenes sway in recent public policy discussions in the United States.

## **Prosperity Theology**

Prosperity Theology – also known as Prosperity Lite, Health and Wealth, Word of Faith – is a controversial movement built around the idea that God wants you to be prosperous and that it is one's duty to donate heavily to one's church in order to activate this outcome. It is most often associated with the Charismatic and Pentecostal wings of Christianity. The basic philosophy is preached in three of the four largest churches in the United States: Joel Osteen's Lakewood Church in Houston; T.D. Jakes' Potter's House in Dallas; and Creflo Dollar's World Changers Church near Atlanta. Historians, theologians and critics differ somewhat on its historical origins, but these three are most commonly cited. Alcorn (1989: 104) argues that traces of the movement can be found as far back as the ancient Pharisees who '...lived and breathed Prosperity Theology and relished labelling everyone beneath their social caste as "sinners"'. Jackson (1989), by contrast, traces modern-day Prosperity Theology to the mid-twentieth-century metaphysical cults popularized by Kenneth Hagin and Essex Kenyon. Hagin and Kenyon were popular Pentecostals in Texas and Oklahoma who sponsored revivals, radio-shows, and newsletters in the 1940s and 1950s. Finally, the most commonly-cited origin for modern Prosperity Theology (and the one that gives it the most controversy) is the 1980s televangelist movements that were led by now-disgraced preachers Jimmy Swaggart and Jim Baker.

A variety of different biblical verses are used to justify the position that God wants his followers to be prosperous, but the most often cited ones are as follows:

*Deuteronomy 8:18* (KJV): But thou shalt remember the LORD thy God: for it is he that giveth thee power to get wealth, that he may establish his covenant which he swear unto thy fathers, as it is this day.

*Malachi 3:10* (KJV): Bring ye all the tithes into the storehouse, that there may be meat in mine house, and prove me now herewith, saith the LORD of hosts, if I will not open you the windows of heaven, and pour you out a blessing, that there shall not be room enough to receive it.

*John 10:10* (KJV): The thief cometh not, but for to steal, and to kill, and to destroy: I am come that they might have life, and that they might have it more abundantly.

Each is used by prosperity theologians to promote the view that authentic piety toward God will be rewarded with material wealth. It serves, whether by design or default, as a salve for the guilt of wealth that many Christians feel, and as biblical justification for minimal or no focus on poverty amelioration, which dominate other theological schools within Christianity, particularly Liberation Theology and the Social Gospel.

There are, of course, many critics of this interpretation of the Bible and the political and cultural attitude that it is believed to foster. Secularists have repudiated the idea as essentially an offshoot of disgraced 1980s televangelist schemes that demanded heavy financial contributions from parishioners, and brought great riches (and eventually public shame) only to its leaders.<sup>10</sup> But it is also seen as simply supporting, with biblical legitimacy, immediate-gratification, greed, and self-interest that is already rife in American society (Wolfe, 2003). As Alcorn (1989: 116–17) elaborates:

In Prosperity Theology, God is seen as a great no-lose lottery in the sky, a cosmic slot machine in which you put in a coin and pull the lever, then stick out your hat and catch the winnings while your ‘casino buddies’ (in this case, fellow Christians) whoop and holler (or say ‘Amen’) and wait their turn in line. ... In this sort of system, God's only reaction for existing is to give us what we want. If we had no needs, God would probably just disappear – after all, what purpose would he have anymore? With this kind of slick (and sick) theology, prayer ceases to be sacred. Instead of a means to give him glory and draw strength for the battle, prayer degenerates into an endless ‘wish list’ to take before our Santa God.

Finally, it is seen by some as little more than a form of pandering by religious entrepreneurs aiming to build their congregations by promoting a vision that parishioners will gravitate toward. As Lee (2007) has noted:

It is ironic that Pentecostalism, the branch of Christendom that once harboured ardent anti-secular sentiment, transformed into a new Pentecostal movement with the strongest embrace of technology,

secularism, capitalism, and popular culture. ... These ministries emphasize the therapeutic benefits of the faith and offer an optimistic view of the future that embraces American ideals of prosperity. In our competitive religious landscape, churches that adjust to cultural changes are flourishing while traditional churches lag behind and lose many members.

In general, there are a variety of secular cultural critics of Prosperity Theology. It is seen by some as a view that promotes greed, justifies inequality, and at worst leads to fraud cloaked in religion. But while secular critics abound, many religious scholars have also expressed deep misgivings about the philosophy.

There are several theological critiques of Prosperity Theology, but they can be grouped broadly under the argument that its preachers are only loosely based in the Bible, and that their views are contradicted more often than they are supported within the Bible. Rick Warren, pastor of the Saddleback Church in California, is a key critic of the Prosperity Theology movement. 'The idea that God wants everyone to be wealthy?', he skeptically asked:

There is a word for that: baloney. It's creating false idol. You don't measure your self-worth by your net worth. I can show you millions of faithful followers of Christ who live in poverty. Why isn't everyone in the church a millionaire? (quoted in Van Biema and Chu, 2006)

And Warren, though probably the most famous theological critic, is not alone. Theological scholars have quibbled with the use and interpretation of the aforementioned biblical verses that underlie the movement. As one of the many of such scholars argues:

To preach a Christian lifestyle that must involve perfect health, enough wealth to live off the fat of the land, and the ability to call, at whim, upon God to interfere with history on one's behalf, is to preach a faith that has no true biblical precedent. Prosperity theology is therefore

heretical because its claim to be Christian cannot be substantiated, and the faith movement is to be rebuked wherever it is encountered. (Jackson, 1989: 22–3)

Preachers like Warren and scholars like Jackson point to numerous other biblical verses that contradict Prosperity's emphasis on material wealth. Three verses are most commonly cited in this regard:

*Timothy 6:10* (KJV): For the love of money is the root of all evil: which while some coveted after, they have erred from the faith, and pierced themselves through with many sorrows.

*Mark 10:21* (KJV): Then Jesus beholding him loved him, and said unto him, One thing thou lackest: go thy way, sell whatsoever thou hast, and give to the poor, and thou shalt have treasure in heaven: and come, take up the cross, and follow me.

*Luke 18:22–25* (KJV): Now when Jesus heard these things, he said unto him, Yet lackest thou one thing: sell all that thou hast, and distribute unto the poor, and thou shalt have treasure in heaven: and come, follow me. And when he heard this, he was very sorrowful: for he was very rich. And when Jesus saw that he was very sorrowful, he said, How hardly shall they that have riches enter into the kingdom of God! For it is easier for a camel to go through a needle's eye, than for a rich man to enter into the kingdom of God.

Theological critics point primarily to these and other verses to reinforce their position that Prosperity is at best loosely supported, and at worst blatantly contradicted, by the Bible. But while the movement has been harshly criticized by secular and religious scholars, it is hard to escape the fact that it is very influential in some parts of the country – that its promoters reach millions of people per week through televised sermons that construct a biblical justification for wealth accumulation.

Like all religious movements, it is very difficult to get firm figures on the

number of adherents to Prosperity Theology, not least because it is both a formal theological movement with members who self-identify as such, and a set of assumptions that are likely more widespread. Alcorn (1989) says simply that 'millions' adhere to the philosophy in the US, but does not specify further. *Time Magazine* (Van Biema and Chu, 2006) teases us with the estimation that Prosperity Theology, 'has been percolating in the 10 million-strong Pentecostal wing of Christianity', and goes on to argue that many of its assumptions are even more widespread than this, but does get more specific than this. In the same article, the authors report on a poll commissioned by their magazine which showed that while only 17% of Christians self-identified with the movement, 61% felt that 'God wanted them to be prosperous', and 31% felt that 'if you give your money to God, God will bless you with more money'. So while the formal adoption of Prosperity is somewhat limited, its central assumptions appear to be widely held by evangelical Christians in the US.

However, while the numbers of formal adherents are certainly important, the direct and indirect reach of several of its more high-profile proponents suggests that the movement may be broader than simple congregational surveys suggest. The movement is led by many of America's most influential preachers, such as Joel Osteen, and many others who integrate key elements of it into their ministry, including Rod Parsley, T.D. Jakes, and Kirbyjon Caldwell. Joel Osteen is one of the most controversial of these figures and arguably its most ardent supporter. Osteen pastors the Lakewood Church<sup>11</sup> in Houston, Texas. He succeeded the pastorship from his father, John Osteen, in 1999, and has since built the ministry into one of the largest in the United States, with over 40,000 congregants (Van Biema and Chu, 2006). He also reaches approximately 2 million people in 150 countries through his weekly television broadcasts, and is a best-selling author, most notably of *Your Best Life Now: 7 steps to living at your full potential*, in 2004, and *Become a Better You: 7 keys to improving your life every day*, in 2007 (both of which have topped the *New York Times* Best Seller List) (Contemporary Authors Online, 2008a). In his books, broadcasts, and sermons, Osteen preaches an optimistic self-help message that is, by his own admission, less rooted in Scripture than some other ministries (Van Biema and Chu, 2006). Other famous prosperity ministers include Jakes and Caldwell. Jakes is also a prolific best-selling author and prominent figure in the African-American

community (Pappu, 2006). His ministry preaches much more than just Prosperity Theology, but he is unapologetic about the association, seeing it as an optimistic interpretation of the Bible that can empower his congregants. In addition to weekly sermons at his 30,000-person Potter's House Pentecostal Church in Dallas, Jakes is a frequent guest on talk shows, and travels widely for speeches, including one in the Georgia Dome in which he reportedly broke the attendance record with over 84,000 people (Contemporary Authors Online, 2008b; also Winner, 1999). Caldwell, though presiding over a mere 15,000 parishioners, is more notable for his personal connections as President Bush's pastor at the United Methodist Church in Houston, Texas. He gave the benediction for the first Bush inauguration and recently presided over the marriage of Jenna Bush. Caldwell preaches a moderated form of Prosperity Theology in his church.

Prosperity Theology certainly has its critics, but it would be difficult to argue that it is a fringe movement given the influence of figures like Osteen, Caldwell and Jakes. But Prosperity is more than a formal theological movement. It is also a set of biblically-legitimated assumptions. And these assumptions, in turn, reinforce some of secular neoliberalism's main objectives. First, Prosperity Theology provides divine justification for what many are able to justify only in crass capitalist terms: accumulating wealth. It softens, contradicts, and muddies the notion that accumulation is the disreputable pursuit that socialists and progressive theologians cast it to be. Second, it reinforces the Calvinist tenet of individual responsibility for material success, and its darker corollary, individual responsibility for one's failures – a key justification for dissolving the welfare state. Third, Prosperity sanctifies private property as an expression of piety. It not only provides a rationale for focusing on your own wealth creation – separate from community or society in general – but also for ignoring the poverty of others. If 'God wants you to be rich', as a recent *Time Magazine* article impishly pondered, then it is not too much of a stretch to assume that being poor is a form of justified punishment.

## **Finding Neoliberalism in Religious Logics**

The rise of neoliberalism in the past several decades has been traced by a variety of geographers, sociologists, and political economists. Though the

foci of these accounts vary considerably, a central theme is the importance of both economic thought and material conditions in the rise of the ideology. Neoliberalism, in this account, is the brainchild of Hayek, Friedman, and von Mises, who revived and promoted the works of the classical liberals in their famous Mont Pèlerin society and interventions throughout the world. It caught on for material reasons, namely that 1970s stagflation undermined the rationale for Keynesianism, and, more cynically, the wealthy wanted lower taxes. I certainly do not want to diminish this narrative. Not only have I helped author it, but I also still believe it to be largely correct. Yet, what I do question is the ability of this script for understanding the *political* diffusion of the ideal, in spite of all of its failure to achieve its putative ends and solve the problems that it was situated to solve. Surely, neoliberalism has benefited from other political movements that have their own built-in legitimating rationales. This chapter is an attempt to explore the importance of one broad justification – evangelical logics that are supportive of neoliberalism, even if indirectly or accidentally.

While neoliberalism is primarily a secular economic creation, it has benefited politically from the prominent rise of the evangelical movement in the United States. This dynamic is less acute in other countries, but is certainly present. This is not to say that every corner of the evangelical movement is supportive of neoliberalism, nor to say that we can automatically assume that evangelical Christianity would lead to the same supportive outcome in other countries. Rather, I think that three religious logics have created intricate faith-based rationales for supporting neoliberalism's main tenets – the emphasis on individual responsibility, deregulation, low taxes, and anti-welfarism in particular. All three are deeply, though not exclusively, influenced by neo-Calvinism and, as such, they share as much as they differ; yet each is aligned with a particular set of institutions, tactics, and theologies that are worthy of separate consideration. Though they each have both secular and sectarian critics, all of these movements lend credibility to neoliberalism by reinforcing its agenda. Dominionism invokes divine inspiration for challenging the secular state. Christian libertarianism invokes divine justification for abhorring socialism and the welfare state. Prosperity Theology deploys divine absolution for accumulating capital. Each draws inspiration from the Bible and, as such, invokes a legitimacy that is rooted in faith. They are influential for different reasons. Though formalized Christian



Reconstructionism is most assuredly a fringe movement, the basic assumption of Dominionism utterly saturates the politics of the Religious Right and conservatives in general. Christian libertarianism does not have an intricate theological justification, but it has very well-connected promoters who have influenced recent policy. And Prosperity Theology, though derided by many theologians as an heretical mirage, is the organizing principle for some of the most powerful, widely-heard preachers in the United States.

It would be a stretch to suggest that these are the only ideas percolating on the religious or neoliberal Right in the US. It would also be a stretch to say that these ideas are uncontested from within or outside the evangelical fold. But, by the same token, it is difficult to avoid the curious parallel rise of neoliberalism, fundamentalist religious movements, and the role they have collectively played in bonding and promoting neoliberalism as a policy framework. Religious ideas – even fragmentary extremist ones – are an important and understudied component of this picture.

## Notes

1. I am using the terms ‘libertarian’ and ‘neoliberal’ interchangeably in this chapter. Figures like Hayek and Friedman considered themselves to be ‘liberals’ (as in classical liberalism), and that mid-twentieth-century egalitarian liberals had stolen and appropriate the term for their use. ‘Libertarian’ is simply the label that modern followers of such figures assign to themselves to differentiate themselves from egalitarian liberals. ‘Neoliberal’ is the label that many academics use to describe the movement, given its links to classical liberalism.
2. This chapter is based in part on selections from my book *Faith Based* (Copyright, University of Georgia Press). I gratefully acknowledge permission to reprint these materials (see Hackworth, 2012, for full reference).
3. Ironically, given the importance of this perspective for radical conservatives, this verse has also been used more recently to advocate for a more progressive stance toward the environment (Cizik, 2005).

4. The difference of course between Kuyper's vision and the one that has been promoted by Dominionists, is that the former, while himself a Christian, felt that the same sovereignty should be granted to both churches and secular groups alike.
5. North was actually somewhat insecure about his level of productivity *vis-à-vis* his late father-in-law Rushdoony. North once quipped that he struggled to maintain the standard that Rushdoony set: 'Rushdoony is the Marx of this movement. I'm trying very hard to be the Engels' (Diamond, 1989: 136).
6. He has a PhD in Economics from UC Riverside, awarded in 1967.
7. Rudin (2006) has suggested that the term 'Christocrats' be used instead, though I doubt that this would allay the concerns of those who object to the term 'Dominionist'.
8. Among the most common quoters of this passage are North American conservatives, after Reagan and Mulroney (the Canadian Prime Minister in the 1980s), who aim to weave a small government narrative with a moralizing one.
9. Rothbard is actually an anarcho-libertarian, a group with which many Christian libertarians have a great deal of disagreement.
10. An interesting sidebar to this association is that Even Baker himself repudiated the idea as a fraud, as he was being carted off to prison for fraud.
11. 'Church' may be a bit of a misnomer as his congregation is so large that it fully occupies a former professional basketball arena (formerly known as the Compaq Center).

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# 26 Monetary Policy and Neoliberalism

**Alfredo Saad-Filho**

## Introduction

This chapter critically reviews the monetary policy framework associated with neoliberalism, including inflation targeting (IT) and Central Bank independence (CBI). Together, they are the component parts of the so-called New Monetary Policy Consensus (NMPC).<sup>1</sup> Since the late 1980s, the NMPC has become the dominant ('best practice') monetary policy paradigm in several advanced, middle-income and, increasingly, poor countries.<sup>2</sup> Its popularity among mainstream economists and policymakers is based on the theoretical strengths of the NMPC (from the point of view of neoclassical economics), and the alleged successes of countries implementing this policy compact. From this point of view, the NMPC addresses successfully an important policy problem: how to anchor domestic monetary systems in the age of neoliberalism, that is, in economies with inconvertible credit money and bloated and liberalised financial systems, and in societies split by incompatible political and economic demands. In this sense, the NMPC helps to underpin neoliberalism. The manner in which it does so, discussed in detail below, makes the NMPC the most appropriate monetary policy strategy for the age of neoliberalism. In this sense, then, the NMPC is hegemonic: it incorporates the most refined practical conclusions drawing upon mainstream economic theory; it is attractively packaged, and its policy recommendations draw upon the 'common sense' of the neoliberal age; consequently, they are easy to understand and defend. These policies also promote powerful interests that are presented as the expression of the 'common good'.

The global success of this monetary policy paradigm is not simply due to reasoned academic debate and enlightened policymaking. It is, to a much greater extent, the outcome of the reorganisation of social relations and transformation of economic policies in several countries under neoliberalism. It is only in this context that the mainstream could address important



shortcomings of the anti-inflation strategies attempted after the collapse of the Bretton Woods System, that were generally based either on 'social accords', or money supply or exchange rate targeting. Despite the achievements of the NMPC in policy practice, this chapter shows that the theoretical foundations of IT and CBI are both eclectic (including insights from the monetarist, new classical and new Keynesian schools of thought) and faulty. They cannot represent reality adequately, and fail to deploy policy instruments consistently in order to maintain economic stability, especially in challenging times when policy anchors are most needed. At these times, countries must resort to pragmatic solutions outside the NMPC.

The chapter includes six sections. This introduction is the first. The second reviews the development of the mainstream theory and policy practice of inflation control, focusing on IT and CBI. The third outlines the costs of the NMPC, including high interest rates, conflicts between IT and balance of payments equilibrium, financial instability and the costs of CBI. The fourth briefly summarises studies of the performance of IT and CBI. The fifth examines the implications of the global crisis starting in 2007 for the NMPC. The sixth concludes this chapter.

## **The NMPC in Theory and Policy Practice**

In the postwar (Keynesian-social democratic) 'golden age' of capitalism, inflation was generally assumed to be due to cost pressures, especially rising wages and balance of payments difficulties. Mainstream policy recommendations included incomes policies and exchange rate adjustments within the Bretton Woods System, to allow persistent differences in rates of productivity growth to be absorbed through the exchange rate rather than through unemployment. Perceptions shifted between the late 1960s and the early 1980s, when inflationary pressures were assumed to result from adverse supply shocks, excess money supply growth and unreasonably optimistic assumptions about the stability of the Phillips curve. In this period, many mainstream economists turned towards monetarism, and advised governments to control inflation through labour market reforms to increase 'flexibility' and cut employment costs, and impose money supply (or, alternatively, exchange rate) targets in order to secure fiscal discipline and anchor private sector expectations.

The monetarist experiences in Germany, Switzerland, the UK, the US and elsewhere during the 1980s did not vindicate the claims that money supply targeting was either feasible or conducive to inflation stabilisation (at the same time, exchange rate anchors failed with dreadful consequences in Argentina, Chile and Uruguay) (Díaz-Alejandro, 1985). In addition to these practical difficulties, monetarist theory was badly damaged by the severe criticisms inflicted by new classical, Keynesian and radical political economists.<sup>3</sup> Briefly, Keynesians and radical political economists argued, first, that since the velocity of money and the money demand function are unstable, the relationship between money supply and nominal income is unpredictable. Therefore, even if money supply targeting were feasible (which it is not), it would be insufficient to control inflation. Second, although there is always some relationship between changes in the stock of money and changes in the price level, this does not imply that the growth of the money stock *determines* the rate of inflation. Therefore, even if money supply targeting can help to squeeze inflation out of the economy, it does so slowly and unreliably, and potentially at a high cost. Third, government attempts in the 1970s and 1980s to control the money supply while, at the same time, liberalising the financial system and the capital account of the balance of payments were self-defeating. Liberalisation modified the monetary transmission process and the linkages between money, finance and output. It also created incentives for the development of a host of financial instruments that blurred the definition of the monetary aggregates and bypassed existing controls over the supply of money, throwing the entire exercise into confusion. The (radically mainstream) new classical economists also criticised the monetarist experiment. In spite of their general agreement with the monetarist analysis of inflation, the new classicals claimed that the policy shift towards money supply targeting induced changes in private sector behaviour that invalidated the predictions of existing econometric models. Consequently, the monetarist policy recommendations were doubtful analytically, as well as potentially unhelpful in practice.

The shortcomings of monetarism and heavy criticisms levelled by its opponents contributed to the development of a vast literature on inflation and stabilisation during the 1980s. In the absence of significant wage pressures or major supply shocks during this period of consolidation of neoliberalism in leading economies, inflation was associated with fiscal deficits and,

especially, lack of government policy credibility. This diagnosis lent itself to recommendations for increasing credibility, supported by some kind of nominal anchor. These policies were followed by pressures for CBI and trade and capital account liberalisation, in order to dismantle selected features of the Welfare State, further increase labour market flexibility, curtail the remaining sources of labour unrest, and impose finance-friendly policy discipline on presumably reluctant governments (Gowan, 1999; Panitch and Gindin, 2005; Rude, 2005).

By the mid-1990s, the NMPC had already become the hegemonic framework for anti-inflation policy. This policy regime was perceived to be the most conducive to the consolidation of the low inflation regime achieved in rich countries, and it spread rapidly from New Zealand in 1989. The NMPC also seemed to have something to offer to the middle-income and poor countries, even though their Central Banks generally lack experience supervising complex, liberalised and internationally integrated financial systems (which, nevertheless, were imposed by external as well as internal pressure, as part of the neoliberal transitions in these countries). There, the NMPC could allegedly deliver greater economic stability, institutional transparency, objective monetary policy rules, standardised channels for the diffusion of information and, hopefully, lower costs of international financial integration.

## **Inflation Targeting and Central Bank Independence**

For mainstream economic theory, the most important contribution that monetary policy can give to social welfare is price stability. Attempts to use monetary policy to achieve other goals, such as higher output or employment, should be avoided because they tend to introduce an inflationary bias in the economy. Instead, the government should signal its 'explicit acknowledgement that low and stable inflation is the overriding goal of monetary policy' (Bernanke and Mishkin, 1997: 97), by setting a legally-binding numerical IT to be pursued by the Central Bank. The IT can be either an interval or a point, with or without tolerance margins. Finally, the IT should be the *only* nominal anchor in the economy, as it cannot be pursued simultaneously with money supply, wages, employment, exchange rate or

any other targets.

CBI is an essential component part of the inflation targeting regime (ITR). The distinguishing features of CBI are the institutionalisation of the primary responsibility of the Central Bank for achieving the IT, the appointment of its directors for fixed terms (preferably not coinciding with the mandate of the country's president or legislators, in order to ensure policy continuity), and the regular assessment of the Bank's performance through the trajectory of inflation and reports formally submitted to the government, legislators and the media. Potential differences between countries and over time can include the precise duties of the Bank, its policy instruments and degree of autonomy, the relationship between the Central Bank and other government departments, the procedure for appointing Bank directors, and limits on government borrowing from the Bank. In sum, it is assumed that CBI limits the influence of politicians over economic policymaking, which should reduce uncertainty, moderate the political business cycle and largely eliminate the inflation bias of monetary policy.

The ITR operates at multiple levels. At the level of government, it allegedly secures 'good' (i.e., neoliberal) monetary policies, increases the transparency and accountability of Central Bank actions, and provides guidelines for other policies, especially fiscal, employment and exchange rate policy. From the point of view of the private sector, ITR provides guidance for inflation expectations and strong indications of future government policy. This should reduce uncertainty and facilitate economic coordination across markets, lowering adjustment costs and assisting the consolidation of a low inflation regime. If implemented competently, ITR can be highly successful, even 'deliver[ing] as much price level stability as a commodity [gold] standard' (Bordo et al., 2003: 1).

The transition costs to the new policy regime presumably depend on the credibility of the government's commitment to the ITR and reputation of the Central Bank. The more credible the government's commitment and the better the Central Bank's reputation, the faster expectations will converge to the IT and the lower will be the output costs of reducing inflation towards the target (the 'sacrifice ratio'). Once established, the ITR should bring lower and more stable inflation rates, faster economic growth, and a permanently lower

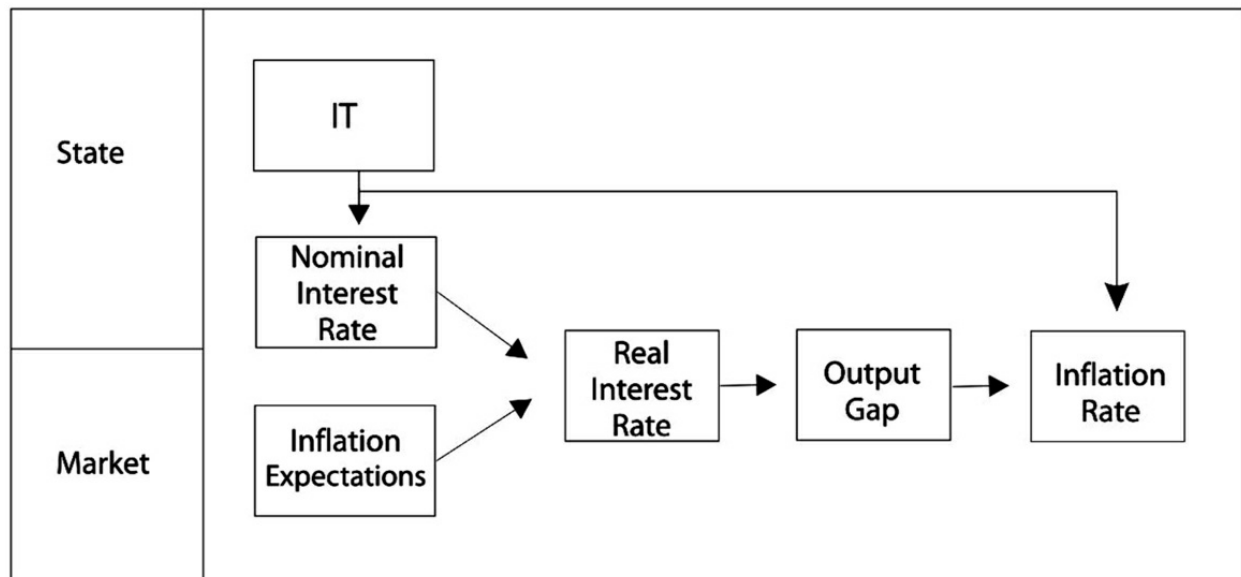
sacrifice ratio. These potential benefits support the view that other government policy goals, such as employment generation, economic growth and income distribution, should be subordinated to IT.

Despite these significant advantages, even the mainstream cautions that IT is not appropriate for all countries and circumstances, and that five conditions must be satisfied to secure the viability of this policy regime. First, the monetary authorities need effective policy tools and autonomy to deploy them. Second, the absence of fiscal dominance; that is, fiscal policy considerations cannot play a determining role in macroeconomic policy decisions. This requires strict limits on government borrowing from the Central Bank, while public sector funding should rely on a broad tax base and efficient tax system, rather than seignorage. Third, the rate of inflation should be low enough at the start to ensure a reasonable degree of Central Bank control of the monetary aggregates (therefore, IT is *not* a stabilisation policy). Fourth, the financial markets must be sufficiently developed, deep and efficient to absorb placements of public debt, such as treasury bills or bonds, which could otherwise sidetrack monetary and fiscal policy. Fifth, the absence of external dominance – in other words, the country's balance of payments should be sufficiently solid to allow monetary policy to focus on inflation control, rather than being constantly diverted by the need to respond to adverse external shocks.

## The NMPC in Practice

The economic model underpinning the NMPC is very simple (see [Figure 26.1](#)). It includes two key parameters: the IT and the inflation expectations; the former is set by the government and the latter by 'the market'. The model also includes one discretionary policy instrument, the nominal interest rate.

**Figure 26.1** Inflation targeting



The government policy objective is to eliminate the inflation gap (the difference between the rate of inflation and the IT) at a specific point in the future (the policy horizon). The model presumes that inflation is jointly determined by inflation expectations and the output gap, with the latter fluctuating around a supply-side equilibrium. Alternatively, unemployment fluctuates around either the natural rate of unemployment (NRU) or the non-accelerating inflation rate of unemployment (NAIRU), such that unemployment below (above) the NRU/NAIRU would lead to higher (lower) rates of inflation. The output gap (the difference between the rate of unemployment and NRU/NAIRU) is determined by the real interest rate. Finally, the real interest rate is, by definition, equal to nominal interest rates minus expected inflation.

In this model, the Central Bank attempts to hit the IT through manipulation of the nominal interest rate in order to influence the state of expectations and, at a further remove, fine-tune aggregate demand. If the Central Bank forecasts a positive inflation gap during the policy horizon, either because aggregate demand is too high or because the market expects that inflation will rise in the future for whatever reason, the Bank will adjust monetary policy, usually by raising nominal (and, *ceteris paribus*, real) interest rates.

The model implies that inflation control is achieved through fluctuations in the output gap. The lower is the government's tolerance to an inflation gap, the shorter is the time-span available to achieve IT. Similarly, the more open

is the economy, the larger will be the fluctuations of the output gap and, therefore, the variance of the unemployment rate. Finally, although a wide variety of instruments can be used to achieve IT, in practice Central Banks tend to focus on manipulation of nominal interest rates. This instrument is especially convenient because it is simple to use; it is also supposedly non-distortionary, because it does not systematically discriminate between economic sectors and, therefore, does not lead to resource misallocation.

In contrast with money supply or exchange rate targeting regimes, the NMPC is flexible at three levels. First, the IT is normally low and positive, rather than zero, and the targets are usually bands, rather than points. Bands are used because of the possibility of misspecification, parameter uncertainty or structural breaks in the Central Bank economic model, because of the uncertainty surrounding the monetary transmission process and links between the policy levers and inflation outcomes, and because of the possibility of shocks. All this would make it difficult to continuously hit a single point target for inflation. Even trying to do so would increase the volatility of the interest rates which, in turn, would have destabilising effects. Second, in exchange rate targeting regimes it is impossible to depart temporarily from the peg without a severe loss of credibility or a currency crisis. In contrast, in ITR the Central Bank normally targets inflation over a policy horizon of one to three years in the future, so it can ignore transitory disturbances that, in and of themselves, would not trigger long-term variations in the rate of inflation. In order to make the ITR even more robust, inflation is usually measured by a 'core' (rather than headline) price index, usually the CPI. This is to minimise the impact of adverse supply shocks, natural disasters, sudden fluctuations in the exchange rate or terms of trade, seasonal variations of food and energy prices, changes in indirect taxes, regulated prices, subsidies and mortgage payments, and even the direct (first-round) impact of interest rate changes. Third, although interest rate manipulation is the favoured monetary policy instrument under ITR, the Central Bank should ideally deploy all relevant information and a wide variety of tools in order to pursue IT. These tools depend on the institutional structure of the Central Bank, the country's political system and the policymaker's conviction about how best to operate. They could include, for example, changes in banking regulations or the required reserve ratios, the imposition of differential asset requirements, or anything else, as long as it contributes to achieving IT within the policy

horizon.

In sum, the NMPC allegedly offers the optimal combination of instruments to lock in low inflation and create conditions for sustainable growth, bringing together the virtues of policy simplicity, credibility, legitimacy, sustainability and flexibility. Claims such as these have contributed to the rapid growth of the appeal of the NMPC around the world.

## **Costs of the NMPC**

This section examines the potential economic costs of the inflation policies associated with the NMPC. Four types of costs are considered: the cost of using interest rates as the main tool to control inflation, the cost of conflicts between IT and balance of payments equilibrium, the cost of financial instability, and the costs of CBI.

### **The Cost of High Interest Rates**

It was shown in the previous section that, in the NMPC, inflation control is achieved primarily through manipulation of interest rates. This implies that real interest rates will tend to be higher under this policy regime than under an alternative arrangement in which a wider set of instruments plays a more significant role in (non-targeted) inflation control.

There is no question that high interest rates can reduce inflation, since they increase the costs of production, investment and consumption, and may trigger government spending cuts because of the higher cost of servicing domestic public debt. Weaker aggregate demand tends to compress profit margins at least in the competitive sector of the economy (oligopolistic firms may be able to increase prices in order to defend their profits, but this will be ignored here). In turn, higher financial costs can force highly leveraged or financially weaker firms into bankruptcy, regardless of their economic prospects, technical efficiency or strategic importance. The remaining firms could respond to these cost and demand pressures by reducing variable costs in different ways. For example, they could evade tax or social security payments, increase the intensity of work, the number of unpaid hours or



labour turnover, delay bill payments, and so on. High interest rates also change the relationship between the tradable and non-tradable sectors, industry and agriculture, and the sub-sectors within them. The sectoral and distributional impact of higher interest rates cannot be anticipated precisely, since it depends on the structure of the economy, pattern of demand, response of the exchange rates and export and import sectors, and other variables. However, it is widely accepted that higher interest rates tend to bring gains to finance, both in terms of policy influence and through additional shares of national income (Argitis and Pitelis, 2001; Mann, 2013; Rochon and Setterfield, 2007).<sup>4</sup>

Higher interest rates also increase the risks associated with financial sector activity. This is not only because of the adverse impact of higher interest payments on indebted agents, but also because of the larger size of the liability mismatches in the economy, the emergence of new financial assets and markets requiring distinct (and, inevitably, more risky) investment strategies, and a more volatile economic environment. In extreme cases, rigid inflation rates (due to cost or balance of payments pressures, or deep social divisions), or excessively ambitious IT, can lead the Central Bank to impose very high real interest rates, which can push the economy into a stabilisation trap: a ‘bad’ equilibrium with low growth, high unemployment and intractable problems of poverty and inequality.

## **The Cost of Conflicts Between IT and Balance of Payments Equilibrium**

ITR may conflict with the achievement of intertemporal balance of payments equilibrium at two levels. First, there may be conflicting pressures on the rate of interest. In any small, open economy with relatively developed currency and financial markets, there is a close relationship between interest rates, rate of inflation, fiscal deficit, rate of unemployment, exchange rate, and level and direction of international capital flows. There is a priori no guarantee that a single interest rate can deliver, simultaneously, IT, a sustainable fiscal balance, exchange rate stability, balance of payments equilibrium and low unemployment. Achieving these goals requires a combination of policies in which interest rates play an important but not necessarily decisive role.

In other words, attributing unwarranted priority to the manipulation of interest rates in economic policymaking implies that these rates will tend to be determined by the higher of two levels: those required to achieve IT, and those needed to close the balance of payments, with the rate of unemployment being a residual. If the balance of payments constraint is binding, the exchange rate may be stable but aggregate demand will tend to be too low, potentially leading to a stabilisation trap. Alternatively, if the IT is binding, the interest rate will be too high for balance of payments equilibrium, leading to excessive inflows of foreign capital, especially if international capital flows have been liberalised, as is often the case in countries moving towards neoliberalism. The ensuing increase in external liabilities will tend to be sterilised by a swelling domestic public debt, potentially exposing the economy to a financial crisis, a balance of payments crisis, a fiscal crisis, or all three.

Second, it may be difficult to pursue IT if the private sector has large liabilities in foreign currency. In this case, the financial institutions and their customers will be burdened with currency mismatches, which could become costly should the exchange rate depreciate. These mismatches will create pressures for the Central Bank to provide hedging instruments and maintain exchange rate stability, even though this is incompatible with ITR. In these circumstances, IT may be an inappropriate choice of policy regime, and a hard exchange rate peg may be more desirable, especially for very small economies.

## **The Cost of Financial Instability**

Although the Central Bank is primarily responsible for achieving IT, it must also be the charge of banks and the institution responsible for preserving domestic financial stability (see below). These mandates may occasionally clash, especially if asset and product markets give contradictory signals about inflation, asset prices are very volatile, or asset values rise rapidly as a proportion of GDP. For example, if price inflation threatens to escalate, the Central Bank may be compelled to raise interest rates, which could undermine financial system stability and trigger a costly crisis. Alternatively, if deflation looms, the Central Bank may be forced to lower interest rates, although this may fuel destabilising shifts in asset prices or debt and

consumption bubbles.

The close relationship between price inflation, personal and company debt, financial system stability and asset price inflation, and the potentially large cost of financial crises, suggest that the Central Bank ought to monitor asset prices and levels of debt as part of its duty to maintain economic stability. It follows that the excessive focus of the NMPC on inflation control tends to distract attention from the financial sector as a major source of *instability*. This is misguided, because the output and employment costs of financial crises can easily exceed the costs of moderate inflation – as was dramatically demonstrated by the global crisis starting in 2007.

## **The Cost of Central Bank ‘Independence’**

Arguments for CBI are based on the presumably greater transparency, legitimacy and accountability of monetary policy under this institutional arrangement. However, this claim veils the greater scope for (asymmetric) *discretion* in the conduct of monetary policy under CBI. In this policy regime, the board of the Central Bank ought to consult ‘the markets’ in order to set interest rates. In contrast, in previous monetary policy regimes, claims for interest rate changes would be the subject of political argumentation at several levels of government, especially at the Ministry of Finance. There, counter-claims expressing the interests of different social groups could (at least in principle) be heard, and there might be scope for reaching a more balanced decision. This debate should be welcomed, for how ‘could it be thought reprehensible for the elected representatives of the people to seek to influence – by persuasive argument perhaps – the central aspects of [economic] policy?’ (Forder, n.d., 2003). In this sense, CBI is *undemocratic* by definition: the insulation of monetary policy from public debate reduces the accountability of the Central Bank and undermines the legitimacy of monetary policy.

It follows that the ‘credibility’ and ‘reputation’ of the Central Bank are misnomers. The improved indicators of credibility that usually follow CBI reflect the sentiment of a narrow circle of powerful individuals, whose material interests are directly affected by the monetary policy stance adopted. In this sense, ‘improved expectations’ are a reflection of the closer

relationship between the Central Bank and financial markets under CBI, as well as financial operators' appreciation of the Central Bank's performance and their confidence that monetary policy will be subordinate to their narrow interests: in other words, 'credibility' measures the *takeover* of monetary policy by the interests of finance.

## **The Performance of IT and CBI**

There is a vast literature assessing the performance of IT and CBI. These studies tend to be substantively similar in their scope, approach and conclusions. This section focuses on the former for reasons of space.

Several studies have identified gains stemming from IT in such areas as lower inflation rates, volatility and inertia, improved expectations, faster absorption of adverse shocks, lower sacrifice ratio, output stabilisation, and the convergence of poorly performing countries towards well-performing country standards.<sup>5</sup> Similar gains have been attributed to CBI.<sup>6</sup> However, other studies have been less supportive, claiming that there is no evidence that IT and CBI improve economic performance.<sup>7</sup>

These conflicting views are partly due to the use of distinct approaches, datasets and econometric methodologies; as such, they are no different from the contradictory views in other areas of macroeconomics. However, there may be three additional reasons for these diverging views of the efficacy and efficiency of IT and CBI. First, it is difficult to classify policy regimes rigorously. Countries can be grouped in different ways according to whether they follow 'explicit' or 'implicit' IT policies, or the extent to which their Central Banks have administrative and/or instrument independence. If one also controls for the structural differences between the economies being examined, the available samples tend to become vanishingly small, making it impossible to make meaningful before-after or with-without comparisons of policy performance.

Second, even its committed supporters admit that IT is not an inflation stabilisation strategy. Consequently, although high inflation countries may be more inclined to adopt IT, they can do so only *after* a successful disinflation programme that is, itself, unrelated to IT. On adoption, the ITR will almost

invariably inherit falling inflation rates, growing monetary policy credibility and, quite possibly (if their economies have been in the doldrums for long periods), above-trend growth rates. These favourable developments are *conditions* for IT rather than outcomes of this policy regime, and they should be factored into the assessment of the performance of ITR.

Third, even when the economic performance of IT countries improves *more* than that of non-IT countries by whatever criteria, it cannot be assumed that the difference was *due* to IT. For example, Ball and Sheridan (2003) find evidence that the countries showing the greatest performance improvements during their period of analysis were those with the worst performance in the previous period, and these tend to be IT countries (possibly because underperforming economies are more likely to change policy regimes). However, those improvements could be due simply to their regression to the mean, which helps to explain why performance *also* improved in the non-IT countries. Therefore, the apparent success of IT countries may be due to their having ‘high initial inflation and large decreases, but the decrease for a given initial level looks similar for targeters and non-targeters’ (Ball and Sheridan, 2003: 16). Once they control for regression towards the mean, Ball and Sheridan find no evidence that IT improves any aspect of economic performance.

## **The Impact of the Global Crisis**

The NMPC established itself as the typical monetary policy for neoliberalism during the 1990s and the early 2000s. The consolidation of neoliberal economic policies and the NMPC in a growing number of countries supported a fundamental transformation of the role of finance. ‘Liberalised’ financial systems gained increasing control over economic resources and their allocation, and the scope to develop an increasingly autonomous sphere of speculation based on the trading of titles of fictitious capital. These developments were fully supported by presumably ‘independent’ Central Banks.<sup>8</sup>

Because of its strategic position at the hub of social reproduction, including control of the key sources of capital, foreign exchange and state finance, the financial institutions could appropriate a growing share of surplus value. For

example, in the USA, the profits of financial companies (that is, excluding profits due to the financial activities of non-financial firms) jumped from below 5% of after-tax corporate profits in 1982, to well over 40% in the early 2000s.<sup>9</sup> Since finance is directly unproductive of value, these profits can only be transfers from the non-financial corporate sector and wage-earners. Their expansion has contributed greatly to the concentration of income under neoliberalism (e.g., Mohun, 2015; Piketty, 2014; UNCTAD, 2012).

This period was dubbed ‘the great moderation’ by mainstream economists and policymakers (e.g., Bernanke, 2004). That presumably blissful age of rapid and stable GDP growth and low inflation, at least in comparison with the erratic performance of most advanced economies since the late 1960s, is now long-forgotten. The sobriquet serves only as a reminder of the hubris of the spokespeople for neoliberalism, who claimed ownership of a modality of global growth drawing on a conventional set of macroeconomic policies including IT, CBI, and liberalisation of domestic finance and international capital flows. These policies sustained the rapid accumulation of private debt and rising current account deficits in the US, the UK, the Eurozone periphery and in leading middle-income countries, and growing current account surpluses and currency reserves in China, Japan, Germany and several East Asian and oil-exporting countries. Both sides were brought together by misaligned currencies supported by enormous currency flows channelled by a bloated and short-termist financial system.

The dysfunctionality of this model of growth was missed by neoliberal academics, ministers of finance, academics, journalists, and the all-important independent Central Bankers. Their self-congratulatory mood was rudely dislodged by the onset of the greatest crisis of capitalism since the Great Depression in 2007. The crisis remains unresolved at the time of writing, one decade later. It has revealed that, under neoliberalism and the NMPC, global growth has become structurally unbalanced, consisting of speculative bubble-like episodes taking place *between* increasingly severe finance-driven crises: the neoliberal ‘great moderation’ was a myth driven by unsustainable policies backed up by finance-friendly economic dogma. Remarkably, the trajectory of the distribution of income and wealth in most countries shows that neoliberal economies tend to generate inequality when they grow, and to distribute losses inequitably when they contract (Arestis and Sawyer, 2010;

Saad-Filho, 2008, 2011; Tcherneva, 2015).

The strategy of crisis management since 2008 demonstrates the depth and extent of the hegemony of neoliberalism over ideology as well as state policy. First, neoclassical economics dominates the discipline almost entirely, to the extent of treating Keynesian anti-cyclical policies as a set of tools that can be deployed selectively in emergencies, especially to support finance itself, but otherwise beyond the pale as suggesting unacceptable tolerance of inflation and the interests of the poor. Second, the astonishingly skewed finance-friendly strategy of containment of the global crisis received almost universal applause, even though it amounted to a barefaced socialisation of losses in order to salvage the largest financial institutions specifically, and the neoliberal system of accumulation in general. Third, even though the crisis imposed significant changes in the practice of monetary policy in several countries, primarily through the generalisation of ZIRP (zero interest rate policies) in most advanced economies as part of the strategy to salvage finance, it did not lead to the formal abandonment of IT or CBI anywhere. In this sense, both neoliberalism and the NMPC remain unchallenged, while policy implementation has retained as much flexibility as necessary in order to help salvage the system of accumulation by any means necessary.

Despite its success in further consolidating the hegemony of neoliberalism, the attempt to address the crisis in the advanced economies through relaxation of monetary policy, provision of virtually unlimited public support for finance, and fiscal ‘austerity’ has failed to sustain the economic recovery anywhere. In essence, Central Banks in the USA, the UK, Japan, Switzerland and the Eurozone reduced interest rates virtually to zero, sometimes even straying into negative territory, which was previously thought to be impossible. Those Central Banks also purchased vast quantities of worthless assets from large financial institutions through ‘quantitative easing’ programmes, in order to buttress private balance sheets (Kregel, 2009: 6–7).

In practice, those policies required the temporary abandonment of IT, with outcomes ranging from inflation much above the official target for extended periods, as in the UK, or significantly below this target, as in the Eurozone, without *any* analytical, practical or institutional consequences. Given the overwhelming need to save neoliberalism from itself, the supposedly all-

important inflation targets became entirely irrelevant. CBI similarly vanished without a trace, as bankers confabulated overtly with governments and the largest financial institutions whenever this became convenient in order to find the best way to stabilise the economy. The *political* roots of the NMPC, and the practical irrelevance of its grandiose principles and institutional framework, became evident. As former Fed chairman Paul Volcker (2008: 1–2) colourfully summarised it:

[W]e have moved from a commercial bank centered, highly regulated financial system, to an enormously more complicated and highly engineered system. Today, much of the financial intermediation takes place in markets beyond effective official oversight and supervision, all enveloped in unknown trillions of derivative instruments. It has been a highly profitable business, with finance accounting recently for 35 to 40% of all corporate profits. ... It is hard to argue that the new system has brought exceptional benefits to the economy generally. ... Simply stated, the bright new financial system – for all its talented participants, for all its rich rewards – has failed the test of the market place. To meet the challenge, the Federal Reserve judged it necessary to take actions that extend to the very edge of its lawful and implied powers, transcending certain long embedded central banking principles and practices.

Regardless of those contortions, the neoliberal crisis resolution strategy failed at another level too. Pumping large quantities of money into a dangerously unstable financial system, while offering near-zero interest rates at home, triggered a stampede of capital from advanced economies into the ‘emerging’ world, where the economic prospects were much healthier. This took place through carry trade and the ‘currency war’ in the late 2000s, which led exchange rates to respond pro-cyclically: rising unsustainably in the ‘South’ and declining in the ‘North’. That torrent of taxpayer-funded financial capital was eventually absorbed by the rapid growth of corporate debt in developing countries:

The corporate debt of nonfinancial firms across major emerging market



economies [has] increased from about US\$ 4 trillion in 2004 to well over US\$ 18 trillion in 2014. The average emerging market corporate debt-to-GDP ratio has also grown by 26 percentage points in the same period. (IMF, 2015: 84)

Those resource flows, initiated by the attempt to save the banking system in the advanced countries, have destabilised exchange rates, current accounts and growth prospects in numerous countries, so far without a plausible form of resolution, and suggesting that the current crisis may remain unresolved for some time.

## **Conclusion**

This chapter has shown that the NMPC is limited in four important ways. First, it is based on doubtful assumptions, unwarranted generalisations, overly optimistic expectations about convergence to a virtuous circle of prosperity, and the questionable ability of neoliberal policies to extricate the economy from finance-driven crises. Second, the NMPC imposes low inflation targets that can lock the economy into a pattern of low growth, high unemployment and potentially intractable problems of poverty and inequality. Third, it offers only blunt and inefficient policies against inflation, grinding it down through potentially long periods of high unemployment that reduce the economy's growth potential while increasing its financial fragility. Fourthly, hyper-vigilance against inflation, which is built into IT and CBI, is incompatible with rapid and equitable growth, because it fosters the interests of finance at the expense of the majority of the population and locks countries into economic development strategies that are inimical to the achievement of democratic outcomes (Ayers and Saad-Filho, 2015).

Given these limitations, why does the mainstream place so much emphasis on IT and CBI, as is demonstrated even by a cursory perusal of IMF publications and the writings of most mainstream macroeconomists? Several contributing factors can be readily identified. First, mainstream theory is structurally predisposed to see value in IT and CBI, since they share the same methodological foundations (real-monetary dichotomy, quantitativism, abhorrence of state intervention, and so on) (e.g., Mishkin and Posen, 1997).

Second, IT and CBI are hegemonic under neoliberalism. They have become part of the 'common sense' of the age, and these policy recommendations tend to creep unthinkingly into even heterodox discourse. Third, IT and CBI can appear to contribute to inflation control because governments will always set targets that they believe can be achieved, and because demand control through the manipulation of interest rates can normally reduce inflation regardless of its causes, especially in an open economy. Fourth, neoliberalism has restructured the economy, class relations and legal system in order to minimise the scope for distributional conflicts to spill into higher inflation, making it easier to control inflation under any reasonable macroeconomic circumstances. Finally, IT and CBI promote the interests of domestic and international finance, ensuring that they will be supported by a powerful constituency.

IT and CBI are not merely technical matters: *monetary policy is political*. Monetary policy regulates and disciplines the process of accumulation in each country and internationally, and helps to perpetuate the inequities associated with the neoliberal system of accumulation. In other words, IT and CBI are primarily political rather than 'technical' choices, and they have profound implications for the economy, society and political system. They support the reorganisation of society and economy that is set in train by the transition to neoliberalism, including the takeover of the state's legitimacy, resources and policymaking capacity by finance. These are deployed to strengthen minority power and promote the interests of finance, dressed up as the general good. These goals are disguised by the veil of 'technical objectivity', 'rules' and 'policy neutrality' that is provided by mainstream economics.

In summary, the NMPC *may* have succeeded in maintaining marginally lower rates of inflation than alternative policy frameworks (although this is debatable). In contrast, the NMPC *certainly* excludes inconvenient political dilemmas from public scrutiny, entrenches the current finance-friendly balance of social forces into the institutional fabric, and creates rigidities preventing the consideration of alternative economic policy tools and goals. In all these senses, the NMPC is intrinsically *neoliberal* and inimical to political democracy and economic equality. The NMPC has also helped to fuel financial asset bubbles, did not contribute to the global recovery, and

contributed to the generation of potentially explosive imbalances in several countries. This is hardly a record to be proud of.

## Notes

1. The term NMPC is suggested by Arestis and Sawyer (2005) and Fontana (2006); for a review, see Saad-Filho (2007).

2. An incomplete list includes Australia, Brazil, Canada, Chile, Colombia, Czech Republic, Ghana, Guatemala, Hungary, Iceland, Indonesia, Israel, Mexico, New Zealand, Norway, Peru, Philippines, Poland, Serbia, South Africa, South Korea, Sweden, Thailand, Turkey and the United Kingdom (see Hammond, 2012; Roger, 2010). Countries following similar strategies include Argentina, Japan, Singapore, Switzerland and the United States plus the Eurozone.

3. For an overview of these debates, see Carlin and Soskice (1990), Levacic and Rebmann (1982) and Sawyer (1989).

4. For alternative views, see Brancaccio and Fontana (2013) and Knibbe (2015).

5. See, for example, Bernanke et al. (1999), Carvalho-Filho (2010), Debelle et al. (1998), Dotsey (2006), Landerretche et al. (2001), Mishkin (1999), Mishkin and Schmidt-Hebbel (2002), Roger (2010) and Svensson (1997a, 1997b, 2007).

6. See, for example, Alesina (1989), Alesina and Summers (1993), Cukierman (1992), Grilli et al. (1991) and Hammond (2012).

7. See, for example, Agénor (2001: 43–44), Bibow (2010), Carare et al. (2002), Carare and Stone (2003), Cecchetti and Ehrmann (1999), Chang and Grabel (2004: 183–184), Debelle et al. (1998), Neumann and von Hagen (2002) and Wray (2014).

8. For a detailed analysis, from slightly different viewpoints, see Gowan (1999), Lanchester (2010), Norfield (2016), Panitch and Gindin (2012),

Panitch and Konings (2008) and Tett (2009).

9. See 'Financial Sector Profits as a % of All Domestic Corporate Profits', US National Income and Product Accounts, Table 6.16A, [www.bea.gov/iTable/iTable.cfm?ReqID=9#reqid=9&step=3&isuri=1&903=236](http://www.bea.gov/iTable/iTable.cfm?ReqID=9#reqid=9&step=3&isuri=1&903=236).

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# 27 Neoliberalism and Workfare: Schumpeterian or Ricardian?

**Bob Jessop**

## **Introduction**

This contribution explores the implications of the neoliberal economic imaginary and the wider neoliberal project for economic and social policy. It builds on my earlier work on capitalism and state restructuring but updates them in four main ways. First, it grounds this analysis in the contradictions of the capital relation and uses this account to explore the effects of neoliberalism on capital accumulation and welfare regimes. Second, it offers a baseline definition of neoliberalism and distinguishes its four main forms. Third, starting from my earlier discussion of ‘Offe's paradox’ (see below) and its reflection in the Keynesian welfare national state associated with the heyday of Atlantic Fordism, attention turns to the relevance to welfare restructuring of the knowledge-based economy and finance-led growth as alternative forms of post-Fordist accumulation. Fourth, it addresses crisis-tendencies of financialized neoliberalism and its capacities for renewal in response to the North Atlantic and Eurozone financial crises and related crisis forms.

## **Capitalism and its Contradictions**

Capital accumulation depends on the market-mediated exploitation of wage-labour, which is treated *as if* it were a commodity, not on the alleged efficiency of unfettered markets. The capital relation is marked by incompressible structural contradictions and enduring strategic dilemmas that cannot be permanently resolved. This renders stable growth inherently improbable and, in so far as it occurs, it depends on shifting problems in periods and zones of relative stability into the future or elsewhere.

These claims can be elaborated with the aid of Marx's distinction between the use-value and exchange-value aspects of the commodity (Marx, 1967 [1883]). Analogous properties characterize other forms of the capital relation. For example: (1) the worker is a concrete individual with specific skills, knowledge, and creativity *and* an abstract unit of labour power substitutable by other such units (or, indeed, other factors of production); (2) the wage is a source of demand *and* a cost of production; (3) money functions as a 'national' currency circulating within a monetary bloc and subject to state control *and* also as an international money exchangeable against other monies in currency markets; (4) productive capital is a more or less concrete stock of time- and place-specific assets undergoing valorization *and* abstract value in motion (notably as realized profits available for re-investment); (5) 'land', broadly understood, is a free gift of nature *and* can become a monopolistic claim on revenues; and (6) knowledge circulates as part of the intellectual commons *and* can also become the object of intellectual property rights (Jessop, 2002a). Different varieties of capitalism have different ways of handling these contradictions and their associated dilemmas. This involves differential emphasis on one or other aspect of a contradiction and one or other horn of a dilemma and, for relatively stable accumulation in a given economic and political space, also requires significant complementarity among these solutions (Jessop, 2013).

For each contradiction and dilemma, the neoliberal economic paradigm tends to privilege its exchange-value over its use-value moment within the general context of the valorization of capital. Thus labour-power is regarded as human capital substitutable by other forms of capital, while workers are treated as disposable and substitutable factors of production; the wage and social wage are costs of (international) production rather than a source of national demand; the flow of money is harder to control by national states, especially as derivatives are used to commensurate financial assets on a global scale; capital is a sum of money available for investment in an open world economy rather than a stock of assets to be valorized in a given time-place; nature is for grabbing through primitive accumulation and transforming into a commodity; knowledge is intellectual property; and so forth. Overall, this helps to free money capital as the most abstract expression of the capital relation from extra-economic and spatio-temporal constraints, increases the emphasis on speed, acceleration, and turnover time, and

enhances capital's capacity to escape the control of national states and other institutional orders in so far as these are still territorially differentiated and fragmented. This disembedding from the frictions of national power containers benefits transnational capital, intensifies the influence of the logic of capital on a global scale (which may also benefit competitive national capitals), and promotes the treadmill search for superprofits. Above all, neoliberalism benefits hypermobile financial capital, which controls the most liquid, abstract, and generalized capitalist resource and has become the most integrated fraction of capital. As such, it is more easily disembedded than other forms of capital and enjoys more opportunities for moving up, down, and across scales, re-articulating time horizons, and commodifying and securitizing the future. This reinforces its competitiveness and boosts its ability to displace and defer problems onto other economic actors and interests, other systems, and the natural world, thereby increasing its 'indifference' to its operating environment. Indeed, the dynamic of uneven development enables financial capital to move on when the disastrous effects of financialization weaken those productive capitals that have to be valorized in particular times and places. Yet, as Marx foresaw, world market integration also generalizes the contradictions and dilemmas of a relatively unfettered (or disembedded) capitalism (Marx, 1973 [1857–58]: 227).

We can better interpret and explain these effects by noting the distinctive neoliberal economic policy set. This comprises: (1) liberalization (more competition); (2) deregulation (fewer state and 'hard law' controls over capital); (3) privatization to sell off the public sector, often at below-market value, facilitating accumulation through dispossession (especially the politically-licensed plundering of public assets and the intellectual commons); (4) market proxies in the residual public sector to promote quasi-commodification; (5) internationalization (reducing the frictions of national 'power containers' and analogous borders, generalizing competition through world market integration, promoting best practice and, coincidentally, promoting a race to the bottom); and (6) a shift in the tax burden from direct to indirect taxation to boost consumer choice, increase post-tax profits of firms and financial institutions and, additionally, from mobile transnational capital to less-mobile small and medium enterprises, subaltern classes, and citizens (Jessop, 2002b). These features are common to structural adjustment programmes too. Neoliberalism also entails cost reduction and cost recovery,

while also tending to judge all economic activities in terms of their profitability and all social activities in terms of their contribution to capital accumulation. This subjects all economic activities to the treadmill of matching or exceeding the prevailing world market average rate of profit. It also increases inequalities of income and wealth, and thereby limits the impact of the wage as a source of demand.

Such one-sided treatment can only disguise, but not suppress, the continued significance of the use-value aspect of these different aspects of the capital relation. Yet, eventually, the importance of use-value to capitalist reproduction (and, of course, to social reproduction and social life more generally) is reasserted and, without appropriate ways to handle the contradictions between use- and exchange-value, crises emerge that effect a forcible re-imposition of the unity of the capital relation.

These arguments are the key to my overall interpretation of neoliberalization as a distinctive economic, political, and social project that promotes profit-oriented, market-mediated accumulation as the primary axis of societal organization. Although its impact varies across time-space and varieties of capitalism, it seems that the global roll-out of neoliberalism reinforces the ‘ecological dominance’ of capital accumulation over other social spheres.

Compared to the largely intermediary role of finance in Atlantic Fordism and a more productivist, post-Fordist knowledge-based economy, the deregulation of finance increases the significance of the financial sector relative to the non-financial sector (cf. Krippner, 2005). It tends to privilege hypermobile financial capital at the expense of capitals that are embedded in broader sets of social relations and/or that must be valorized in particular times and places. It also creates the conditions for differential accumulation in favour of the financial sector based on financial innovation and speculation. In the medium-term, finance-dominated accumulation cannot escape its material dependence on other institutional orders (e.g., protection of property rights and contracts, basic education, effective legislation, scientific discoveries). In addition, finance capital (let alone capital in general) cannot escape its long-term material dependence on the need for surplus-value to be produced before it can be realized and distributed. Indeed, because continued expansion depends heavily on the pseudo-validation of



highly leveraged speculative and Ponzi debt, this regime has its own inherent crisis-generating mechanism (on Ponzi finance, see Minsky, 1982; Rasmus, 2010, 2015).

Elsner (2012) explains this as follows: financial capital in a finance-dominated regime has a target rate of return that is several times greater than the historic norm for profit-producing capital and, worse still, financial capital massively levers fictitious credit and capital in seeking to achieve this target. In aggregate, then, the eventual validation of this capital would demand a total volume of surplus-value that far exceeds the productive and exploitative capacity of existing profit-producing capital. This leads to financial crises that develop relatively independently, at least initially, from crisis-tendencies rooted in capitalist production. Indeed, the greater and longer the seeming independence of financial capital and the greater the resulting parasitism of finance as property, the greater and longer the crises created as the organic unity of the circuits of capital is re-imposed through the purgative effects of crisis. I explore the consequences of this mechanism and its wider crisis-generating effects for welfare regimes and the more general form of the state below.

## **Four Forms of Neoliberalism**

Four main ideal-typical forms of neoliberalism can be distinguished, although there are diverse hybrid forms and occasional transitions between pure forms (this typology was outlined in Jessop (2002a) and refined in Jessop (2002b)). The most radical ideal-typical form was *neoliberal system transformation* in post-Soviet successor states. Russia and Poland provide two contrasting cases and outcomes: namely, Chicagoan ‘creative destruction’ induced by neoliberal shock therapy and a more Ordoliberal ‘market therapy without shock’, respectively. The Polish case has survived to become a predominantly neoliberal regime.

Next are *neoliberal regime shifts*, which are found in the heartlands of neoliberalism. Breaking with the post-war Atlantic Fordist settlements, based on an institutionalized compromise between capital and labour, these shifts introduced neoliberal policies intended to modify the balance of forces in favour of capital. They sought a fundamental break with the post-war

institutionalized compromise that underpinned the Keynesian Welfare National State (see below) and to introduce a radical shift towards a 'free market' economy. They have largely succeeded: witness stagnant real wages, cuts in welfare, increasing personal debt to invest in housing, pensions, education and health or, indeed, to maintain a previous standard of living, and a growing concentration of income and assets at the top of their respective populations. Well-known cases are Thatcherism and Reaganism, but similar shifts occurred in Australia, Canada, New Zealand, Ireland, Iceland, and Cyprus. While often identified with right-wing parties, neoliberal regime shifts have also been initiated, maintained or supported by centre-left parties, often under a 'Third Way' label (e.g., New Labour, the Clinton Administration, 'die neue Mitte' in Germany). Moreover, with a little help from northern friends and/or military dictatorships, neoliberal regime shifts were actually pioneered in Latin America in response to crises in the previously dominant import-substitution growth model.

Type three involves economic restructuring and regime shifts that were primarily imposed from outside by transnational economic institutions and organizations backed by leading capitalist powers and their local partners among domestic political and economic elites. It adopts 'Washington Consensus' principles in return for financial and other assistance to crisis-hit economies in parts of Africa, Asia, Eastern and Central Europe, and Latin America. While policies in types two and three often overlap in the (semi-)periphery of the global economy, they involve analytically distinct roots, lessons learnt, and likely forms of resistance.

Fourth, there are more pragmatic and potentially reversible neoliberal policy adjustments. These comprise modest changes deemed necessary to maintain alternative economic and social models in the face of internationalization and a global shift in the balance of forces. Neoliberal policy adjustments are more characteristic of the regimes that moved towards the knowledge-based economy, finance-dominated accumulation is more characteristic of those social formations that underwent a neoliberal regime shift. The Nordic social democracies and Rhenish capitalism provide some examples. However, such adjustments can cumulate despite the fluctuating fortunes of the parties more favourably inclined towards them and, almost by stealth, lead to neoliberal regimes (witness Germany in the last 25 years). With the contagion of the

North Atlantic financial crisis (NAFC), moreover, these changes become harder to reverse. This creates the paradox that an Ordoliberal Germany, which has made regular neoliberal policy adjustments to secure its neo-mercantilist export-led growth model, is backing the austerity demands of transnational financial capital that effectively impose a technocratic neoliberal regime shift on Greece and Spain.

It is important to note that neoliberalism did not emerge from the spontaneous operation of free market forces (cf. Polanyi, 1957 [1944], on liberalism). It was created through a long politico-ideological war of position, the use of economic power and relentless lobbying, targeted legislation, and judicial decisions (Mirowski and Plehwe, 2009; Jones, 2012). In addition to accumulation through dispossession (see above), we can note that financialization required a whole series of legislative changes to reduce taxes, deregulate finance, legalize new forms of derivatives and securitization, and so forth (on derivatives, see de Medeiros Carneiro et al., 2015). Indeed, the neoliberal bias towards deregulation also creates the basis for an institutional fix that facilitates reckless speculation and accumulation by dispossession (on the second, Harvey, 2005: 116). Such sources of profit all helped to fuel the NAFC. This assumed a specific form due to the *hyper-financialization* of advanced neoliberal economies and, in particular, and most immediately, practices of deregulated, opaque, and sometimes fraudulent financial institutions that still benefit from a corrupt relation with political authority. These features reflect the hybrid nature of finance-dominated accumulation through its articulation with a predatory and parasitic 'political capitalism'. This, in turn, prompted state action to bail out banks that were too big, too systemically important, or too well-connected to be allowed to fail. Extraordinary measures – such as quantitative easing, near zero interest rate policies, purchases of government and corporate debt, and forward guidance – all involve political action. The condoning of such illegal activities as control fraud, appraisal fraud, foreclosure fraud, banks' manipulation of interest rate indexes, and the rigging of markets in commodities and futures, also show the role of political leverage and connections (on control fraud, see Black (2005); for recent examples of this and other kinds of fraud, see Black (2015)). In short, and paradoxically, while neoliberalism and financialization may prioritize exchange-value throughout society, they are largely the product of political, not free market, forces, and have been enabled though

deregulation and decriminalization.

The highpoint of neoliberalization occurred in the 1990s. This decade saw a largely coincidental combination of neoliberal system transformation, a stepwise shift from 'roll-back' to 'roll-forward' policies in neoliberal regimes, a temporary ascendance of cyclical neoliberal policy adjustments elsewhere, and continuing efforts to impose neoliberal structural adjustment in many places (cf. Jessop, 2002b). Yet, neoliberal system transformation largely failed as a 'grand project'; neoliberal regime shifts required flanking and supplementing by 'third way' policies, networks, and public-private partnerships; neoliberal policy adjustments did not seem to produce lasting neoliberal regime shifts even where that was a long-term aspiration; and the quack cure of neoliberal structural adjustment often aggravated the underlying disease, leading, in Latin America, to the revival of populist politics and demands that governments distance themselves from the neoliberal excesses and, in East Asia, to defensive measures to prevent a repeat of what was known there as the 'IMF crisis'.

Although elite and popular support for the global neoliberal wave has declined since its peak, it still has major path-dependent effects through its impact on the forms, timing, and dynamics of economic crises – both in countries where neoliberalism was adopted or imposed and elsewhere too. This is because it disrupts the structured coherence of modes of regulation and/or governance where alternative policies prevailed and, via contagion, can weaken already vulnerable economies. Two examples are the wider geo-economic and geopolitical legacies of failed neoliberal system transformation and structural adjustment programmes; and the global economic, political, social and environmental repercussions of the crisis of finance-dominated accumulation, a regime promoted under neoliberal regime shifts.

## **Offe's Paradox and the Keynesian Welfare National State**

Writing in the 1980s, when the crisis of the Keynesian national welfare state first entered the political and theoretical agenda, Claus Offe, the German critical theorist and sociologist, identified a paradox in the relation between

capitalism and the welfare state. He wrote that ‘while capitalism cannot coexist *with*, neither can it exist *without*, the welfare state’ (Offe, 1984: 153, italics in original). Some might dismiss this as a mere rhetorical flourish without theoretical meaning or empirical application. In fact, Offe grounded his argument in the nature of capitalism and also noted some of its practical implications. Indeed, his identification of a paradox was not just a perceptive remark by a social scientist looking at the welfare state as a disinterested observer, but a paradox directly experienced and expressed by capitalist interests, political parties, reformist trade unions, think-tanks, and official bodies.

If there are problems with Offe's paradox, they lie elsewhere than in its rhetorical form. First, like much theorizing about the crisis of the welfare state in the 1970s and early 1980s, it was shaped by the economic and political horizons of its time. Its context was the crisis in Atlantic Fordism and its reflection in crises in/of the Keynesian welfare national state. As such, his statement of the paradox did not fully address the more general difficulties involved in capital accumulation and its relation to the challenges of social reproduction. For example, Offe paid less attention to semi-peripheral or peripheral economies in Fordist circuits and to the role of forms of political capitalism based on profits from force and domination, predation, and unusual deals with political authority (these are forms of political capitalism identified in Max Weber's ideal-types of orientation to profit, see Weber, 1961: 222–3, 244–7, 1968: 160–4; and Swedberg, 1998). He also ignored the ways in which the possibility of welfare states in some societies depends on the articulation of varieties of capitalism (as well as pre- and non-capitalist relations of production) within the world market. And, by the same token, his analysis focused on capitalist democracies rather than exceptional regimes based on authoritarian rule without competitive party systems and entrenched legal, economic, and social rights. Yet, the existence of such regimes may be a condition of existence of welfare regimes in the advanced capitalist economies.

Elsewhere I have suggested that Offe's paradox could be deparadoxified in three ways (see Jessop, 2002a, 2005, 2013). First, it can be temporalized by exploring the interaction of secular and cyclical trends in social reproduction so that the paradox is no longer fixed in form and intensity but varies

conjuncturally. To abuse an extended metaphor, which overpersonalizes features that are grounded in structural relations, the ‘unhappy marriage’ of capitalism and the welfare state is not permanent but involves serial monogamy. It passes through a fraught experimental period of cohabitation until a mutually satisfying *modus vivendi* and even state of *limerence* are reached. Difficulties then emerge as incompatibilities are discovered. Despite counselling and attempts at reconciliation, the relation gradually deteriorates, even becoming one of pathological co-dependence, until new horizons open for capitalism and, as a result, the welfare state is, if not abandoned, left to play a secondary role in a new relationship. Second, seen from a more structural perspective, while each relatively stable variety of capitalism finds its own way of coping with this paradox *for a time* through trial-and-error experimentation, each way leads sooner or later to crisis, which then prompts a search for new solutions. And, third, in this context, different varieties of capitalism are associated with different welfare regimes, with some couplings proving more compatible than others and, hence, more prone to the paradox. One might add here that the growing integration of the world market creates a variegated capitalism whose overall reproduction depends on certain institutional complementarities such that, for example, various social reproduction regimes may compensate for the deficits of others (on variegated capitalism, see Jessop, 2015). In short, this suggests cycles of welfare state restructuring, consolidation, and crisis.

These cycles can be related to the changing articulation of four aspects of state involvement in reproducing the capital relation. These aspects are: (1) the distinctive role of the state in securing the conditions for the profitability of private capital; (2) its distinctive role in securing the reproduction of the labour force on a daily basis, over the life-course, and intergenerationally (which is also the domain of biopolitics; Foucault, 2008); (3) the primary scale on which these policies are determined even if they are delivered at other scales; and (4) the primary governance mechanism (e.g., hierarchical command, networks, or solidarity) used to compensate for market failures.

This schema was first applied to the welfare regimes that emerged in North Western Europe, North America, Australia, and New Zealand during the 1950s to 1970s, and were closely linked with the post-war Atlantic Fordist growth dynamic based on mass production and mass consumption within

national economies or, at least, within the more extensive circuits of Atlantic Fordism. While far from identical, these states had enough commonalities to provide a benchmark for assessing subsequent changes in welfare regimes over the last four decades, including how welfare regimes are affected by neoliberalization (Jessop, 1993, 2002a).

The Fordist welfare regime can be described as a Keynesian welfare national state (KWNS). First, in its economic moment, the KWNS was distinctively *Keynesian* in so far as it aimed to secure full-employment in a relatively closed national economy and did so mainly through demand-side management and national infrastructural provision. Second, in contributing to the reproduction of the labour force, KWNS social policy had a distinctive *welfare* orientation in so far as it (a) instituted economic and social rights for all citizens so that they could share in growing prosperity (and contribute to high levels of demand), even if they were not employed in the high-wage, high-growth Fordist economic sectors; and (b) promoted forms of collective consumption favourable to the Fordist growth dynamic. Third, the KWNS was *national* in so far as these economic and social policies were pursued within the historically specific (and socially constructed) matrix of a national economy, a national state, and a society seen as comprising national citizens. Within this matrix, it was the national territorial state that was mainly responsible for developing and guiding Keynesian welfare policies. Local and regional states acted more as relays for policies framed at the national level; and the leading international regimes established after the Second World War served mainly to restore stability to national economies and national states. And, fourth, the KWNS was *statist* in so far as state institutions (on different levels) were the chief supplement and corrective to market forces in a ‘mixed economy’ concerned with economic growth and social integration.

There was never a pure KWNS (it is an ideal-type), nor was there a generic crisis that affected all of its instantiations in exactly the same way. Yet they all faced similar pressures from internal crisis-tendencies and external developments. The first signs of crisis in Fordist growth emerged in the mid-1970s and the crisis worsened in the 1980s. In addition, the structured coherence of national economy–national state–national society was weakened by changes linked to internationalization, the rise of multi-tiered global city

networks, the formation of triad economies (such as European Economic Space), and the re-emergence of regional and local economies. The unity of the nation-state was also weakened by the (admittedly uneven) growth of multi-ethnic and multicultural societies and of divided political loyalties (with the resurgence of regionalism and nationalism, as well as the rise of European identities, diasporic networks, cosmopolitan patriotism, and so forth).

## **Alternative Routes Towards Post-Fordism**

These crises prompted searches for new economic and social bases of capital accumulation and, concomitantly, for new forms of state intervention that might help to secure the valorization of capital and social reproduction of labour-power in the new conditions. There was no single successor regime to the Atlantic Fordist accumulation regimes. Many economic imaginaries were proposed but two became dominant, if not hegemonic, in the economic spaces where Atlantic Fordism previously prevailed. This does not imply that there was a radical rupture from Fordism to post-Fordism or that these two forms could not co-exist with each other (or with other forms). On the contrary, the varieties of capitalism approach (or, as I prefer to phrase it, variegated capitalism) suggests several alternatives to Fordism just as the variety of welfare regimes approach indicates the range of possible forms of welfare regime.

The two forms to be considered here are: (1) the knowledge-based economy (KBE), which was strongly promoted by the OECD; and (2) finance-led accumulation, which, in its extreme form, can be described as finance-*dominated* accumulation. The former corresponds more to a profit-producing (or productive) concept of capital, the latter more to an interest-bearing (or money) capital perspective. In addition, the KBE was more prominent initially in economies that were more export-oriented and had social democratic or neo-corporatist welfare regimes. Conversely, finance-led accumulation was more prominent in societies that previously had more liberal welfare regimes and then experienced a neoliberal regime shift. Although I have presented the KBE and finance-dominated accumulation as if they were simple alternatives, they actually co-existed as competing accumulation strategies in the same economic spaces and/or in closely



connected economic spaces within a variegated world market. This could itself have caused additional problems because it made it less likely that either growth regime would be stable compared to the golden years of Atlantic Fordism because their co-existence made it correspondingly harder to secure their respective forms of embedding. I now discuss the putative welfare state form that corresponds most closely to the KBE and the welfare regime that putatively suits the finance-dominated accumulation regime that is organized in the shadow of neoliberalism.

## Schumpeterian Workfare Post-National Regimes

In the 1990s, the primary response to the continuing crisis of Atlantic Fordism seemed to be the emergence of knowledge-based economies – or, at least, the rhetorical promotion of the KBE as a hegemonic economic imaginary (Jessop, 2002a, 2008, 2013). The KBE involves the production, management, distribution, and use of knowledge as a key driver of economic growth, wealth generation, and job creation across the private, public, and ‘third’ sectors. In a true KBE, it is suggested, knowledge is applied reflexively to the production of knowledge and most sectors tend to become more knowledge-intensive. While it tends to favour productive over money capital, it has sometimes been inflected in a neoliberal manner that highlights the role of market forces as the driving force behind innovation. Because knowledge is a fictitious commodity that depends for its valorization on a broad range of extra-economic supports, there are limits to its commodification and this indicates that an effective fix depends on embedding the KBE in a multi-scalar knowledge *society* (Jessop, 2007; cf. Polanyi, 1957 [1944], on market economy and market society).

The emerging KBE was characterized by the tendential emergence of a Schumpeterian workfare post-national regime (SWPR). This can be presented along the same lines as the KWNS. First, it is *Schumpeterian* in so far as it tries to promote permanent innovation and flexibility in relatively open economies by intervening on the supply-side and to strengthen their overall competitiveness. The emblematic economist here is Schumpeter, the theorist of innovation, entrepreneurship, and competition, rather than Keynes, the theorist of money, employment, and national demand (Keynes, 1936; Schumpeter, 1939). Second, as a *workfare* regime, the SWPR subordinates

social policy to the demands of labour market flexibility and employability, as well as to the socially constructed imperatives of global competition. This includes putting downward pressure on the social wage *qua* costs of international production but, given the economic and political limits to welfare cuts, it also aims to re-functionalize the inherited welfare state to serve economic interests. The state also tries to create subjects to serve as partners in the innovative, knowledge-driven, entrepreneurial, flexible economy and its accompanying self-reliant, autonomous, empowered workfare regime.

Third, the SWPR is '*post-national*' in so far as national territories have become less important as economic, political, and cultural 'power containers'. This is reflected in a transfer of economic and social policy-making functions upwards, downwards, and sideways. On a global level, this is seen in the growing concern of diverse international agencies (such as the International Monetary Fund, World Bank, OECD, and International Labour Organization) and intergovernmental forums (such as the G8 and G20) with shaping current social and economic policy agendas. The European Union acts as a relay for these agenda-shaping efforts within its borders and also promotes its own agenda for other countries, whether near neighbours or further afield. In both cases it operates in a post-national context. The EU level is also seeking to impose more numerous and tighter restrictions on national economic and social governance, especially through the norms of the Single Market, the economic policy and performance criteria of the Eurozone, and the fiscal and budgetary union that is emerging in the wake of the Eurozone crisis. Needless to say, these efforts are not always successful. What is emerging in this context is a series of multi-level government and/or multi-level governance regimes oriented to issues of the interscalar rearticulation of the economic and political – with the EU just one among many such emerging regimes. At the same time, there are tendencies to devolve some economic and social policy-making to the regional, urban, and local levels on the grounds that policies intended to influence the micro-economic supply-side and social regeneration are best designed close to their sites of implementation. In some cases, this also involves cross-border cooperation among regional, urban, or local spaces. Paradoxically, this often leads to an enhanced role for national states in controlling the interscalar transfer of these powers – suggesting a shift from sovereignty to a *primus inter pares* role in intergovernmental

relations.

Fourth, the SWPR relies increasingly on governance to compensate for market failures and inadequacies. One aspect is the increased importance of private-public networks to state activities on all levels – from local partnerships to supranational neo-corporatist arrangements. The shift from *government* towards *governance* means that traditional forms of intervention are less important now in economic and social policy. This does not mean that law and money have disappeared, of course; instead, active economic and social steering now tends to run more through soft regulation and reflexive law, additionality and private-public partnerships, organizational intelligence and information-sharing, etc. A key role is also played by metagovernance, both in normal times and in response to major shocks and crises.

The so-called Third Way is an interesting variant on the SWPR and may even provide a bridge to Ricardian workfare post-national regimes (see below). Advocates of the ‘Third Way’ sought to move beyond the KWNS by instituting more decentralized, flexible and resilient economic and political arrangements based on network governance, active labour market policies, and a social investment state (classically, Giddens, 1998). Its timing is interesting: its political takeoff emerged as a search for flanking and supporting measures to compensate for the increasingly evident limitations to the rollback of the KWNS and rollout of a *laissez-faire*, free market approach where a neoliberal regime shift had occurred – most notably in the USA (under President Clinton) and the United Kingdom (under Prime Minister Blair). As such, it served to maintain the forward momentum of neoliberal restructuring. It was, nonetheless, most significant for crises in social democratic regimes that were undergoing neoliberal regime shifts or policy adjustments, and involved a search for a *via media* between (1) earlier forms of social democracy (national plans, tripartite corporatism, Keynesian welfarism), to which, it is alleged, there can be no return, and (2) the emerging economic, political, and social strategy of a newly resurgent capitalist class, especially in its currently hegemonic neoliberal form with its Ricardian tendencies.

As with all ideal-types, there are no pure cases in practice. This is especially

clear for the Schumpeterian dimension. Where the KBE is the dominant strategy, there are strong material incentives to maintain public expenditure that supports enhanced competitiveness based on a flexible, high-skilled economy. Where financial innovation is primary, there are strong ideological pressures to reduce public expenditure as an unproductive deduction from the profit-generating private sector and to reduce the social wage as a cost of international production. Of the two welfare strategies, the KBE-oriented SWPR has proved better able to survive the recent NAFC in the post-Fordist economies and has also contributed to growth in the successor regimes to Listian Workfare National States in East Asia (named after Friedrich List, 1991 [1841], which inspired East Asian models; on this type, see Jessop, 2005, 2016).

## **Ricardian Workfare Post-National Regimes**

Financialization involves the growing importance of profit from financial services and interest-bearing capital, and is linked to the expansion of fictitious capital (money capital as property) and debt as sources of differential accumulation. In the guise of knowledge-intensive business services and financial innovation, this shift has also been justified in terms of the KBE. In general, financialization militates against the long-term structured coherence of accumulation regimes and their modes of regulation. Finance-dominated accumulation emerges to the extent that the circuits of interest-bearing capital become increasingly autonomous from those of profit-producing capital. Here we observe that fictitious money, fictitious credit, fictitious capital, and fictitious profits play an increasing role in shaping economic performance and crisis-tendencies. This weakens the spatio-temporal fixes with which regimes based on the primacy of productive capital manage their contradictions to produce zones of relative stability by deferring and displacing their effects. This can be seen in the impact of financialization in the circuits of Atlantic Fordism (including the Eurozone), as well as the export-oriented economies of East Asia and viability of import-substitution industrialization in Latin America and Africa. The destructive impact of financialization is reinforced by the dynamic of uneven development (enabling financial capital to move on when the disastrous effects of financialization weaken those productive capitals that have to be valorized in particular times and places).

The finance-dominated strategy is, tendentially, more associated with what one might term a Ricardian Workfare Post-National Regime (RWPR). The context of this regime is a neoliberal regime shift characterized by a consistent implementation of the six core features of the neoliberal policy set. David Ricardo, the emblematic economist in this workfare regime, was a theorist of international trade whose work has been interpreted, rightly or wrongly, to imply that each economy in the international division of labour should focus on exploiting its cheapest, most abundant factor of production (Ricardo, 1817). And the Ricardian workfare regime is characterized by its concern to reduce the price of labour-power, to seek out on a global scale the most abundant and cheapest sources of raw materials, and to reduce the cost of capital – all in order to increase the revenues accruing to capital. In this context, the ideal-typical RWPR places more emphasis than the SWPR on putting downward pressure on wages and the social wage and, because this is attempted in the context of increasing competition in the world market, it involves action at the supranational and transnational scale, as well as nationally, regionally and locally. Far more than in the SWPR, it also involves an attack on the legal, economic and social rights of labour (with the latter labelled, pejoratively, ‘entitlements’) to enhance the flexibility of the labour market and reduce the costs of the residual and increasingly threadbare welfare state. At the same time, this regime extends the rights of capital, their entrenchment in new international treaties and agreements, and the transfer of adjudication and arbitration on capital's rights and prerogatives to private tribunals or other arrangements beyond the purview of national states. It also puts localities, cities, and regions, as well as national territorial states, in competition with each other to provide the most favourable investment environment possible for potentially mobile capital.

A key feature of the RWPR is the institutionalization of permanent austerity (Stützle, 2013). This differs radically from the kind of *conjunctural austerity policies* that are introduced as temporary measures in response to acute economic challenges and, when the conjuncture improves, are attenuated, suspended, or reversed. Such conjunctural policies are typical of the KWNS and also occur in cases of pragmatic neoliberal policy adjustment, when it is associated with targeted cuts in specific areas. A state of permanent austerity also goes beyond the *enduring politics of austerity* promoted in response to a ‘chronic’ fisco-financial crisis, real or manufactured, or a more general

economic crisis. This is intended to secure a lasting reorganization of the balance of forces in favour of capital rather than to adjust policies to safeguard existing economic and political arrangements. The politics of austerity can be interpreted as a long-term strategic offensive to reorganize the institutional matrix and balance of forces in favour of capital. It aims to rearticulate (1) the social power of money as capital and of capital as property and (2) the political power of the state. This approach is characteristic of neoliberal regime shifts and assumes the form of general fisco-financial restraint, putting downward pressure on most areas of expenditure, especially discretionary ones (Pierson, 2001; Ferrera, 2008; Seymour, 2014). This pattern can occur in normal forms of politics, in states of economic emergency, or even in lasting states of exception. It can be triggered by an obvious crisis, one that is deliberately exaggerated, or one ‘manufactured’ for political ends. Indeed, in neoliberal regimes, whatever the state of the economy, it is always deemed the right time to reduce public expenditure (except for corporate welfare) through a well-crafted (and crafty) politics of austerity. This involves far more than quantitative cuts in spending because it is also intended to have qualitative, transformative effects. It is pursued as a means to consolidate and extend the power of capital, especially interest-bearing capital, and to subsume ever-wider areas of social life under the logic of differential accumulation. This approach is a key feature of the RWPR in the process of its formation.

Attempts to overcome the contradiction identified by Elsner (see above) depend on three strategies that are individually and collectively unsustainable. One is to create and manage bubbles, the main redistribution mechanism in finance-dominated accumulation, and then bail-out (or get bailed-out) at the right moment (Elsner, 2012: 146–7; see also Hudson, 2012). This requires the complicity of central banks and government in finance-dominated economies. Another involves state-sponsored primitive accumulation (e.g., land-grabbing, capitalizing nature and its services, and enclosing the intellectual commons). This is a generic feature of neoliberalism. The third approach, which is more directly related to the Ricardian workfare aspects of the RWPR and serves to reinforce neoliberalism and austerity, is to invoke a system-threatening ‘financial emergency’ that justifies efforts to reduce individual and social wages, impose internal devaluation and financial repression, and privatize public

services and assets to pay off the public debt incurred in massive bailouts (cf. Mirowski, 2013; Streeck, 2013). Albeit in different ways, all three strategies are implicated in the politics of austerity, whether as one of its causes and/or one of its mechanisms.

In the Eurozone, for example, the central goal of authoritarian crisis constitutionalism (Soltz, 2013) is to deepen EU integration on neoliberal terms and govern through competitive austerity. Its aims include socializing bank losses, exploiting the sovereign debt crisis to restructure welfare states and labour markets (including further measures to weaken trade union bargaining power) and to impose shock therapy in the periphery. In both finance-dominated and export-oriented regimes, the overall approach can switch between offensive and defensive tactics (an example of the latter is the 'Third Way', with its flanking and supporting mechanisms to maintain the overall momentum of neoliberal transformations). The successful pursuit of this strategy, which cannot be taken for granted, leads to an *austerity state* embedded in a political system (polity) that institutionalizes a 'permanent' politics of austerity.

In ideal-typical terms, then, a consolidated RWPR is linked to a permanent *austerity polity*. This results from a major institutional reorganization of the relations between the economic and political in capitalist formations – either as a possibly unintended product of the politics of austerity or a deliberate strategy to subordinate the polity more directly and durably to the 'imperatives' of the world market as construed in neoliberal discourse with its one-sided emphasis on the logic of exchange-value. And, given the political, ideological, hegemonic, and organic crises that have developed in the context of the financial, economic, and fisco-financial crises, they can also be an authoritarian response to growing popular unrest (including right-wing extremism) about the technocratic and plutocratic nature of crisis responses.

Seymour (2014) explains this well. He argues that austerity involves something much broader and more complex than spending cuts – thanks to its role in restructuring, recalibrating, and reorienting state expenditure. Indeed, for him, austerity is the dominant *political* articulation of the global economic crisis in Europe and North America. This strategy has seven aspects: (1) to

rebalance the economy from wage-led to finance-led growth; (2) to redistribute income from wage-earners to capital; (3) to promote ‘precarity’ in all areas of life as a disciplinary mechanism and means to reinforce the financialization of everyday life; (4) to recompose social classes, with increasing inequality in income and wealth, in conjunction with greater stratification within classes; (5) to facilitate the penetration of the state by corporations; (6) to accelerate the turn from a KWNS based on shared citizenship rights to a workfare regime that relies on coercion, casual sadism, and, especially in the US, penalty; and (7) to promote the values of hierarchy and competitiveness (Seymour, 2014: 2–4). In many respects, these aspects were already inscribed in the politics of neoliberal regime shifts (see above) but, for Seymour, they have been much reinforced following the 2007–09 financial and economic crisis. This can be explained, in part, by the fact that the painful measures already taken to consolidate budgets in the 1990s and early 2000s were wiped out when the financial bubble burst and governments took on more debt to bail out banks and/or engineer stimulus packages in response to the NAFC and Eurozone crisis (Rasmus, 2010; Hudson, 2012). In addition, the decision to bail out and recapitalize interest-bearing capital, has further distorted the growth dynamic of neoliberal finance-dominated accumulation. We should also note that the austerity state pursues a politics aimed at *disorganizing* subaltern classes and *reorganizing* the capitalist power bloc around interest-bearing capital (in neoliberal regimes) and export-based profit-producing capital (in economies where neoliberal policy adjustments prevailed).

This created a debt–default–deflation dynamic that has worsened public finances as well as the private sector (Rasmus, 2010, 2015). In addition, as Seymour, among others, notes, the politics of permanent austerity is not just a response to economic crisis, but also to political and ideological crises and, indeed, an organic crisis of the capitalist social order (Seymour, 2014: 4; cf. Gramsci, 1971; Bruff, 2013). This is used to justify a state of economic emergency that is presented initially as a ‘temporary’ response to acute or chronic problems, but then acquires more permanent form through cumulative and mutually reinforcing institutional change, routinization of exceptional measures, and habituation. Using somewhat different terminology, various critics from left, right and centre have described the authoritarian character of the permanent state of austerity that emerges in



response to these economic, political and ideological crises and fundamentally reorganizes its constitution, often through stealth and sometimes through international treaties that entrench the power of capital (e.g., on the left, Bruff, 2013; Solty, 2013; Oberndorfer, 2015; from the right, Stockman, 2013; and, from the centre, Crouch, 2004; Streeck, 2013). Most of these commentators note that the scope for material concessions to subaltern groups has shrunk and, faced with growing resentment and sometimes open resistance, capitalist states are also becoming less open and democratic and increasingly coercive (in addition to the sources cited above, see Harvey, 2005; Duménil and Lévy, 2011; Lapavistas, 2011). Some also note that the apparent strengthening of the state also weakens it (e.g., Bruff, 2013, citing Poulantzas, 1978).

## Conclusions

Whereas the short-lived period of apparently permanent prosperity (Lutz, 1989) of the Fordist period was based on the dynamic of profit-producing capital and wage-led growth, neoliberal regimes are dominated by different forms of financial capital and involve largely debt-fuelled expansion (Jessop, 2002a; Stockhammer, 2015). The illusory permanent prosperity that occurred under the latter regimes (sometimes termed the Great Moderation) was actually based on unsustainable private debt facilitated by financial innovation, liberalization, deregulation and decriminalization, as well as the expansion of ever more fantastic forms of fictitious credit, fictitious capital and fictitious profits. In an increasingly integrated world economy, this also affects the dynamic of other varieties of capitalism because of the weight of the US and other finance-dominated regimes and the contagion effects of their crises.

Since the NAFC, the neoliberal project may have lost some of its hegemonic appeal among elites, the 'squeezed middle', and subaltern social forces. Yet it remains dominant because of the entrenched structural position, built up over 30 or more years, of a neoliberal power bloc. The NAFC and its specific, overdetermined expression in the Eurozone have not produced an effective challenge to neoliberalism or, despite popular resentment and fragmented resistance, undermined the power of interest-bearing capital to damage the rest of the economy and wider society.

The preceding arguments might suggest that neoliberalism promotes the primacy of the economic. However, since its extension and reproduction require continuing state support and, indeed, involve what Max Weber called political capitalism, one might also argue that it entails a primacy of the political (Weber, 1961, 1968: 164–8). Thus, we might conclude with another paradox, this time of neoliberalism. This is that (1) neoliberalism is a political project that aims to extend the logic of exchange-value within the profit-oriented, market-mediated economy, in conjunction with extending market forces and economic calculation into spheres of social life where they were absent before (primacy of the economic); but (2) the pursuit of this project depends on integrating neoliberalism not only into accumulation strategies but also state projects and hegemonic visions, which requires both struggle for hegemony and control over the state apparatus (primacy of the political). This paradox is reflected in important institutional features and social practices that can be interpreted in terms of the primacy of the political – notably distinctive forms of political capitalism and the reorganization of state power on post-democratic, authoritarian statist lines to defend finance-dominated accumulation and the broader neoliberal project. This is even truer of finance-dominated accumulation, which benefits from different forms of political capitalism and a more general neoliberal environment. As such, its leading forces have a strong interest (as does transnational profit-producing capital) in weakening liberal bourgeois democracy in favour of an authoritarian statist ‘post-democracy’ that can reinforce financialization, manage financial crises, and channel or defeat economic and political resistance.

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# 28 Progressive Politics Under Neoliberalism

**David Coates**

## **Introduction**

Neoliberalism (Gamble, 2001) has been, and continues to be, a serious problem for progressive politics. Its appearance as a dominant economic and political form was both a response to and measure of the crisis in the Keynesian-based progressive politics that prevailed in the vast majority of advanced capitalisms during some/all of the years of the long capitalist boom that followed World War II. When the arguments that would later be central to the neoliberal project first reappeared on any scale in academia and right-wing conservative circles in the late 1960s, they were treated by most political commentators as ancestral voices from an age that was long gone and never to return. But they and it did return, as the tension between Keynesian solutions to unemployment and price inflation were thrown into sharp relief by the stagflation to which leading capitalist economies unexpectedly succumbed in the 1970s. That crisis, and the neoliberal dominance to which it gave birth, then triggered in progressive circles a sequence of responses that have shaped center-left politics ever since.

The first response was to seek to reverse the emerging neoliberal political dominance by pursuing its exact opposite – either a revitalized Keynesian corporatism or some kind of supply-side socialism. The second was to accommodate to the political dominance of neoliberal governments by absorbing the central assertions of their paradigm into progressive politics while seeking to soften the edges of the policies associated with it. The third was to seek a new and coherent alternative to the austerity politics to which neoliberalism gave rise in the wake of the 2008 financial crash. The first two responses are largely over now, and yet the third has hardly begun: which is why progressive politics continues to operate within the shadow of a neoliberal paradigm whose continuing dominance is yet to be effectively dented by leading progressive politicians.

The purpose of this chapter is to trace those three different but related responses, and to suggest ways in which that denting might still occur. Given the limits of space, the prime focus here will be on the UK and US center-left parties, with extensions to other English-speaking and/or western European parties as appropriate.

## **Rejecting Neoliberalism**

By the mid-1970s at the latest, it was widely recognized in center-left circles in both the United Kingdom and the United States that the kind of demand-side focused Keynesianism which had passed for progressive politics in the UK since 1951 and in the US since 1964 was no longer working adequately. Most famously, the then-UK Prime Minister and Labour Party leader, James Callaghan, told his party conference in September 1976 – at the height of the UK's IMF crisis and with inflation running at 16% – that the era of Keynesian politics was over. 'We used to think that you could spend your way out of a recession and increase employment by cutting taxes and boosting government spending. I tell you with all candour', he said, 'that that option no longer exists, and that in so far as it ever did exist, it only worked on each occasion since the war by injecting a bigger dose of inflation into the economy, followed by a higher level of unemployment as the next step' (Callaghan, 1976).

The solution to which the Callaghan Government then turned was not the abandonment of market-regulation in favor of free-market forces. That was the preferred (and neoliberal) policy-option of the newly-elected opposition leader, Margaret Thatcher. The Callaghan Government solution was to deepen the corporatist relationships surrounding the management of the UK economy into which its predecessor Labour Government (that of Harold Wilson) had increasingly settled since first taking office in 1964 (Coates, 1980; Reynolds and Coates, 1996). The 'Old Labour' way, as it was later characterized by Tony Blair, was to square the circle of employment and price stability by organizing policies of wage restraint in direct negotiations with federations of both capital and labour. It was that corporatist response to the crisis of Keynesianism in the 1970s which then disintegrated in the 1978–79 'winter of discontent', and let into power a Conservative Government determined to reset UK public policy and private institutions in a new and

more classically-liberal fashion. Corporatism failed, and neoliberalism came in to replace it.

Progressive politicians faced with this resurgence of the political right – and not just in the UK, but also in France and eventually in the US (with the election of Ronald Reagan to the Presidency) – first responded by going back to their pre-Keynesian, more radical roots. In the United States, the Democratic Party swung left after 1980, and adopted an ambitious program of state-led industrial change. The first four years of the Reagan presidency saw the Democratic Party debating industrial policy with a renewed vigor (Johnson, 1984; Thompson, 1989; Graham, 1992). In the United Kingdom, in parallel, a Labour Party out-of-office turned in upon itself, elected a new and more left-wing leaning leadership, and debated between its various factions the desirability or otherwise of adopting an entirely new ‘alternative economic strategy’ (Rowthorn, 1980; Aaronovich, 1981, 1987; Thompson, 1996, 2002; Wickham-Jones, 1996). At the core of that strategy were ‘import controls; price controls; comprehensive planning agreements; nationalization of key firms and major financial institutions; new powers for workers and trade unions; withdrawal from the Common Market; expansion of social services; reduction in military expenditure; and redistribution of income and wealth’ (Gamble, 2015). By then, across the channel, power had shifted from Gaullists to democratic socialists, and François Mitterrand and the French Socialist Party were pursuing their own alternative economic strategy (Hall, 1986; Dormois, 1999; Coates, 2015). It was that strategy which rapid movements of international currency against the franc brought to an end in 1982, just as heavy electoral defeats for the British Labour Party in 1983 (its heaviest since 1918) and the Democratic Party in 1984 (its heaviest presidential election defeat since 1972) ended their sharp political realignments to the left and, in all three cases, brought to a rapid close the first progressive response to the rise of neoliberalism.

It is worth mapping the policy changes in-play during this first period along the left–right continuum that has continued to underpin the progressive conversation with neoliberalism over the last 40 years. At the heart of the neoliberal paradigm stands a commitment to the full deregulation of labour and product markets, involving a shift of industrial and political power towards the owners and managers of capital and away from the workers they

employ and the trade unions to which those workers belong. Exposing the labour force to the full impact of market competition, and the companies for which they worked to the full impact of international trade, were and remain core neoliberal axioms. These involved, in turn, legislation to reduce welfare protections for employed and unemployed workers alike, and to reduce the legal protections surrounding trade unionism. The polar opposite of those policies was better developed in the UK than it was in the US; yet, even in America, the legacy of the New Deal left Social Security intact and limited unemployment benefits generally available, while according trade unions well-established legal rights. In the UK, and indeed in France, welfare provision was more extensive still; and, on the center-left, well-established traditions existed of taking industries (or indeed companies) in economic trouble into public ownership, and of using state-funded and -directed quasi-public institutions to both choose national economic champions and influence the geographical location of new factories and associated social infrastructure. In consequence, with the arrival into office of governments inspired by neoliberalism in the UK and US by the end of 1980, the policy spectrum in public debate still broadly resembled that depicted in [Table 28.1](#).

**Table 28.1 The clash of opposites**

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*On the Left*

1. *Public ownership of troubled industries and companies*
2. *Public institutions and policies to strengthen economic competitiveness*
3. *Public institutions and policies to reduce/remove uneven economic development*
4. *New legal rights for workers (industrial democracy) and trade unions (tripartite power-sharing)*
5. *Fully developed welfare programs to protect against involuntary unemployment, ill-health and poverty in old-age*
6. *Progressive taxation to spread the cost of welfare provision to those best able to bear it*

*On the Right*

7. *Lower corporate and personal taxation to encourage innovation, enterprise and job creation*
  8. *A thinning of the welfare net to avoid welfare dependency and strengthen the incentive to work*
  9. *Limits to the power of trade unions and to their access to government*
  10. *Closing of public institutions of a corporatist nature*
  11. *The deregulation of labour and product markets*
  12. *The privatization of publicly-owned industries and companies*
  13. *The extension of market processes within remaining publicly-owned/run bodies*
- 

The response of the Callaghan Government to the stagflation crisis of the 1970s was to rely even more heavily than before on policy 4, while keeping in place policies 1–3. The Thatcher Government's response was just the reverse, replacing 1–6 with 7–13; and the first center-left counter-reaction to

that was, broadly speaking, to increasingly insist upon 1–6. The Labour Left, leading the charge for an alternative economic strategy that broke decisively the power of private capital, was particularly wedded to the extension of policies 1, 4 and 6. Simultaneously, the Mitterrand experiment put enormous store on policies 2, 3 and 5, while even the more moderate Democratic Party at the height of its industrial policy debate wanted public policy focused on 2 and 3. The neoliberals wanted markets to pick winners, with as little constraint from trade unions and welfare programs as possible. Their progressive opponents, in this first phase of the conversation between them, wanted no such measures. Instead, they wanted democratically-controlled markets, and high levels of security and protection for the jobs and incomes of those employed by the companies they were keen to manage democratically. Round one was, therefore, a real fight between models of how best to run advanced capitalist economies – a fight that neoliberalism decisively won.

## Embracing Neoliberalism

The second response was entirely different. Shaken by electoral rejection, and facing what looked like an eternity of right-wing governments, a new generation of social democratic politicians bought into the entire neoliberal package, and set about persuading themselves, and then others, that they could deliver that package *better* than their more conservative opponents. In other words, they changed their colours: literally, in the case of the British Labour Party, moving their logo from ‘old Labour’ red to ‘new Labour’ pink, to demonstrate to an initially skeptical electorate just how new and transformed they were.

The first of the major center-left political formations to make this move were actually in the southern hemisphere rather than in the north – initially reluctantly in Australia after 1983, and between 1984 and 1990 in New Zealand with greater enthusiasm and speed (Kelsey, 2015). As John Quiggin later put it when surveying that decade: ‘the key components of the Thatcher revolution, including deregulation, privatization, competitive tendering, and contracting for public services, were implemented in Australia and New Zealand by labour governments. The only major task they left to their successors was that of breaking the (already greatly reduced) power of the

union movement through labour-market reform' (Quiggin, 1998: 77). There was a parallel accommodation with neoliberalism a decade later in the very different political conditions of the United States, where the center-right assault on the progressive legacy of the 1930s New Deal was of long-standing and where the impact of the Reagan Revolution was, by then, firmly entrenched. By the early 1990s, there were few American votes to be had for programs that strengthened worker rights and extended welfare provision; though Bill Clinton, as the Democratic Party's 1992 presidential flag-bearer, did at least enter office promising not simply to 'end welfare as we know it' and implement the Republicans' controversial extension of free trade to Mexico and Canada, but also to extend healthcare coverage to all Americans. The Clinton healthcare reform initiative quickly failed, however, leaving Clinton facing a hostile Congress from 1994 and eventually signing into law major welfare reform legislation that set tight limits on the number of years that unemployed and poor Americans could rely on public assistance.

What temporarily softened the political blow of this centrist triangulation with neoliberal Republicans, however, and of the 'New Democrats' creation of a neoliberal welfare-to-work regime, was the remarkable record of job creation in the US economy during the Clinton years. This job creation record (22 million new jobs from 1992 to 2000) reinforced the Democratic Party's willingness to actively deregulate the US finance industry, tolerate growing levels of income and wealth inequality, and restrict its progressive credentials increasingly to the servicing of residual social movements, primarily those sustained by the African-American section of the American poor. Links between national Democratic Party politicians and the US trade union leadership also remained strong throughout the 1990s, but increasingly lacked political potency outside the north-east as trade union membership declined, Republican Party support among white working-class Americans grew, and the passage of more and more right-to-work laws made trade union recruitment among private sector workers near-to-impossible.

The most public accommodation with the central tenets of the now-dominant neoliberalism came not in the United States or Australia, however, but in the United Kingdom. Three election defeats in a row (1983, 1987 and 1992) triggered the transfer of Labour Party leadership to a new generation of politicians, the vast majority of whom were not even members of parliament

when the party was last in power. Led by Tony Blair and Gordon Brown, the new Labour Party presented itself as a 'Third Way' to economic growth and social justice, to be differentiated from both the earlier Keynesianism of Old Labour and the neoliberalism of the Thatcherites. This 'third way' was more successful in relation to one of those breaks than it was in relation to the other. The Blair/Brown resetting of Labour policy made a sharp and determined break primarily with the Labour Party's own past. It broke with both the 'Old Labour' policies of the Wilson and Callaghan governments of the 1970s, and with the left-wing radicalism of the 1983 alternative economic strategy. Out went the commitment to reversing the Thatcher Government's legislative changes reducing trade union power. Out went any willingness to reconstruct corporatist institutions and the tight public management of private enterprise. Out went any willingness to tax and spend the UK's way to economic growth and social justice.

In, instead, came a commitment to 'compassion with a harder edge': the embracing of welfare-to-work as the route to full employment and the ending of poverty. In, instead, came an enthusiasm for the continuation of only light regulation of the private sector, but regulation this time supported by investment in human capital (in education and vocational training). And in, instead, came rigorous limits on public spending, the development of tight performance indicators on government departments, and a steadfast refusal to raise top rates of income tax. As Noel Thompson put it: 'A new economic discourse [came to] dominate. The socialist project [was] now articulated in the language of competition, efficiency, productivity, economic dynamism, profitability and, above all else, that of individual choice and self-fulfilment in the context of a market economy' (Thompson, 1996: 273). The result was a Labour Party that was definitely new when set against the Party's own immediate past, but hardly new at all when set against its neoliberal conservative opponents (Coates, 1996, 1999, 2005).

Parallel shifts, accommodating policy to neoliberal norms, occurred in other social democratic parties in the two decades that preceded the great financial crisis of 2008. Social Democratic modernizers like Schröder in Germany and Prodi in Italy made their own 'Third Way' Faustian pacts with neoliberalism, buying into the growth potential of the new 'knowledge-based' industries and 'essentially embracing the neoliberal status quo of their center-right

predecessors' (Schweiger, 2015). The result was the repositioning of the center of democratic politics in the vast majority of advanced capitalist economies as the new millennium opened – a repositioning closer to the neoliberal end of the political spectrum. The conscious adoption of the new growth theory (post-neoclassical endogenous growth theory) by the UK Treasury under Gordon Brown was fully representative of this general trend. The new 'third way' growth theory put investment in raising the skills of both new and existing workers high on the political agenda, and placed productivity growth via the development of new production techniques and industries at the center of what remained of any old-style interest in industrial policy.

In consequence, neoliberal policies that had been treated by center-left parties in the early 1980s as harbingers of class warfare had settled, a decade or so later, into mainstream progressive commitments: to flexible labour markets, unregulated global trading patterns, steady curbs on public spending, and anti-poverty programs built on strategies of moving people from welfare to work. These new social democrats were slightly more sensitive than both their predecessors and opponents to issues of gender equality and work-life balance and, in the United States, remained committed to the continued extension of civil rights. However, in every other respect, when judged against the norms of the early 1980s, they had genuinely repositioned themselves on the dark-side of the force.

The result was an agenda of public policies – on both the center-right and center-left of democratic politics in most advanced capitalisms – that, by the year 2000, looked like the italicized list presented in [Table 28.2](#) below. Policies 1–6 had largely gone: policies 7–9 were new and increasingly fashionable (at least on the center-left), and policies 10–16 were largely taken for granted as unquestionable political truths/economic necessities. Center-left policies had been reset, that is, to favor what Greg Albo called 'progressive competitiveness' as a superior alternative to the 'competitive austerity' strategy of right-wing neoliberalism (Albo, 1994, 1997); with the difference between the two being almost exclusively policies listed below as 8 and 9.



**Table 28.2 The accommodation with neoliberalism**

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1. Public ownership of troubled industries and companies
  2. Public institutions and policies to strengthen economic competitiveness
  3. Public institutions and policies to reduce/remove uneven economic development
  4. New legal rights for workers (industrial democracy) and trade unions (tripartite power-sharing)
  5. Fully developed welfare programs to protect against involuntary unemployment, ill-health and poverty in old-age
  6. Progressive taxation to spread the cost of welfare provision to those best able to bear it
  - 7. Education policy replacing industrial policy, with a focus on No Child Left Behind**
  - 8. State encouragement of new industries based on publicly-funded R&D**
  - 9. Child-care provision encouraged, to assist fuller labour-market participation by women**
  10. Lower corporate and personal taxation to encourage innovation, enterprise and job creation
  11. A thinning of the welfare net to avoid welfare dependency and strengthen the incentive to work
  12. Limits to the power of trade unions and to their access to government
  13. Closing of public institutions of a corporatist nature
  14. The deregulation of labour and product markets
  15. The privatization of publicly-owned industries and companies
  16. The extension of market processes within remaining publicly-owned/run bodies
- 

For a while, all this worked. The Clinton years in office, as we have noted, were years of rapid job creation in the United States. The years of New Labour in power in the United Kingdom that began in 1997, building on a growth pattern inherited from the last years of the Major Government that preceded New Labour in power, saw unbroken quarterly economic growth for over 50 consecutive quarters. So successful, indeed, did the new growth strategy appear that the leading neoliberal economist Robert Lucas was able to tell the American Economic Association in 2002 that the ‘central problem of depression-prevention has been solved, for all practical purposes, and has in fact been solved for many decades’ (Lucas, 2003), while Gordon Brown closed out his years as UK Treasury Minister by similarly declaring in the House of Commons that the old cycle of boom and bust had been put firmly behind us (Coates, 2008).

Both, of course, spoke prematurely; for on their watch, and under the guidance of their governing economic philosophies, new fragilities built up at the base of each of the economies of which they spoke with such complacency. A four-decade span of increasing income inequality and stagnant wages left the demand side of both the US and UK economies increasingly dependent on the emergence of a set of long-hours, low-waged labour markets within which rising levels of personal consumption were only sustained by the accumulation of unprecedented volumes of personal debt

(largely credit-card based), and by the equally unprecedented rise in house prices that inflated the assets of those fortunate enough to own either a house or mortgage. That housing bubble, in turn, was the product of excessively speculative practices and steadily eroding underwriting standards in an increasingly deregulated set of financial institutions that bridged the Atlantic divide – practices and standards which first triggered a housing crisis and then a more generalized financial one in 2007 and 2008 (Coates, 2011). By chance, the Democratic Party was the accidental initial beneficiary of the US end of those crises – since both occurred on George W. Bush's watch; but, in the UK, the Labour Party was not so fortunate. In power as the crisis broke, Labour was out of power by 2010 – and in that ejection from office obliged to face, without illusion, the economic and political bankruptcy of the accommodation that the New Labour leadership had hitherto made with a neoliberalism that was ultimately as equally ill-equipped to stabilize capitalism as they were.

## **Transcending Neoliberalism**

When pennies drop, not everyone hears the noise: indeed, the ability to do so largely turns on how immersed individuals are in the strategy whose shortcomings are now becoming obvious. Inside the British Labour Party, for example, the Blairite wing of the Parliamentary Labour Party (PLP) hasn't heard the penny drop even to this day: they remain entirely committed to being better austerity politicians than their Conservative equivalents. For them, being re-elected on any terms, even those set by your political opponents, is better than gambling on being elected on a platform that is more radical though more difficult to sell. And even among the next generation of Labour leaders – the one led by Ed Miliband and Ed Balls, which did recognize the need for policy realignment – their personal involvement in (and loyalty to the authors of) New Labour's progressive competitiveness strategy set real limits on the speed and degree of policy change that they were capable of and willing to deliver. In the case of the UK Labour Party, that is, it took a second electoral defeat (in 2015) and a second set of Labour leaders (organized around Jeremy Corbyn) to fully open the floodgates to policy redesign – and even then, powerful elements of resistance remained, elements wedded to some/all of the policies at the heart of the New Labour project.

Likewise, in the United States, strong elements of policy continuity remained in place. The political dynamic was a little different there, because the US is a presidential rather than a parliamentary system. Such systems require – and invite – parachute politics: individuals jumping into major political races and abruptly pulling the political conversation after them as they do so. This happened in 2016, with Bernie Sanders and Hillary Clinton battling for the Democratic Party's presidential nomination on platforms that they and their teams designed on their own, but which in each case were far more progressive and critical of neoliberalism than the policies of the Bill Clinton presidency two decades earlier. Whether Hillary Clinton had a foot back in that 1990s camp was a legitimate (if difficult to answer) question throughout the campaigning season, but its very existence potentially made her a more transitional figure than her main opponent, Bernie Sanders. Either way, however, there were other voices in play in the US conversation as the Obama presidency wound down: some, like Lawrence Summers, were heavily involved in the Bill Clinton and Barack Obama accommodations to neoliberalism; while others, like Paul Krugman and Joseph Stiglitz, were earlier and more principled opponents of conventional orthodoxies. The result, in the US as in the UK, was the emergence of a new range of policy proposals that mapped back onto the previous ones but which, in every case, shifted the center of discussion towards the left edge of the policy continuum. These new proposals differed by how far they moved the pendulum. Some moved it a little, some a lot; none have yet moved it enough. But they all moved in the same broad direction: one that attempted some degree of rupture with neoliberal axioms and the austerity politics to which those axioms give rise.

In the United States, as elsewhere across the advanced capitalist world, the first response to the 2008 crash was a reversion to straightforward Keynesianism. Governments spent money, and used quantitative easing, to re-establish credit flows and lessen the recessionary impact of the credit-freeze of September 2008. Even though neoliberal arguments and conservative politicians then quickly bounced back – labelling that government spending as either a cause/extender of the recession, when the reverse was the case in reality – in more progressive circles, the most moderate new demand on the table was for *demand-maintenance through public spending and rising public debt*: for growing the US economy, as

President Obama put it, from the ‘middle’ out. At its most modest, in the 2015 *Report of the Commission on Inclusive Prosperity*, chaired by Lawrence Summers and Ed Balls, the new policies proposed involved no break with what they termed ‘globalization or technology’, preferring instead to generate their inclusive prosperity by raising wages, increasing female labour-market participation, extending educational opportunities, encouraging regional innovation clusters and longer-term forms of investment, and fostering ‘international co-operation on global demand, trade, financial instability, and corporate tax avoidance’ (Center for American Progress, 2015). For many American progressives, however, those proposals remained far too bland and inherently neoliberal, hence their greater interest in the Economic Policy Institute’s 10-point *Agenda to Raise America’s Pay*, which included a higher minimum wage, updated overtime rules, strengthened collective bargaining and the regularization of undocumented workers (Economic Policy Institute, 2015). Similar enthusiasm was shown for Salvatore Babones’ *Sixteen for ‘16*, which included putting an end to the prison state and closing down the National Security Agency (NSA) (Barbones, 2015), and indeed in the self-styled ‘democratic socialist’ Bernie Sanders’ campaign for a ‘political revolution’ to end the dominance of the ‘millionaire and billionaire class’ in American politics.

Another common theme in the US progressive rethink after 2008 – one that also surfaced in the Summers/Ball report – was what was later dubbed ‘the infrastructure route to growth’. This agenda entailed the call (from many progressive politicians, labour organizations and the Obama Administration) for a regeneration of economic growth and greater international competitiveness through federal spending on the *modernization of the US economy’s physical infrastructure* (roads, bridges, rail and internet). Other, more radical voices also added a demand for *seriously progressive taxation* designed to meet at least three progressive goals: to redress the ‘theft’ of wealth by the top US income earners; slow the rate of growth of/reverse the trend to income and wealth inequality; and generate demand for goods and services across the entire US economy by concentrating extra purchasing power in the hands of those most likely to spend it – the American poor.

Such demands for progressive tax reform also tended to be accompanied in the US by a call for a higher minimum wage, more generous earned-income

and child-tax credits, renewed trade union rights, greater rights for women and minorities at work, a bigger federal pension (increasing Social Security for all but high-income earners), and policy designed to reverse the outsourcing of well-paid American jobs. The policy gambit on this last progressive demand ran from blocking tax avoidance by large corporations, through tax incentives designed to bring jobs back to the United States, to outright opposition to new trade deals that opened US markets to foreign-made goods without adequately protecting the rights (and enhancing the wages) of foreign-based workers. In more radical circles still, that last demand was often linked in 2016 to one calling for a reduction in spending on the US military – a call for a redistribution of resources and efforts into more nation-building at home and less overseas (Frank, 2013; Coates, 2014) – and the use of public procurement policies to strengthen home-based manufacturing industry (Pollin et al., 2015). And, although the extension of public ownership has yet to surface as a major progressive demand in the post-2008 United States, the demand to either more tightly control or actually break up large financial institutions certainly has. So too has the demand for the placing of a green agenda at the heart of any future US progressive growth strategy (Pollin, 2015). By 2016, therefore, the new US list was beginning to look like that represented in [Table 28.3](#), with the new themes italicized and in bold.

**Table 28.3 The emerging US progressive policy agenda**

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1. *Public sector-led shift to a green economy*
  2. *Public ownership of troubled industries and companies, including **the break-up of large banks***
  3. *More public spending on domestic needs, less on the US military: including employment growth via federally-funded infrastructure improvement*
  4. *Policy to prevent the 'outsourcing of jobs' and the strengthening of domestically-based manufacturing industry, not least by refusing to sign free-trade agreements weak on labor standards*
  5. *Legal support for trade unions and new worker rights*
  6. *Stimulation of demand via public spending*
  7. *Public institutions and policies to strengthen economic competitiveness*
  8. *Public institutions and policies to reduce/remove uneven economic development*
  9. *State encouragement of new industries based on publicly-funded R&D*
  10. *Fully developed welfare programs to protect against involuntary unemployment, ill-health and poverty in old-age: including free basic health care for all and increased Social Security*
  11. *Progressive taxation to spread the cost of welfare provision to those best able to bear it*
  12. *Higher minimum wage to help low-wage worker, and free college tuition to help middle-class families*
  13. *Publicly-funded child-care provision, and paid parental leave, to help both parents participate fully in labour markets*
  14. *Closing of race and gender inequalities, and ending of mass incarceration*
- 

In the United Kingdom, the policy rethink after 2015 initially went more slowly and covered less policy distance than in the United States. It covered less distance partly because it had less distance to travel (much of what Bernie Sanders, for example, advocated as 'democratic socialism' was standard European social democratic policy, as he himself openly acknowledged). Relatedly, it went more slowly because, unlike Bernie Sanders, Jeremy Corbyn and his new team had a whole parliamentary party to bring on-board behind them, significant sections of which remain unenthusiastic at best and openly hostile at worst. Yet, as early as 2016, there were signs of new policies emerging from Jeremy Corbyn's post-New Labour party: ending support for the UK nuclear deterrent, renationalizing the basic railway system, abolishing fees for attending university/college, and resetting the industry department into what the Shadow Chancellor, in his first party conference address in that role, called 'a powerful economic development department, in charge of public investment, infrastructure planning and setting new standards in the labour market' (McDonnell, 2015).

This self-conscious shift by the Corbyn-led Labour Party towards the creation of 'what Mariana Mazzucato describes as the entrepreneurial state' (McDonnell, 2015), and to the parallel restoration and extension of trade union and worker rights, built on the incremental movements away from the

New Labour paradigm that had begun under the prior leadership of Ed Miliband. The Miliband-led Labour Party fought (and lost) the 2015 general election on a policy platform that remained committed to the rapid balancing of the public accounts, so retaining one foot in the old policy camp. But it also went to the country committed to a modest increase in top rates of tax, a higher minimum wage, new labour rights, more free child care, protected funding for the NHS and for publicly-provided education and skills training, enhanced infrastructure investment, a state-run investment bank, and proactive policy to slow down climate change. These policy changes were all based on the growing realization in leading Labour Party ranks that, as Ed Miliband put it later, ‘there is good reason to believe that inequality isn't just unfair but that it actually inhibits economic growth’ (Miliband, 2016) and that one critical task for any incoming progressive government was to develop a ‘pre-distribution’ agenda – a set of policies designed to level the social playing field surrounding private entrepreneurial economic activity. At the heart of those policies were social ones facilitating individual opportunities (such as funding pre-school education and providing paid parental leave), labour market ones strengthening trade unions and individual worker rights, and economic ones focused on the regulation of finance and business (Hacker, 2013). The Corbyn additions to these incremental changes look like those presented in [Table 28.4](#).

**Table 28.4 UK additions to the emerging progressive agenda**

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- 2. *Public ownership of troubled industries and companies*
  - 7. *Public institutions and policies to strengthen economic competitiveness*
  - 8. *Public institutions and policies to reduce/remove uneven economic development*
  - 9. *State encouragement of new industries based on publicly-funded R&D*
  - 11. *More substantial progressive taxation*
- 

It remains to be seen whether these changes are harbingers of permanent policy realignment on the British center-left. However, what is already clear elsewhere in Western Europe is that the grip of neoliberalism on center-left programs continues to be strong (Bailey et al., 2014). In left intellectual circles in Europe, however, and among activists and political formations on the left-wing of European social democracy, a new consensus does appear to be emerging. This consensus offers a model of successful economic growth based on a higher level of economic and social equality, and greater commitment to high wage growth, than that characteristic of neoliberal policy



regimes, as well as one more sensitive than the latter to issues of worker rights, work–life balance concerns and the need for regulatory structures motivated by serious climate concerns.

This new package carries many labels. In the UK at present, it is probably best characterized as ‘civic capitalism: the governance of the market, by the state, in the name of the people, to deliver collective public goods, equity and social justice’ (Hay and Payne, 2015). In a wider European context, the more appropriate label is possibly ‘assertive social democracy’, since the policy shift remains more a call to action than a daily reality on the ground (Crouch, 2013). Either way, the package is invariably some mixture of policies designed to strengthen the economy’s manufacturing base and skill-sets (its source of productivity and high-paying jobs); policies designed to create a new, more socially-just and family-focused social settlement; and policies designed to regulate privately-driven market-processes in order to maintain basic social rights and protect the environment over time (Coote, 2015).

## **Leaving Neoliberalism Behind**

The question remains, therefore: will the pursuit of these policies actually be enough to do the job that center-left parties claim still needs doing. The answer, sadly, is that probably it will not. Why? Partly because of the sheer depth of the entrenchment of neoliberal principles and ways of understanding the world that is evident in so many contemporary institutions, practices and thinking across the advanced capitalist world – including inside many center-left political parties themselves. It is difficult to overstate the depth of the hold that neoliberal ideas currently exercise over the minds of policy-makers and their electorates alike. It may have been intuitively presupposed that the severity of the 2008 financial crisis would rapidly destroy faith in deregulated markets, and so facilitate a move back towards a more radical social democracy. But, as Ed Miliband, among others, discovered to his cost, that shift in general understanding has yet to occur – in no small measure because of the intellectual damage done to popular consciousness by the accommodation of center-left parties to neoliberal orthodoxies over the course of two decades. It is that damage, more than anything else, that explains the ease and speed with which ‘the right has succeeded in morphing the financial crisis into an imagined crisis in financing government debt (or,



in the Eurozone, with the ECB's help, into an actual crisis) which required a reduction in the size of the state that neoliberals dream about' (Wren-Lewis, 2016).

So this much, at least, is clear: neoliberalism will not fall of its own internal contradictions, no matter what its critics hoped. It will only fall when it is brought down; and it will not be brought down until a new generation of center-left politicians have effectively repaired the damage inflicted on working-class radicalism and party loyalties by the Blair/Brown/Clinton generation of 'third way' social democrats. That damage runs deep, and – as both the rise of UKIP in England and Donald Trump in the USA makes clear – leaves working-class electorates vulnerable to right-wing populism in the absence of anything stronger and more progressive. So it is all the more worrying that the policy proposals emerging thus far, even from the left-wings of mainstream center-left parties, remain insufficiently radical; or that where they are beginning to radicalize, they remain insufficiently honest about the contradictory ambitions that they still embody. Certainly the bulk of European social democratic parties have yet to make the move from defensive to assertive politics that Colin Crouch, among others, would have them do; and even the Corbyn-led UK Labour Party's initial ruminations on the creation of an 'entrepreneurial state' remain incomplete, largely because party leaders/thinkers have not yet systematically gone back over the record and potential of the full range of policy tools that 'Old Labour' deployed and that 'New Labour' was so keen to shed.

Indeed, at the time of publication, the shadow of New Labour still hangs over the Corbyn-led party as a huge internal constraint. Yet, even if such a constraint can somehow be shed, the ultimate limits of left social democracy await a radicalized Labour Party down the road, and so need to be considered now. Any attempt to control and direct private capital flows, or to tax away excessive profits and salaries accumulating in large and successful private companies, will inevitably meet sustained resistance – intense pressure on an incoming center-left government to abandon its social and political radicalism, the quicker to restore generalized rates of successful economic growth. Such constraints have defeated determined social democrats in the past, so there is no reason to suppose the outcome will be any different this time around, unless those lessons can somehow be learned and also left

behind. For it is not just neoliberalism that needs to be transcended, but failed social democracy as well.

Yet maybe this time that is still possible. Certainly, the need for such a transcendence exists now in ways it did not at the height of neoliberal dominance in the 1990s. For we are again, as Antonio Gramsci argued we were in 1930, at a key moment of political transition: one in which ‘the old [consensus] is dying and the new cannot be born’ (Gramsci, 2011: 33). The task before the center-left is not just to find electorally-popular policies. That task is difficult enough. The overall task is actually far more profound and even more difficult than that. It is to design an entirely new social structure of accumulation that can replace the social contract underpinning Reagan/Thatcher economics – the one that was broken irreversibly in 2008. For there is no going back to a period of rapid economic growth based on yet-longer working hours, frozen real pay and escalating levels of private debt. That ended in the financial crisis it spawned. There is no austerity route to revitalized generalized prosperity, for all the right-wing claims to the contrary. All that the austerity politics of today's neoliberals will generate is low and stagnant economic growth, an increasingly divided set of troubled societies, an ever more debased culture of bread and circuses, and a politics of ever-greater degrees of reaction and nativism. That will no doubt satisfy some, but it will not satisfy large sections of contemporary electorates who legitimately expect more from life, and from the politicians who offer competing versions of a better future. Neoliberalism will keep the potential for center-left revitalization alive: that much is certain. The question is whether this new generation of center-left radicals know how best to realize that potential and whether, in turn, they have the capacity to do so.

Realizing that potential is never easy because conservative hegemonic political projects can ultimately only be ended by the deployment of an effective progressive counter-hegemonic equivalent. The dominance of deregulated market politics may be ended, in part, by generating credible political programs that promise effective market regulation. That process of progressive policy generation is clearly underway. Yet better policy on its own – though a vital precondition – is not by itself a sufficient one. For center-left parties of a progressive kind to be able to effectively implement those programs when in office, their leadership needs to recognize – well

before taking office – that what they are proposing is not just market regulation, but actually a fundamental resetting of the distribution of class power in the economies and societies they would govern. Their opponents already recognize this crucial class truth; and so must they. And when they do, what then immediately becomes obvious is the need for center-left parties to come to power *having already created* the class forces and social movements that alone can help them sustain their radicalism in office.

A center-left government keen to break with neoliberalism will need, therefore, to have created a non-neoliberal common sense in its electorate *before* taking office (Hall and O'Shea, 2013), and it is a non-neoliberal common sense that it will be able to create and generalize only if it shares both authorship and dissemination with a full range of class and social movements already pre-existing in that electorate. This is no time, therefore, for timidity on the center-left, or for tacking to immediate electoral prejudices. Those electoral prejudices are invariably the product of the hegemonic politics of the center-right, and need to be countered for that very reason. Nor, indeed, is it time merely for policy-design, important as that task is, for policy alone will not win the day. It is a time for the self-confident and assertive building of strong grass-roots alliances between political parties of the center-left and wider progressive movements of a class and social kind. The task of an incoming center-left government worth its salt is inevitably three-staged – to reform existing institutions, to deal with the inevitable resistance to those reforms, and to get to and then stabilize the new and more progressive capitalist model its policies have designed. That is a hugely difficult task, and not one that center-left parties will ever achieve without allies; and allies, just like enemies, have to be created. It is time now to begin that alliance-building process, on the clear understanding – as R.H. Tawney put it so long ago – that:

Two facts are as certain as political facts can be. The first is that, if a Labour Government, when it gets the opportunity, proceeds to act on it, it will encounter at once determined resistance. The second is that it will not overcome that resistance unless it has explained its aims with complete openness and candour. It cannot avoid the struggle, except by compromising its principles. It must therefore prepare for it. In order to

prepare for it, it must create in advance a temper and mentality to carry it through, not one crisis but a series of crises. ... Onions can be eaten leaf by leaf, but you cannot skin a live tiger paw by paw; vivisection is its trade and it does the skinning first. If the Labour Party is to tackle its job with some hope of success it must mobilize behind it a body of conviction as resolute and informed as the opposition in front of it. (Tawney, 1932: 335–6)

The formation of that body of conviction is *the* task now facing anyone committed to the replacement of neoliberalism's austerity politics with a saner, fairer and more civilized way of organizing the world. Let us hope that it is a task to which we can all successfully turn.

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# 29 Neoliberalism and Republicanism: Economic Rule of Law and Law as Concrete Order (*Nomos*)

Miguel Vatter

## Introduction

The ‘republican revival’ and the rise of ‘neoliberalism’ are probably the two most important innovations in political theory of the last few decades. Surprisingly, these two discourses are rarely addressed together in the literature. Although there are quick mentions of Hayek, ‘neoliberalism’ does not appear in the indices of Pettit's two main treatises on republicanism (Pettit, 1997, 2012). Recent collections on neoliberalism and Hayek hardly mention republicanism (Dyzenhaus and Poole, 2015; Mirowski and Plehwe, 2009). This absence of mutual consideration or reflection is all the more curious given that both Hayek and Arendt consider the correct reconstruction of the ideal of *constitutio libertatis* to be the quintessential task of neoliberalism and neo-republicanism, respectively (Hayek, 2011; Arendt, 1990). This chapter examines how and why the ideal of the ‘rule of law’ becomes a crucial object of contention between neoliberalism and neo-republicanism. I suggest that the stakes of this conflict of interpretation over the rule of law become visible only once the term ‘rule of law’ is transposed back onto the more archaic Greek formula *nomos basileus*, and this formula, in turn, is unpacked by focusing on the dimensions of sovereignty and biopower contained therein, as brought to light in the interpretations of this notion by Schmitt in the 1930s and Foucault in the 1970s (Agamben, 1998). Ultimately, what is at stake in this conflict over the ‘rule of law’ is the possibility of establishing a pre- or supra-political government over political life itself, a goal advocated by neoliberalism while republicanism rejects it.

In some recent interviews and essays, Skinner has said that one of the main motivations for his employment of the genealogical method is to uncover

conceptions of freedom and the state that have been side-lined by liberalism and neoliberalism. In particular, he charges neoliberalism with having accelerated the forgetfulness of the concept of the state on behalf of the question of (technocratic) government and governance (Skinner, 2009: 361–3). However, somewhat surprisingly given his intellectual trajectory, he argues that it is the ‘fictional theory’ of the state associated with Hobbes’ concept of sovereignty, and not the ‘populist’ conceptions of the state associated with the American and French Revolutions, that ‘ought never to have been set aside’ (Skinner, 2009: 362). In particular, Skinner claims that the most important reason to hold on to ‘the idea of the state as a fictional or moral person distinct from both rulers and ruled’ is that the legitimacy of government policy can then be judged on whether it ‘promotes the safety and welfare of the person of the state, and in consequence the common good or public interest of the people as a whole.... *Salus Populi suprema lex esto; Let the Safety of the People be the Supreme Law*’ (ibid.) For reasons addressed at some length below, Skinner’s employment of this famous maxim in this context raises more questions than it answers: for what is the relation between the ‘salvation/security/health’ (*salus*) provided by the sovereign state and the ‘salvation/security/health’ provided by neoliberal governance (Foucault, 2009: 126)? This chapter will argue that, in both cases, the *suprema lex* providing this ‘safety’ is better understood as a Roman translation of the formula *nomos basileus*, but where sovereignty provides a politico-theological salvation, neoliberal governance provides a biopolitical one.

The return to Hobbesian state thinking for the sake of contrasting neoliberal ideals of governance is a banner that has also been recently adopted by Loughlin in his reconstruction of the tradition of ‘public law’ (Loughlin, 2010). Similarly, Dyzenhaus has also recently suggested that the shared valorization of ‘rule of law’ on the part of both Hayek’s neoliberalism and Cambridge School republicanism is ultimately made possible on the basis of reconstructing Hobbes as a thinker of the rule of law (Dyzenhaus, 2015: 255). This paradoxical yet surprisingly widespread suggestion that Hobbes is a ‘closet’ republican thinker calls for an explanation and raises a number of problems (Yeatman and Yolkos, 2010). That Hobbes posits an internal connection between sovereignty and rule of law, as mutually enabling conditions, is not a new thought – it had been proposed already by Schmitt in

the 1930s (McCormick, 1997; Vatter, 2004). However, from Schmitt's perspective, Hobbes' theory of sovereignty can be understood as offering a systematic variant and explanation of the ancient Greek formula of *nomos basileus*, which contains both the meaning that '(the will of the) king is law' over men, and the opposite meaning, i.e., that 'law rules (like a king)' over men (Kantorowicz, 1997; McIlwain, 1947). For Schmitt, the former meaning was utilized by Hobbes, while the latter meaning was recovered by the neo-Roman conception of republicanism revived by the English, French and American revolutions. Since then, the concept of popular sovereignty remains overdetermined by these two mutually exclusive possibilities.

The proximity and mutual contamination between Hobbes and republican rule of law that appears in authors like Skinner, Loughlin, or Dyzenhaus poses a deeper question at the heart of the current debate on neoliberalism: namely, the question as to the relation between sovereignty and liberal governmentality. Are these two really opposed, or do they share a deeper common structure? This question structures Foucault's genealogy of modern biopolitics. As is well known, Foucault saw neoliberalism as an internal critique of sovereignty, as an attempt to think governmentality without or prior to the state (Lemke, 2007). He identified the appeal in Hayek to the 'rule of law' (as opposed to state legislation) as an important component of this strategy. Conversely, Loughlin and Dyzenhaus, in their different ways, give a reading of Hobbes that is compatible with republican rule of law because they want to prop sovereignty as a last bulwark against the neoliberal 'economization' of politics. Lastly, thinkers like Agamben argue that sovereignty and liberal government are but two sides of the same coin, nicely captured by the famous liberal motto that 'the king reigns but he does not govern' (Agamben, 2011; Foucault, 2009: 76). The argument is, roughly, that by placing sovereignty in the 'fictional person' of the state, civil society is immunized against democracy and becomes the space for neoliberal governance. In short, there is a secret alliance between the defence of state sovereignty (Schmitt) and the defence of liberal governance and free markets (Hayek). This is despite the overt rejection of the Hobbesian conception of rule of law in Hayek, who rather appeals to what could be called a 'republican' construal of rule of law as most conducive to a society based on the free market.

This chapter proposes a hypothesis to unravel this complicated entanglement of neo-republican and neoliberal discourses by following the guiding thread of the idea of *nomos basileus*. It begins by thematizing the term *basileus* in the formula, and unpacking it in terms of its significance for sovereignty. To this end, it draws attention to the work of Renato Cristi, who is to my knowledge one of the first interpreters to have brought together Hayek and Schmitt on rule of law and shown the underlying alliance between sovereignty and neoliberalism. His thesis is that both thinkers share the belief that a 'free market' requires a 'strong state', i.e., an authoritarian state which could be described as Hobbesian (Cristi, 1998). That is why a Hobbesian construal of rule of law brings together the apparent opposites of Hayek and Schmitt, self-regulating free market and sovereign state. In relation to this thesis, this part of the chapter also discusses Loughlin's recent revaluation of Schmitt's idea of *nomos*.

The chapter then proceeds to thematize the term *nomos*, unpacking its significance in relation to biopolitical governance. Here the focus is on Foucault's biopolitical reading of Hayek (Vatter, 2014). The biopolitical analysis of neoliberalism seems to be entirely missing in the scarce treatments of the relation between neo-republicanism and neoliberalism mentioned above. And yet Foucault's thesis is precisely that Hayek brings the rule of law into economics in order to constitute neoliberalism as an 'economic rule of law' [*État de droit économique*] (Foucault, 2008: 170–176). In fact, in *Law, Legislation and Liberty* (1973), Hayek argues that the concept of 'rule of law' that is employed by neoliberalism is based on the archaic Greek idea of *nomos*. This chapter puts forward the hypothesis that in order to understand Hayek's neoliberal use of *nomos*, it is crucial to complement Schmitt's understanding of *nomos basileus* with Foucault's reading of that formula in terms of his conception of pastoral power. The latter better captures what is going on with Hayek's neoliberal appropriation of *nomos*.

The conclusion of the chapter argues that the currently widespread idea that neoliberalism consists in the hegemony of the *homo economicus* over the *homo juridicus* and *zoon politikon* may need some revision (Brown, 2015). The analysis offered of Hayek's conception of *nomos* shows that the *homo economicus* always already contains within it a *homo juridicus* whose

specific political activity consists in ‘governance’ or, in Hayek's term, the intentional production of ‘judge-made law’. True enough, when individuals allow themselves to be conducted by these ‘rules of just conduct’, they are led into a status of new dependency on ‘spontaneous orders’ rather than towards the republican ideal of freedom as self-mastery or *sui iuris* (Foucault, 2008: 39–42, 276ff).

## **On the Hidden Alliance between Schmittian Sovereignty and Hayekian Neoliberalism**

When Cristi published ‘Hayek and Schmitt on the Rule of Law’ in 1984, Foucault's biopolitical reading of neoliberalism was not known in the English-speaking world, and even the ‘republican revival’ was not yet in full swing. Analysing most places in Hayek's corpus where Schmitt is addressed in a polemical fashion, Cristi realized that ‘some of Schmitt's basic assumptions have penetrated his [Hayek's] philosophy of liberty’ (Cristi, 1984: 523). The main claim is that Schmitt and Hayek both defend a clear-cut distinction between state and civil society, and both see democracy or popular sovereignty as a threat to this separation because it unduly ‘politicizes’ civil society (by revealing the alliance between liberal state and capital) in a way that no longer allows the state to pacify social conflicts. ‘For classical liberalism, then, the state's most important function was to prevent the politicization of civil society, restraining all democratic efforts aimed at specifically abolishing the separation of labour and capital. ... Democracy demands an identity between civil society and the state, and its pressures from below have the effect of weakening the state as an autonomous political entity’ (Cristi, 1984: 526).<sup>1</sup> In reality, Cristi's novel and controversial thesis postulates that Schmitt is not so much anti-liberal as anti-democratic, and this explains the proximity of his thought to that of Hayek (Siliquini-Cinelli, 2015).

The second important thesis put forward by Cristi is that one should not be fooled by Hayek's own characterization of Schmitt's jurisprudence. In *Law, Legislation and Liberty* Schmitt comes under direct attack as having ‘directed all his formidable intellectual energies to a fight against liberalism in all its forms. ... His central belief, as he finally formulated it, is that from the

“normative” thinking of the liberal tradition law has gradually advanced through a “decisionist” phase in which the will of the legislative authorities decided on particular matters, to the conception of a “concrete order formation”, a development which involves “a re-interpretation of the ideal of the *nomos* as a total conception of law importing a concrete order and community” (Hayek, 1973: 71). Citing from *Drei Arten des rechtswissenschaftlichen Denkens* (Schmitt, 2004), Hayek charges Schmitt's conception of *nomos* with taking the side of ‘organization’ as the principle of order and disregarding ‘the formation of spontaneous order by the free action of individuals’. But Cristi correctly points out that in so doing, Hayek ‘disregards the supra-personal nature that Schmitt ascribed to his notion of order. ... Hayek misrepresents Schmitt's notion of order as containing purely decisionist elements. This misrepresentation is functional to his system of thought for it allows him to believe that a great distance separates him from Schmitt. In like manner, his own self-understanding tends to overlook the decisionist potential that lies dormant in his own conception of order’ (Cristi, 1984: 531). Cristi thus intuits that Schmitt and Hayek coincide in the belief that underneath any formal conception of law there must always lay a ‘concrete order’ or *nomos*.<sup>2</sup> However, in this early article, Cristi does not further analyse how the term *nomos* is employed by both thinkers, nor does he connect it to neoliberalism. His main point is that Hayek's ‘evolutionary’ approach to the (economic) order of civil society welcomes the process of creation of ‘natural ranks’ (between those enterprising individuals who have proven to be the ‘fittest’ in the struggle for survival and the rest) and, for that reason, is willing to accept authoritarian traits in his conception of the state, as long as this state does not interfere with the processes of the civil society (Cristi, 1984: 533). After this article, Cristi essentially dedicates much of his work to explain how this marriage of Hayekian civil society and Schmittian state is carried out in the Chilean case with the Pinochet regime and its ‘constitutional dictatorship’, which is now generally recognized as the first full-blown neoliberal takeover of a republic (Cristi, 2000b, 2000a).

In a recent essay on the concept of *nomos*, Loughlin returns to Cristi's intuition with regard to the centrality of *nomos* for both Hayek and Schmitt (without acknowledging Cristi's work). Unlike Cristi, though, Loughlin advocates the use of Schmitt's conception of ‘concrete order’ or *nomos* in jurisprudence in order to get beyond the impasses of the opposition between

normativism and decisionism (Loughlin, 2015). He also argues that Schmitt's conception of *nomos* influenced decisively not only neoliberals like Hayek, but also neo-republicans like Arendt. However, Loughlin's reconstruction of Schmitt's *nomos* and claims of its influence on Hayek and Arendt are problematic. His reconstruction of Schmitt's *nomos* misses both its theological-political and biopolitical valences; the discussion of Hayek's adoption of *nomos* misconstrues the novelty of neoliberalism; and, finally, his claims with regard to Arendt's purported debts to Schmitt misrepresents her republican account of law.

Loughlin argues that only Schmitt's conception of *nomos* or 'concrete order' can account for the factual rootedness of legal systems in some sort of founding act of violence, while simultaneously accounting for their normative rootedness in a legitimating act of constituent power: 'unless the question of the origins of political order, including its origins in violence and domination, is addressed, a skewed, if not thoroughly ideological, conception of law is likely to result' (Loughlin, 2015: 69). Loughlin proposes that Schmitt's concept of *nomos* fulfils these requirements: it refers to a violent power that is at once also legitimating of the system of legality, and in this way brings together both aspects of the formula *nomos basileus*, the one referring to sovereignty, the other to the rule of law (Loughlin, 2015: 71). 'It would appear that state (the political unity), constitution (the status of unity and order) and *nomos* (the order of a concrete spatial unity) are, to all intents and purposes, synonyms. ... If state highlights unity and constitution the form of that unity, then *nomos* accentuates the motive forces that shape the form of that unity: it is "the full immediacy of a legal power not mediated by laws"; it is a constitutive historical event – an act of *legitimacy*, whereby the legality of a mere law first is made meaningful' (Loughlin, 2015: 83). Through the idea of *nomos*, Schmitt is thus postulating the 'zone of indistinction' between violence and legality in the sovereign as constituent power (Agamben, 2005). The key is precisely the paradoxical definition of sovereignty, taken from *The Nomos of the Earth* (Schmitt, 2006), as a 'legal power not mediated by laws'.

Loughlin rehearses Schmitt's etymology, according to which the archaic idea of *nomos* derives from *nemein*, which brings together three meanings: appropriation, distribution (division), and pasture (production). Loughlin does not point out that the derivation of *nomos* from *nemein* clearly denotes a



*pastoral conception* of government from the start. He misses the biopolitical matrix of *nomos* that becomes evident with Foucault, as I show below. Instead, following Schmitt, Loughlin emphasizes that *nomos* ‘is founded on land appropriation. ... This primeval act of land appropriation is the basis of all law. It is the “terrestrial fundament” in which “all law is rooted”. Land appropriation precedes the distinction between private and public law, it precedes the distinction between *dominium* and *imperium*, and in fact it establishes the conditions in which such distinctions can evolve’ (Loughlin, 2015: 74). But what are these ‘conditions’ of legitimate domination?

The principal one mentioned by Loughlin is the establishment of a ‘boundary which divides internal from external. ... From this division between inside and outside, a people is formed. That is, a people is created not by blood ties but by virtue of being situated in a concrete order or *nomos*’ (Loughlin, 2015: 75). As shown below, in both Schmitt and Hayek, the idea of *nomos* is always associated with the concept of boundary. But if it is the case that for Schmitt the boundary of *nomos* is drawn around a group of individuals in order to distinguish native from foreigner, and friend from enemy, the same is not at all the case for Hayek's concept of the *nomos*. Most crucially, the connection of ‘all law’ with the phenomenon of boundary, implicit in Loughlin's reading of *nomos*, is demonstrably false in the case of the republican idea of the rule of law. There is no warrant to root ‘the basis of all law’ in the act of violent expropriation (thereby disregarding the more original ‘condition’ of the earth belonging to no one or to all, which requires that the taking any part of it for oneself as ‘private property’ requires justification rather than violence), just as not all law entails the immediate and unjustified establishment of the distinction between ‘native’ and ‘foreigner’ or ‘barbarian’. Far from being universal, even in the western tradition, this conception of *nomos* is arguably opposed by the Mosaic conception of the law, just to mention an obvious example. Indeed, Schmitt may have constructed his conception of *nomos*, as he did for many of his most famous concepts, in a polemical fashion; in this case, as a direct rejection of the conception of law defended some years before by the German Jewish philosophers Cohen and Rosenzweig (Vatter, 2016).<sup>3</sup>

In a useful discussion of Schmitt's *nomos* doctrine that precedes Loughlin's, Ojakangas convincingly argues that ‘for an appropriation to gain true

legitimacy, it has to be recognized as a sacred event. ... *Nomos* is not a wall, but it can be described as a wall, “because like a wall it, too, is based on sacred locations” [citing from the ‘Nomos-Nahme-Name’ appendix of *The Nomos of the Earth*]. Sacredness is the true criterion for the existence of a genuine *nomos*’ (Ojakangas, 2009: 45). Ojakangas shows that Schmitt's turn to *nomos* remains tied to his political theology. This explains, among other things, why Schmitt gives as an exemplar of a law-founding land appropriation, the acts of Joshua, quoting from the Bible: ‘Joshua took the whole land, according to all that the Lord said unto Moses’ (Ojakangas, 2009: 46). By referring to Joshua as a bringer of *nomos*, Schmitt is being intentionally provocative by trying to inscribe into a Jewish conception of law, which is neither tied to the land nor to the primacy of the native/foreigner dualism, the traits of archaic ‘pagan’ *nomos* that he has identified. It is not surprising that Schmitt accuses Philo of having perverted Joshua's conception of law as *nomos*, since it was the Alexandrian philosopher who first attempted to tie Greek and Roman philosophy to the cause of monotheism.<sup>4</sup> That said, there is no doubt that these knotted genealogies exert their influence still today in the Israeli–Palestinian conflict over land. In any case, from start to finish, Schmitt's conception of *nomos* continues his political theology rather than marks any break with it.

When he turns to the discussion of *nomos* in Hayek, Loughlin repays Hayek the same favour Hayek paid Schmitt when, as Cristi already showed, he distorted Schmitt's thinking of concrete orders into a thinking of organization. Now it is Loughlin who distorts Hayek's conception of spontaneous order, claiming that ‘spontaneous order is associated with the emergence of an idea of law as evolving rules of just conduct and therefore as a set of norms, and constructed order is tied to an image of law as command (legislation) and consequently treated as a product of decision’ (Loughlin, 2015: 88). In other words, Hayek's jurisprudence of *nomos* is presented as falling into the dualism between norm and decision that Loughlin believes Schmitt's true notion of *nomos* has overcome. However, Loughlin has merely collapsed Hayek's notion of spontaneous order onto his conception of *nomos*, whereas Hayek's central claim, as discussed below, is that the emergence of spontaneous order as *catallaxy* (a free system of exchange) is only possible given a conception of law as ‘rules of just conduct’ (*nomos*) and not thanks to law conceived as legislation (*thesis*), that is, law as product of governmental

organizations. Whereas *nomos* requires an element of coercion, *catallaxy* does not: rule-following behaviour and freedom of exchange are mutually connected, but are also entirely different on this neoliberal view. By way of contrast, for Schmitt's and Loughlin's radically anti-economic conception of *nomos*, exchange is not even a basic category (since it is neither violent appropriation, nor distribution or production).

Lastly, Loughlin also attempts to present Arendt's republican conception of law as another misguided appropriation of Schmitt's *nomos*: 'Arendt read Schmitt, agreed with his general critique of the influence of normativism in legal and political thought, and directly followed his account of the original meaning of *nomos*. She relies heavily on Schmitt's work in drawing similar conclusions on the true meaning of *nomos*' (Loughlin, 2015: 91). The proof adduced to this claim is simply Arendt's very traditional association of *nomos* with the boundaries of the city walls and acknowledgment that drawing such boundaries, because it is *not* a political act, means that *nomos* carries with it the vestiges of violence, as does all production for her (Arendt, 1958: 63–4; Arendt, 2005: 180–181; Loughlin, 2015: 92). Thus, the text relied on by Loughlin to prove his point actually refutes it, for Arendt is making exactly the opposite point of Schmitt: namely, that constituent power is *not* related to *nomos*.

Loughlin's misreading of Arendt climaxes when, acknowledging that Arendt uses the Roman concept of *lex*, which 'was not coeval with the foundation of the city', he goes on to claim that for her, *lex* 'presupposes the existence of a people' (Loughlin, 2015: 93). Here Loughlin completely distorts Arendt's point. In *On Revolution* (1990), Arendt is simply recovering the neo-Roman tradition of thinking *populus* and *lex* as coeval and co-dependent, according to the medieval adage that *lex constitutio populi est* (Grossi, 2004; McIlwain, 1947). The co-constitution of people and law in Arendt's neo-Roman republicanism has nothing to do with *nomos* and is, indeed, opposed to it. Loughlin's attempt to sublate Arendt under Schmitt on the spurious argument that '*lex* presupposes *nomos*' (a statement which is found nowhere in Arendt, nor in Roman political thought) is tendentious. But it does offer additional confirmation of the main point of this chapter: namely, that by folding 'rule of law' back onto *nomos basileus*, it is possible to appropriate and misuse the political, republican conception of law for the sake of a pre-political and anti-

republican conception of ‘order’ (*nomos*). Schmitt attempted to do just that in his early *Constitutional Theory* (Schmitt, 2008), when he repeatedly incorporated republican institutions, like the idea of commissarial dictatorship or the idea of the people's constituent power, into his philo-monarchic political theology. For his part, Hayek will also attempt to claim the republican conceptions of freedom and law for neoliberalism, as I discuss next.

## Hayek's Introduction of *Nomos* into Economics

Hayek's revolutionary innovation consists in distinguishing between two fundamental ways of understanding the regularity of expectations and intentions that characterizes any social order. On one side, one finds what he calls (employing a late coinage of Oakeshott's) *nomocratic* (‘law-governed’) regularity. On the other side, there is *telocratic* (purpose-governed) regularity (Hayek, 1984: 366). On the basis of the former kind of regularity, a *spontaneous* order will emerge, which no one creates by design and which lacks all external purpose. On the basis of the latter, organizations like the modern state are formed. Spontaneous order, or *catallaxy*, refers to the possibility of a peaceful way of ‘connecting’ individuals and making possible ‘exchanges’ between them (Hayek, 1984: 367). Examples of *catallaxy* are free markets, but today the Internet is the exemplar of such a spontaneous order. Hayek defines liberalism as the attempt to construct social order on the basis of *catallaxy*: ‘The central concept of liberalism is that under the enforcement of universal rules of just conduct, protecting a recognizable private domain of individuals, a spontaneous order of human activities of much greater complexity will form itself than could ever be produced by deliberate arrangement’ (Hayek, 1984: 365). However, what is paramount in Hayek's later thought is the task of deconstructing ‘nomocratic’ regularity into two distinct, indeed for him opposed, dimensions of law, which he designates respectively as *nomos* and *thesis*, or ‘law’ and ‘legislation’. Hayek's central achievement is grounding the priority of markets over states that is characteristic of neoliberalism on this ‘new’ (or, alternatively, archaic) distinction between law and legislation.

As a crucial part of this strategy, Hayek will operate a curious adoption and inversion of the republican conception of freedom in order to propose a

theory of government that is not political, i.e., a pre-political *nomos*, with very different characteristics from the one proposed by Schmitt. Hayek's neoliberalism pursues the 'liberation' of the individual from politics in and through a reconstructed ideal of constitutionalism (hence his adoption of the formula *constitutio libertatis* in the homonymous book). Hayek's distinction between law and legislation rests on the theory of spontaneous order which is itself justified by appealing to the republican ideal of freedom as absence of personal rule: 'The enemies of liberty have always based their arguments on the contention that order in human affairs requires that some should give orders and others obey. Much of the opposition to a system of freedom under general laws arises from the inability to conceive of an effective co-ordination of human activities without deliberate organization from a commanding intelligence. One of the achievements of economic theory has been to explain how such a mutual adjustment of the spontaneous activities of individuals is brought about by the market, provided that there is a known delimitation of the sphere of control of individuals' (Hayek, 2011: 229). The republican ideal of freedom as a political order of relations beyond the distinction between command and obedience, is re-occupied by the idea of the free market, while the rules that are to constitute this freedom (which are originally political in essence) become rules that are constitutive of the freedom of the market exchanges: 'the task of the lawgiver is not to set up a particular order [legislation] but merely to create the conditions in which an orderly arrangement can establish and ever renew itself. ... All that is required is a limited regularity in its behaviour; and the purpose of human laws we enforce is to secure such limited regularity as will make the formation of an order possible' (Hayek, 2011: 230).

In the first volume of *Law, Legislation and Liberty* (1973), Hayek systematizes the concept of order that lies at the basis of his reinterpretation of the 'constitution of liberty'. He collapses the 'constitutionalism' of *The Constitution of Liberty* (Hayek, 2011) onto the thinking of law as *nomos*. We owe it to Foucault's lectures on neoliberalism to have directed attention to this feature of neoliberalism: namely, the essential and internal connection between 'free' markets and law as *nomos*. Indeed, the main approaches to Hayek in the English literature were not centred on his conception of law as *nomos*, but either on his conception of liberty or his economic thinking (Caldwell, 2005; Gray, 1984; Kukathas, 1989). It is Foucault's unique thesis

that Hayek founds neoliberalism, in a sense, by introducing rule of law into economics.

From this perspective, the difference between liberalism and neoliberalism can be formulated as follows. Whereas Hayek may or may not be correct in affirming that ‘the discovery that there exist orderly structures which are the product of the action of many men but are not the result of human design’ rests with the Scottish Enlightenment’s discovery of ‘civil society’ by Adam Smith and Adam Ferguson (Hayek, 1973: 37), this is an entirely different question from what Hayek sees as his own discovery: namely, that ‘the formation of spontaneous orders is *the result of their elements following certain rules* in their responses to their immediate environment’ (Hayek, 1973: 37, emphasis mine). The innovation in Hayek, what he claims was not yet seen, is precisely this connection of law and economics, which late in his life gets rebaptized by the concept of *nomos*. Indeed, late in his career Hayek criticizes in equal measure both a jurisprudence that closes itself to the idea of law as *nomos*, and an economics that closes itself to the role of *nomos* in the generation of spontaneous orders (Hayek, 1973: 65–71, 135).

The priority of *nomos* explains why Hayek abandons traditional understandings of *laissez-faire* economics: ‘as if there had been a time when no efforts were made to improve the legal framework so as to make the market operate more beneficially or to supplement its results’ (Hayek, 1973: 68). The central aim of clarifying the distinction between law and legislation is precisely ‘that while the rules on which a spontaneous order rests, may also be of spontaneous origin, this need not always be the case ... and it is at least conceivable that the formation of a spontaneous order relies entirely on rules that were deliberately made’ (Hayek, 1973: 45). For that reason, it is imperative to discover the ‘properties the rules must possess so that the separate actions of the individuals will produce an overall order’ (Hayek, 1973: 45). In other words, liberalism changes into neoliberalism when jurisprudence ceases being a system of natural rights and becomes the search for those pre-political, quasi-natural ‘rules of just conduct’ that underpin the ‘natural system of interests’ (Foucault, 2008: 280–284). In reality, the neoliberal account of jurisprudence founds the idea of governance, which operates through *nomos*, as opposed to that of ‘government’, which operates through legislation.

# Hayek's Paradiastolic Strategy with Republicanism

Although Hayek follows Schmitt in adopting the distinction between a substantive normative order (*nomos*) and an abstract body of written, positive 'legislation', his conception of *nomos* is vastly different from Schmitt's, and is best captured by taking into consideration the Foucauldian sense of *nomos* as a form of *pastoral power*. This technology of power establishes a form of government that operates in terms of 'security, territory, population' (Foucault, 2009; Lemm and Vatter, 2014). These three terms spell out the contents of the archaic conception of *nomos* in a different sense than posited by Schmitt's etymology, discussed above. In Foucault, *nomos* refers to the way in which a group or population is collected by another group (analogous to the way in which a 'herd' is cared for by 'shepherds') through a spatial division of territory (a spatial grid), designed to provide 'security' or 'salvation' to the grouping and thereby governing complexity. The key to the precinct in which a population is herded for its own growth is not that it is a sacred precinct, but that it is a 'security' dispositif. The problem of 'security', as Foucault understands it – namely, as a spatial network of power relations intended to use contingency rather than protect against it – is missing in Schmitt (Dillon and Neal, 2011).

Foucault's genealogy of governmentality aims to show the divergence, in western political thought, between political life and the art of government. The latter is based on a 'pastoral kind of power', that is a 'power of care' in which 'the shepherd must keep his eye on all and on each, *omnes et singulatim*, which will be the great problem both of the techniques in Christian pastorship and of the, let's say, modern techniques of power deployed in technologies of population' (Foucault, 2009: 127–128). Conversely, 'the idea of governing people is certainly not a Greek idea, and nor do I think it is a Roman idea' (Foucault, 2009: 122). The key to this distinction is that 'the Greek citizen ... is only prepared to be directed by two things: by the law and by persuasion ... the general category of obedience does not exist in the Greeks', whereas 'the pastor is not fundamentally a man of the law' (Foucault, 2009: 173). Here the term 'law' does not denote *nomos*. Rather, considered from the paradigm of pastoral power, *nomos* denotes more the kind of 'rules' that will later structure monastic orders in which, 'through an oblique relationship to the law', pastoral power

‘establishes a kind of exhaustive, total, and permanent relationship of individual obedience’ (Foucault, 2009: 183). The hypothesis of this chapter is that Hayek's *nomos* also works analogously to these ‘rules’: Hayek establishes an ‘oblique relationship’ to the republican ideal of the rule of law whose aim is very distinct from that of making possible a political life.

At first sight, it looks as if Hayek and Foucault defend the same Greek ideal of freedom based on the direction of laws and power of opinion. Hayek famously claims that ‘the conception of freedom under the law that is the chief concern of this book rests on the contention that when we obey laws, in the sense of general abstract rules laid down irrespective of their application to us, we are not subject to another man's will and are therefore free’ (Hayek, 2011: 221). Hayek also adopts from Hume the belief that all government rests on opinion (Hayek, 2011: 269). Hayek's conception of law as *nomos* operates a complicated appropriation and re-description of the republican ideal of freedom. Why is this? The first reason for this re-occupation of the republican space has to do with the obvious republican motif that opposes the freedom of the people to the rule of government. As Paine said, a constitution is there to signify that free peoples precede governments and not the other way around. On this account, republican constitutionalism is the opposite of pastoral power. But Hayek appropriates the republican idea of freedom as independence in order to use it against the state: thus, political independence is reframed as the independence of market from state interference. Hayek offers a pastoral take on republican constitutionalism: rather than seeing the republican distinction between people and government as the affirmation of the constituent power of the people, and the need for a representative (electoral) form of government, Hayek subsumes both constituent power and representative democracy under the idea of the person of the state as source of legislation: ‘The “law” that is a specific command, an order that is called a “law” merely because it emanates from the legislative authority, is the chief instrument of oppression’ (Hayek, 2011: 224). Neoliberalism adopts a republican guise and simultaneously buries revolutionary republicanism under the Hobbesian doctrine of state sovereignty.

It is indicative that in his reconstruction of American constitutionalism, according to which the American colonies embarked on their revolution as a reaction to the ‘principle of parliamentary sovereignty unlimited and



unlimitable' (Hayek, 2011: 261), two terms are nearly entirely missing: namely, the citizens and the people. In *The Constitution of Liberty*, Hayek mentions the fundamental idea of 'power of the people' only once: 'The formula that all power derives from the people referred not so much to the recurrent election of representatives as to the fact that the people, organized as a constitution-making body, had the exclusive right to determine the powers of the representative legislature. The constitution was thus conceived as a protection of the people against all arbitrary action, on the part of the legislative as well as the other branches of government' (Hayek, 2011: 266). Employing Arendt's distinction between the constitution of civil liberty and foundation of political freedom, it is clear that Hayek works only with a negative idea of constitution centred on the protection of negative liberties, rather than with a positive idea of constitution centred on the constitution of the power of people over the power of government (Arendt, 1990: chapter 4).

Second, Hayek makes use of the republican idea that law is constitutive of freedom in order to legitimate his thesis that *nomos* is the condition of individual freedom. However, these two conceptions of freedom through law are by no means the same: whereas the republican idea is based on a conception of freedom as non-domination (Pettit, 2009), Hayek is fundamentally concerned with how *nomos* makes possible the kind of individual freedom needed by competition as an economic *eidōs*: 'competition is therefore an historical objective of governmental art and not a natural given that must be respected' (Foucault, 2008: 120; Hayek, 1984: 379–380). Whereas 'non-domination' is an inherently political concept of freedom which is inseparable from an idea of a 'free state' and democratic control of government (Pettit, 2012; Skinner, 1997), the same cannot be said about Hayek's concept of individual freedom, which aims at a different ideal of power. True enough, Hayek sides with Harrington against Hobbes and advocates 'the empire of laws, not men' (Hayek, 2011: 243). He also adopts Cicero as a precursor of modern liberalism: 'we owe to him many of the most effective formulations of freedom under law. To him is due the conception of general rules or *leges legum* ['higher law'], which govern legislation, the conception that we obey the law in order to be free, and the conception that the judge ought to be merely the mouth through whom the law speaks' (Hayek, 2011: 245). But in Hayek's citation of Cicero, all reference to law as the 'consent of the people', *lex est communis rei publicae sponsio* (*Digest*

1,3,1), is entirely missing. This is notable given that Hayek acknowledges that his reading of the American constitution is 'indebted mainly to two American authors, Charles Howard McIlwain and Edwin Samuel Corwin', and he goes on to refer to McIlwain's *Constitutionalism Ancient and Modern*, where it is explicitly stated that for Cicero, as for the Romans in general, law is what the Roman people (*populus*) establishes after it has been assembled by the senate or the consuls (McIlwain, 1990: 68). This reabsorption of republican vocabulary for the sake of establishing a neoliberal conception of *nomos* reminds one of the paradiastolic strategies Skinner identified in Hobbes' critique of republican theories (Skinner, 2002). In this case, the adoption of a discourse on 'freedom' in reality masks a new dependence and subordination of citizens as political actors: not to the 'person' of the state, as was the case in Hobbes, but to the new 'person' that represents the market order, namely, the person of the judge. By conceiving of *nomos* as 'judge-made laws', Hayek sets the republican ideal of the rule of law into an orbit that supplants the will of the people and its legislation, and delivers citizens over to a form of subjectivation constituted by a rule-following conduct intended to foster the *eidos* of competition. In short, with Hayek the individual is free only by being set on a course of conduct that requires 'the replacement every time of *homo economicus* as partner of exchange with a *homo economicus* as entrepreneur of himself' (Foucault, 2008: 226).

## Judge-Made Law: Towards Neoliberal Constitutionalism

How does a conception of judge-made laws, or neoliberal constitutionalism, lead to a system of personal dependence that is antithetical to republican political power? As Hayek's theory of jurisprudence develops from *The Constitution of Liberty* to *Law, Legislation and Liberty*, his conception of *nomos* becomes ever more related to the action of judges, because they are designated as the keepers of the 'liberal social order' over and above the designs of state organization: 'The question for the judge here can never be whether the action in fact taken was expedient from some higher point of view, or served a particular result desired by authority, but only whether the conduct under dispute conformed to recognized rules. ... What must guide his decision is not any knowledge of what the whole of society requires at

that particular moment, but solely what is demanded by general principles on which the going order of society is based' (Hayek, 1973: 87). By the time Hayek formulates the central distinction between *nomos* and *thesis*, or law and legislation, the figure of the judge has become paramount: 'the ideal of individual liberty seems to have flourished chiefly among people where, at least for long periods, judge-made law predominated' (Hayek, 1973: 94). In a telling footnote from *Law, Legislation and Liberty*, Hayek now takes distance from Cicero: 'it was a major misfortune that Cicero translated the Greek term *nomos* with *lex* instead of with *ius*' (Hayek, 1973: 169, n. 11) because, in so doing, he brought the idea of law closer to that of legislation. In reality, Cicero's concern was to maintain the fundamental connection of the law with the power of the people. Thus, Hayek's critique of Cicero indicates how republican rule of law, when construed as 'judge-made law', becomes a device of pastoral rather than political power: the judge 'is called in to correct disturbances of an order that has not been made by anyone and does not rest on the individuals having been told what they must do. ... The judge is an institution of a spontaneous order' (Hayek, 1973: 95). In short, the judge has become the new shepherd.

But in the Hayekian *nomos* judges are also the new *basileus*. Indeed, when the constitutional distinction between 'higher' (or exceptional), and 'lower' (or normal) law-making (Ackerman, 1998) falls prey to the idea of *nomos* as judge-made law, then the constituent power of the people is replaced by the decisions of those judges who preside over the functioning of the various spontaneous orders. When Hayek assigned priority to 'judge-made law', neither the neoliberal judicial activism of recent US Supreme Court cases like *Citizens United vs FEC*, nor the kind of 'judge-made law' established by the pronouncements of the director of the European Central Bank, were foreseeable, but both fit perfectly in this enormous increase of the judicial powers of those designated to maintain the equilibrium of global normative orders based on Hayek's conception of *nomos* (Brunkhorst, 2014). Under conditions of 'societal constitutionalism' based on such normative orders (Teubner, 2012), the judge becomes a philosopher-king of sorts, charged with the supervision of spontaneous order: 'although rules of just conduct, like the order of actions they make possible, will in the first instance be the product of spontaneous growth, their gradual perfection will require the deliberate efforts of judges (or others learned in law) who will improve the existing

system by laying down new rules. Indeed, law as we know it could never have fully developed without such efforts of judges' (Hayek, 1973: 110). Without the specialized knowledge (*techne*) of the judge, which has now been elevated to the status of Plato's 'royal science', the invisible hand of the market cannot function.

The paradox here is that Hayek's 'evolutionary' understanding of *catallaxy* requires a new activism on the part of the judicial power. Only this new activism explains Hayek's mounting polemics against the 'public law' tradition of jurisprudence (the same tradition which is now defended by Loughlin through the Schmittian idea of *nomos*, as discussed above) on the grounds that public lawyers are either unaware of, or dismissive of, the very idea of spontaneous order and the 'invisible hand', thus blinding them from the conception of law as *nomos*, and leading them to interpret the law only 'as an instrument of organization for particular purposes' (Hayek, 1973: 144). Hayek charges public law with reducing law (*nomos*) to legislation: 'The great majority of the resolutions passed by representative assemblies do not of course lay down rules of just conduct but direct measures of government' (Hayek, 1973: 127). In reality, the attack on public law as an instrument of the state (which is often carried out rhetorically as an attack on Schmitt's decisionism) covers up Hayek's undermining of republican constitutionalism as well. For Hayek, in this not unlike Schmitt, constitutional laws belong more to legislation than to law: they are only rules that set up the organization of the state; they do not contain principles that make possible a political life. 'It would be more appropriate to regard them [namely, constitutions] as a superstructure erected to secure the maintenance of the law [namely, *nomos*], rather than, as they are usually represented, as the source of all other law' (Hayek, 1973: 134). For Hayek, a constitution merely 'creates an instrument to secure law and order and to provide the apparatus for the provision of other services, but it does not define what law and justice are' (Hayek, 1973: 135). Criticizing both Hart and Fuller, Hayek claims that constitutions may define 'the properties which a law must possess in order to be valid, [but] such a definition of rules of just conduct would itself not be a rule of just conduct' (Hayek, 1973: 135): rules of recognition and the internal morality of law are not themselves part of the *nomos*. Constitutional law ceases to be what it is for the republican tradition: namely, the expression of the power of the people to give itself the form of government it chooses in

accordance with political principles of justice, and becomes merely the form that state legislation has to take in order to be valid legally – instruments for the exercise of constituted, governmental power, not the conditions for the creation of popular power.

## **The Purpose of *Nomos*: Appropriation without Distributive Justice**

Once republican constitutionalism, the organization of the power of the people, is collapsed onto an idea of public law as organization of the state machinery, Hayek's jurisprudence of *nomos* turns to its real purpose: namely, guarding the free market allocation of goods from state interference in the form of redistribution of resources. That is, 'all endeavours to secure a "just" distribution must thus be directed towards turning the spontaneous order of the market into an organization, or, in other words, into a totalitarian order' (Hayek, 1984: 375). According to Schmitt's typology, *nomos* is articulated into the moments of 'appropriation', 'division' and 'production'. One can say that Hayek's *nomos* is also first and foremost concerned with the function of appropriation through the establishing of a boundary: 'The aim of the rules of law is merely to prevent as much as possible, by drawing boundaries, the actions of different individuals from interfering with each other; they cannot alone determine, and also therefore cannot be concerned with, what the result for different individuals will be' (Hayek, 1973: 108). The overriding purpose of *nomos* as 'purpose-independent rules which govern the conduct of individuals towards each other' is the definition of 'a *protected domain of each*, [and] enable order of actions to form itself wherein the individuals make feasible plans' (Hayek, 1973: 86, emphasis mine).

But whereas the Schmittian idea of *nomos* as boundary is collective and separates natives from foreigners, in Hayek *nomos* as a boundary is drawn between individuals in order to permit the smooth flow of transactional exchanges that constitute the spontaneous order's network. These Hayekian boundaries of *nomos* are explicitly designed to overcome the Schmittian distinction between friend and enemy. Rather than establishing the need for sovereignty as the decision of the enemy, the boundaries of Hayek's *nomos* call forth the kind of *salus*/security provided by what Foucault terms 'police'

and 'policy', whose aim is the 'provision and maintenance ... of the coexistence and communication of men with each other' (Foucault, 2009: 326), which is as good a translation of *catallaxy* as any. Thus, the two conceptions of *nomos* as appropriation are entirely opposed to each other. One could say that whereas Schmitt's *nomos* ('suprema lex') gives an interpretation of security as theologico-political and guaranteed by the sovereign with the unique capacity to determine who is the public enemy, Hayek's *nomos* ('suprema lex') gives a biopolitical interpretation of security, guaranteed by impersonal networks of communications and their 'governance' through a supra-political system of courts that have become familiar in the decades since Hayek's books through the vertiginous growth of global normative orders and the enormous inequalities they generate.

The Hayekian *nomos* is a source of inequalities by design. Its rules 'make it possible at each moment to ascertain the boundary of the protected domain of each and thus to distinguish between the *meum* and the *tuum*' (Hayek, 1973: 107). But the distinction between 'mine and thine' is not made in order to then 'assign to each his due [*suum cuique tribuere*]', if by this one means 'to assure particular results to particular people' (Hayek, 1973: 377) – that is, to orient the economy towards generalized welfare. 'There can be no rules which determine how much everybody "ought" to have unless we make some unitary conception of relative "merits" or "needs" of the different individuals, for which there exists no objective measure, the basis of a central allocation of all goods and services' (Hayek, 1973: 375). The Hayekian *nomos* of appropriation is thus not functional to achieving justice, i.e., a correspondence between merit or need and rewards, because it is fundamentally functional to 'the principle of a combined game of skill and chance in which the results for each individual may be as much determined by circumstances wholly beyond his control as by his skill or effort' (Hayek, 1973: 375). Although Hayek begins his discourse by employing the classical republican ideals of *isonomy* or freedom through equality under law and freedom as independence and mastery of oneself (*sui iuris*), at the end of his theoretical trajectory the Hayekian *nomos* reveals itself to be the set of rules to a 'game' in which individuals are entirely dependent on an invisible and unpredictable spontaneous order, and in which the artificial immunity against chance offered by political equality (*isonomy*) has been literally set out of play.

# Democracy, Independence and the Philosophical Life

A fairly widespread critique of Hayek's neoliberal valorization of rule of law distinguishes between a legal and a 'political' form of constitutionalism (Bellamy, 2007). Hayek's *nomos* is said to show how 'legal constitutions can become sources of domination'. Only 'political constitutionalism' is authentically republican because it acknowledges that 'the only alternative to the domination of personal rule is for the people to be citizens and rule themselves. Paradoxically, therefore, the rule of law depends on the democratic self-rule of persons. It can be secured only if all citizens, usually through their representatives, can command equal consideration in the making of collective rules, and everyone within the body politic ... is equally subject to whatever laws they impose upon themselves. From this perspective, the rule of law arises from a particular civic condition – one where *all citizens enjoy an equal political status and have no domination over each other*' (Bellamy, 2007: 80, emphasis mine). This chapter has shown that Bellamy's critique of legal rule of law misses the point of how domination works in neoliberalism. Neoliberalism is not a discourse that seeks to impose the will of a personal ruler over individuals. This is why Hayek can adopt so radically the republican ideals of the 'empire of law, not men'. For him 'it would therefore be nearer the truth if we inverted the plausible and widely held idea that law derives from authority and rather thought of *all authority as deriving from law – not in the sense that law appoints authority, but in the sense that authority commands obedience because (and as long as) it enforces a law presumed to exist independently of it and resting on a diffused opinion of what is right*' (Hayek, 1973: 95, emphasis mine). This dependence of authority on a *nomos* that functionally acts as a discourse of 'natural right' (precisely because *nomos* is anterior to any political form) is ultimately why Hayek styles himself as a revolutionary, not a conservative thinker. Like other natural right discourses, Hayek's conception of law as *nomos* offers a form of subjectivation that claims both to 'protect' and 'liberate' the individual. If Hayek's point is that economics depends on *nomos*, and if this means that behind the very idea of *homo economicus* there always lurks an interiorized and recast idea of *homo juridicus*, then the critique of neoliberalism must be carried out at this more

fundamental level of natural right, rather than by pitting, once again, the legitimacy claims of parliamentary 'legislation' over and against the legitimacy of 'judge-made law', as Bellamy does.

An effective critique of the neoliberal conception of law should not take the form of a defence of the liberal-democratic state machinery, as much as offer a new formulation of a republican conception of natural right as the 'human' status of *sui iuris*. Even Bellamy acknowledges that 'democratic self-rule' depends on the prior status of being *sui iuris*: all citizens enjoy an 'equal political status and have no domination over one another'. However, he does not ask himself what are the conditions for enjoying this status. On his own terms, democracy is conditioned by this status, and not the other way around. Thus, the struggle for the recognition of *sui iuris* status is never carried out at the level of political government (it is not a product of political government) in the narrow sense of the term, but it takes place at the pre-political level in which the Hayekian *nomos* operates: namely, at the level of 'natural right' or what Kant calls 'innate right'.

Foucault understood this point very clearly. That is why he returned to the Kantian questions of 'What is Enlightenment?' and 'What is the Revolution?' soon after his lectures on neoliberalism, in the context of his subsequent investigation into the problem of self-government and its relation to political government (Foucault, 2010: 1–21). The study of neoliberalism and its pastoral power had shown him the need to understand the political and pre-political conditions under which one could 'become one's own master' (*maitrise de soi sur soi*) (Foucault, 2009: 177) and, thus, attain the status of *sui iuris* that defines the republican ideal of freedom as non-domination. He carried this project forwards to the end: his last lectures on *The Courage of Truth: The Government of Self and Others II* investigate what kind of 'technology of self' or *ethos*, alternative to the neoliberal one, is required in order to achieve this mastery of self which is, in turn, the sole condition for being ruled by laws and free exchange of opinion, rather than by men in positions of authority (Foucault, 2011).

In a gesture that brings him in close proximity to the investigations of both Arendt and Strauss, he sought some answers in the complicated relation between philosophy and democracy in ancient Greece and in the meaning of



natural right. Foucault's intuition is that in order to escape the grip of pastoral power, one had to submit oneself to the practice of philosophy as found in the Socratic schools of ancient Greece because 'when one submits oneself to a philosophy professor, in Greece, it is in order to succeed in becoming master of oneself at a certain moment, that is to say, to reverse this relationship of obedience and to become one's own master' (Foucault, 2009: 177). 'The Socratic injunction "take care of yourself" [means] "make freedom your foundation through the mastery of yourself"' (Foucault, 1997: 301). Thus, Foucault's late thought stages an opposition between a philosophical 'care of self' and a pastoral ideal of government where one's needs are 'taken care of' by a normative spontaneous order that transcends the individual and on which the individual must depend at all times. It remains an unfinished task to formulate exactly the connection between the freedom to philosophize (*libertas philosophandi*) and political freedom based on the constituent power of *sui iuris* individuals.

## Notes

1. In this sense, Cristi's thesis coincides with the conclusions that Negri (1999) states in his book on constituent power.
2. In *The Constitution of Liberty*, there is one affirmative use of Schmitt, when he is cited as support for the belief 'that the ideal of the rule of law presupposes a very definite conception of what is meant by law and that not every enactment of the legislative authority is a law in this sense' (Hayek, 2011: 313). And one negative reference, when Schmitt's thought is indicative of the fact that 'In Hitler Germany and in Fascist Italy, as well as in Russia, it came to be believed that under the rule of law the state was "unfree", a "prisoner of the law" and that, in order to act "justly" it must be released from the fetters of abstract rules' (Hayek, 2011: 350).
3. Loughlin tries to moderate the *fremdfeindlich* character of Schmitt's purported 'basis of all law' by referring to Lindahl's Derridean interpretation of Schmittian *nomos* where 'the original appropriation ... can be identified as foundational only once the second and third aspects of *nomos* (distribution and production) are institutionalized' (Loughlin, 2015: 95). Lindahl, indeed, offers a more democratic variation of Schmitt's *nomos*: 'against Schmitt, I

argue that political unity is perforce a *represented* unity. This means that representation is never merely the reproduction of an original unity but also always the production of unity. Against Schmitt, I would argue that there is no pre-given and directly accessible political unity that could provide the “inner measure” for the validity of law, no pre-given and directly accessible boundaries that separate an original mode of existence which is ours from what is strange or alien to it’ (Lindahl, 2015: 62–63).

4. For the importance of Philo in German political discourse after 1914, see Vatter (2017).

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# **30 Neoliberalism and Democracy: A Foucauldian Perspective on Public Choice Theory, Ordoliberalism, and the Concept of the Public Good**

**Mark Olssen**

## **Introduction**

One of the main effects of neoliberal governmentality has been a displacement and privatisation of the domain of the public which has, in turn, contributed to an undermining of the community-centredness of nation-states and ideals of collective responsibility and democratic participation with regards to public provision. I will argue in this chapter that neoliberalism, as the discourse of global political and economic elites, has resulted in an eclipsing of the space of democratic control by citizens both in civil society within nation-states and specific national institutional sectors, thereby rendering democratic institutions less effective in the face of the powers of the state and global capital. One effect of this is that neoliberal rationality conflicts with and undermines democratic models of good governance (as can be seen in the state, or in specific institutional sectors, such as health or higher education, where the logic of the market trumps and competes with good pedagogical processes or methods and erodes traditional liberal models of professionalism and self-management). In another sense, neoliberal logic fails to respond to the mass of citizens' democratic preferences (as can be evidenced in 2015/16 by the EU's insensitivity to the anti-austerity preferences of the majority of Greek people). At the root of these conflicts, I will argue, resides the neoliberal dismantlement and attack upon the public good which was central to the rise of the welfare state era of government. This attack was developed by certain early neoliberals and yet is often neglected in surveys of the topic. In the second part of the chapter I trace how neoliberalism advanced beyond liberalism in seeking to extend market

rationality to all areas of life and reconfigure both cultures and subjects as responsible self-managing individuals within an enterprise society based upon norms of competition. Here I utilise insights from the analysis of Foucault (2008) and extend his analysis of the ordoliberals by drawing upon the later works of the German economist Wilhelm Röpke, who characterises neoliberal rationality as a top-down, state supported discourse, one where competition replaces laissez-faire, and which constitutes the context, or foundation, through which democratic will formation should take root. In the final section of the chapter, I explore the implications of the neoliberal vision for democracy during its ascendancy from the 1980s until the present, as well as for the future, where the final outcome is not assured. To date, I argue that neoliberalism has had the effect of redefining and constricting democracy, eroding the real freedom of citizens through enforced austerity programmes, as well as weakening the validity attached to democratic forms of collective politics through both a circumscription of the agenda with which democratic will formation should be concerned, as well as through a ‘hollowing out’ of the public sphere, rendering it subservient to the rules of the market. In this final section of the chapter, I will also introduce some recent empirical illustrations to lend further support to the thesis that neoliberalism conflicts with democracy. This will be demonstrated, first, in relation to the neoliberal appropriation of public education, whereby education is removed as a democratic citizen right integral to the concept of public good, on the basis of which democratic practices and aspirations can take root; and, second, in terms of the impositions of the EU over the Syriza government in Greece during 2014/15, in which the democratic aspirations of a given people against austerity failed to be acknowledged.

## **Neoliberalism and the Public Good**

The attack on the idea of the public good can be seen developing in American social sciences since the 1930s in the work of writers like Henry Calvert Simons (1948), father of the Chicago School of economics, and Kenneth Arrow, who became associated with Social Choice theory and was to become a major influence on writers like James Buchanan and others associated with the ‘new right’. The major effect of Arrow's work was to challenge all conceptions of collective politics. As Amartya Sen (2002: 330) reports, Arrow, who was a PhD student at the time, was asked by Olaf Helmer, a

logician at the Rand Corporation who was interested in applying game theory to international relations, 'In what sense could collectivities be said to have utility functions?' Arrow determined that no satisfactory method for aggregating a multiplicity of orderings into one single ordering existed. Hence, there was 'a difficulty in the concept of social welfare' (Arrow, 1950). The outcome was a PhD that formulated the General Possibility Theorem, which was a modification of the old paradox of voting. As Sen (2002: 262) notes, this theorem was 'an oddly optimistic name for what is more commonly – and more revealingly – called Arrow's "impossibility theorem"', in that it describes 'that it is impossible to devise an integrated social preference for diverse individual preferences'. Arrow's claim, essentially, was that a unified coherent social welfare function, expressing a single value, such as the public good, could not be expressed from the disaggregated preferences of individuals without dictatorially discounting some at the expense of others. As Arrow (1951: 24) states it:

*If we exclude the possibility of interpersonal comparisons of utility, then the only method of passing from individual tastes to social preferences which will be satisfactory and which will be defined for a wide range of sets of individual orderings are either imposed or dictatorial. (emphasis in original)*

Arrow's seminal work, *Social Choice and Individual Values*, was first published in 1951.<sup>1</sup> It was a time when developments in Game Theory at the Rand Corporation were having a major effect on academic disciplines in various fields, notably economics, international relations, psychiatry and psychology, and criminology. Game Theory came into existence in 1944 with the publication of John von Neumann's and Oskar Morgenstern's *Theory of Games and Economic Behaviour*. The Rand Corporation, a US military think-tank, became the major centre for its development and application to different fields. Although initially developed as an arm of Cold War conflict with Russia, Helmer's interest was to have Arrow develop a model relevant to politics and institutional behaviour in general. Utilising mathematical models, and premised on conceptions of self-interested subjects, it eschewed existing theories of collective behaviour which postulated common interests, as articulated through democratic expressions, and prioritised a consistently

individualistic and competitive model of human behaviour. The model of the Prisoner's dilemma, also developed at the Rand Corporation, similarly sought to explain individual behaviour based on biologically fixed, self-interested axioms in human nature. Expressing the logic of the Cold War, it advanced the thesis that selfishness is always the safest outcome and can serve as the basis for social stability. Central to this, as to other neoliberal theories, was a profound distrust of all traditional models of collective politics premised on a conception of a democratically negotiated public good. It received important theoretical inspiration, of especial relevance to the development of institutional theories of neoliberalism, by John Nash (1950a, 1950b, 1951) – made famous in the film, *A Beautiful Mind* – whose development of the Nash equilibrium postulated a game-theoretic conception of optimal strategies for individuals to pursue in response to other rational egoists also pursuing self-interested aims.<sup>2</sup> According to Nash (1950a), a system driven by self-interest did not have to lead to chaos but could reach a point of equilibrium where everyone's self-interest was balanced against everyone else's.<sup>3</sup> Such a conception reinforced the model of the market as the system best geared to balance individual desires; as the superior information processor; and as the 'fairest' system for representing individual aspirations. In this model, markets are the only true voting machines, they give consumers what they want and are, therefore, fair and good.<sup>4</sup>

In Sen's account, Arrow's work was central to developments in welfare economics and 'fits solidly into a program of making the analysis of social aggregation more systematic' (Sen, 2002: 343). Such work has relevance, says Sen, 'in the context of political thought in which aggregative notions are used, such as the "general will" or the "common good" or the "social imperative"' (Sen, 2002: 343). What became clearly 'apparent' to writers like James Buchanan and his contemporaries is that 'these political ideas require[d] re-examination in the light of Arrow's results' (Sen, 2002: 343). Two of Buchanan's own articles published as early as 1954, in the *Journal of Political Economy*, reveal the major influence of Arrow's work in his conception of and attack upon the notion of the public good (Buchanan, 1954a, 1954b). For most economists at the time, as Sen (2002: 343) expresses it, 'the economic policies of governments are rarely justified in terms of aggregation of individual preferences'. Under conditions of optimal social choice, all individual rankings of states of affairs, or preferences, could not be

calculated in terms of a single value, like stability, or be Pareto optimal, unless conditions of dictatorship were presumed to operate. Hence, the important link with democracy. In theoretical terms, this makes effective government in any positive sense, for example, implementing or administering welfare, creating systematic opportunities, or even collective action for pure individual convenience (like minting money or taking action against pollution) difficult to justify. It indirectly supports, then, a procedural role for the state as an institution that simply keeps the peace, or engineers the market.

## Public Choice Theory

Impressed by Arrow's argument that a consistent social welfare function for a society could not be derived from individual preferences, Buchanan came to accept his view that any coherent social welfare approach must inevitably entail imposition of the will of some members or groups over others. Hence, he effectively denied the efficacy or utility of the concept of the 'public interest' altogether, claiming it could not be derived from the aggregate self-interests of individuals.<sup>5</sup>

In disputing that civil servants, bureaucrats and public employees served the public good, or interest, Buchanan sought to develop quasi-market procedures to render such institutions efficient based on the classical economic model of individuals as 'self-interested appropriators'. Essentially, this meant structuring incentives and targets to appeal to their selfishness as individuals while disputing the relevance of a model of the public good itself. In *The Limits of Liberty* (1975), Buchanan maintains that a coincidence of interests between the civil servant's private interests and their conception of the public interest ensues, such that 'within the constraints that he faces the bureaucrat tends to maximise his own utility' (Buchanan, 1975: 161). If preferences are inherently subjective, then they cannot be known and transferred into a collective value judgement, such as a public good, for such a notion neglects the rights of consumers whose interests the public service and politicians are meant to serve, but do not. Similarly, in *The Calculus of Consent* (1962), Buchanan and Tullock continue the theme, arguing that as public officials have neither the desire nor knowledge to further the public interest, it is foolish to establish policy on the basis that they will do so.

Because they act selfishly, they bend public purposes to their private interests and, on this basis, public officials cannot be trusted with public power. Buchanan and Tullock (1962: 317, note t) cites Wicksell, who stated that ‘... it is easy for capable but unprincipled politicians to exploit the party constellations of the day for the purpose of swelling public expenditure far beyond the amount corresponding to the collective interest of the people’.<sup>6</sup> Acting in the public interest is, therefore, always wasteful. In Chapter 10 of *The Calculus of Consent* (1962), Buchanan and Tullock claim that farmers acting collectively to build and repair roads results in double the expenditure than if they each acted individually to pay only for the roading that each wanted. Repeatedly throughout *The Calculus of Consent*, they claim that the public interest doesn't exist, public authorities do not promote it, and claims to do so disguise mechanisms for advancing private interests. In their book, the usual forms of public action are replaced by aggregated individual interests represented as private. At no stage do they contemplate the (in my view defensible) thesis that private interest and the public good could co-exist and be rendered compatible. In this, as Brian Barry argues in his influential book, *Political Argument* (1990), Buchanan and Tullock ‘aim to destroy a whole tradition of political theorizing’. Essentially, ‘the public has no place in their world’. This is the tradition that recognises the existence and ‘promotion of widely shared common interests – public interests – the most important reason for the existence of public authorities’ (Buchanan and Tullock, 1962: 256).

The attack on the notion of the public good went hand in hand with new theories of institutional and organisational behaviour, and new models of public service. The school of Public Choice Theory advocated the application of economic theories to public-sector institutions in the interest of making public organisations subject to the similar costs and benefits as operate in the private sector. In this, Public Choice Theory represents an application of economic models and theories to politics on the assumption that economic behaviour (*homo economicus*) describes the true state of human nature and, thus, is applicable to all aspects of life. In what can only be described as a supreme arrogance of economists during the post-war era, economic rather than political models were utilised to explain and account for political society and political conduct. As Buchanan and Tullock (1962: 250) explain:

One of the great advantages of an essentially economic approach to collective action lies in the implicit recognition that political exchange, at all levels, is basically equivalent to economic exchange.

With Hayek and Friedman, Buchanan characterises economics as a process of 'catallaxy'; that is, of the voluntary exchange of goods and services between competing individuals. Lying behind such an analysis is a strong normative commitment to free-market individualism which, for Buchanan, provides a common rationality linking the economic and political worlds and defining his orientation to democracy. Political action is represented as being governed by the same interests and motivation that govern the market. This reflects Buchanan's deeply individualist approach to public affairs. As far as political prospects were concerned, only those that resulted from the subjective choices of individuals were acceptable. Collective entities, such as a 'society' or 'the public interest', were held not to exist because they were reducible to individual experiences. Underpinning this was a strict 'methodological individualism' in which 'all theorizing, all analysis, is resolved finally into considerations faced by the individual person as decision-maker' (Buchanan, 1975: ix).

Related to the argument against collective politics, or the public good, Public Choice Theory suggests redesigning public institutions to make them reflect more accurately the preferences of individuals. This involves counteracting the possible forms of 'capture' which serve to deflect the interests of public officials from the real needs of the public. To do this, Public Choice Theory advocates a variety of quasi-market strategies, such as contracting out services to the private sector, increasing competition between units within the public sector, placing all potentially conflicting responsibilities into separate institutions, separating the commercial and non-commercial functions of the state, separating the advisory, regulatory and delivery functions into different agencies, as well as introducing an assortment of accountability and monitoring techniques and strategies aimed to overcome all possible sources of corruption and bias, particularly those arising from the pursuit of self-interest. It is on this basis that public sector reforms have sought to restructure the basis of accountability through notions tied to individually attached incentives and targets, and through periodic monitoring and

assessment through audits. Such a transformation, I will claim below, severely affects how democratic decision-making has traditionally operated with public sector institutions in western societies.

Because the attempt to exercise public power simply cloaks the self-interest of bureaucrats, Buchanan and Tullock argue for the 'unanimity model', by which no changes are allowed unless agreed by all. By rejecting 'majority rule', they present what is effectively a conservative endorsement of the status quo, in that it is not in anyone's interest to allow change unless there is unanimous support. They accept the present state of affairs and property relations as given, and impose a rule of unanimity to prevent significant change in the future. As Barry observes:

The authors' constructions clearly depend heavily on the existence of some *status quo* on which everyone agrees; otherwise we have no baseline against which to measure the 'changes' which are supposed to require unanimity. According to the authors such a *status quo* is provided by a position where there are no public expenditures and the only laws are concerned with the maintenance of certain 'human rights' and the legal framework of *laissez-faire*... (Barry, 1990: 243–244)

In theorising unanimity, Buchanan and Tullock assume that no one will use their power of veto, except in self-defence to avoid being worse off. Although they thereby assume that unanimity will prevail in situations when all groups stand to win and none is disadvantaged, as Barry argues, it may even then fail to arrive at 'mutually profitable arrangements' because vetos may well be applied for purely strategic motives of gaining power or preventing others from doing so. Barry suspects that Buchanan and Tullock fail to see this because they are 'blinded by a picture' (Barry, 1990: 245). Ultimately, their prognosis on unanimity holds as a decision-making principle in an ideal market order of pure competition, where markets clear and agents act rationally (rather than strategically) in voting for change where no disadvantage to any will occur or where no group would be worse off. But, as Barry suggests, given the likelihood of strategic rather than rational voting, unanimity is likely to be both inefficient and inequitable.



# The Discontinuities between Liberalism and Neoliberalism

In opposing the idea of a public good, the neoliberal's arguments were continuous with those proffered in the mainstream of political liberalism from the third quarter of the twentieth century, as developed in the works of Rawls and supported (in this respect at least) in the contributions of Nozick, Ackerman and Dworkin. These political liberals opposed the notion of a public interest or good on much the same grounds as the neoliberals, but they utilised different arguments to achieve their purpose.<sup>7</sup> Unlike the neoliberals, moreover, the political liberals did not posit the market as the normative touchstone guiding society.

Understanding the differences between *neo* and *classical* liberal discourse provides an important key to understanding the distinctive nature of the neoliberal revolution impacting throughout much of the western world in the last three decades. Michel Foucault's (2008) lectures at the Collège de France of 1978–1979 provide an important text for understanding the nature of these differences. Whereas classical liberalism represents a negative conception of state power, in that the individual was taken as an object to be freed from the interventions of the state, neoliberalism has come to represent a positive conception of the state's role in creating the appropriate market by providing the conditions, laws and institutions necessary for its operation. Whereas in classical liberalism the individual is characterised as having an autonomous human nature and can practise freedom, in neoliberalism the state seeks to create an individual that is an enterprising and competitive entrepreneur. Foucault (2008: 176–179) recounts how the ordoliberal programme in Germany embodied this positive state role. It is not that the conception of the self-interested subject is replaced or done away with by the new ideals of 'neoliberalism', but that if business growth is to develop it is necessary to create new forms of vigilance, surveillance, performance appraisal, accountability, and new forms of monitoring and control.

Buchanan shares with the ordoliberals this more directive orientation to state action and, in this sense, he can be represented as more neoliberal than Hayek, whose affinities still resided with the classical liberal worldview premised upon state power being limited to negative freedom and the rule of

law. Although the classical liberal tradition had stressed the role of markets as 'self-regulating', representing a strong commitment to the naturalistic doctrine of *laissez-faire*, or, for Hayek, 'spontaneous order', Buchanan so distrusted that the required efficiency gains would emerge through automatic mechanisms of the market that, in a way parallel to the ordoliberalism in Germany, he supported efficiency achievements through the deliberate tightening of state control. This signalled an important rupture with Hayek and, by extension, the rest of the classical liberal tradition. The thesis becomes explicitly manifest in *The Limits of Liberty*, where Buchanan (1975: 194n) suggests:

My basic criticism of F.A. Hayek's profound interpretation of modern history and his diagnosis for improvement is directed at his apparent belief or faith that social evolution will, in fact, ensure the survival of efficient institutional forms. Hayek is so distrustful of man's explicit attempts of reforming institutions that he accepts uncritically the evolutionary alternative.

In this, Buchanan introduced a major shift from liberal to neoliberal governmentality from a naturalist faith in markets to an anti-naturalistic thesis that expresses a much greater faith in *conscious political action* to legitimate the 'long over-due task of institutional over-haul' (see Reisman, 1990: 74). It was on this ground that he opposed Hayek's naturalist faith in markets as spontaneous self-ordering systems. In Buchanan's view, the state should tighten the screws on individuals and encourage supply-side monitoring in the interests of promoting efficiency in market terms.

Foucault represents the same thesis but through his analysis of the ordoliberals. For Foucault, this difference, while important, signifies only one dimension of a series of differences between liberalism and neoliberalism. For it is through the active, positive arm of state power that 'the new way of the world' (Dardot and Laval, 2013) is constructed. Neoliberalism, says Foucault (2008: 118), signals 'a shift from exchange to competition in the principle of the market'. He continues, 'Only competition ... can ensure economic rationality ... through the formation of prices ... which can measure economic magnitudes and thus regulate choices' (Foucault, 2008:

119). Competition assumes the role of a fundamental principle that subtends democracy, which is to say that the basic ordering of society as an enterprise culture structured by competition is not intended as itself to be subject to the democratic will, but rather is prior to it. It becomes, as it were, the organising framework guaranteed by the state rather than as a function of the market as ruled by *laissez-faire*. Drawing on Röpke, Foucault maintains that unemployment is no longer a problem – as seen by the ordoliberals at least – but rather constitutes a ‘transition’ from an ‘unprofitable activity to a more profitable activity’ (Foucault, 2008: 139).<sup>8</sup> Similarly, these matters are no longer to be determined through democratic mandate, but constitute the context in terms of which more limited choices will constitute the agenda of public will formation and arbitration. Foucault draws on Walter Eucken,<sup>9</sup> who tells us that government must be ‘perpetually vigilant and active’ and intervene to establish this context in two ways: first, through regulatory actions (*actions régulatrices*) and, second, through organising actions (*actions ordonnatrices*) (Foucault, 2008: 138). The point here is that regulation should establish the conditions for, rather than interfere with, the mechanism of the market. These conditions are necessarily prior to the democratic decisions of citizens in the same way that the form of the economy as based upon private property rights is taken as a given and not, therefore, democratically decidable. Although, during the first half of the twentieth century, western welfare states were constituted through processes of democratic determination, the accomplishment of neoliberalism, for the ordoliberals at least, was to establish the principle of competition as prior to and outside democratic decision-making; as determining the ‘framework’ through which the market would rule. The aim of regulation is price stability, ‘understood not as fixed prices but as control of inflation’ (Foucault, 2008: 138–139). Through its ‘organising actions’, the state will establish what the ordoliberals termed ‘the framework’ of the market (Foucault, 2008: 140), which would effectively do away for a need for protectionism, credit control, foreign trade control, public investment, or interfering with the mechanism of the market. The framework must attend to both the population, order of justice and opportunity, as well as techniques, such as the availability of implements concerning such things as population, technology, training and education, the legal system, the availability of land and the climate, all seen by Eucken as the ‘conditions’ for the market. These conditions not only guarantee the order of competition, but also guarantee the neoliberal

conception of fair play and justice. That is, they guarantee equality of access and 'opportunity', but not of 'outcomes'. Access and opportunity guarantee that all can play in the game of the marketplace. Outcomes are taken care of by the order of competition which now, along with property rights, becomes a part of the 'framework' and non-negotiable. They constitute the conditions by which democratic citizenship participation is exercised, but are not themselves subject to democratic determination. Social policy for the ordoliberalists cannot be used as a 'counterweight' or 'compensation' to the dictates of the economy. This is to say that it cannot have equality as an objective, but must let inequality have free reign, for competition itself depends upon inequality of outcomes. Inequality, as Foucault incorrectly attributes to Röpke, 'is the same for all' (Foucault, 2008: 143).<sup>10</sup> Beyond providing a 'social minimum', society cannot guarantee individuals against risks (Foucault, 2008: 144). The 'framework' is necessary, say the ordoliberalists, if economic growth is to result. It is in this sense that competitive mechanisms which constitute the 'conditions' of the framework must join fundamental property rights as being themselves beyond democratic determination, as well as enabling 'a general regulation of society by the market' (Foucault, 2008: 145). Foucault refers to this active, top-down, positive role of the state as constituting a 'sociological liberalism' (Foucault, 2008: 146, footnote 51), or a 'policy of society' (Foucault, 2008: 146), which permits a new 'art of government' differing radically from Keynesian-type systems. What is crucial here is that the object of government action for neoliberalism becomes a new form of biopower concerned with 'the social environment' (Foucault, 2008: 146). The society is regulated by reference to the market, but 'the regulatory principle should not be so much the exchange of commodities as the mechanisms of competition' (Foucault, 2008: 147). Rather:

It is the mechanisms [of competition] that should have the greatest possible surface and depth and should also occupy the greatest possible volume in society. This means that what is sought is not a society subject to the commodity effect, but a society subject to the dynamic of competition. (Foucault, 2008: 147)

Competition becomes the new '*eidos*' (Foucault, 2008: 147), the new

dynamic. As Foucault continues:

Not a supermarket society, but an enterprise society. The *homo economicus* sought after is not the man of exchange, or man the consumer; he is the man of enterprise and production. (Foucault, 2008: 147)

Röpke fundamentally sets out the neoliberal social policy in his text 'The Orientation of German Economic Policy', where he says that social policy must aim at: 'the multiplication of the enterprise form within the social body. ... It is a matter of making the market, competition, and so the enterprise, into what could be called the formative power of society' (cited by Foucault, 2008: 148).

Extending research on Röpke beyond that carried out by Foucault by drawing from his book *A Humane Economy: The Social Framework of the Free Market* (1971 [1958]), the precise character of Röpke's liberalism becomes even more readily apparent. Foucault had considered Röpke's earlier book, *The Social Crisis of Our Time* (1950). Yet, Röpke's later book aims to establish the appropriate foundations and conditions of the market economy beyond the previously accepted context of supply and demand. For such a market order cannot function, he says, 'in a social system which is the exact opposite in all respects'. What is essential to understand is that the market economy 'rests not on one pillar but two. It presupposes not only the principle of free prices and competition but also the institution of private ownership in the true sense of legally safeguarded freedom...' (Röpke, 1971: 94). The cultural context of the social structure must support this, however. As he puts it:

We start from competition... Competition may have two meanings: it may be an institution for stimulating effort, or it may be a device for regulating and ordering the economic process. In the market economy competition ... constitutes therefore an unrivalled solution of the two cardinal problems of any economic system: the problem of the continual inducement to maximum performance and the problem of continuous

harmonious ordering and guidance of the economic process. The role of competition in the market economy is to be mainspring and regulator at one and the same time, and it is this dual function which is the secret of the competitive market economy and its inimitable performance. (Röpke, 1971: 95)

A collectivist economic system, including the welfare state, 'is necessarily debarred from [using] competition, because no collectivist system can create the necessary precondition without losing its own identity'. This precondition, Röpke explains, is the 'economic independence of firms', for 'there can be no independence of firms without private ownership and related freedom of action' (Röpke, 1971: 96). While previously ownership has been defined narrowly as constituting the essential foundation which is non-negotiable and prior to democracy, for Röpke, '[o]wnership illustrates the fact that the market economy is a form of economic order belonging to a particular philosophy of life and to a particular social and moral universe'. The foundation for this is not *laissez-faire*; Röpke is not describing a naturalistic but a constructivist or anti-naturalistic thesis. *Laissez-faire* was the naïve fiction of early liberalism. 'In all honesty, we have to admit that the market economy has a bourgeois foundation' (Röpke, 1971: 98).

The market economy, and with it social and political freedom, can thrive only as a part and under the protection of a bourgeois system. This implies the existence of a society in which certain fundamentals are respected and color the whole network of social relationships... (Röpke, 1971: 98)

Röpke criticises Croce, who maintained that there was no necessary relationship between 'political and spiritual freedom on the one hand and economic freedom on the other'. For him, 'the economy was in the front line of the defense of liberty' (Röpke, 1971: 105). Röpke's authoritarian version of liberalism is evident when he acknowledges that:

In a sound society, leadership, responsibility, and exemplary defense of

society's guiding norms and values must be the exalted duty and unchallengeable right of a minority that forms and is willingly and respectfully recognized as the apex of the social pyramid hierarchically structured by performance. ... What we need is true *nobilitas naturalis*. ... We need a natural nobility whose authority is, fortunately, readily accepted by all men, an elite deriving its title solely from supreme performance and peerless moral example and invested with the moral dignity of such a life. ... No free society ... which threatens to degenerate into mass society, can subsist without such a class of censors. ... In turn, it will be of crucial importance for the ultimate fate of the market economy whether this aristocracy includes, above all, people who, by position and conviction, have close ties with the market economy and who feel responsible for it... (Röpke, 1971: 131)

Röpke adds that 'the task of leadership falls to the natural aristocracy by virtue of an unwritten but therefore no less valid right which is indistinguishable from duty' (Röpke, 1971: 133). Only such persons can save us from the 'slowly spreading cancers of our western economy and society', which include the 'irresistible advance of the welfare state and the erosion and value of money, which is called creeping inflation' (Röpke, 1971: 151).

## **Democracy Against Neoliberalism**

The possible contradiction as to how a social market economy such as this can be safeguarded from the democratic will of the mass of citizens is left largely unresolved. While Röpke clearly intends that these social conditions of the economy must join private property ownership as essential conditions prior to and outside democratic control, he acknowledges that:

A solution must be found to the problem of how the executive can gain in strength and independence so that it can become the safeguard of continuity and common interest without curtailing the essentials of democracy, namely, the dependence of government on the consent of the governed, which alone makes government legitimate, and without giving rise to bureaucratic arbitrariness and omnipotence. ... To this

end, it is invaluable to have independent institutions beyond the arena of conflicts of interests – institutions possessing the authority of guardians of universal and lasting values which cannot be bought. I have in mind the judiciary, the central bank, the churches, universities, and foundations, a few newspapers and periodicals of unimpeachable integrity, an educational system [to cultivate] the universal and the classical..., and finally, that natural nobility of which we have already spoken. (Röpke, 1971: 149)

Each of these institutions is intended to operate as nodes in a hierarchical but only loosely coordinated system, enforcing neoliberal norms through independently committed institutions. This would amount to something similar to the manner of organisation of classical liberal autonomy, in Montesquieu's sense, as '*corps intermédiaires*, whose function is to loosen the giant unity of the state by geographical or professional separatism...' (Röpke, 1971: 143). Röpke's conception of pluralism is more severely truncated, however, for the balance of conflicting interests is circumscribed by a mutual adherence to market principles. In this he recognises two variants of pluralism: 'one justified and one unjustified, one sound and one unhealthy'. Sound pluralism comprises 'particular groups defending themselves and their rights against the power of the state', while 'unhealthy pluralism' consists of groups trying to use the power of the state for '[their] own purposes and make it subservient to these purposes' (Röpke, 1971: 144). The rise of unhealthy pluralism over the preceding thirty or forty years has, suggests Röpke, 'gained ground in exactly the same measure in which liberal economic policy has been displaced by centralist socialist policies' (Röpke, 1971: 145).

The view, expressed here, of power and control as not residing or being expressed in a unitary sense from the state apparatus, but as comprising a broad and diverse repertoire of technologies of conduct that operate quasi-independently throughout society, is present also in Foucault's (2008) characterisation of power for the ordoliberalists as dispersed, decentralised and no longer in any simple sense governed solely by the state. Under neoliberalism, power will be decentralised or dispersed, the state will become smaller, funding will shift to indirect, supply-side forms of taxation (e.g.,



student fees), and welfare and benefits will be replaced by a high(er) wage, workfare economy. Subjects will be constituted and normalised by society as active, growth-orientated, and responsible for planning and living out their own lives. It will be an enterprise society committed to the creation of entrepreneurial subjects managed through strategies and processes of *responsibilisation* (Foucault, 2008; Rose, 1996, 1999) in the interests of capital. Massively ‘hollowed out’ conceptions of democracy and welfare will decide which team can manage the capitalist economy best.

The contradictions between neoliberal cultural engineering and democracy, which in theory can always reject such norms, is sharpened by the rejection of the doctrine of economic naturalism by Röpke and the ordoliberals. The inability of *laissez-faire* to operate to ensure market growth and vitality is premised upon the scepticism expressed by Röpke and the other ordoliberals as to the viability of the naturalistic thesis as regards the economy. In this Röpke and the ordoliberals dissented from Smithian-styled naturalism that there was any integral propensity to ‘truck and barter’, or that markets were particularly fundamental to the human condition and naturally *self-regulating*. Rather, the appropriate context and order of the market needed to be constructed. In this, the ordoliberals accepted much of the analysis of market critics of the sort that was maintained in the twentieth century by Karl Polanyi (1944) in *The Great Transformation*, which maintained that markets played little role in many pre-modern societies in the way that Smith described. Indeed, during the middle ages, markets were regarded with suspicion and kept under firm control so as to minimise their dysfunctional consequences for communities. Similarly, in the early modern period right up and into the twentieth century, markets were monitored informally by the economically unsupported remnants of a decaying feudal order.<sup>11</sup> Broader anthropological research related to other non-western societies supports a similar conclusion. In order that markets can function properly in an industrial-capitalist economy, said Polanyi, various objects that were not initially commodities (land, money, labour, implements) had to be constructed and conceptualised *as commodities*, that is, as objects tradable on a market. Polanyi introduces the concept of ‘commodity fiction’, defined as a ‘vital organizing principle in regard to the whole of society’, which was circulated as a consequence of industrialisation (cited in Davis, 2009: 235).

Ultimately, while accepting that markets must be constructed, Röpke fails to resolve the contradiction between the neoliberal organisation of society and institution of democracy. If markets were to be abolished or constrained, there would be no contradiction with nature at all, given that the market is not, as I have just argued, a natural mechanism. This raises the possibility that the priority on competition as the *eidos* of society is perhaps more precarious and fragile than it appears at first, and is potentially subject to being adapted, altered, or rolled back through democratic contestation. While a succession of recent crises has so far failed to derail the neoliberal project, the prospect of either regional successes or specific programmatic retreat or modification to established neoliberal tenets is never far off the horizon. The vitality of the doctrine remains tenuous, notwithstanding that it currently still survives in the second decade of the twenty-first century as dominant and effective. The credit-crunch of late 2008, when the US mortgage industry imploded, saw a temporary resurgence of Keynesian-styled questioning, with some commentators (Stiglitz, 2008) announcing the impending death-knell of neoliberalism altogether.<sup>12</sup> Elsewhere, criticisms of neoliberal economics from groups such as Occupy and similar movements, globally, have given impetus to new demands for increased government supervision, monitoring and oversight (Skidelsky, 2010; Springer, 2015; Stiglitz, 2008).

Some of these criticisms, as Springer (2015) argues, treat neoliberalism as a monolithic entity. What may be more likely is piecemeal incremental adaptations to neoliberalism, such that supply-side policies are themselves brought within the ultimate purview of state monitoring or oversight to enable a vetting or modification to specific policies in the interests of the global or national common good premised on equality. Minor adaptations and departures from the general model are likely, however, to constitute the thin end of the wedge and, at some point, it will be decided that one settlement has given way to another. Crises around climate change or environmental degradation, nuclear accident or terrorism, national or global security, violence, terrorism or ethno-nationalism, biodiversity or food production, corporate corruption, inequalities in the distribution of resources, all caused or exacerbated, directly or indirectly, by population explosion, together potentially add grist to the mill of impending potential problems for the continuation of the existing relatively unfettered and unconstrained neoliberal mode of governmentality.

In higher education, for instance, neoliberal governmentality has subverted what I have called elsewhere (Olssen, 2016; Raaper and Olssen, 2015) a 'collegial-democratic' model, while replacing it with a new model based on external audits and appraisals premised on performance incentive targets and increased monitoring and managerialism. The top-down, authoritarian aspect of neoliberalism is evident in the new forms of governmentality implemented from the 1980s in universities. It gives a new significance to the notion of 'rule by managers' when one understands that neoliberal theorists advocated the interpellation of a new strata of managers to counter the classical liberal conception of professionalism, based as it was upon autonomy and self-management, and to counter it as a form of what Buchanan refers to as 'rent-seeking' behaviour. In Britain, four years after Margaret Thatcher was elected, for instance, the Griffith Report of 1983 premised reforms for the health sector, including the creation of new senior management roles in the National Health Service in order to replace the traditional management functions in health as carried out by professional medical staff.<sup>13</sup> This emergence of a strata of dedicated professional managers quickly became embedded in legislation and transferred laterally from health to higher education and across the entire public sector. Ideas of 'internal markets' were also introduced in relation to health in the 1980s, and received expression in health in the 1989 White Paper, 'Working for Patients'.<sup>14</sup> New models of 'student-led' funding and new corporate managerial models of governance and line-management were also implemented at this time, feeding off theoretical ideas developed in supply-side economics, Public Choice Theory, agency theory, and transaction-cost economics. Ideas of line-management, based upon 'principal-agent' hierarchies of command and compliance, replaced 'collegial-democratic' patterns of governance based on classical liberal models of professionalism premised on autonomy and self-governance.<sup>15</sup> Suggestions that universities should increase the appointments of lay and business personnel on councils and boards of governors, as advocated in America by McCormick and Meiners (1988), were intended to reduce academic internal influence and increase the responsiveness of the universities to the outside business community. Further governance ideas and techniques saw the downgrading of the influence of senates and the rise of closed 'executive boards' to augment the implementation of line-management systems.<sup>16</sup> In Britain, the major responsibility for all of these developments emanates directly from the state through the funding councils. The major

levers are all imposed by the state, which itself responds to global interests. The revolution in the way universities were run was world-wide. Collegial models of self-governance, premised on autonomous institutional spheres, are replaced by 'top-down' managerial models, directed from the centre – the state and global capital. This also undermines the semi-autonomous power of universities within civil society, which is itself historically important in terms of understanding liberalism as a natural system of autonomy of spheres and free expression. In this new age of neoliberalism, universities as a 'fifth estate', a critical bulwark for the safeguarding of democracy, are now rendered impotent against the powers of business, superbly administered by the state. Röpke's analysis seems particularly apt. The abolition of systems of tenure of employment and enforcement of new norms with regards to research, research funding and teaching, means that most academics are too intent on 'watching their backs' to speak of dissidence or serious critique. The assessment of 'impact' escalates this process, and seeks now to control and monitor the 'content' of what universities produce, to render knowledge production as 'useful' for the society. In this sense, it constitutes a very worrying 'sign', especially given the epistemic difficulties with the way it is assessed. The resulting implications for democracy are evident in relation to the end of self-governance through collegial models of academic participation, as well as externally through the erosion of the independent critical authority of universities in relation to business and the state. It is easy to be despondent as regards the deprofessionalisation effected by managerial governmentality in relation to universities or other parts of the public sector, for the disempowerment that results is the product of more general processes of disaggregation unleashed by the fetish of competition that cuts across the whole of the public sphere and democratically incapacitates civil society. It is in this sense that the features of the crisis of neoliberalism for democracy reside in the impotence of societal democratic institutions and citizens to resist changes unleashed by the powers of international capital and supported by the organs of the state, or to prevent the privatisation of the public sphere.

The achievement of good governance is what is central to the theme of democracy in relation to neoliberalism as a central aspect in social and economic development. While neoliberalism need not be incompatible with good governance in all arenas, in traditional public-sector realms it has resulted in lessening democratic controls over the standards and norms of

professionalism, and undermining autonomy as the public sphere has become further dominated by private, commercial concerns. The process of deprofessionalisation has witnessed the instantiation of a new and different employment relationship, resulting in the immense casualisation of labour, insecurity of tenure, and withdrawal of historical rights and benefits of employment that characterised public sector institutions in the era of the welfare state. This more fragile economic (in)security 'hollows out' the modern citizen-subject, says Wendy Brown (2015), in a way that undercuts essential supports for the practice of democracy as both control and participation.

At the level of the macro-economy beyond national politics, civil society and public-sector institutions, democratic will formation and exercise is restricted for nation-states as global neoliberal norms of 'good' economic practice may come into collision with democratically expressed preferences of a particular nation's citizens. The election of Syriza in Greece on an anti-austerity platform, widely accepted by the majority of the Greek people, is a case in point. As the former Greek Finance Minister, Yanis Varoufakis, has pointed out repeatedly, a democratic mandate to oppose austerity has been considered by the EU as nothing but a nuisance and unacceptable when negotiating the terms over a bailout in response to the Greek sovereign debt crisis (e.g., Varoufakis, 2016).

The extent to which there is any prospect for change in the dominance of the neoliberal paradigm depends on developments at the political level, both within and beyond nation-states. Rather than seeing neoliberalism as a 'crisis without end', to use a phrase posed as a question by Andrew Gamble (2014), we must see it as a precarious and potentially unstable constellation of forces. While to date it can be said that the continued dominance of neoliberal hegemony, both in national and global life, signifies the marked absence of viable social-democratic alternatives to the neoliberal framework, Gamble (2014) points out that the prospects for the future are far from certain. Left, anti-austerity political movements, as in South America (Argentina and Brazil, especially), Spain (Podemos), Greece (Syriza), Scotland (SNP) and the new direction of the British Labour Party under Jeremy Corbyn, could at any time halt the advance of the neoliberal project. Indications of a left-turn against neoliberalism has manifested itself from the late 1990s throughout

Latin America in response to pressing social, political and environmental forces, as evidenced by Juan Pablo Ferrero in his book, *Democracy against Neoliberalism* (2014). In Britain, as in other countries in Europe, an array of minor political parties (Greens, Plaid Cymru), and growing anti-austerity activism by the House of Lords in 2015/16 – manifest in their opposition to tax credits as a penalty against work which disproportionately affects the poorest sections of society – make the precariousness of the present settlement manifestly evident. ‘The neoliberal project has failed and people are looking for alternatives’, says Natalie Bennett, leader of the Green Party, in an article titled: ‘Politics is Changing, Corbyn could be next PM’ (*The Guardian*, 25 September 2015). The contradiction between neoliberalism's need to socially engineer a culture of competition and the conception of democracy as the consent of the governed, left largely unresolved by Röpke and the other ordoliberals, may eventually constitute the ultimate undoing of the neoliberal vision of a social market economy that was postulated.

Gamble claims that ‘the deeper structural crisis of the neoliberal order remains effectively unresolved’. This structural crisis is expressed through three conundrums: a ‘governance conundrum’, a ‘growth conundrum’, and a ‘fiscal conundrum’, all of which could derail the project or force major modifications and political constraints on its excesses. Concerning the ‘governance conundrum’, neoliberalism promotes competition and impedes order and cooperation, which are desperately needed in ‘an increasingly interconnected and multipolar world’. The ‘fiscal conundrum’ concerns ‘how legitimation can be achieved in the face of debt, austerity and falling living standards’, and the ‘growth conundrum’ concerns ‘how sustainability can be achieved in the face of new stagflation and environmental risks’ (Gamble, 2014: 99). Crises as seemingly far removed as climate change, over-population, nuclear proliferation, corporate corruption, or terrorism, added to economic stagflation and growing inequalities, are already forcing increased governmental regulation which is offsetting and constraining the order of neoliberal competition in several respects. In Britain, the stark realities of ‘national security’, or the ‘public good’, especially as intensified under the pressures of terrorism, is forcing an increase in state regulation on many matters, such as education, health, transport, or security, in order to keep the neoliberal order of competition within reasonable limits bounded by what is perceived as the ‘good for the nation’. As austerity policies bite harder,

shifting electoral loyalties together with deepening or unexpected crises make it rash to predict a continuation of the project.

Notwithstanding its continuation against all odds to date, it must still be concluded that neoliberalism is not, in the final analysis, a 'crisis without end', for the events outlined above signal possible adaptations to the neoliberal project in the direction of equality and fairness for all over the coming decades. Because markets, if unregulated, mean serious disequilibria, it is imperative that the state play a major role in establishing and maintaining the framework of control – globally, through inter-state coordination; nationally, through policy formation and processes of good governance; and at the level of institutions like higher education, through protecting student and citizen interests from the burdens of debt and by restoring professional rights and statuses to accompany and check the new forms of accountability, transparency and control. While some of the supply-side technologies may be productively used for both efficiency and differentiation, what is imperative is that their utilisation is not as defined by the market, resulting in escalating inequalities, but solely in relation to protecting citizen interests for the social good of society and humanity as a whole. In the end, it will be the impending material contradictions which will spell the end or substantial modification of the neoliberal project. Even if it could continue to deliver sustained economic growth, the fact that, in doing so, it results in cumulative and compounding inequalities makes it politically fragile. It cannot guarantee the fundamentals of well-being for many citizens and countries. And in its efforts to do so, it contributes to the reconstitution of subjects as competitive, nervous, stressed-out zombies. Neoliberal rules are unlikely to protect the quality of life or the environment for most. Only a few can win on the basis of the paradigm. Democracy hasn't triumphed yet, but may well do so in the near future.

## **Acknowledgements**

The first part of this chapter draws from and reproduces material from Olssen (2016) and Olssen (2017). The respective publishers are thanked for the duplication of material in this context.

As this chapter represents a summative account of my position on neoliberalism, the ideas expressed, although substantially reformulated for

the context of this chapter, and substantially extended in relation to Foucault and ordoliberalism, also generally build upon material, and occasionally directly reproduce sections, that I have previously written and developed, notably Olssen, Codd and O'Neill (2004) and Olssen and Peters (2005). Again, respective publishers are thanked for the duplication of material in this chapter.

## Notes

1. The second edition was published in 1963. The quotation is on p. 59 of that edition.

2. For a general account of game theory and Nash's contribution, see Hargraves Heap and Varoufakis (2004).

3. A set of strategies is deemed to be a Nash Equilibrium so long as it constitutes the best set of responses in relation to all other strategies. 'Best' in this sense is defined as those strategies that succeed in competitive market terms. Nash won a Nobel Prize for his contributions in economic theory. He developed various cruel games, the most famous which he called, 'Fuck You Buddy', where the only way to win was to betray your opponent, and which reinforced the priority of competition and irrelevance of cooperation as either personal or group strategies. He later acknowledged that his paranoid schizophrenia was a major cause of his excessively individualistic and competitive approach to social relations (see Adam Curtis's 2007 film, *The Trap: What Happened to Our Dream of Freedom*, available at: [www.youtube.com/watch?v=BomLz15ibS4](http://www.youtube.com/watch?v=BomLz15ibS4)).

4. I am not intending here to document all of the failures of free market theory, simply to state that Keynes documented the various ways in which dysfunctional market patterns and imperfect equilibriums could survive for long periods of time. Markets also do not guarantee inclusion and constantly reject players; indeed, they are self-diminishing in terms of the number of players in any game, and generate well-known problems in relation to monopoly and concentration (the big fish eat the little fish), which makes any association between markets as mechanisms of democracy or justice highly questionable. I believe, as did Keynes, that while markets have an important



role to play, it is only as subordinate to, not instead of, political direction.

5. Buchanan develops these themes in all his writings, but see 1954a and 1954b for his early enthusiasm for Arrow's insights. Also see Buchanan, 1978.

6. The source for Wicksell's statement given by Buchanan is R.A. Musgrave and A.T. Peacock, *Classics in the Theory of Public Finance* (London: Macmillan, 1958).

7. These liberals utilised arguments on perfectionism and state neutrality as well.

8. Wilhelm Röpke (1899–1966) was professor of economics at the University of Marbourg, until his dismissal for political reasons.

9. Walter Eucken (1891–1950) was a philosophical disciple of Husserl and seen as the head of the German neoliberal school whose programme was promoted through the journal *Ordo*. He was a co-author (with H. Grossmann-Doerth of 'Our Task' in 'The Ordo Manifesto of 1936' [*Die Ordnung der Wirtschaft*], republished in English in A. Peacock and H. Willgerodt (eds), *Germany's Social Market Economy: Origins and Evolution* (London: Macmillan, 1989).

10. The editors to Foucault's manuscript comment that the phrase is nowhere to be found in Röpke's writings (see Foucault, 2008: 154, footnote 39).

11. Even today, much of Britain comprises the remnants of a feudal order of not insignificant proportions.

12. A number of commentators, including Will Hutton and Gordon Brown in the UK, invoked Keynesian ideas in the immediate aftermath of the 2008 credit crunch. Joseph Stiglitz went on a world lecturing tour announcing the death-knell to neoliberalism. Many announced a revival of the idea of state interventionism in the economy. The 'optimism' was to be premature.

13. For an assessment of the Griffith Report and its impact, see 'The Griffith NHS Management Inquiry: Its Origins, Nature and Impact' (2010), in M.

Gorsky (ed.), Center for History in Public Health, London School of Hygiene and Tropical Medicine. Available at:  
<http://history.lshtm.ac.uk/Griffiths%20Inquiry%20Witness%20Seminar%20fi>

14. Department of Health (1989) 'Working for Patients', White Paper, January. London: HMSO.

15. Paradoxically, this has created a new privatisation of decision-making whereby line officials simply decide and announce decisions on matters such as new staffing, teaching allocations, or learning and teaching policies, traditionally effected through consultative and participative deliberation by the whole staff (at Department or School meetings) or by Senates (at the University or Faculty level). It also leads to anti-proceduralism, where matters of quality control are now simply announced and standards, boards of trustees' decisions, are compromised on the altar of pragmatism and cost or to conform with external audit criteria.

16. Decisions which had been consultative and participative across the 'flat' organisation of the university were now confined within closed managerial committees.

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## **Part V Social and Economic Restructuring**

# **31 The Neoliberal Remaking of the Working Class**

**Kim Moody**

## **Introduction**

Throughout its history capitalism has continuously reshaped the working class in terms of occupations, industries, geography, and demographics as accumulation penetrated new areas of production and commodification enveloped more aspects of human activity. The shift of labour from farm to factory was, and in much of the world still is, an ongoing process of dislocation and dispossession, while employment in service-producing industries surpassed those in goods production in most industrial nations by the mid-twentieth century. The last three decades or so have seen another transition in the shape of the working class internationally not only occupationally and industrially, but in the racial, gender, and national composition of this class throughout much of the world. Indeed, in a short period of time the very nature of work itself has been transformed in time, intensity, and location for millions across the globe. The cluster of ideologies, policies, and practices known as neoliberalism has enabled these changes through deregulation, privatization, tax relief for capital, and ‘free’ trade agreements.

The focus of this chapter is on the changing shape of the labour force, and hence the working class, across much of the world with a focus on the developed economies. This rapid change has four basic dimensions: the growth of wage-labour on a world scale; the decline of manufacturing employment and the continued rise in service sector jobs in the developed economies; the rise of global migration that has altered the ethnic, racial, and gender composition of the workforce in most industrial nations; and the transformation of work along with the reorganization of the production and circulation of commodities and the increased domination of capital.



## A Growing Global Working Class

One of the most striking trends of the era of globalization and its enabler, neoliberalism, has been the growth of non-agricultural wage-earning employment from 1.5 billion in 1999 to 2.1 billion in 2013 worldwide (ILO, 2011: 68, 2014: 97). By 2008, the International Labour Office (ILO) could report that ‘Approximately half of the global labour force works for a wage’ (ILO, 2008/09: v.). To this, however, must be added at least some portion of the billion or so workers in the world's growing informal economy, where people move in and out of wage labour, self-exploitation, and unpaid work (Davis, 2006: 178). While not all of the officially counted wage-earners are working class, the vast majority clearly are in the sense that they possess no means of production of their own, have little choice but to (attempt to) sell their labour-power in a labour market, work under the direction of an employer, and are exploited while at work in that they produce more value than that which covers their wage (Marx, 1990: 301, 450, 874). Even industrial employment, so often thought to have succumbed to advancing technology, grew from 533.2 million to 724.4 from 1999 to 2013, an increase of almost 40% worldwide. Service employment grew by 39% on a world scale, almost the same rate as industrial wage-work. Perhaps surprisingly, while service jobs in developed countries increased by only 16%, those in East Asia grew by a significant 53% (ILO, 2011: 68, 2014: 97). What this tells us is that service sector growth is to a large extent a function of contemporary industrialization, not its negation.

As might be expected, however, the number of industrial jobs in the developed economies fell somewhat from 122.0 million in 1999 to 106.8 million in 2013, a drop of 12.5%, while those in the developing world rose, with East Asia seeing the largest increase from 176.1 million industrial jobs to 250.1 million in that period, a gain of 42% (ILO, 2011: 68, 2014: 97). The decline in industrial jobs in the developed economies was a long-standing one, but the descent accelerated as the era of neoliberalism arrived in the 1980s. The global recession brought on by the US Federal Reserve Chairman Volker's rapid increase in interest rates in late 1979 brought an accelerated crash of manufacturing employment across much of the industrialized world as it announced the neoliberal era. In the US alone from 1979 through 1983, two-and-a-half million manufacturing jobs were lost (Moody, 2012: 6). In

Germany, France, and the UK a total of over 2.6 million industrial jobs, a somewhat broader measure, disappeared between 1980 and 1984 (OECD.StatExtracts, 2015). As a proportion of the workforce, that in manufacturing fell from 27.2% to 10.1% from 1975 to 2007 in the UK, while in Germany it fell from 31.2 to 19.1, in France from 24.5 to 12.6, and in the US from 19.1 to 9.9 in those years (OECD.stat, 2015). The other side of this coin, of course, is the continued rise of service sector employment, which grew from 1.0 billion in 1999 to 1.4 billion in 2013 worldwide and from 296.1 million to 351.0 million in the developed nations, where service jobs compose 74% of those employed (ILO, 2014: 96–97). What, then, is behind this shift in employment?

## Explaining the Shift

Capitalism is, of course, an expansionary global system whose tentacles now reach virtually every corner of the planet. As David McNally puts it, ‘It invests in order to expand itself via the capture of shares of global profits (or surplus value)’ and it does so without concern for the social consequences it imposes on the nations of its origins or destinations (McNally, 2011: 37–38). [Table 31.1](#) shows the growth of real value added in manufacturing by region, and specifically for China, for the two decades from 1992 to 2012. But some care is needed in interpreting this shift. Industrial output in the West and Japan has fallen significantly as a proportion, but still remains the largest concentration at 65% in 2012, accounting for 70% of world manufacturing exports (UNIDO, 2013: 182). While its growth rate has slowed down and fallen far behind that of the East, manufacturing output in the developed nations has, nevertheless, grown by 43% over this period. In other words, a shift to the East does not mean a decrease in manufacturing output in the West.

**Table 31.1 Real value added in manufacturing, percentage of total and growth: industrialized and industrializing countries 1992–2012 (2005 US\$ billions)**

<i>Countries</i>	<i>1992</i>	<i>2002</i>	<i>2012</i>	<i>% Growth</i>
World	4,960 (100%)	6,590 (100%)	8,900 (100%)	79%
Industrialized	4,050 (82%)	5,070 (77%)	5,800 (65%)	43%
Industrializing	904 (18%)	1,520 (23%)	3,110 (35%)	244%
East Asia & Pacific	267 (5%)	684 (10%)	1,810 (20%)	578%
China	180 (4%)	535 (8%)	1,557 (18%)	765%

*Source:* United Nations Industrial Development Organization, *Industrial Development Report 2013* (Vienna: United Nations Industrial Development Organization, 2013), p. 171.

*Source:* United Nations Industrial Development Organization, *Industrial Development Report 2013* (Vienna: United Nations Industrial Development Organization, 2013), p. 171.

Yet, globalization is a frequently mentioned cause of manufacturing decline or even ‘deindustrialization’ in developed economies. The acceleration of world trade and Foreign Direct Investment (FDI) that measure globalization has, indeed, been enormous. Between 1982 and 2013 FDI inflows increased by almost two-and-a-half times, while exports of goods and services grew by almost ten times (UNCTAD, 2006: 9, 2014: xviii). Neoliberal ‘free’ trade agreements have, to be sure, hit some key industries, such as steel, textiles, and electronics, in developed nations very hard. Along with this has been the expansion of trade in intermediate products and the development of Global Value Chains (GVCs) via offshoring and imports (UNCTAD, 2013: 122–147; WTO, 2014: *passim*). The impact of offshore production, however, is highly uneven between industrialized countries. The global average of internal to external value added is 72%. As the UN wrote in 2013, however, ‘Large economies, such as the United States or Japan, tend to have significant internal value chains and to rely less on foreign imports. There are important exceptions, including China, Germany and the United Kingdom’ (UNCTAD, 2013: 130–131). Some countries have become more dependent on offshoring or imported parts and components. Germany is a clear example, where the share of Eastern European Union countries’ automobile component imports in car production has risen from 9% in 1995 to 37% in 2005 (Bieler and Erne, 2014: 162).

Nevertheless, over these years, manufacturing output in most developed nations continued to grow. In the US, manufacturing real output increased by 131% from 1982 to 2007, or about 5% a year – a little less than the annual rate of 6% for the previous 20 years, to be sure, but still significant (Council

of Economic Advisers, 2011: 250). Even in the UK, where the manufacturing workforce fell by almost half since the late 1970s, output measured by gross value added grew by almost half from 1982 to 2007, remaining well above its previous highpoint in 1970 (PricewaterhouseCoopers, LLP, 2009: 6; Rhodes, 2015: 6). In Europe, manufacturing output doubled from 1992 to 2012 (UNIDO, 2013: 171). Whatever the role of FDI and GVCs in the relative shift in industrial *output* represented in [Table 31.1](#), these cannot completely explain the extent of the movement in industrial *employment* given the continued growth in output in absolute terms in the developed economies.

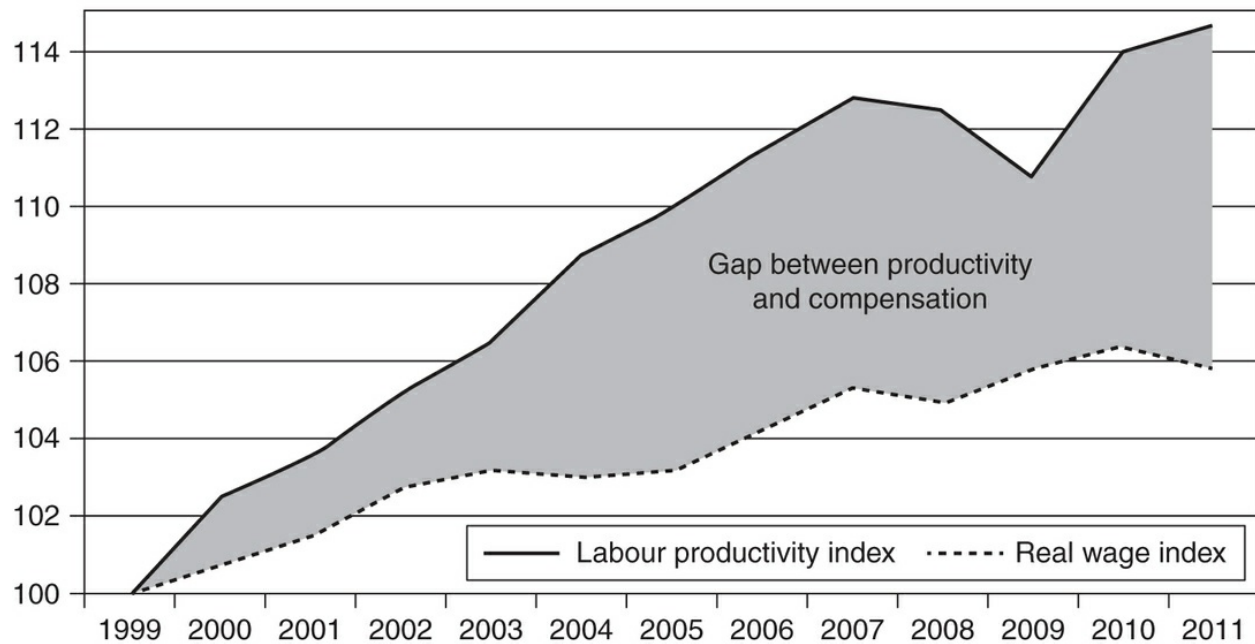
To a large extent the shift in manufacturing employment from developed to developing economies was a result of the enormous differences in productivity between the two. Measured as the amount of real value added per worker in all goods production, the average for Canada, the US, the UK, France and Germany was \$100,191.20 in 2010, while that for the BRIC countries (Brazil, Russia, India, China) was \$10,113.5 in 2010, a tenth of that in the industrialized economies despite rapid increases in productivity by the BRIC and other developing countries. For Indonesia and Malaysia, the average was \$21,183, still only a fifth (World Bank, 2012: 360–361). Thus, the shift in industrial employment from West to East (or North to South) was magnified beyond that in output by the enormous gap in productivity.

## **Productivity and Manufacturing Job Loss**

The ILO noted in 2012 that ‘Between 1999 and 2011 average labour productivity in developed economies increased more than twice as much as average wages’, as [Figure 31.1](#) reveals graphically for the developed economies as a group. The trend, in fact, began earlier. In the US, it reported, from 1980 to 2011 non-farm business productivity grew by 85% compared to 35% for total compensation, while in Germany since 1990 it had grown by a quarter with real wages remaining flat (ILO, 2012/13: vi). The restraint of wages can be attributed in part to neoliberal policies, including deregulation, anti-union legislation and court rulings that have made striking more risky in many cases, and tax policies that encourage relocation or job-displacing new technology, as well as to competitive pressures from newly industrializing economies and offshore production chains. The roots of productivity, however, lay mostly in the production process itself.

**Figure 31.1**

**Trends in growth in average wages and labour productivity in developed economies  
(index: 1999 = 100)**



Note: Since the indices refer to a weighted average, developments in the three largest developed economies (United States, Japan and Germany) have a particular impact on this outcome. Labour productivity is measured as output per worker.

Sources: ILO Global Wage Database, ILO Trends Econometric Model, March 2012.

Source: ILO 2012/13, vi

In the first phase of neoliberal development in the US during the 1980s, an annual productivity increase of 5% was achieved with relatively low levels of investment in equipment and software. In the following decades, investments in technology would play a bigger role (Bureau of Economic Analysis, 2010: Table 4.2; US Census Bureau, 1991: 411–412). But it was the new ‘lean’ approaches to production, with their origins in Japan in the 1950s, introduced in the North American automobile industry in the 1980s, and arriving a little later in Europe, that reduced the labour input in one industry after another. Within 20 years lean norms had moved well beyond manufacturing to envelop retail, transportation, health care, and even education. More recently, electronic and biometric forms of surveillance and work measurement have been added to this cocktail of labour intensification, while just-in-time global

production chains have added a measure of external discipline (Ball, 2010: 87–106; Pauli and Arthur, 2011: 49–58).

The increases in overall productivity have been significant across the developed countries as [Figure 31.1](#) shows. More importantly, from 1979 through 2001 productivity in manufacturing rose even faster, at an average of 3% a year for the European Union 15, while that in the US grew by 3.6% per year in that period, according to an EU study (O'Mahony and van Ark, 2003: 29). A Conference Board comparative study of cumulative rates puts average annual US output (real value added) per hour increases at 4% a year from 1979 through 2012, with the rate rising to 6% from 2000 to 2007 and then falling somewhat. For France, the Netherlands, and the UK it was 3% a year over this period. Germany saw a slightly slower rate of productivity growth at 2.8%, while all of these countries saw an acceleration from 2000 through 2007 prior to the 'Great Recession' (The Conference Board, 2013: 7). From these substantial rates of increase it seems safe to conclude that productivity, even more than offshoring or 'free' trade, was the major culprit in manufacturing job loss within the developed economies.

## **The Changing Demographics of the Global Working Class**

Alongside these changes have come enormous movements of people across the world, spurred by the dispossession and dislocations of industrialization, urbanization, agro-business, land seizures, and war (Ferguson and McNally, 2014: 9–11; Harvey, 2010: 48, 244, *passim*; McNally, 2011: 130–140). 'Globally, there were 232 million international migrants in 2013', reported the UN Secretary-General, just over half of them in Europe and North America. Over half of those in Europe came from the eastern and southern countries in that continent, while half of those in North America came from Latin America, above all Mexico. Asia, as a whole, contained 30% of all migrants, many of them in the oil-producing countries of the Middle East (UN General Assembly, 2014: 2–3; see also IOM, 2010: 169). Yet, although migration occurs within all continents, and between 2000 and 2013 the flow of migration increased more rapidly between developing countries, it was the older industrial countries of North America, Western and Central Europe,

Japan, and Oceania that were the major migrant destinations, accounting for just over half of all migrants by 2010 (IOM, 2010: 149, 153, 165, 185, 221).

Most migrants move to cities. London, Paris, and Moscow all host more than a million migrants, while foreign-born persons form a quarter or more of the populations of Amsterdam, Brussels, Frankfurt, Los Angeles and New York (Beveridge and Weber, 2003: 74; IOM, 2010: 184–185). Women composed a little less than half of all migrants (44%) between 2000 and 2013, but a larger share of women moved to developed economies in this period so that women represent over 52% of migrants in Europe (ILO, 2014: 183–184; IOM, 2010: 184). Of the worldwide total, almost half of all migrants were workers (World Bank, 2012: 232–233). From 1980 to 2007, for example, the proportion of immigrants in the US workforce grew from 6.5% to 15.8% (Mishel, Bernstein and Shierholz, 2009: 197).

International migration has been a deadly business. Between 1998 and 2013 at least 6,000 immigrants died attempting to cross America's fortified border with Mexico (Sacchetti, 2014). From 2000 to 2013 about 23,000 people died trying to enter what Amnesty International has named 'Fortress Europe', with matters getting worse as land routes have been fortified, forcing migrants to attempt to reach Europe by water. About 1,500 died in Australian waters from 2000 to 2014; over 3,000 in the Horn of Africa from 2006 to 2014. All of these figures are certain to be underestimates (Amnesty International, 2014: 5–6; Brian and Laczko, 2014: 24). Those who succeed face immigration regimes designed to create insecurity and precarity. Immigration policies from North America to Europe to Oceania have essentially criminalized huge numbers of migrants. This is particularly true for the third of all migrants from developing countries who are considered 'irregular'; i.e., undocumented – most likely another underestimate (Ferguson and McNally, 2014: 5–8; IOM, 2010: 120; Malik, 2015).

The result is that in every region of the world, the ethnic, racial, and cultural composition of the working class, formal and informal, employed and unemployed, has changed dramatically in the last 30 years. Thus, the populations and workforces of the older industrial nations have become more ethnically and racially diverse. As a result, internationalization of the working class consists not only of the many threads of migration, internationalized



production, just-in-time global value chains, and intense trade routes, but the internationalization of the ‘domestic’ working classes of the global West and economic North. As [Table 31.2](#) shows, migrants now compose a significant percentage of the population in several major industrial countries. This is an irreversible process.

**Table 31.2 Migrants in major developed destination countries, 2010 (millions)**

<i>Country</i>	<i>Migrants</i>	<i>% of Population</i>
Canada	7.2	21.3%
US	42.8	13.5%
Germany	10.8	13.1%
France	6.7	10.3%
UK	6.5	10.4%
Spain	6.4	13.8%
Italy	4.5	7.7%
Australia	4.7	21.9%
Japan	2.2	1.7%

*Source:* IOM, 2010: 150, 169, 185–186, 221; US Census Bureau, 2011: 836–838.

*Source:* IOM, 2010: 150, 169, 185–186, 221; US Census Bureau, 2011: 836–838.

It is, however, by no means a painless process. The presence of a large population that is distinct from that of the host country by race, language, and culture has made for friction. Not only have far right parties such as UKIP in the UK or the National Front in France, as well as Tea Party extremists, vigilante groups, and presidential contestant Donald Trump in the US made gains on anti-immigrant rhetoric, but polls show anti-migrant sentiment runs deep in many developed countries. A German Marshall Fund survey of Europeans showed that, by 2009, 50% had negative attitudes towards migrants. Although in many countries attitudes were less severe, in Spain this view ran as high as 58%, while in the UK it was a startling two-thirds (IOM, 2010: 199). Behind these attitudes are not only the presence of ‘strangers’, or even the far right, but the austerity measures and demagoguery of the traditional parties of power that feed on the insecurities of the native-born population and inflame their prejudices. While migrants are playing a bigger role in the labour movements in most developed countries, the road to domestic internationalization will continue to be a rocky one.

## The Changing Nature of Work



Alongside and partly enabled by lean production methods and the increased use of information and communications technology, came an increase in outsourcing and precarious employment. A 2002 survey of 410 'global executives' reported that 75% of firms outsourced food and maintenance services, 66% legal services, 53% internet services, 45% data processing, and 41% telemarketing. For manufacturing, 62% of those surveyed said their company outsourced the production of some parts and components. In the US, General Motors famously reduced its 'in-house' work from 70% in 1990 to 49% just a few years later (Moody, 2007: 31–32). Production of goods and services, of course, has always been built on supply chains, but the organization of these supply chains has changed, with far more tracking and control over supplier firms and, ultimately, a tendency towards consolidation among supplier firms.

Another feature of lean production has been increased emphasis on workforce flexibility; that is, the ability to redeploy or shed workers in line with economic conditions. This, in turn, has meant the rise of precarious forms of employment. Before discussing this in some detail, however, it is important to keep in mind, as a major study of precarious work in Europe put it, 'The assumption that the principal norms regulating work are those of full-time permanency, has never reflected the full variety of working relationships present in industrial economies' (McKay et al., 2012: 17–18).

The extent of precarious employment is a matter of some controversy, as it depends on what is counted as insecure. The most common way of counting the proportion of precarious jobs is to distinguish between regular or standard employment, usually full-time jobs with labour contracts of indefinite duration and covered by some legal regulation, on the one hand, and those seen as non-standard or atypical due to their temporary nature and the lack of labour market regulation. Irregular jobs tend to be concentrated in hospitality, food service, construction, retail and cleaning (building service), all of which have grown significantly in most industrial countries in the last three decades. In the European Union 27 by 2010, standard full-time jobs of indefinite duration composed 80% of all employment with the rest falling in a number of irregular forms, such as temporary or fixed-term work, 'zero hours' contracts or on-call jobs, bogus self-employment (independent contractors), some part-time work, and forms of casual employment. For example,

temporary or fixed-term employment in the European Union rose from 8.3% in 1987 to 14.7% of all jobs in 2007 (McKay et al., 2012: 7, 16). US figures for 2005, which includes only those self-employed who are independent contractors, put irregular employment at about 11% (BLS, 2005: 1). If involuntary part-time work were included in the US figures, irregular or contingent jobs would be closer to 12% (US Census Bureau, 2005: 399, 2011: 389). A 2002 Canadian study which includes all non-employer self-employed as well as all part-time workers concludes that non-standard workers are just over 20% of the Canadian workforce (Cranford, Vosko and Zukewich, 2003: 10). Some would include all self-employed people, but this would incorporate huge numbers of would-be entrepreneurs, consultants, and non-working-class professionals, thus inflating the proportion of precarious employment in the working class. Similarly, the inclusion of those part-time workers in permanent employment or who prefer or need part-time work exaggerates the proportion of precarious jobs. Nevertheless, the range of non-standard jobs from 12 to 20% seems realistic.

A number of consequences flow from these figures. The first is that in spite of the growth of irregular and precarious employment, the large majority of working-class job-holders in the developed economies are in regular, long-term employment. Reflecting this is the fact that although job tenure has decreased somewhat, most jobs still last several years. In the US, for those in the 24–34 year-old range average tenure dropped from 3.8 years to 3.5 from 1979 to 2006, while those in the 35–44 age range saw it fall from 7.1 years to 6.6, and for those aged 45–54 it fell from 11.3 to 10.3 (Mishel, Bernstein and Shierholz, 2009: 257). In the UK in 2011, the average job tenure for women was about eight years, while that for men was nine (CIPD, 2013: 4–5). The idea that everyone switches jobs all the time, making organization impossible, is, thus, highly misleading. Nevertheless, in order to lower total labour costs, capital has increasingly turned to precarious work in those lines of production that tend to have lower productivity, such as hospitality, food service, health care, retail, and building services.

To do so, however, business has increasingly incorporated into the workforce, through these more precarious forms of work, a growing proportion of women and migrants. For example, half the growth of the US workforce from 1995 to 2010 was made up of immigrant workers (Ferguson

and McNally, 2014: 5). To conceive of precarious work as simply a source of weakness is a mistake in so far as the growth of the employed working class, the incorporation of women into the workforce, and the domestic internationalization of this class are seen as potential sources of strength. In the case of part-time work, it should be born in mind that 'voluntary' part-time work has enabled women with children in the US to increase their level of employment by 8 million jobs from 1980 to 2009, which accounts for a third of the growth of female employment in this period (US Census Bureau, 2011: 385). And, indeed, the growing sections of organized labour in the US are composed heavily of women and immigrant workers mostly in those industries listed above as having a high incidence of precarious employment.

## **From Fragmentation to Reorganization**

The picture of today's working class as one fragmented by declining industrial work, ethnic, racial and gender divisions, extensive outsourcing of production, and growing non-standard or precarious employment has led some academics (once again) to redefine class altogether. Recently, for example, Guy Standing has offered an impressionistic seven 'class' picture of contemporary capitalism, with an 'elite' at the top and the 'precariat' at the bottom, sandwiching in four other gradations of 'class' (Standing, 2011: 7–13). Similarly, using the recent *BBC Great British Class Survey* of over 160,000 Britons, a team of nine academics led by Mike Savage of the London School of Economics produced another seven-layer class structure for the UK, this one emphasizing relative traits such as the social, cultural, and economic 'capital' of each 'class', with the layers once again sandwiched between an 'elite' and a 'precariat' (Savage et al., 2013: 220–250). As with most efforts at stratification models, the results are largely descriptive with no particular relationship between the different 'classes'. If, in contrast, classes in capitalism are understood in their relations (direct or indirect) with capital and the capitalist class, these descriptive stratifications are not much help in understanding what has changed and what hasn't.

The argument here is that the working class in the developed industrial nations as well as the newly industrializing countries has grown as capital has taken command of more and more aspects of social existence and increased its ability to coordinate the production and movement of goods and services.

This has several dimensions: (1) the rise of service sector jobs related to the labour of reproduction; (2) the increase of low-paid, sometimes precarious jobs, disproportionately among women and migrants; and (3) although industrial restructuring has often been experienced as fragmentation, the process of change has increased the domination of capital over more and more types of work and produced consolidation in many industries. What, then, does the working class in the developed world look like today?

The most obvious change in almost all industrialized nations, alongside the decline of 'traditional' manufacturing jobs, is the simultaneous rise of jobs defined as service-producing. To some extent, however, the rapid growth of service jobs in relation to goods-producing jobs is a statistical mirage. For one thing, measured by final product as a proportion of GDP, services actually declined from 65% of GDP in 1982 to 62% in 2012, while goods rose from 22% to 32% (Council of Economic Advisers, 2013: 335). To a large extent, the disproportionate rise of service jobs stems from the difference in the average hours worked by those producing goods and those providing services. Those working in construction, manufacturing, utilities and transportation and warehousing in the US averaged 40 hours a week in 2010 (little changed since 1990), while those employed in retail, accommodation and food services, and health care and social services worked just under 30 hours per week; i.e., technically part-time even when these jobs are long-term (US Census Bureau, 2011: 406). That is, service workers worked about 25% fewer hours per week so that it would take many more of them to match a similar increase in GDP output to that by goods-producing industries. Productivity differences are also significant in boosting service sector jobs. As we saw above, productivity in US manufacturing grew by about 3% a year since the 1980s. In retail trade, where job growth has slowed down, productivity grew by an annual average of 2.9% from 1987 to 2006, while that in the more rapidly growing accommodation and food services grew by a mere 0.8% over those years, janitorial services by 1.9%, and so on (US Census Bureau, 2011: 416–417). Generally, the picture is one of slower productivity growth and, hence, faster employment increases in relation to output. Both the differences in hours and productivity would hold for most industrialized economies. But, of course, the numbers of service workers are real, so we can't be satisfied with undermining the statistical mirage.

**Table 31.3 Employment growth in fastest-growing US service industries, 1990–2005\***

<i>Industry</i>	<i># Growth (mil.)</i>	<i>% Growth</i>
Total Nonfarm	22,394	37%
FIRE	1,339	23%
Professional & Business Services	6,106	58%
Information	373	14%
Admin. & Waste	3,527	76%
Retail	2,098	14%
Transport & Warehouse	885	26%
Food Services	2,812	43%
Health & Social Services	5,240	55%

\*Excluding education, leisure, and government.

Source: US Census Bureau (2011) *Statistical Abstract of the United States, 2012*. Washington, DC: US Government Printing Office, pp. 408–411.

\* Excluding education, leisure, and government.

Source: US Census Bureau (2011) *Statistical Abstract of the United States, 2012*. Washington, DC: US Government Printing Office, pp. 408–411.

[Table 31.3](#) shows the numerical and percentage growth in employment in the major service industries in the US. Here it will be argued that the biggest areas of service employment growth stem from three developments that accelerated during the neoliberal era: (1) the greater design and technology requirements of both goods production and their movement (logistics); (2) the long-term commodification of more and more aspects of the labour of reproduction of the working class and, indeed, society; and (3) capital's increased need for low-wage, low-skilled labour associated with support activities for a variety of industries, including goods production.

The design, construction, and coordination of the proliferating Big Box retail stores, redesigned hospitals and hotels, the vast logistics network that has arisen in the past two decades or so, both globally and domestically in many countries, along with the intense rise of measurement and monitoring technology needed to make these systems run, to track products, and discipline labour have required more and more design and technology professionals, enumerated in professional and business services in [Table 31.3](#). This latter function was enabled by the deregulated nature of monitoring and surveillance encouraged by the Reagan Administration (Cowen, 2014: 42–47). The increases in these occupations, however, accrued mostly to the credentialed middle class, including many of the own-account self-employed. Some of those in a number of these professions are

experiencing a process of proletarianization as the autonomy and relative freedom they once possessed in comparison with most workers have been eroded by management and their connection to production has become closer. The 20,000 or so technical engineers employed by Boeing in the US, who joined a union and went on strike in 2000, are one example.

The increase of those employed in industries serving the reproduction of the working class and society in the US, mainly in privately-run health and social services (5.2 million) and food services (2.8 million), surpassed that of professional and business services by almost 2 million workers and amounts to well over a third of all service sector growth, not including education and government employees (US Census Bureau, 2011: 408–411). To a large extent this is the result of the increased numbers of women with children that capital has drawn into all areas of the workforce, generally beginning in the 1950s in the US. Today, women perform many of the functions of social reproduction formerly done in the home, family or neighbourhood at work under the control of capital, in many cases for low wages. In other words, the labour of reproduction still falls largely to working-class women, not only in the home, but through the jobs they hold as well.

Another growing group were those who provided support and services for other industries, including manufacturing, construction, and transportation – mostly at low wages. In 2005 this amounted to over 8 million workers, a majority at lower than average wages, including all those paid by temporary work agencies, building service contractors, other facility support activities, and waste management (US Census Bureau, 2011: 410). Many of these jobs were outsourced from manufacturing, transportation, financial, and construction firms in the last 30 years. Others were required as both production and the circulation of commodities became more complex and more productive of waste and environmental damage. Some participate in creating surplus value, but all are necessary to the functioning of industry, and hence, with few exceptions, are working class.

The US is somewhat of an extreme example. The percentage of manufacturing workers prior to the Great Recession was higher in Germany, the UK, France, Italy, Canada, and the Netherlands. And, of course, these societies all have more generous welfare provisions for paid time-off work,

health care, etc., even after cuts and 'reforms', that absorb more of the labour of reproduction (Mishel, Bernstein and Shierholz, 2009: 357–388). Nevertheless, what emerges is a picture of a working class with a smaller manufacturing core producing more surplus value in extended (but consolidating) supply chains, served by a growing and large workforce required for the reproduction of the class as a whole, along with a legion of low-paid, often precarious workers recruited disproportionately among women, ethnic or racial minorities, and migrants that is spread among all these industries. The structure of capital that shapes this workforce, however, has also changed.

## **Reorganization and the Increased Domination of Capital**

Marx argued in Volume II of *Capital* that the total production of the value of commodities involves much more than the act of manufacturing or immediate production. For example, he wrote concerning the need of commodities to change 'location' in order to be 'realized only in their consumption': 'The productive capital invested in this industry (transportation) thus adds value to the products transported...' (Marx, 1978: 226–227). Or, as he put it in the *Grundrisse*, 'Economically considered, the spatial condition, the bringing the product to the market belongs to the production process itself. The product is really finished only when it is on the market' (Marx, 1973: 533–534).

Today's production chains, of course, require a great deal of movement from place to place, involving more than just the capital and labour of transportation *per se*, but the entire logistics industry and much of the labour associated with 'wholesale' and 'retail' functions as well. Thus, the value-producing sections of the working class go well beyond the workers in manufacturing, mining, or construction.

The increased domination of capital over more and more labour can also be seen in the increased value of capital per worker in many industries. From 1990 to 2010 in the US, the private net stock of fixed non-residential assets per employed private sector worker rose from \$51,212 to \$119,195 or by 133%. In manufacturing, this rose from \$27,691 in 1990 to \$88,771 in 2010 or by 221%. For those in trucking, the increase was 149%, for warehousing

191%, accommodations (hotels, motels, etc.) 142%, while that in retail doubled in those years. The real net stock of assets per worker in hospitals grew from \$28,056 in 1980 to \$81,290 in 2009 or 190%, reflecting the growth in capital intensity in that fast-growing service industry (Bureau of Economic Analysis, 2015; Moody, 2014: 5–25).

Outsourcing of production and the shaping of supply chains are no longer the random dispersal of ever smaller production sites. As Bennett Harrison wrote in the mid-1990s, ‘*Production* may be decentralized into a wider and more geographically far-flung number of work sites, but *power*, *finance*, and *control* remain concentrated in the hands of the managers of the largest companies in the global economy’ (Harrison, 1994: 47, italics in original). More recently, as timing and transparency have become more important factors in competition, production chains have become consolidated and more structured. In the automobile industry in the US, for example, after decades of outsourcing aspects of production to smaller suppliers, in the last two decades the major assembly companies reorganized their production chains into large Tier 1 companies producing larger pieces of the car, such as entire interiors, on a just-in-time basis with a responsibility for the Tier 2 and 3 suppliers. As a result, supplier firms with earnings over \$2 billion a year increased from five to thirteen in the 1990s. Since 1990, automotive parts producers, in turn, have seen an industry consolidation that has cut the number of companies by 80%, with the survivors representing larger concentrations of capital through acquisitions and expansions, while the big assembly firms have cut the number of suppliers they deal with from an average of 1,000 to 300–600. Until the Great Recession in 2008, employment in the parts sector remained remarkably stable above 650,000 in most years (Aschoff, 2010: *passim*; Helper and Kleiner, 2003: 446–478; Moody, 1999: 8–9; US Census Bureau, 2011: 408; US Department of Commerce, 2011: 7). Since then this approach has been generalized to other industries as value chains are rationalized much as production was before. As one British expert states, ‘A further prevailing trend over the last decade or so has been the dramatic reduction in the number of suppliers from which an organization typically will procure materials, components, services, etc.’ (Christopher, 2011: 193).

Beginning in the 1990s, another tightening in the organization of extended



production or value chains in both goods and service production has been the high degree of coordination achieved through the application of various forms of communications, measuring, and monitoring technologies. As a leading logistics guru put it, ‘An information supply chain parallels each physical supply chain’ (Sheffi, 2012: 159). The ‘logistics revolution’ at the centre of extended value chains has meant that, as Cowen writes ‘the corporate focus on the cost of distribution in discrete segments of supply chains was transformed into a concern with value added in circulatory systems that span sites of production and consumption’ (Cowen, 2014: 24). That is, the production chain, the transportation it requires, and the circulation of capital throughout the system are increasingly viewed as a single integrated source of surplus value. To this end, the geographic decentralization of phases of production has brought forth an integration and centralization of labour and capital in the way products are moved, whether domestically or globally, in the form of giant concentrations of labour and capital in logistics clusters of warehousing, transportation, and related services, most of them in large urban metropolitan areas.

In the US, one study places the number of ‘logistics’ workers in 2007 at 3.2 million, 85% of them within metropolitan areas (van den Heuvel et al., 2013: 10, 21). This estimate, however, does not include workers on freight carrying railroads, of which there are 185,000 (Association of American Railroads, 2015). The size of logistics clusters in the US measured by employment also grew in recent years, ‘as did the labor concentration in those clusters’ (Sheffi, 2012: 265; see also Rivera, Sheffi and Welsch, 2014: 327–332). These developments have brought tens and even hundreds of thousands of workers together in geographically centralized logistics clusters or hubs around cities such as Chicago, Los Angeles, Oakland, Memphis, and Louisville, as well as along the New Jersey Turnpike in the New York–New Jersey area. In Europe, where logistics as an industry grew at two-and-a-half times that of GDP, such centres are found in Rotterdam, Zaragoza, Duisburg, Frankfurt, and along the Thames Estuary near London (Sheffi, 2012: 265–267, *passim*). These ‘logistics clusters’ not only bring goods, whether imported or domestically produced, to retailers like Wal-Mart, but intermediate products to manufacturers, sometimes right to the assembly line (see Bonacich and Wilson, 2008; Sheffi, 2012).

Even more recent is the rise of the logistics or 'distributive city'. Born in Dubai, but spread recently to many areas around the world, these 'urban' concentrations on the edge of actual cities offer a micro-view of the emerging capitalist society. As one group of scholars put it, they contain a 'small percentage of professional, managerial and technical occupations and a high proportion of working class occupations' (quoted in Cowen, 2014: 180–183). In the US, the radical reorganization of transportation achieved as part of the 'logistics revolution' was facilitated by the deregulation of transportation in 1980, which allowed intermodal systems and freed all forms of transport to relocate, reorganize, and compete (Cowen, 2014: 42–47). Being the product of deregulation and competition, these logistics hubs and the firms which operate in and from them have become owned and operated by an increasingly visible number of giant global companies. For example, in the US, after years of mergers and consolidations in freight transportation, the top five freight-carrying railroads account for 80% of employment in that industry, while UPS and FEDEX alone employ over 40% of the country's 1.7 million trucking and express delivery workers. If the next five largest trucking companies are included, the top seven employ almost half of all truckers and express delivery workers in the US (Association of American Railroads, 2015; Freight Rail Works, 2015; Transport Topics, 2014; US Census Bureau, 2011: 409).

Indeed, within the last three decades in US service industries, as in manufacturing, consolidations via mergers, acquisitions, failures, or growth have restructured the hotel industry, hospital systems, telecommunications, air, truck, and rail transportation, and much of retail, among others. Thus, more workers are under the control of larger agglomerations of capital in the US today than at the birth of the neoliberal era. The production of services in the health care sector, for example, has been reorganized in the last three decades into much larger firms competing for profits in urban markets. Hospitals in the US, for example, now employ 4.7 million workers, while nursing care homes employ an additional 3 million (US Census Bureau, 2011: 114). Both have increasingly been organized into chains by large corporate firms. Three-quarters of hospitals in the US are consolidated into urban-based corporate chains and systems employing tens of thousands of workers in large hospital complexes, who are subjected to lean production norms. Well over half of all long-term nursing facilities belong to the big

national chains (Clark, 2002: 94; Kumar, 2010: 94–109; Moody, 2014: 5–25). In the UK, the National Health Service faced the erosion of creeping privatization, while more and more of its hospitals are forced into mergers as foundation trusts, similar in many ways to American hospital corporations despite public ownership. Workers there also face lean production methods. Indeed, to one degree or another marketization of health care has spread across Europe, while in Germany hospitals were being privatized (Hermann, 2009: 125–144; Krachler and Greer, 2015: 215; Moody, 2011: 415–434). Finally, in line with the rise of marketization, health care delivery in developed countries is increasingly organized along the same supply chain management practices as those in manufacturing. As one study of health care supply chains revealed, ‘The application of supply chain management practices in the health care sector not only relates to physical goods like drugs, pharmaceuticals, medical devices, but also to the flow of patients’ (de Vries and Huijsman, 2011: 160).

The complex of value chains that move through these huge concentrations of capital and labour are tied together by just-in-time delivery requirements that have gone well beyond internal lean production systems. While, as logistics academics often note, just-in-time delivery, whether at Wal-Mart or the factory assembly line, is often more a goal than a reality, it nevertheless puts pressure on the entire extended production and transportation system – above all on the workers involved at every step. But, as is by now well known, these just-in-time production and delivery chains are highly vulnerable to disruption by many causes from weather to workers’ actions (Bonachich and Wilson, 2008: 159–240; Cowen, 2014: 91–127). Precisely to the degree that these value chains are integrated, they are vulnerable not only at major logistics centres, but at virtually any point or ‘node’ in the chain of production, circulation and consumption.

To summarize, service workers, like those in logistics, health care, hotels, building services, and retail, are employed by bigger corporations than in the past, work in more capital-intensive situations, and are concentrated in or near large urban centres. Production value chains, in services as well as manufacturing, are highly coordinated, typically controlled by the dominant firm in the production chain, connected by electronic communications networks, measured and monitored by advanced surveillance technology, run

on a just-in-time basis, and increasingly consolidated via mergers and acquisitions. At the same time, they are highly vulnerable to worker action at various points in the chain. This vulnerability is all the more strategically important for labour due to the emergence of 'time-based competition'. As one leading expert in the field of logistics put it, 'In business-to-business and industrial markets it seems that product or technical features are of less importance in winning orders than issues such as delivery lead time and flexibility' (Christopher, 2011: 15–19). This time compression requires a constant reduction in the value of socially necessary labour time all along the entire system – including in the reproduction of the class and the army of low-paid workers at the bottom of these chains. This is not a picture of fragmentation, but of a process of reorganization and concentration once thought typical only of those in large manufacturing facilities and regions. Objective processes, however, do not by themselves make worker organization, solidarity, and action automatic. That requires human intervention.

There is no doubt that these dramatic changes in the nature of work and the structure of the working class itself have been highly disruptive and disorienting to workers and their organizations. Above all, trade unions have found it difficult to adjust to these relatively rapid changes in employment patterns, occupations, increased ethnic/cultural diversity, industrial restructuring and consolidation, spatial relations generally, and, of course, increased legal restraints on their actions. Traditional bargaining arrangements in the developed countries have frayed or come apart from the US to the UK to Germany. In particular, national or industry-wide systems of bargaining have been dismantled or increasingly decentralized (Bieler and Erne, 2014: 157–177; Moody, 2012: 7–10). One defensive response has been a trade union merger movement across the industrialized world. This, however, has not stemmed decline or loss of power much less reversed things (Moody, 2009: 676–700; Waddington, 2005: *passim*). In general, it has proved difficult for unions whose institutional arrangements were forged in an earlier era to adapt to the changes wrought by globalization and neoliberalism, particularly in regard to the reorganization of capital and the increased diversity of the workforce across the developed nations.

At the same time, there has been a growth of resistance to neoliberalism

around the world and a growing variety of experiments in organizing among migrants, fast-food workers, other precarious workers, and those in logistics in the developed economies far too numerous to describe here (see, for example, LaBotz, 2014: 5–18; McNally, 2011: 146–182; Moody and Post, 2014: 295–317). There have also been fresh political breezes from the left across much of the industrial world where the traditional parties of labour have succumbed to neoliberalism, but it is hard to see these new political movements turning things around if there isn't more organization 'on the ground'. Perhaps the words addressed by Dan Gallin, former head of the International Union of Food and Allied Workers and currently chair of the Global Labour Institute, to the founding convention of the International Domestic Workers Federation in 2013 provide some context for the fight against neoliberalism. He said:

Under the impact of new forms of capitalism, the working class has changed and is still changing. It has become fragmented, unsure of its identity. The trade union movement has not kept up with these changes. Its response has been confused and weak. Our task is now to restore the identity of all working people as a class, and to restore the trade union movement as the instrument of its emancipation. (Gallin, 2014: 260–261)

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# **32 Governing the System: Risk, Finance and Neoliberal Reason**

**Martijn Konings**

## **Introduction**

A notable trend since the financial crisis of 2007–08 has been the growing public prominence of concerns about systemic risk, the possibility that the risk assumed by large institutions could jeopardize the stability of the financial system at large. The issue has featured prominently on international and national reform agendas and has become the subject of a rapidly growing political economy literature (Baker, 2013; Datz, 2013). That literature has argued that problems of system risk had been building up since the start of financial expansion from approximately the early 1980s; that the influence of neoliberal interests and ideas suppressed awareness of this and that the magnitude of the issue was only fully recognized with the financial crisis of 2007–08; and that post-crisis regulatory agendas broke out of the neoliberal framework to address problems of systemic risk. By and large, this literature has tended to interpret recent history on a ‘cyclical’ or ‘Polanyian’ model, according to which the crisis was the outcome of several decades of market-friendly regulation and the post-crisis era would see a return to more interventionist and restrictive forms of regulation (Block, 2011; Streeck, 2012).

However, in a fairly short period of time, this literature has moved from relatively optimistic assessments of the prospects of the post-crisis reform agenda to a concern that it has failed to make much headway (e.g., Helleiner, 2014). The role of international organizations in financial governance has not been substantially strengthened, and initiatives at the national level have imposed relatively few restrictive regulations on financial institutions. The main explanation for the failure of the reform agenda has centered on the ‘capture’ of policymaking institutions and discourses by financial elites

(McCarty, 2013; Rixen, 2013). Although this model has considerable descriptive relevance, is it less clear that it can stand on its own as an explanation – what needs separate explanation is precisely how the wider context of financial governance has functioned in such a way as to protect those interests at a time of intense critical scrutiny of bankers and their regulators (cf. Kiersey, 2011: 25). The capture model, in fact, reproduces what has often been identified as a major problem in Marxist explanations of neoliberal modes of pro-market governance (e.g., Harvey, 2005): an instrumentalist or even conspiratorial understanding of institutional power. Furthermore, it is not entirely accurate to say that the system risk agenda has been blocked. Central banks currently devote significant resources to stress-testing and scenario planning (Langley, 2013), and policymakers have taken system risk concepts – network dynamics, contagion, resilience – quite seriously (Cooper, 2011). Although it is certainly true that post-crisis governance evinces a remarkable continuity with pre-crisis governance, we should not characterize this continuity in terms of regulators’ disinterest or passivity, or the way their cognitive framework has been captured by *laissez-faire* doctrines.

The difficulty that political economy scholarship is currently experiencing in offering a convincing perspective on post-crisis developments is related to its often overly politicized critique of neoliberalism. Even as political economy scholars have come to reject the notion that neoliberalism is simply about markets overpowering state institutions, what has persisted is the somewhat one-sided idea that neoliberalism represents an incoherent and irrational belief in the self-regulating properties of markets that offers no basis for legitimate and prudent public governance. Political economy scholarship has been prone to prematurely announcing the demise of neoliberalism, and it has tended to conceptualize the persistence of neoliberalism as an exceptional phenomenon, as a deviation from a normative model of mixed governance. Although the perceived failure of progressive reform in the wake of the crisis has led many scholars to devote greater attention to the question of neoliberalism, this wave of scholarship has so far heavily relied on instrumentalist accounts of policy and politics (Crouch, 2011; Mirowski, 2013; Streeck, 2014).

Focusing, in particular, on the neoliberal era in American financial policy,



this chapter proposes a shift of emphasis away from capture explanations. When we consider that era's most iconic moment (the turn to monetarism in 1979), it is worth noting that this was not by any means undertaken either on behalf or behest of financial elites. Worries about inflation were widespread, and some of the strongest pressures for the adoption of monetarist procedures came from Congress. Moreover, one of the key authors of the policy shift, the new Federal Reserve chairman Paul Volcker, was fiercely independent, and there is little reason to think that he sought to further this or that set of interests. It is, therefore, important to consider how we might understand neoliberalism even if we assume little about the ability of capitalist elites to capture state institutions or the minds of policymakers – that is, if we assume that state personnel are not necessarily corrupted by private interests but primarily minded to stabilize the economic system, relying on an imaginary that is not readily reducible to a specific set of interests or ideas. To depict neoliberalism as a naïve faith in market self-regulation that amounts to a neglect of systemic risk issues, is an overly dismissive critique which fails to engage the ways in which neoliberal policies have, in fact, been able to mobilize their own specific sources of cohesion and resilience. In other words, there is something that deserves to be termed ‘neoliberal reason’ (Peck, 2010) – understood not as formal ideational consistency but as a degree of cohesion at the level of practice and the imaginaries that orient it – and critically inclined scholarship needs to take it more seriously than it has so far. To this end, the chapter takes its cue from Foucault's late work and, in particular, his emphasis on the way neoliberalism brings uncertainty into the heart of governance.

## **Neoliberalism and Speculation**

At the core of the understanding of neoliberalism that Foucault advanced in his later work is the notion that it involves something quite different than a simple revival of classic liberalism (e.g., Foucault, 2008 [1979]: 118, 131, 147): whereas the latter simply demanded space for the utilitarian logic of market exchange to unfold, the former embraces a speculative orientation towards the future as an organizing principle. Foucault's late lectures have already been the subject of a great deal of commentary, but what has remained somewhat underdeveloped is a consideration of Foucault's comments on neoliberalism through a direct confrontation with questions of

political economy – a discourse that the later Foucault saw as a defining aspect of modernity. This chapter suggests that an examination of the changing ways in which the state has related to the financial system represents a useful way of specifying what is at stake in Foucault's understanding of neoliberalism. This is especially important because it would be all too easy to quietly subsume Foucault's comments on neoliberalism under established political economy critiques of speculation as an irrational practice – which would be to reduce Foucault's argument to a variation on the familiar narrative according to which the encroachment of financial forces onto the political terrain chips away at the state's capacity for governance.

We need to have some appreciation here for the specific emphasis of Foucault's later work compared to his earlier work: it effects a shift in focus from the role of knowledge in constructing disciplinary regimes (e.g., Foucault, 1977) to a more open-ended concern with the ways in which modern polities govern through risk. Of course, even prior to the publication of Foucault's late lectures given at the Collège de France, a related shift had already been visible in his tendency to relativize the efficacy of discipline over the course of the *History of Sexuality* trilogy (Foucault, 1978–86). But if that development could still be interpreted as a shift from a structuralist to a postmodern perspective on discourse, Foucault's analysis in the Collège de France lectures goes beyond a postmodern emphasis with indeterminacy. Instead, it is centrally concerned with the specific character of modern political order, the distinctive forms of authority and cohesion that emerge in a society that is increasingly concerned with the uncertainty of the future. Indeed, whereas the earlier Foucault had advanced his analysis of disciplinary socialization precisely as a critique of the concern with sovereignty, his later work brings back questions related to state power (Lemke, 2007).

The substantive thrust of Foucault's later work (2008 [1979] but also 2007 [1978] and 2003 [1976]) has been discerned with particular acuity by scholars who have noted the convergence in it of security and political economy problematics (e.g., de Goede, 2012; Langley, 2013). The modern subject, no longer beholden to the notion that the future is unfolding according to a divine plan, understands the future as open and its own relation to the world as involving a key element of risk. It is centrally driven by a concern with security, the awareness that it must act to safeguard its

identity into the future. But the awareness that action is imperative is never accompanied by a perfectly accurate understanding of the consequences of different actions, and so the subject must speculate. Seen from this angle, speculation represents not an irrational divergence from fundamental values, but is the constitutive orientation of the modern subject. When this modern logic comes fully into its own, the pressure to make decisions in the absence of full knowledge poses a challenge to any clear-cut distinctions between defensive and offensive moves: we must make speculative investments even if only to secure the identity that we currently enjoy.

In this context, the idea of riskless security comes to function as a regulatory horizon, a point of orientation that forever recedes as we approach and so forever demands a renewed commitment to speculation. The distinctive imaginary of capitalism is that we may move through risk beyond risk – that, if we play our cards right, we may provide our lives with neutral, non-speculative foundations. We can get a better grip on the logic at work here by highlighting the paradox embedded in the orthodox conception of market neutrality. For orthodox theory, money is a paradoxical combination of pure contingency and pure necessity. When money works properly, it is simply a neutral measure: it is precisely because money is an arbitrary accounting fiction that it can function as a fully objective standard. In this way, the orthodox conception of money embodies the distinctly modern imaginary according to which we may speculate our way to a life that is immune to the uncertain effects of unpredictable events. It is important here to resist the common tendency to dismiss the orthodox image of neutral money as simply pro-capitalist ideology. Especially in the American context, the emotional appeal of this imaginary is borne out by a long history of populist and republican sentiments that have had the achievement of market neutrality as their core objective (Postel, 2009). The ability of neoliberalism to align itself with such discourses has been key to its success (Kazin, 1998).

This does not mean that neoliberalism relates to the orthodox economic imaginary cynically or instrumentally – that would again be to reproduce a somewhat conspiratorial and intentionalist image of neoliberalism. Rather, it is to argue that neoliberal reason is not constrained by a literal reading of the specific way neoclassical theory has formalized the orthodox economic imaginary – that is, it is more engaged with the spirit than the letter of that

imaginary. The relevant difference can be brought out with reference to Hayek's work, which Foucault considered as holding important clues as to the nature of neoliberalism, even though he was not able to pursue this in much detail (Gane, 2014). Whereas neoclassical theory suppresses the ongoing role of speculation in economic life, Hayek's work thematizes it. Rejecting the positivism of neoclassical theory, he insists that any hope for complete and certain knowledge is illusory, that ordering through centralized knowledge is principally impossible, and that uncertainty and not-knowing are constitutive and ineradicable aspects of the problem of economic coordination. But this insight never led him to abandon orthodoxy's commitment to the tenet of market neutrality. Instead, in Hayek's work it comes to serve explicitly as a regulatory horizon, out of reach as a matter of principle, only ever receding and forever demanding an intensified commitment to the uncertainties of the market.

Crucially, Foucault's concern with the sovereignty–risk axis should not be understood as a blanket definition of modern governance, but rather as a general characterization of a relationship that has continued to evolve. This is to pursue an insight that is present in Foucault's writings but has been made more explicitly by François Ewald (a student of Foucault and the editor of his Collège de France lectures), who suggests that the development of risk governance can be understood in terms of a transition from defensive orientations, primarily concerned with organizing insurance for the impact of future events, to more purposely proactive orientations that work on ‘an ethic of the necessary decision in a context of uncertainty’ (Ewald, 2002: 294). Whereas the former employ the logic of the normal distribution, the latter push into areas of risk that challenge meaningful actuarial calculation. With specific respect to modern financial governance, we can note that even though it has always involved the alignment of governmental operations with the logic of risk, this had a rather passive and reactive orientation until well into the twentieth century, accommodating rather than using the dynamics of speculation. It is here that neoliberalism intervenes, insisting that politics should embrace entrepreneurial principles and proactively engage the speculative dimension of economic life. As Ewald emphasizes (e.g., 2002: 285), however, this should not be understood as a clean replacement of one principle with another. Rather, the speculative orientation of neoliberal governance always articulates with the continued operation of normalizing

forces and principle of insurance. The neoliberal concern to provoke the future is complemented by a reactive moment that manifests itself fully when uncertainty threatens to tip over into failure.

## **Norm, Exception and the State**

The implications of Foucault's late work for the understanding of neoliberalism can be pursued by highlighting how it moves beyond two related limitations of his earlier work: namely, the tendency to overstate the disciplinary efficacy of discursive norms, and the tendency to downplay the role of the state and its claim to sovereignty. The most relevant philosophical critique of that perspective was formulated in Agamben's (2005) work – which restores the question of sovereignty to a central position, seeing it as rooted in the state's ability to except itself from society's basic normative order when an emergency situation presents itself. Agamben's work is of interest here as it gives philosophical expression to the tendency to ground the analysis of neoliberalism in an assumption of its exceptional character, the idea that its date of expiry has long passed and is only held together by political tricks and schemes.

Of course, Agamben's dramatic depictions of sovereign exceptionalism in the tradition of Carl Schmitt have been subjected to cogent criticism (e.g., Johns, 2005; Huysmans, 2008), and his conceptual schema has been largely appropriated in a 'pluralized' form that depicts neoliberal sovereignty as a complex construction of competing claims to exceptional status (Connolly, 2005; Ong, 2006). But such perspectives dilute rather than solve the problem. On the one hand, they still understand neoliberal authority as working through bypassing a more basic normative structure that is needed for consent and legitimation. On the other hand, to simply reject the idea that acts of authorization ever align themselves to produce authority structures that are sovereign in the distinctive sense of that word – that is, unconditional and non-negotiable – would seem to turn a blind eye to the form that state intervention often does take in contemporary capitalism. For instance, such a perspective does not allow us to say much about the interventions that the American state has undertaken in response to the financial crisis, which involved sovereign interventions on an extraordinary scale that operated with a high degree of necessity.

However, to follow Agamben in portraying this in terms of the suspension of normal mechanisms of interaction would be to essentialize the state's claim to sovereign status. We should be able to understand the seemingly instantaneous conversion of intense uncertainty into unambiguous authority not as involving a transcendence of risk, but precisely in terms of the principles endogenous to it. Here the conceptual innovations of Foucault's later work offer interesting ways forward. Of particular importance is his differentiation of risk-based normalization from the disciplinary norm (2007 [1978]: 55–57, 63). Foucault recognizes that, even as his earlier writings used the notion of discipline to criticize the sovereign model of power, it in fact served to reproduce an idealist understanding of power. Foucault's depiction of the process of normalization, by contrast, involves a pragmatic understanding of the norm as an endogenously generated point of reference. Normalization works not through rule-following or literal internalization but through the subtle ways in which a process of ongoing mutual anticipation endogenously comes to revolve around a particular point. The resulting norm is never the final word on or absolute measure of the process from which it arises: it is just a value around which a process of interactive speculation provisionally organizes itself.

This conception of normalization accomplishes two important things. First, it makes room for an understanding of uncertainty as a productive element in the creation of norms and order, rather than as an external limit to knowledge (cf. Kessler, 2009). If human knowledge always faces the question of how to handle its own limitations, actors know that others are plagued by similar epistemic limitations and this itself becomes something they strategize around (Davies and McGoey, 2012). The interactive logic of speculation involves rhetorical elements that have as their objective reputation and impression management: in a context characterized by continuing mutual anticipation, authority derives not just from knowing but equally from being known, the ability to be recognized as a stable point of reference in a field marked by uncertainty. Second, precisely because uncertainty continues to function as a productive moment, the hierarchization of norms is an ongoing process. The endogenous logic of speculative investments never generates a norm or measure that eradicates uncertainty for good. And the continuous generation of new sources of risk creates a permanent pressure for the creation of more encompassing normative structures to handle these

uncertainties.

Thus, the rejection of sovereign exceptionalism does not automatically commit us to a pluralist conception of authority: it is precisely the immanent character of financial authority that creates a continuous pressure for further hierarchization. This gives modern authority a distinctly dual character that manifests itself fully during times of crisis, when acute uncertainty tends to create its own kind of certainty – precisely not an ability to act on accurate knowledge of the future, but a definite certainty as to what needs to be done in the absence of such knowledge (cf. Tellmann, 2009: 18). As risk becomes incalculable, a compelling certainty emerges as to the only possible course of action: we must fortify the nodal points of the financial system, and this means safeguarding the investments of the banks. During the financial crisis, sovereignty became highly speculative, investing itself in assets whose value is fundamentally in doubt; but at the very same time its policies were grounded in the widespread (if resentful) recognition that it was doing what had to be done. An intense concern with the future thus comes to be marked by a strangely reactionary quality.

## **Reframing Minsky along Foucaultian Lines**

A conceptualization of banking is important for the further pursuit of this argument: it represents a key mechanism whereby speculative interactions endogenously generate more or less stable values. The role of banks in economic life can usefully be understood in the late-Foucauldian model of normalization: they represent ordering devices that work from within the logic of risk, never transcending uncertainty but, instead, providing a technique for productively handling the limits of knowledge about the future. A bank's promises function as a standard against which the value of other promises is measured, allowing the bank to capitalize on uncertainty by offering its commitments as a relatively safe asset. Precisely because banks never eradicate uncertainty and, in fact, produce new sources of risk, financial systems always experience a pressure for hierarchization, for more secure forms of money generated by banking institutions with greater normalizing force.

An emphasis on the endogenous character of money and its origins in the

way banks mediate relations of debt and credit can also be found in post-Keynesian theory (Wray, 1990; Dow, 2006). From such an angle, it might seem a little extravagant to lead into questions of banking and finance by way of Foucault. But the reason that we need the additional conceptual complexity proposed here is precisely that post-Keynesian theory has remained deeply beholden to the critique of speculation as an irrational distortion of the 'real economy' and that it associates capacities for regulation centrally with the suppression of financial speculation (Palley, 2012). The limitations of post-Keynesian theory derive in large part from its tendency to separate risk and uncertainty, according to which actors either operate with probabilistic knowledge (where we can make rational bets) or face genuine uncertainty (where all bets are off). This involves a problematic understanding of probability as knowledge about the future rather than as a means to handle our lack of such knowledge (Esposito, 2007): uncertainty features as an external limit to statistical probability rather than as something that is always at play in evaluations of risk. When risk and uncertainty are separated in this way, the emphasis on the endogenous origins of money loses its critical thrust – as the latter is dependent precisely on an understanding of the techniques that permit ordering amidst uncertainty.

The post-Keynesian critique of speculative finance is most prominently associated with Hyman Minsky's work. The notion of the 'Minsky moment', which rose to prominence in the wake of the financial crisis, is widely used to refer to the moment when an unstable structure of speculative fictions begins to unravel. Although this chapter makes no claims about the 'correct' interpretation of Minsky's work, it does argue that his work also offers insights that point in a quite different direction, ones we can exploit to move beyond the limitations of post-Keynesian theory.<sup>1</sup> Two issues are key here, both of which point to the usefulness of rethinking Minsky along Foucauldian lines. Minsky was acutely aware that *all* investments were to some degree speculative in the sense that their return would only be determined in an unknown future. Second, he paid considerable attention to the ways in which the ongoing creation of new sources of risk served as a driving force in the continuous hierarchization of financial institutions.

Minsky understands financial authority not as imposed externally, but rather as arising organically out of the ordering principles internal to economic



processes. In particular, central banking does not represent a means of exogenous regulation, but is itself a form of banking and engages a similar logic of normalization – which is a point missed not just by much of contemporary economic theory but equally authors who characterize the role of central banks as involving a Schmittian exceptionalism (Scheuerman, 2000; Ashton, 2011). When a bank comes under pressure, the response is never an across-the-board credit contraction: large borrowers, too-big-to-fail constituents, are the last to experience the contraction of credit and can count on the most accommodation. Central banking similarly responds to the particular systemic properties exhibited by financial networks, that is, the existence of financial nodal points and the possibility that their failure will take down wider social structures. A too-big-to-fail logic based on backstopping and shifting risk away from large institutions is, therefore, a core feature of capitalist financial management. A keen appreciation of this point led Minsky to be skeptical towards claims of discretionary precision management made on behalf of modern monetary policy.

Crucially, however, Minsky did not take the non-exceptional nature of financial policy as reducing the importance or effectiveness of central banking. As Beggs (2012: 17) has pointed out, the answer suggested by Minsky (1982) himself to the question ‘Can “it” [i.e., the Crash of 1929] happen again?’ was something like ‘probably not’, because of the level of protection embedded in the operation of the system. From that angle, ‘the bailout and not the crisis itself might be seen as the real “Minsky moment”’ (Beggs, 2012: 17). The endogenous nature of financial policymaking is something of a double-edged sword. On the one hand, it means that the governance of finance always falls short of an imagined version that works through external observation and intervention and delivers a neutral financial structure. Financial governance is forever plagued by its embeddedness, the impossibility of cleanly extricating itself from the processes it seeks to regulate. On the other hand, the fact that financial authority is not an external imposition, but is organically connected to lower-level financial practices, means that it can operate with tremendous immediacy at times of intense uncertainty, activating embedded chains of connections.

## **Risk, Banking and Governance**

Minsky (1982, 2008 [1986]) conceived of economic actors as balance-sheet entities that issue short-term debts in order to make longer-term speculative investments with a higher return. The need to generate sufficient cash proceeds from one's investment to permit the servicing of payments on one's debt constitutes a payment constraint. The interaction of balance sheets is characterized by a process of endogenous organization: through banking operations, the interaction of speculative investments becomes oriented around and stabilized by a financial standard. Historically, banks were institutions settling payments and clearing debts and credits and, to this end, they often issued their own short-term promissory notes. The latter often began to circulate without being presented for redemption and, in this way, bank obligations came to serve as a measure, a promise against which the value of other promises is assessed and that so acquires normative force (Ingham, 2004).

A bank is thus an institution that enjoys no special foresight and does not escape risk, but is positioned in such a way that its promises come to function as a normative standard, conferring on it a distinctive systemic importance and allowing it to borrow funds seemingly by unilaterally creating them. The basis of the bank's systemic importance has less to do with what it knows or sees than with what it is known or seen as; its operation is premised on the possibility of projecting itself as a reliable point of orientation in an uncertain world. That is, holding bank money is a means of insuring against risk, the best way of securing value when faced with a future of unknown events (cf. Esposito 2011). Of course, it is the bank's very role in providing this insurance that permits it to further expand the amount of notes it issues and make riskier investments.

That the bank never eradicates uncertainty becomes apparent when confidence in a bank's promissory notes falters and a bank experiences a sudden withdrawal of short-term financing (that is, a 'run on the bank') that tightens its payment constraint (Kindleberger, 2011). As a bank seeks to maintain its liquidity by disposing of assets, it puts downward pressure on their value and passes the effects of liquidity pressure on to other actors, so becoming a key agent of contagion. In pre-capitalist Europe, such crises often resulted in a complete collapse of bank-centered financial networks, leading rulers to impose wholesale bans on multiplier banking (Kohn, 1999). But

with the development of capitalist finance in England, crises often came to serve as paradoxical occasions for accelerated hierarchization (Knafo, 2013). Thus, even though the capitalist landscape looks like a complex constellation of overlapping standards and measures, it is characterized by a dynamic of hierarchization, with new forms of banking not just emerging alongside existing ones, but also layering themselves on top of those (Mehrling, 2000b).

Key here was the emergence of bankers' banks (such as the Bank of England), which related to banks in the same way as the latter related to the public. Such bankers' banks often came to function as 'lenders of last resort', alleviating the payment constraints that systemically important banks experienced during crises and so allowing them to meet obligations without having to sell off their assets (Bagehot, 1873; Hawtrey, 1932). With each crisis, the promissory notes of the Bank of England came to occupy a more central position in the system as a whole, and the transformation of these key private banks into public institutions was driven by awareness of the possibilities for governance and system stabilization that they made available. The adoption of national currencies through the conferral of a monopoly on note-issue should similarly be seen as a formalization of the increasingly pivotal position occupied by notes issued by the bankers' bank (Hawtrey, 1932: 32).

That last-resort lending does not manipulate the logic of banking from the outside, but precisely employs some of its key modalities, also means that it often serves to amplify rather than suppress the dynamics of leveraging and deleveraging. That is, the very same central banking practices that could tide over banks during times of liquidity pressure often laid the basis for a more severe deleveraging movement later on. Financial policymakers have always, to some extent, been aware of the moral hazard that their policies entail (Bignon et al., 2012). In the US case, financial volatility during the late nineteenth and early twentieth century was not counteracted but promoted by the availability of lending-of-last-resort facilities and their institutionalization through the Federal Reserve System (Degen, 1987) – instabilities that culminated in the crash and depression. In response to awareness that an ordinary, reactive lender of last-resort offered insufficient system-level protection, financial policymaking became infused with a more anticipatory

quality. This found expression in the shift of control away from the Federal Reserve Banks (above all, the New York Bank) to the Board of Governors, charged with the task of making policy in separation from the immediate imperatives of last-resort lending and bankers' banking. But the real work was done by the creation of a system of deposit insurance that undercut the rationale behind bank runs and so, as Minsky (1982: 144, 2008 [1986]: 52) observed, functioned as an integral part of the central banking function. Deposit insurance worked simultaneously as central banking and social policy, guaranteeing the funds of ordinary people while also serving to relax the liquidity constraints of banks – in this sense, it can be seen as emblematic of the New Deal's character as a class compromise.

If episodes of deleveraging and deflation now seemed to be a thing of the past, this regime created a new, distinctive problem of governance: a permanent inflationary pressure that worked on self-actualizing expectations (Minsky, 2008 [1986]: 296). In this context, the Federal Reserve came to understand its role increasingly in terms of securing system-level price stability, but it lacked the instruments to enforce this commitment. Whenever the Fed sought to constrain banks' money-creating abilities, the result was a rapid growth of new forms of banking outside the existing regulatory framework: what has recently come to be known as 'shadow banking' is composed of institutions that operate as banks even if they are unable to issue money in the specific sense of official legal tender. Minsky (1957) was one of the first to note this trend and viewed it as a forceful reminder that, pretenses of precision notwithstanding, the basic operational rationality of financial management consisted in last-resort lending and the provision of insurance. The dilemmas facing the Fed became even more pronounced as it became clear that uninsured shadow banking meant a return to dynamics of financial leveraging and deleveraging that entailed significant system-level risk and, therefore, would need a response. Extending insurance arrangements to the capital markets was not a viable option for both political and economic reasons, and so a future of ad hoc bailouts seemed to be in the offing. Minsky seemed to feel that there was no real solution here: short of a major political shift that would democratize investment, there seemed to be no way for the American state to escape the kind of awkward dynamic in which it was embroiled.

## Neoliberalism's Hayekian Rationality

It is against this background that we should see the turn to neoliberalism, and in particular the turn to monetarism. Monetarist doctrine can be viewed as a particular expression of the orthodox imaginary of neutral, non-speculative money, seeking to ensure that money functions in that capacity by proposing strict control over the quantity of its creation (Friedman, 1956). Many of those who led the adoption of monetarism as a Federal Reserve policy, chief among them Federal Reserve chairman Paul Volcker, were skeptical about its merits as an economic doctrine (Silber, 2012). But, forced by Congress to engage more closely with the idea of quantity targeting, they intuited its productive potential and rhetorical uses. Volcker was well aware that the state's lending and insurance functions were an integral part of the banking operations that served to constitute the dollar as a stable unit, and that replacing financial governance with a part-time operator guarding the quantity of money (as Friedman's [1982: 117] literal interpretation of the quantity theory suggested) was not a viable option. But he equally saw the role of the state as a problem in so far as it contributed to inflationary dynamics.

Volcker thus perceived the problem as one of how the state might change the way it related to a process in which it was constitutively implicated and from which it could not just extricate itself. We might say that his thinking reframed the problem of financial management along Hayekian lines: how is ordering possible if the state cannot place itself outside the logic of risk and speculation? As various authors (Foster, 2005; Cooper, 2011; Kessler, 2013) have recently suggested, Hayek's work contains a systems-theoretical problematic, addressing the question of how political steering is possible in the context of an evolutionary logic that rules out arbitrary decisions and external interventions. Minsky and Hayek both saw the problem of economy as one of coordination amidst uncertainty. In Minsky's words, which could have been easily written by Hayek: 'Uncertainty (or unsureness) is a deep property of decentralized systems in which a myriad of independent agents make decisions whose impacts are aggregated into outcomes that emerge over a range of tomorrows' (Minsky, 1996: 360). But whereas a Minskyian perspective emphasizes the impossibility of fully resolving this problem of order within the institutional confines of capitalism, for Hayek there was a

clear solution and this consisted precisely in a more faithful commitment to the principle of speculation – conceived not narrowly as a specifically financial technique, but as the condition of possibility for order *tout court*.

At the core of Hayek's work is the notion that order cannot be rationally designed by an outside authority and can *only* arise through an evolutionary process of spontaneous self-organization. We can understand Hayek's perspective on economic order as a more fully secularized version of Adam Smith's (1977 [1776]) notion of the invisible hand. Smith advanced his famous metaphor in order to address the question of how order might still be possible in a world that has growing difficulty believing that human history is governed from the outside, regulated by a divine mind. Hayek, by contrast, proposed his understanding of 'catallactic' order not to address a concern about the limitations of modern reason but precisely in response to its 'conceit' (1988), the faith in rationalist constructivism that he saw as the defining characteristic of twentieth-century socialism and progressivism. His claim was not just that acting without certainty was acceptable, but that it was necessary and imperative, that there is no source of order other than the interaction of speculative positions. For Hayek, the very notion that through politics we might ever transcend a condition of uncertainty was the problem to begin with.

The approach to the political significance of Hayek's thought taken here differs from a more familiar line of critique – one that views Hayek's work, and the neoliberal project that it articulates, as closely bound up with a Schmittian sovereign decisionism, exempting itself from the subordination to the rules of the market that it demands (Scheuerman, 1997; Bonefeld, 2012). Hayek did not criticize progressivism for its inability to understand the problem of uncertainty, only to then make naïve claims himself about the possibility of centralized knowing. The Hayekian political project is not to rehabilitate a sovereignty beyond risk, but to produce the limitations on knowledge that it takes to be the precondition of order (Davies and McGoey, 2012). Mirowski has characterized this as the rhetorical art of agnotology, the strategic production of ignorance and uncertainty (Mirowski, 2013, drawing on Proctor, 2008). Agnotology has a performative and proactive quality that ideology (at least as it is conventionally understood) lacks, seeking not simply to legitimate an existing state of affairs but to speculatively produce a

reality. It should not be misunderstood as a sure-fire way to elicit ignorance in others and manipulate with predictable consequences. Mirowski's own analysis tends to slide back into such a perspective and, accordingly, presents a highly instrumentalist model of cognitive and institutional capture. Rather, the agnotological orientation involves an awareness of the ways in which the normalizing properties of capitalist life can be activated by engaging the outer reaches of probability. Whereas the idea of Schmittian exception is premised on the possibility of suspending normalizing mechanisms, agnotology is precisely premised on their operation. Aware that there is no outside to the logic of risk, it pushes at its boundaries in the expectation that such speculative transgressions will become integrated into the system's dynamics.

It is useful here to briefly note the curious position that financial questions occupied in Hayek's oeuvre as a whole. His early work (1933) was characterized by an acute understanding of the role of banks in the production of money and the dynamics of leveraging and deleveraging that this entailed – even if this was still superimposed on an orthodox equilibrium notion of how money ‘should’ work. Hayek's critique of socialist planning (1948) led him to a distinctive perspective on economic order as, at its core, a problem of knowledge, but he never had much interest in using this theory to return to questions of money and instability. Had he done so, he might well have ended up with something very much like Minsky's theory, emphasizing the dynamic of instability, hierarchization, risk-shifting and the endogenous role that the state plays in the financial system. But instead, when amidst the financial tumult of the 1970s Hayek (1976) finally returned to questions of money and finance, his argument was simply that the state had corrupted the market and its money. Here the work that Hayek had never done became consequential, as it blocked recognition that the role of the modern state in the production of money was, in fact, the outcome of an evolutionary process characterized by its own internal rationality – something that Minsky understood all too well. But it is precisely such a willful misreading of history that is at the heart of the productive force of the neoliberal imaginary.

## **Governing Neoliberal Finance**

Paul Volcker never believed that the creation of money could be exogenously

controlled. Instead, he looked to monetarism as a rhetorical device, as a way for the state to productively engage – rather than just accommodate – the endogenous dynamics of banking (cf. Kaplan, 2003; Holmes, 2013). Volcker saw the American financial system heading for a potentially catastrophic crisis – one that would put the American financial system at the mercy of external forces, foreign investors increasingly reluctant to hold US dollars. And he acted on this awareness by triggering a potentially productive crisis: the turn to monetarism was meant to provoke, driven by the intuition that a sudden policy turn could activate some of the financial system's key endogenously situated ordering mechanisms. Far from the Federal Reserve making external interventions, it aggressively engaged the endogenous mechanisms of money production, creating new sources of uncertainty with a view to stabilizing the financial standard. In Volcker's hands, financial policy no longer just served to accommodate the dynamics of banking; instead, it brought speculation into the operation of government.

What was not in itself surprising was the rapid expansion of shadow banking that followed the policy turn; that was precisely why, in the past, the Fed had held back from contractionary policies or quickly reversed them. The Volcker speculation consisted precisely in the wager that the instability caused by the Fed's persistence with those policies would set in motion wider processes of adjustment. Crucially, the change in policy put considerable pressure on the Reagan administration to embark on a program of austerity without delay (Roberts, 1984). The extent to which the success of the monetarist turn was contingent on wider adjustments was illustrated by Volcker's (2000) admission that the Reagan administration's confrontation with organized labor had been crucial to the conquest of inflation (cf. Axilrod, 2011: 99). And that was only one element in a wide-ranging set of policies that accelerated the destruction of the secure employment contracts of Fordism. It was precisely the resulting precarity and uncertainty for the bulk of the American population that offered a wealth of financial investment opportunities (Martin, 2002; Lazzarato, 2009; Barba and Pivetti, 2009). The Volcker shock restored the value of the dollar not by enforcing an external quantitative limit on the creation of credit, but by activating some of the financial system's key self-organizing mechanisms.

Even as neoliberal restructuring brought down inflation and alleviated



external pressure on the dollar, these developments were accompanied by significant financial volatility, a return to dynamics of leveraging and deleveraging, and a series of bank failures. The 1980s saw a series of bailouts of systemically important institutions, which fostered expectations regarding the way the American state would handle such events in the future (Sprague, 2000; Stern and Feldman, 2004). Sufficiently large and interconnected financial institutions increasingly did business in the expectation that if their speculations went sour, the state would step in to alleviate their payments constraints. Although this amounted to an insurance regime for the shadow banking system, it did not fan inflation because it remained informal and so could operate much more selectively than blanket deposit insurance (Panitch and Gindin, 2012: 179).

This new institutional configuration entailed a significant change in the practical orientation of financial policy. The ability of banks to create money outside the central bank's regulatory capacity was no longer the source of anxiety that it had been during the 1970s, and the Federal Reserve gradually relaxed its efforts to constrain the expansion of banking dynamics. Most visibly, the Federal Reserve routinely used interest rate changes to relieve liquidity pressures on large financial institutions even before such pressures could begin to hurt – the (in)famous ‘Greenspan put’ (Ferguson and Johnson, 2010; Watson, 2014). At some levels below the surface, the Federal Reserve increased insurance for the key nodes of the nation's payments system, with a view to containing the system-level risk associated with bottlenecks in settlement and clearing (Faulhaber, Phillips and Santomero, 1990). The growth of the government-sponsored enterprises, and the infrastructure of securitization techniques they supported, fulfilled a similar function, as it allowed financial institutions to liquidate their assets on an ongoing basis (Ashton, 2011: 1803–1804).

This did not mean that financial governance simply abandoned all concern with the dangers of financial expansion. While, until the 1970s, policymakers had been deeply concerned not just about the morally problematic character of bailouts but equally their knock-on effects on inflation, this now became a more complex issue. The more pragmatic approach that emerged recognized that crises were likely to continue to occur periodically, and that the use of bailouts could not be ruled out and that the aim should be to manage their

application and minimize their undesirable side effects. As Golub, Kaya and Reay (2015: 3) put it, during the neoliberal era the Federal Reserve increasingly focused on 'post-hoc interventionism', aiming to improve its ability to contain the effects of a crisis after it occurs. Panitch and Gindin (2012: 266) capture this development in terms of a shift of concern from 'failure prevention' to 'failure containment', terms drawn from a 1998 report to Congress.

Of course, the interaction of instability and regressive risk-shifting did not feature prominently in the official doctrines of monetary policy that emerged during the Greenspan era. These were formalized in the 'New Keynesian' literature (e.g., Bernanke and Gertler, 2001; Woodford, 2003), which can be understood as a monetarism reworked along Hayekian lines (cf. De Long, 2000): still singularly focused on delivering a neutral money by combating inflation, it conceptualized this not in terms of a quantitative limit on money creation, but as a function of the interplay of speculative expectations about the future. It declared serious cyclical instabilities to be a thing of the past and argued that the central bank should exclusively devote itself to maintaining price stability and refrain from meddling with the wider dynamics of financial speculation. This was always a case of protesting too much, as in practice the management of asset prices and regulation of consumer price inflation could not be neatly separated: New Keynesian theory suppresses the extent to which the neoliberal conduct of monetary policy had become bound up with the redistribution of liquidity constraints in favor of large financial institutions (cf. Kane, 2013).

Heterodox perspectives have often criticized neoliberal monetary policy as reflecting the influence of free-market ideas or the role of financial interests, both unconcerned with financial stability. This chapter has instead emphasized factors internal to the rationality of governance, interpreting the neoliberal turn as a pragmatically driven response to the problems of financial management during the 1970s. If the results of those moves looked nothing like a rationally-engineered financial system, this should not lead us to dismiss the practical sources of cohesion embedded in the governance of neoliberal finance. Grounded in a critique of rational-constructivist planning and the active engagement of risk, neoliberalism is predicated on mechanisms that are able to incorporate instability into their dynamics and can draw

strength from investments gone wrong. By its very nature, such a project enjoys no guarantees of success and there is always the possibility of failure from which there is no bouncing back. But the frequency with which neoliberalism has survived announcements of its demise suggests that our critiques of neoliberalism become somewhat one-sided if we take the absence of guarantees about the future as simply indicating the incoherence of neoliberalism (Konings, 2011).

The political economy critique of neoliberalism is characterized by a tendency to see crises as moments when normal mechanisms of ordering and legitimation stop working, producing a political openness that permits regime change. From the perspective developed in this chapter, crises are often more usefully seen as representing the limit case of the way in which neoliberalism makes uncertainty productive. Often enough, imminent failure, far from making room for arbitrary decision or external intervention, activates patterns of normalization. In such situations, even as we are in the dark about the specific origins of the problem, it is often perfectly clear what must be done: we must protect the banks, the nodal points of our investments. In the context of profound uncertainty about the future, there is certainty as to the only possible course of action. The interventions during the recent financial crisis, whereby the central bank became fully enlisted in directly supporting the balance sheets of the largest banks, mark a paradoxical moment – where authority becomes both highly speculative and fully reactionary. The bailouts represented risk socialization pushed to a spectacular extreme, the expansion of the central bank's basic function of protecting the financial system's nodal points (Mehrling, 2011; Le Maux and Scialom, 2012; Thompson, 2013).

Of course, the 'Polanyian' schema is quite right to emphasize that a crisis often entails a politicization of economic questions. Indeed, the financial crisis of 2007–08 triggered widespread anger and demands for reform. But we need to appreciate that the effects of such politicization can be quite complex and paradoxical, and not assume too quickly that it constitutes a moment readily available for rationalist regime reconstruction. It is precisely neoliberal discourses that have had a remarkable ability to speak to such popular sentiments, promising to restore a neutral financial system that promotes rather than corrupts a republican market order. And it is in this context that the critique of exception finds rhetorical traction, as a means to

attribute the failures of the market to progressive-liberal elites' unrelenting attempts to use the levers of public authority for experiments in social engineering. And this critique has a very significant emotional and moral charge: it condemns the conceit of reason, seen to consist in the inability of progressive-liberal elites to let people navigate their own risks and allow the market to produce its own norms and standards to coordinate human activities in a neutral way. What the critique of neoliberalism as exceptional does not register is that neoliberalism already offers its *own* critique of claims to exceptional status. If capture theory (first formulated, we should remind ourselves, by George Stigler [1971], one of the founding members of the Mont Pèlerin Society) has always served the neoliberal cause exceedingly well, there is considerable irony in the fact that it has now found such traction among its critics.

## Conclusion

To conclude, then, by returning to the post-crisis conjuncture: the tendency to view the rise of system risk discourses as indicating a departure from neoliberalism was always premised on a one-sided interpretation of neoliberalism, one that set too much store by neoliberalism's anti-state pretensions and consequently had difficulty discerning the ways it has evolved new governance practices, with their own internal cohesion. That is, the growing prominence of system risk discourses represents not a sudden ideational change that was subsequently prevented from materializing by financial interests, but rather a more explicit thematization of governance practices that have always, to some extent, been embedded in the structures of neoliberalism (Cooper, 2011; Aquanno, 2015). Thus, central bankers have tended to associate system risk thinking not primarily with outside interventions that impose restrictive regulations on the financial sector, but rather with new ways to understand the adaptive mechanisms in the financial system and how to protect these. System risk techniques are not primarily taken as means to eliminate uncertainty, but rather as instruments in a logic of financial governance that recognizes the endogenous role of both instability and risk-shifting (Levitin, 2011). Therefore, to view the fact that the too-big-to-fail logic has largely remained intact simply as policy failure is to ignore the ways in which it has always been an integral part of neoliberal governance. Indeed, for the practical purposes of financial policy, concerns

with system risk and financial stability have become closely allied to an awareness that the state's support for the banking system and crisis management will, henceforth, centrally involve the Fed's balance sheet (Adrian and Shin, 2010; Goodhart, 2011).

The analysis presented in this chapter is by no means intended to deny the possibility that neoliberalism can falter or be replaced by a different policy regime. Instead, it is meant to caution against critiques of neoliberalism that fail to recognize the internal cohesion of the governance mechanisms that neoliberalism has developed, and to stress that the sources of neoliberalism's resilience are often quite paradoxical. These paradoxes become pronounced during times of crisis, when neoliberal capitalism becomes a curious combination of future-orientation and reaction, and when the speculative disposition comes to coincide with a practical certainty that has us rally to bail out society's key investments. In a sense, this is just capitalism at work, which is forever preoccupied with risk, yet is incapable of imagining a past in which it did not (at least incipiently) exist or a future in which it no longer exists. But neoliberalism is distinctive for the way it has intuited the force of this imaginary and put it to work in the interest of renewing the vitality of capitalism.

## Note

1. My reading of Minsky draws on Mehrling (1999, 2000a), whose interpretation differs in important respect from established post-Keynesian perspectives on Minsky's work.

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# **33 Neoliberalism, Inequality, and Capital Accumulation**

**David M. Kotz**

## **Introduction**

This contribution first considers the meaning of the concept 'neoliberalism'. Second, it examines the relation between neoliberalism and the increase in income inequality in recent decades. Third, it shows that rising inequality, interacting with other consequences of neoliberalism, promoted capital accumulation and a process of unevenly distributed economic growth for several decades. Finally, we will examine the unsustainable character of the pattern of capital accumulation promoted by neoliberalism, which gave rise to the financial and economic crisis that broke out in 2008. That crisis continues to have effects at the time of this writing.

The analysis in this contribution is based on the social structure of accumulation theory of economic growth and crisis in capitalist systems (Kotz et al., 1994; McDonough et al., 2010). According to this theory, over time capitalism has taken a succession of particular institutional forms, each lasting from one to several decades. Each institutional form of capitalism, referred to as a social structure of accumulation (SSA), promotes a relatively stable capital accumulation process for some time. However, eventually each SSA turns into an obstacle to further accumulation, which ushers in a period of structural crisis that involves depressed capital accumulation and heightened economic instability lasting for a prolonged period of time. The structural crisis of an SSA can be resolved within the capitalist system only by major institutional restructuring, that is, by the construction of a new SSA. We will utilize the SSA theory to examine the nature and effects of neoliberalism.

## **What is Neoliberalism?**

A particular set of ideas and beliefs, that is, an ideology, is associated with neoliberalism. Neoliberal ideology embraces a highly individualistic concept of society, viewing it as simply a collection of individuals. Former British Prime Minister Margaret Thatcher, a leading neoliberal political figure, once made the following statement: ‘...who is society? There is no such thing! There are individual men and women and their families...’<sup>1</sup>

Neoliberal ideology glorifies market relations, which are viewed not just as an institution that allocates resources efficiently, as claimed by neoclassical economics, but as essential to human freedom. Freedom is identified with free choice among alternatives in markets without any constraint or coercion. Government is viewed with suspicion as a potential enemy of individual liberty, private property, and economic efficiency. The state is seen as essentially a predator having the power to coerce individuals and seize their income and property.

The neoliberal view of the state is paradoxical, in that the market relations and private property that it idealizes, of course, presuppose a state. Private property does not exist in nature – it requires a state or other similar institution with coercive power to define and protect it. Market relations involve contracts that specify the rights and obligations of the parties who engage in exchange, and the enforcement of contracts falls to the state. Hence, neoliberal ideology is not anarchist and does not call for a society with no state. Instead, it advocates a state with functions limited to the protection of private property and the enforcement of contracts, along with the traditional roles of maintaining order (necessary for market relations) and providing national defense.

Some analysts interpret the concept of ‘neoliberalism’ to mean *only* a set of ideas, that is, an ideology. For example, Foster (2007: 9–10) views neoliberalism as an ideology that reflects the interests of financial capital. Of course, no one can obtain a patent on the definition of ‘neoliberalism’, and it is normal for a new concept to be endowed with somewhat varying meanings in social analysis. However, we will argue that to understand the social role of neoliberal ideas requires a broader interpretation of the concept of neoliberalism.

The most useful concept of neoliberalism is a particular institutional form of

capitalism, one that is associated with particular dominant ideas and a certain form of the capital–labor class relation. According to this view, one can refer to neoliberal ideas, neoliberal institutions, the neoliberal form of the capital–labor relation – and more generally neoliberal capitalism as a particular form of capitalism. In keeping with the usual meaning of ‘liberal’, suggesting ‘free markets’, the neoliberal form of capitalism is one in which market relations and market forces operate relatively freely and play the predominant role in regulating economic activity.<sup>2</sup> Non-market institutions – such as states, trade unions, and corporate bureaucracies – play a limited role in neoliberal capitalism.

Neoliberal capitalism became the dominant form in the world beginning around 1980. It replaced the earlier form of capitalism that had prevailed in the post-World War II decades through the 1970s. In the previous form, states, trade unions, and corporate bureaucracies played a major role in regulating economic activity, confining market forces to a lesser role. The earlier form can be called ‘regulated capitalism’, a term preferable to ‘state-regulated capitalism’ since the state is not the only non-market institution that played an important role in regulating economic activity.

In neoliberal capitalism, the capital–labor class relation takes the form of capital striving to fully dominate labor. By contrast, under regulated capitalism, the capital–labor relation is based on compromise between the two sides. This does not mean that the two sides are equal in power, or that there is a smooth relation without conflict.<sup>3</sup> Nevertheless, there is a qualitative difference between the two forms of capital–labor relation. In regulated capitalism, capital accepts a compromise with labor in the form of an explicit or tacit agreement that each side will recognize the rights and interests of the other and seek to work out their differences, expecting that neither side will get all that it wishes.

The institutions of neoliberal capitalism are found both at the nation-state level and the global level. The US and the UK were the center and staging ground for the emergence of neoliberalism starting around 1980. The global-level institutions were more or less rapidly transformed. However, neoliberal transformation was uneven at the nation-state level. Neoliberal restructuring spread to continental Western Europe over time, although in some major

European countries, such as France, Germany, and the Scandinavian countries, the restructuring has been less thorough than in the US and the UK. Neoliberal capitalism was imposed on many countries in Latin America, Africa, and Asia by the International Monetary Fund and the World Bank. When capitalism emerged in Eastern and Central Europe after 1989–91, it took a neoliberal form in almost all cases. Some countries had little neoliberal restructuring, such as Japan, which has retained a regulated form of capitalism. Although China has, since 1978, liberalized and privatized as it moved away from a centrally-planned economy, the Chinese model involves a significant role for state-owned enterprises and has active government regulation of the economy, which are contrary to the neoliberal model.<sup>4</sup>

[Table 33.1](#) lists some of the main institutions of neoliberal capitalism. It includes global-level institutions and, for the nation-state level ones, it lists the main neoliberal institutions that arose in the United States after 1980. The US is, of course, the dominant capitalist state in the world, and the US government played a key role in spreading neoliberalism around the world. The crisis that broke out in 2008, which we will argue arose from the operation of neoliberal capitalism, emerged from the US, from which it rapidly spread to the global economy.

**Table 33.1 The institutions of neoliberal capitalism in the US and global economies**

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1. The Global Economy: Removal of barriers to the movement of goods, services, capital, and money across national boundaries.
2. The Role of Government in the Economy
a) Renunciation of aggregate demand management
b) Deregulation of basic industries
c) Deregulation of the financial sector
d) Weakening of regulation of consumer product safety, job safety, and the environment
e) Privatization and contracting out of public goods and services
f) Cutbacks in or elimination of social welfare programs
g) Tax cuts for business and the rich
3. The Labor Market
a) Marginalization of collective bargaining
b) Casualization of jobs
4. The Corporate Sector
a) Unrestrained competition
b) Corporate CEOs hired from outside the corporation
c) Financial institutions shift toward new types of activities and become relatively independent of the non-financial sector

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Postwar regulated capitalism had involved significant regulation of international exchange, embodied in the Bretton Woods system established at

the end of World War II. That system allowed governments to impose restrictions on cross-border capital movements under certain circumstances, and it also permitted tariffs while calling for their reduction over time. Holding market forces at bay in international currency markets, the Bretton Woods system established a system of fixed currency exchange rates for the major economies. In the neoliberal era, a change took place in the role of the main global level institutions<sup>5</sup> – the IMF and World Bank – that had run the system since the end of World War II. Now these institutions presided over a system characterized by the relatively free movement of goods, services, and capital across national boundaries. A regime of flexible exchange rates determined by market forces, although managed by central banks, replaced the fixed exchange rate system. New institutions arose, such as the World Trade Organization, born in 1995, whose aim is to promote free trade.

The domestic institutions of neoliberal capitalism in the US fall under three headings: the government role in the economy, the labor market, and the corporate sector. The government pulled back significantly in its roles as regulator of the economy and of business and as provider of public goods. Use of ‘Keynesian’ fiscal policy, that is, countercyclical government spending and tax policy to smooth the ups and down of the business cycle and aim for a relatively low unemployment rate, was renounced. Neoliberal economists argued that the macroeconomy was naturally stable and always tended toward full employment without any need for government intervention. The Federal Reserve's monetary policy, which had previously pursued the dual aims of a low unemployment rate and a low inflation rate, shifted to a sole focus on inflation fighting.<sup>6</sup>

The core infrastructure sectors of transportation, power and communication, which had been closely regulated by the government under the preceding form of capitalism, were largely or fully deregulated starting in the 1970s with trucking and airlines, followed by telephone communication and electric power. Some elements of government regulation remained in cases of clear natural monopoly, such as local electric power provision, but in the main the companies offering these basic services were turned loose to freely pursue profit maximization.

A major change occurred in the financial sector, which had been tightly

regulated by government agencies since the 1930s. In 1980, the last year of the Carter Administration, the first bank deregulation act was signed into law, followed by another in 1982. The process of bank deregulation continued through 2000. The Financial Services Modernization Act of 1999 finally largely repealed the Glass-Steagall Act of 1933, which had prohibited a financial institution from engaging in more than one of the following activities: deposit banking, investment banking, and sale of insurance. This allowed the formation of financial conglomerates for the first time since the Great Depression, which raised the possibility that funds in government insured deposits could be invested in risky financial activities. In 2000, the Commodity Futures Modernization Act forbade government regulation of derivative securities, the collapse of which was to play a big role in the financial meltdown of 2008. Thus, a largely unregulated financial system gradually emerged in the US during the neoliberal era, and by 2000 financial institutions had been freed to pursue whatever activity promised the highest rate of return.

Economic deregulation was accompanied by what is known as social deregulation, which refers to the loosening of environmental, occupational safety and health, and consumer product safety regulations. During the first Reagan Administration, long-time opponents of social regulation were appointed to key positions in the regulatory system, such as James Watt as Secretary of the Interior and Anne Gorsuch as head of the Environmental Protection Agency.<sup>7</sup> Unlike in the case of bank regulation and regulation of infrastructure sectors, social regulation was not eliminated, due to the widespread public support for it. However, enforcement was significantly weakened in the neoliberal era.

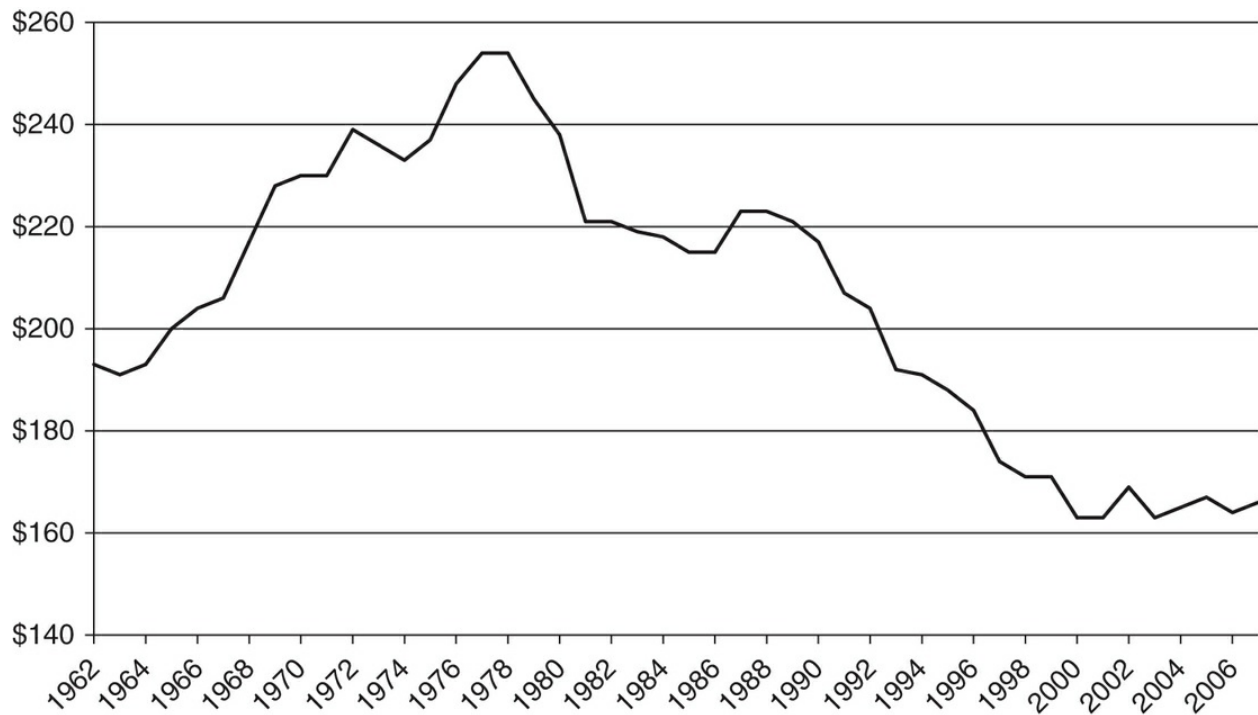
Another feature of neoliberal capitalism is the privatization of public functions. In Europe, privatization has meant selling-off state-owned enterprises. In developing countries, where publicly owned oil and other natural resources companies had been formed in the postwar decades, governments sold them off, usually to investors from the US or Europe. However, in the United States, privatization has taken the form mainly of contracting out public services to private companies rather than a sell-off of state-owned enterprises. Not only have auxiliary aspects of public services been contracted out, such as cafeterias in public buildings, but core public

functions as well. This has taken place in social services, housing for the poor, schools, prisons, and even military functions, as was learned during the Iraq War when private contractors supplied a significant proportion of those under arms.

The dominant economic theory of the regulated capitalist era had granted a place for direct government provision of public goods and services. By contrast, a core principle of neoliberal economic theory is that government is inherently inefficient while private for-profit companies are optimally efficient. Hence, it follows that whatever goods and services government must be responsible for can be provided more effectively by private for-profit companies.

In the neoliberal era, America's social welfare programs were weakened and some were eliminated. In 1996, the main income support program for poor people, Aid to Families with Dependent Children, was abolished and replaced by Temporary Assistance for Needy Families, which provided support that was temporary and less generous. As [Figure 33.1](#) shows, the benefit level under AFDC/TANF rose to a peak in 1977–78, after which it trended downward to a level 35% below its 1978 value by 2006. While Social Security was too popular to eliminate (or privatize), even it suffered marginal cutbacks over the neoliberal era, as the retirement age was increased. Unemployment compensation, which is a joint federal-state program, had covered almost half of the officially unemployed in the 1950s, as [Figure 33.2](#) shows. The percentage covered declined in the 1960s and dropped further in the 1970s. In the 1980s, it fell to only one-third of the unemployed covered by unemployment compensation. This weakened labor's bargaining power in the decade when the neoliberal form of capitalism was consolidated, although the percentage covered rose somewhat in the 1990s and 2000s.

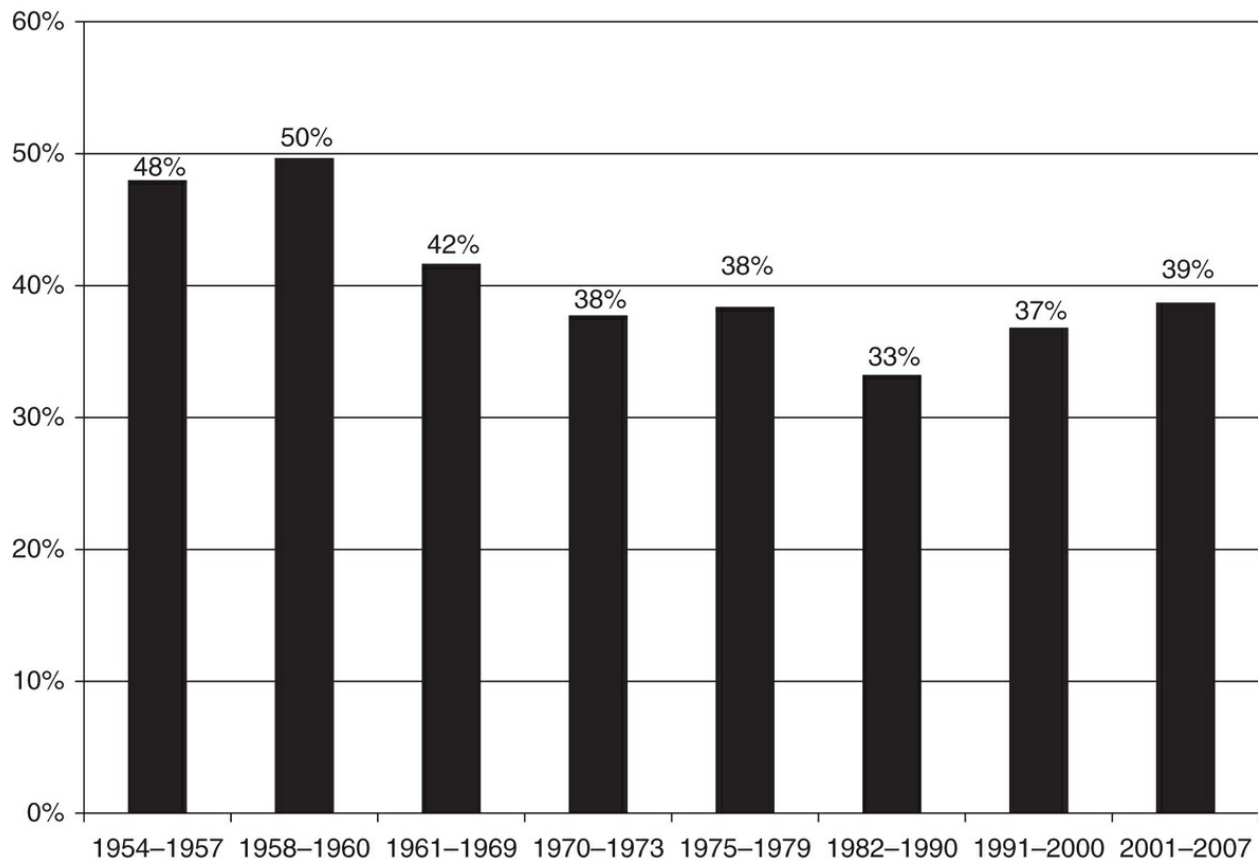
**Figure 33.1** Monthly benefit per recipient under Aid to Families with Dependent Children or Temporary Assistance for Needy Families in 2009 dollars, 1962–2007



Source: US Department of Health and Human Services, Indicators of Welfare Dependence, Appendix A, Table TANF 6, <http://aspe.hhs.gov/hsp/13/Indicators/rpt.pdf>, 2013.

**Figure 33.2** Percentage of unemployed receiving unemployment insurance benefits (averages, calculated from business cycle trough to peak)





Source: US Department of Labor website,  
[www.ows.doleta.gov/unemploy/chartbook.asp](http://www.ows.doleta.gov/unemploy/chartbook.asp), 2013.

The buying power of the federal minimum wage fell sharply in the neoliberal era. [Figure 33.3](#) shows the federal minimum wage corrected for inflation. In the mid-1960s, the real minimum wage was briefly over \$10-an-hour in 2011 dollars, then varied around \$9-an-hour in the 1970s. Starting in 1979, it declined steadily to \$6.08-an-hour in 1989, a decline of almost one-third, because Congress did not increase it in the face of inflation in that period. In the 1990s and 2000s, it ranged between about \$6 and \$7-an-hour in 2011 dollars until the onset of the 2008 economic crisis. A declining real minimum wage affects a significant share of the labor force, since it tends to cause the wages in the entire lower-wage segment of jobs to fall.

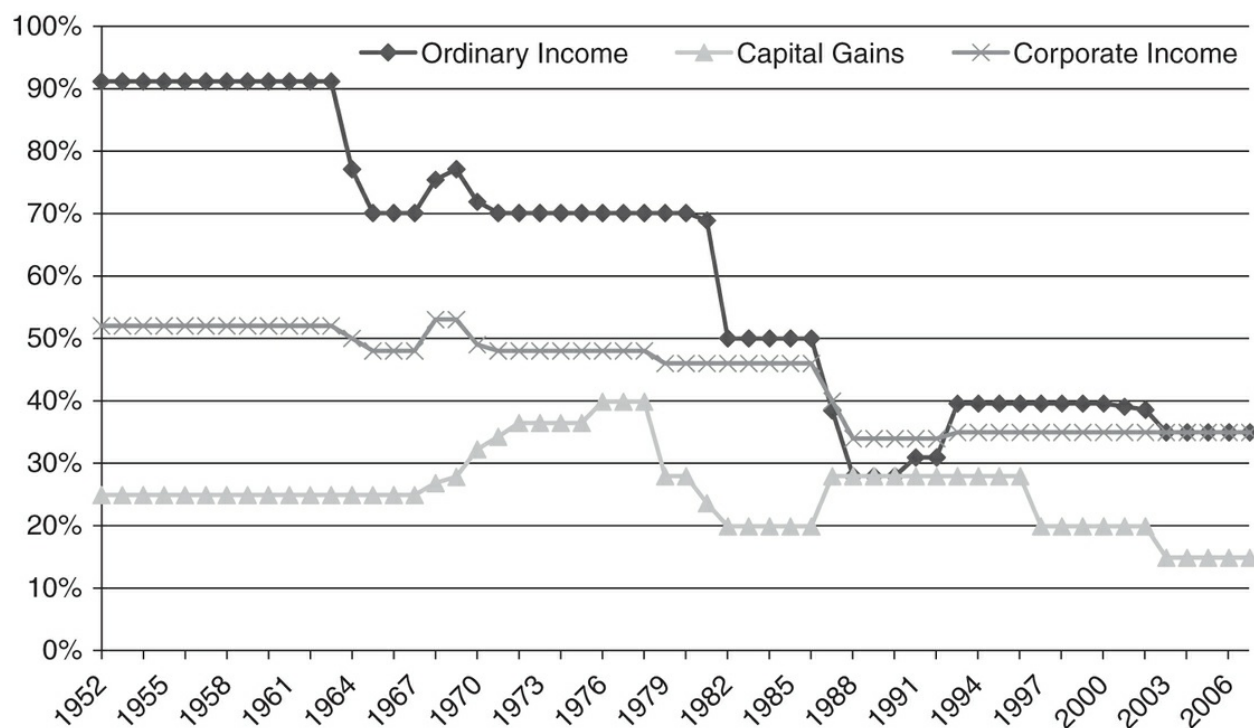
**Figure 33.3** Federal hourly minimum wage in 2011 dollars, 1960–2011



Sources: US Department of Labor Wage and Hour Division, [www.dol.gov/whd/](http://www.dol.gov/whd/), 2013; US Bureau of Labor Statistics, [www.bls.gov/](http://www.bls.gov/), 2013.

The tax system changed greatly in the neoliberal era. In the early part of the regulated capitalist era, the US tax system was relatively progressive, with high tax rates on the highest household incomes and a 50% tax rate on corporate profits, although there were some regressive features of the tax system. As [Figure 33.4](#) shows, in the 1950s, the marginal tax rate on the highest incomes was 91%. The top marginal personal income tax rate fell to 70% in the 1960s. Then it fell steeply after 1981, reaching a low of 28% in 1988, before rising somewhat in the 1990s. The corporate income tax rate remained near 50% until 1988, when it fell to 34%. The tax rate on capital gains, almost all of which falls on the rich, fell to 15% in 2003. In the neoliberal era, tax incidence shifted significantly away from business and the rich toward those at the middle of the income distribution.

**Figure 33.4** Top federal marginal tax rates, 1952–2007



Source: Saez et al. (2012: Table A1)

In the neoliberal era, the relatively stable collective bargaining relation between employers and labor unions that had prevailed since the late 1940s rapidly eroded. Big corporations that had previously accepted collective bargaining began to aggressively seek to reduce or eliminate any union role in the setting of wages and working conditions, and the federal government's stance toward unions shifted to one of hostility. From its high of 35.7% in 1953, the unionization rate in the US fell to 11.2% in 2011, which was below the rate in 1929 prior to the long expansion of unionization during the Great Depression and World War II. In the neoliberal era, corporate managements gained the power to determine wages and working conditions with little if any collective input from labor.

Employers, now largely free from having to bargain with unions, began to transform the nature of jobs in many industries. There followed another institutional change in the capital–labor relation: the ‘casualization’ of jobs. Over time, a growing proportion of jobs in the US became part-time or temporary. One study found that all forms of contingent jobs constituted one-

third of total employment in the US in 1997 (Kallberg, 2003: 162).

Several changes took place in the corporate sector in the neoliberal era. Competition among large corporations took a new form. Under regulated capitalism, large firms had engaged in a restrained form of competition that avoided price cuts aimed at undermining rivals, sometimes called 'co-respective competition'.<sup>8</sup> In the neoliberal era, co-respective competition gave way to an unrestrained competition reminiscent of the late nineteenth-century US economy. Large price cuts, and price wars, returned to the world of large corporations. The relatively secure world of co-respective competition was replaced by a very different environment, in which even the largest firms were forced to confront the possibility of not only losing money for a period of time, but of being driven out of business.

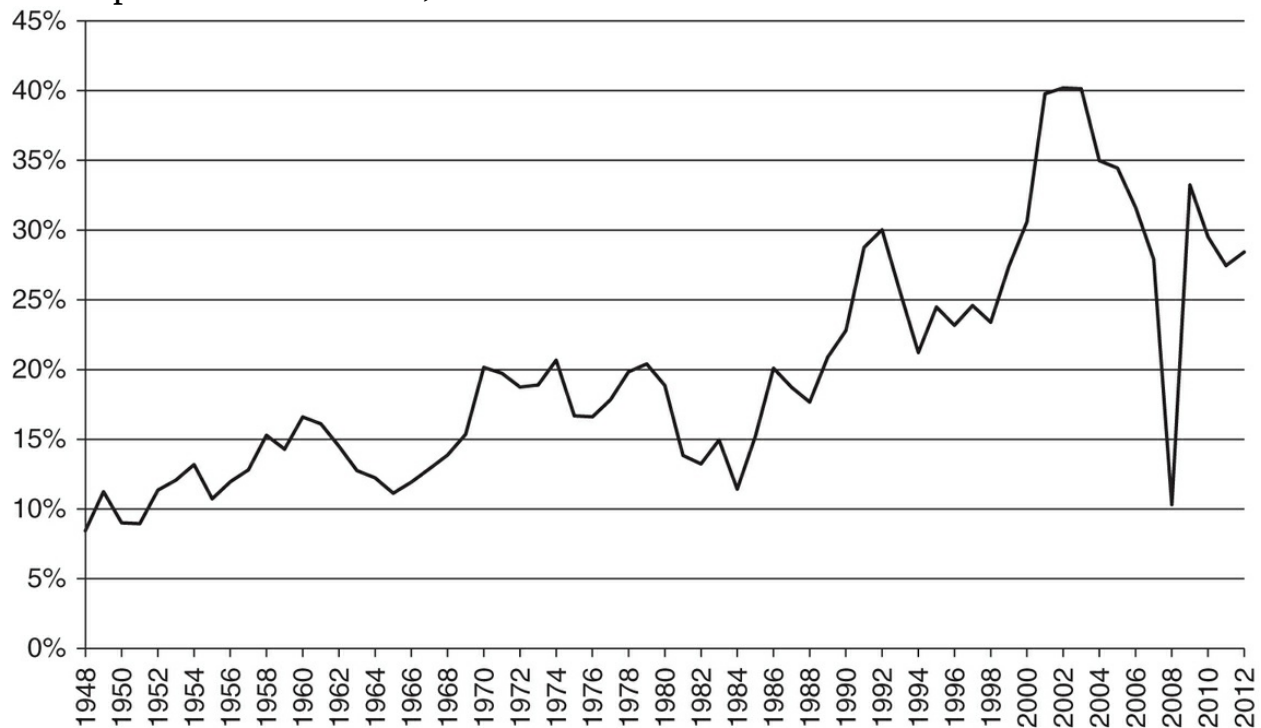
A second change in the corporate sector involved the manner of selection of the top corporate official, the CEO. In the regulated capitalist era, the normal practice in large corporations was to fill that position by promotion from within. In the neoliberal era, a market in CEOs developed as it became common for CEOs of large corporations to be hired from outside the company, often from another industry.<sup>9</sup> Top corporate officials often move from one company to another over time. Rather than being a lifetime 'company man', large corporate CEOs now had a material self-interest in building the appearance of successful management over a few years, to be positioned for getting a higher paying CEO position at another company.

Third, a particularly important change in the corporate sector involved the relation between financial institutions and non-financial corporations. In the neoliberal era, financial institutions gradually shifted their activities as the regulations were lifted in stages. As they became free to pursue whatever activity appeared most profitable, financial institutions increasingly engaged in risky and speculative activities. They created an array of complex new financial instruments, through a process referred to as 'financial innovation', some of which had little or no relation to the non-financial sector, or only an indirect relation to it. The financial sector became largely independent of the non-financial sector, increasingly pursuing profit from the creation and buying and selling of financial assets, which was far more profitable than the traditional financial activities they had been constrained to engage in under

regulated capitalism.

The transformation of the financial sector in the neoliberal era was very profitable for financial institutions. [Figure 33.5](#) shows that the profits of financial corporations rose from 15% to 20% of total corporate profits in the 1970s to 40% in the early 2000s. The rapid growth of financial sector profit, along with other associated trends, such as an increase in financial investments by previously non-financial firms, led to a widespread view that capitalism had become ‘financialized’ in this period (Epstein, 2005; Foster, 2007; Lapavitsas, 2013).

**Figure 33.5** Profits of financial corporations as a percentage of the profits of all corporations in the US, 1948–2012



Source: US Bureau of Economic Analysis, NIPA Table 1.14, [www.bea.gov/](http://www.bea.gov/), 2013.

The institutions of neoliberal capitalism listed in [Table 33.1](#) are not just a random list. All of them have in common the promotion of market relations and market forces by such means as the freeing of business to operate as they

wish in markets, the shifting of resources away from the public sector toward private entities that can deploy the resources in market transactions, and the reduction of public sector provision for individuals who are left more fully dependent on market income. At the same time, the institutions of neoliberal capitalism foster the domination of capital over labor, as will be explained in the following section. Neoliberal ideology, which says nothing explicit about the relation between labor and capital, nevertheless serves as justification for the market-promoting institutions of neoliberal capitalism and thereby indirectly supports the resulting change in the capital–labor relation. This coherence among ideology, institutions, and the character of the capital–labor relation justifies the broad concept of neoliberalism suggested here. As we will explain below, all of the aspects of this broadly conceived neoliberalism contribute to explaining the rise in inequality after 1980, the form that the capital accumulation process took after 1980, and the developments that led to the big crisis in 2008.

## **Neoliberalism and Inequality**

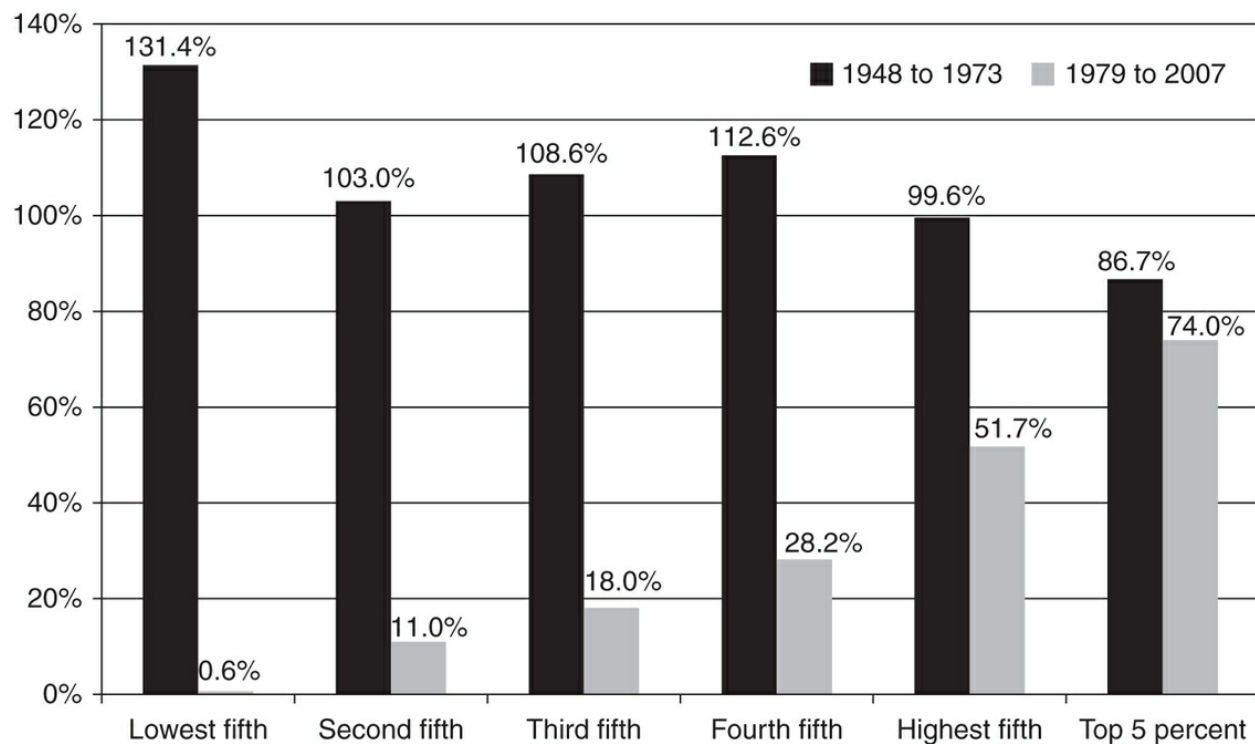
Inequality of income distribution became a major topic of public concern in the US after the financial crisis and Great Recession. Two developments contributed to this focus on inequality. One was the rise of a protest movement directed at inequality, the Occupy movement, which sprang up in 2011, drawing widespread support for a critique of the wealth and power of ‘the 1%’. The other development was the careful empirical work of Thomas Piketty and Hector Saez, who used a variety of sources to compile data series on trends in the concentration of income among the very rich – the top 1% and above – which had not been available before (Piketty and Saez, 2015). They made their data series easily available starting around 2007. Then, in 2014, Piketty published a book on inequality, *Capital in the 21st Century*, which quickly became a best-seller. It offered a sweeping account of trends in inequality of wealth and income in various parts of the world going back to the nineteenth century, an analysis of the causes of inequality, and policy proposals to forestall a new period of economic and political dominance by the possessors of inherited wealth.

There are various dimensions to inequality in the distribution of income. Most analysts focus on the distribution of income among individuals, or more

precisely households or families.<sup>10</sup> The data are often reported in the form of quintile shares, which gives the share of total income received by each fifth of the population from poorest to richest. Piketty and Saez popularized another form of data presentation, which gives the share of total income accruing to the very rich.

A clear break in the trend in inequality of income distribution occurred around 1980. The first figure presented in Piketty (2014: 24) shows that the top 10% in the US consistently received about 35% of total income from the late 1940s through 1980, with no trend up or down over that long period. After 1980, the share of the top 10% trended relentlessly upward, reaching 50% on the eve of the 2008 economic crisis. Similar patterns are shown for other developed countries. [Figure 33.6](#) shows the stark difference in the trend in income inequality between the two periods in the US, with regulated capitalism represented by the period 1948–73 and neoliberal capitalism 1979–2007. That choice of periods is based on the fact that regulated capitalism worked effectively from its consolidation in the late 1940s until about 1973, after which it entered a period of structural crisis, while neoliberal capitalism worked effectively from around the early 1980s through 2007 (Kotz, 2015: 6–7).<sup>11</sup> [Figure 33.6](#) shows that the earlier period had a somewhat equalizing trend in income distribution, as the income of the lowest quintile grew the fastest, while that of the top 20% and top 5% grew the slowest. By contrast, in the neoliberal era, income growth was faster with each move up the income gradient.

**Figure 33.6** Percentage increase in the average real family income of quintiles and the top 5%

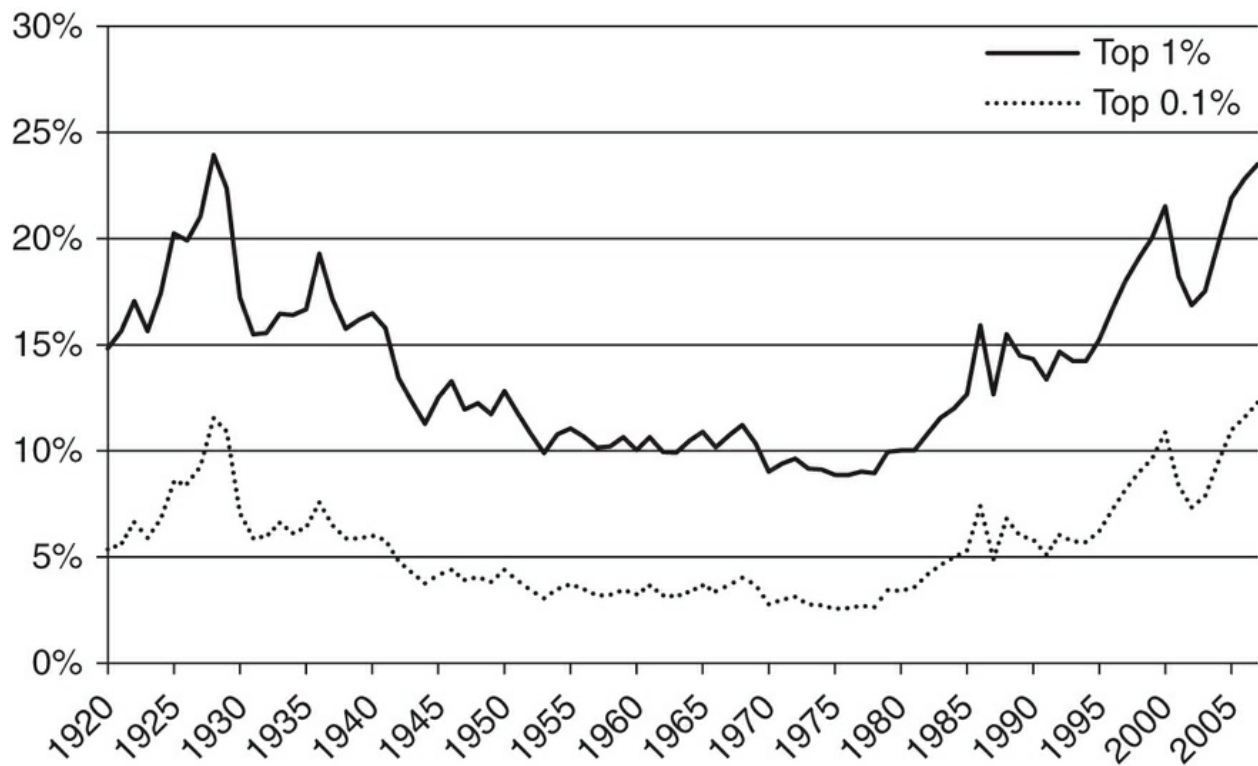


Source: US Bureau of the Census, Table F-3,  
[www.census.gov/hhes/www/income/data/historical/inequality/](http://www.census.gov/hhes/www/income/data/historical/inequality/), 2013.

[Figure 33.7](#) shows the trend in the share of the top 1% and top 0.1%. Drawing on data from Piketty and Saez (2015), it includes capital gains income, which is not in the US Census Bureau data shown in [Figure 33.6](#). In the regulated capitalist era, the share of the top 1% was relatively stable at about 10% of total income. In the neoliberal era, the share trended upward, reaching 23.5% in 2007, almost as high as its share on the eve of the Great Depression of the 1930s. The share of the top 0.1% rose even more steeply in the neoliberal era: from 3.5% to 4% in the regulated capitalist era, to just over 13% in 2007.

**Figure 33.7** Income shares of richest 1% and richest 0.1% as a percentage of total income, 1920–2007





Sources: Piketty and Saez (2015).

The restructuring of capitalism, from regulated to neoliberal capitalism, can account for the dramatic shift in the trend in inequality around 1980. Note that, in a capitalist system, if all forms of income other than labor and property income are excluded, then the trend in the distribution of income among individuals is affected by three factors: (1) the trend in the distribution of income between labor income and property income; (2) the trend in the distribution of labor income; and (3) the trend in distribution of property income.

After 1980, the share of employee compensation in personal income declined in each decade in the US, as [Table 33.2](#) shows. Both the share of property income and ratio of the property income share to that of labor were significantly higher after 1980 than before. [Figure 33.8](#) provides another measure of the distribution between labor and capital.<sup>12</sup> It shows that corporate profits grew at about the same rate as wages and salaries from 1948 to 1966. While the period of strong economic performance of regulated

capitalism in the US extended to 1973 for most variables, the rate of profit began a long slide after 1966. [Figure 33.8](#) shows a near-disappearance of profit growth during 1966–79, while labor income continued to grow, albeit at a reduced rate. During 1979–2007, profit growth resumed at a rate significantly faster than that of labor income. For the last full business cycle before the economic crisis of 2008 (2000–08), the growth rate of profit shot up to 5.3% per year while labor income almost stopped rising.

**Table 33.2 Average shares of employee compensation and property income in personal income in the US**

	1950s	1960s	1970s	1980s	1990s	2000s	2010–14
Employee compensation	70.7%	71.8%	71.1%	68.5%	67.4%	66.4%	62.7%
Property income	12.9%	15.0%	15.6%	20.2%	19.7%	18.4%	18.4%

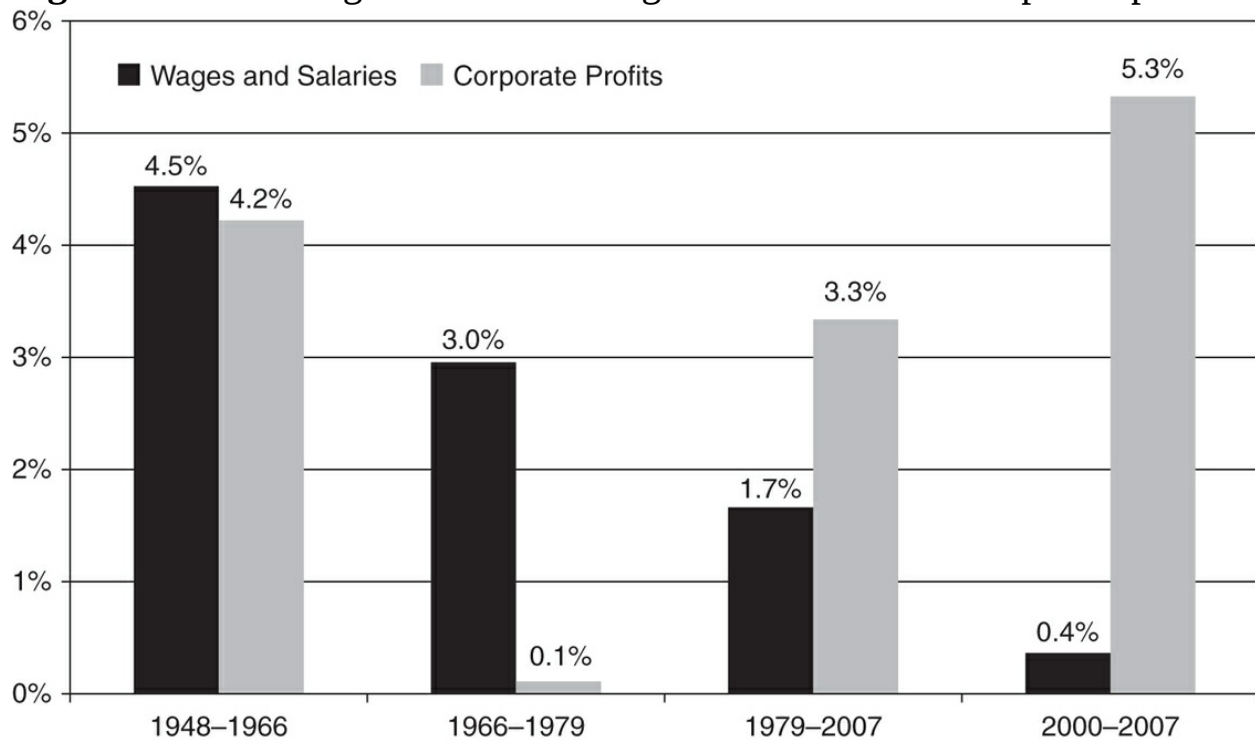
*Note:* Property income includes rent, interest, and dividends received by households. The other categories of personal income, not shown here, are proprietors' income and transfer payments.

*Source:* US Bureau of Economic Analysis, NIPA Table 2.1, [www.bea.gov/](http://www.bea.gov/), 2015.

*Note:* Property income includes rent, interest, and dividends received by households. The other categories of personal income, not shown here, are proprietors' income and transfer payments.

*Source:* US Bureau of Economic Analysis, NIPA Table 2.1, [www.bea.gov/](http://www.bea.gov/), 2015.

**Figure 33.8 Annual growth rates of wages and salaries and corporate profit**



Sources: US Bureau of Economic Analysis, NIPA Tables 1.14 and 1.1.4, [www.bea.gov/](http://www.bea.gov/), 2013; and US Bureau of Labor Statistics, [www.bls.gov](http://www.bls.gov/), 2013.

The institutions of neoliberal capitalism have promoted a shift in income from labor to capital, a shift which is shown in the data. The key point is that regulated capitalism as a whole promoted a relatively low and stable degree of income inequality, while neoliberal capitalism as a whole has driven rising inequality. Since regulated capitalism is based on a capital–labor compromise, it placed labor in a position to share in the rising income from capital accumulation and technological progress. The Bretton Woods system limited capital flight abroad and enabled labor in high-income countries to resist downward wage pressure from competition with low-wage workers in other countries. Keynesian demand management policies achieved a relatively low average unemployment rate of 4.8% from 1949 to 1973, which reinforced labor's bargaining power.<sup>13</sup> Government regulation of the key infrastructure sectors of transportation, communication, and electric power enabled trade unions in those sectors to win high wages. The moderately generous welfare state raised labor's fallback position, increasing its bargaining power. The progressive income tax reduced the after-tax income of capitalists. The labor market institutions of regulated capitalism reduced income inequality between capital and labor. The restrained competition, which included tacit price-cooperation in concentrated industries, lessened the pressure on capital to drive wages down that emerges under unrestrained competition.

Neoliberal capitalism has been based on a more or less opposite relation between labor and capital – relatively full domination rather than compromise – and its institutions are more or less the opposite of the institutions of regulated capitalism. Neoliberal capitalism greatly weakened the bargaining power of labor. The more fully open global economy put US workers in competition with low-wage workers elsewhere, and a substantial literature has found evidence that this played a role in wage stagnation or decline while profits continued to rise. The abandonment of Keynesian macropolicy aiming at a low unemployment rate resulted in a higher average unemployment rate of 6.1% from 1980 to 2007 which, in turn, reduced labor's bargaining power.

The deregulation of infrastructure sectors led to very large cuts in wages in those sectors. Cutbacks in the welfare state lowered labor's fallback position, weakening labor's bargaining power. The cuts in corporate tax rates, along with the declining progressivity of the personal income tax and rising regressive payroll taxes, contributed to widening capital–labor after-tax income inequality. The labor market institutions of neoliberal capitalism have played a major role in the widening class income gap, as previously strong trade unions in basic industry have been largely unable to fend off huge pay cuts, especially for newly-hired employees. The intense competition of neoliberal capitalism presses capital to use any means to drive down labor costs.

The radical change in labor's bargaining power in the neoliberal era is indicated by the changed effects of a low unemployment rate on wages. In the regulated capitalist era in the US, the low unemployment rate prior to the peak of each business cycle led to real wages rising faster than labor productivity, which increases labor costs per unit of output and tends to promote rising inflation. However, in the 1990s, when a decade-long expansion eventually pushed the unemployment rate down well below 5%, while real wage growth picked up somewhat as labor's bargaining power increased, it did not rise faster than labor productivity and inflation remained subdued (Kotz, 2009).

There is a strong case that regulated and neoliberal capitalism also have opposite effects on the distribution of labor income. While there was significant wage inequality in the regulated capitalist era, in the neoliberal era a small part of the wage-earning class did well while the vast majority did not, giving rise to the observed phenomenon of the disappearing middle. Regulated capitalism facilitated and encouraged solidarity within the working class which tends to reduce wage inequality, while neoliberal capitalism promotes individual pursuit of self-interest at the expense of others, which tends to increase wage inequality.

A few high-wage groups have been able to stand against the wind coming from neoliberal restructuring. Some groups of workers, who were not exposed to international competition and whose unions remained strong, have done well, such as longshore workers and some skilled construction workers.

However, the great majority have not been able to stand up against the powerful forces driving disequalization. Industrial union strength depends on solidarity, and when solidarity is strong, the lowest-paid workers benefit disproportionately. When the unemployment rate is low, all workers have greater bargaining power, but the least powerful, low-wage segment of the working class benefits the most. A particularly important institutional change in the neoliberal era, under the heading of cutbacks in the welfare state, has been the big decline over time in the real minimum wage, which increases wage inequality as the real wage of the bottom part of the distribution scale falls.

Neoliberal capitalism might also tend to increase inequality in the distribution of property income, although the case is not as straightforward as it is for income inequality between capital and labor and among labor income earners. Regulated capitalism, with its regime of restrained competition, virtually banished the threat of bankruptcy for large corporations. The whole set of regulations of market activity made outcomes less variable for capital as well as for labor. Neoliberal capitalism, by freeing capitalists to seize any opportunity, productive or unproductive, generates a few big successes and many failures.

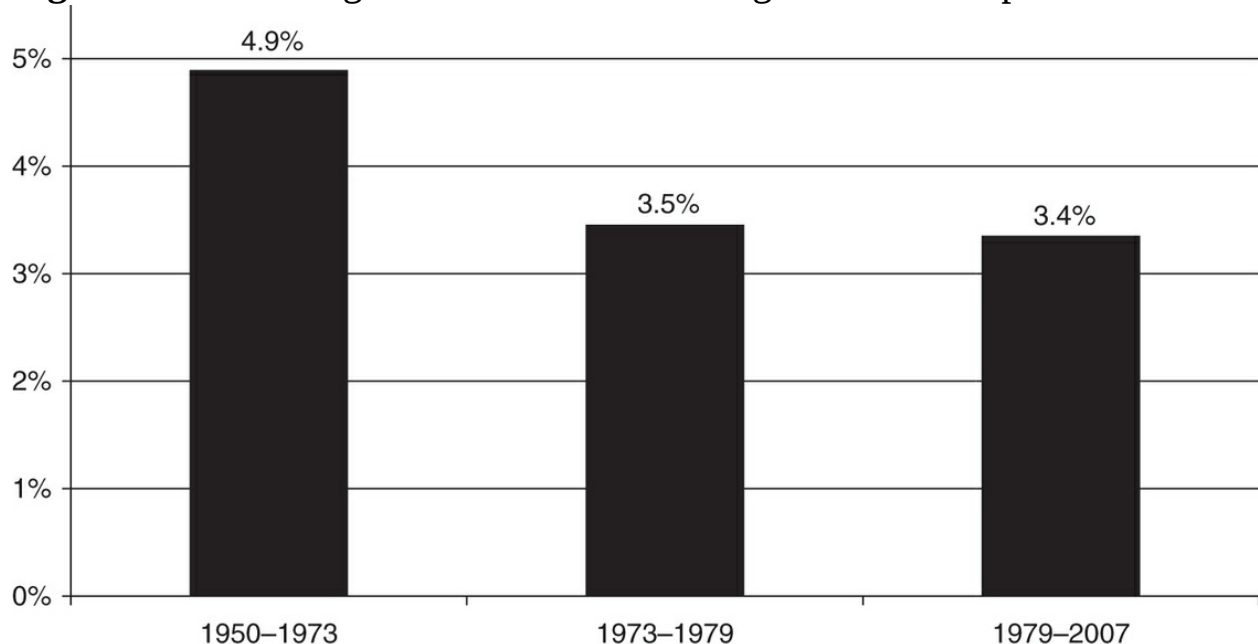
Neoliberal restructuring brought a 'winner take all' economy (Frank and Cook, 1996), whose disequalizing impact affects the top labor income earners (athletes, actors), as well as the distribution of property income. The widely recognized rocketing upward of CEO pay in the neoliberal era resulted from the unleashing of the market. Bureaucratic job ladders in large institutions in the regulated capitalist era had produced limited pay differentials for executives, while the shift to hiring CEO's from a market outside the firm led to escalating CEO pay. Those who landed positions in the biggest and most profitable institutions have been able to bargain for very high pay, moving near or even into the billionaire range. Since there is a strong case for viewing CEO pay as largely a form of profit income, coming from the profits of the corporation headed by the CEO, the dramatic escalation in the pay of CEOs can be interpreted as an example of rising inequality in the distribution of property income rather than labor income.

## **Capital Accumulation Under Neoliberalism**

The advocates of neoliberal restructuring claimed that it would bring a more vigorous process of capital accumulation while also making the economy more stable. Freeing business from the heavy hand of government regulation and the grasping hand of trade unions would, it was promised, unleash market forces and bring an explosion of saving, investment, and economic growth. The expectation that removal of government regulation would make the economy more stable was based on the neoliberal belief that a capitalist economy always is at, or rapidly tending toward, full employment, while misguided government efforts to stabilize the macroeconomy only accentuate its upward and downward swings.

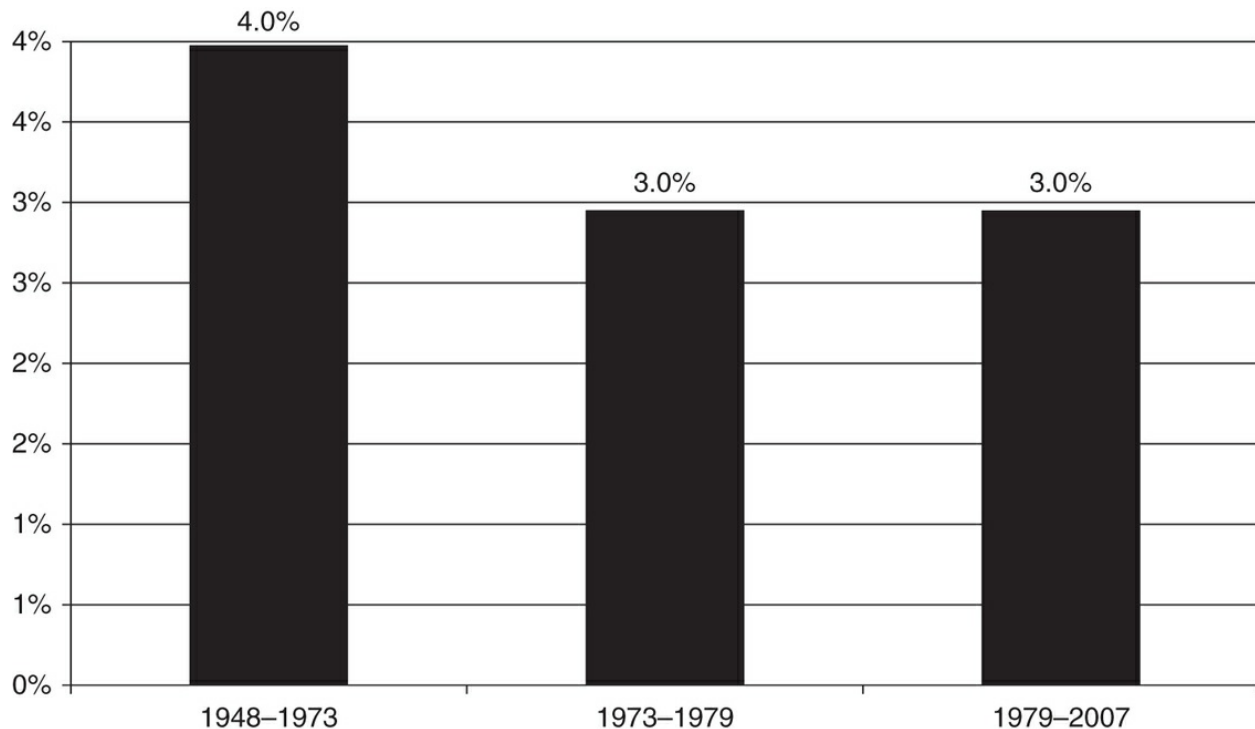
What does the economic record show? [Figure 33.9](#) shows that, for the world economy, GDP growth was significantly slower in the neoliberal era than it had been in the period of regulated capitalism prior to its crisis phase of 1973–79. GDP growth was no faster in 1979–2007 than in the crisis period of 1973–79. It was noted above that neoliberal restructuring has been uneven across countries, and evidence from the US economy, which underwent relatively thorough neoliberal restructuring, may be more informative. [Figure 33.10](#) shows a similar pattern of GDP growth to that of [Figure 33.9](#). The US GDP growth rate in 1979–2007 was no faster than that of the crisis period of 1973–79.

**Figure 33.9** Annual growth rate of world real gross domestic product



Source: Maddison (2010).

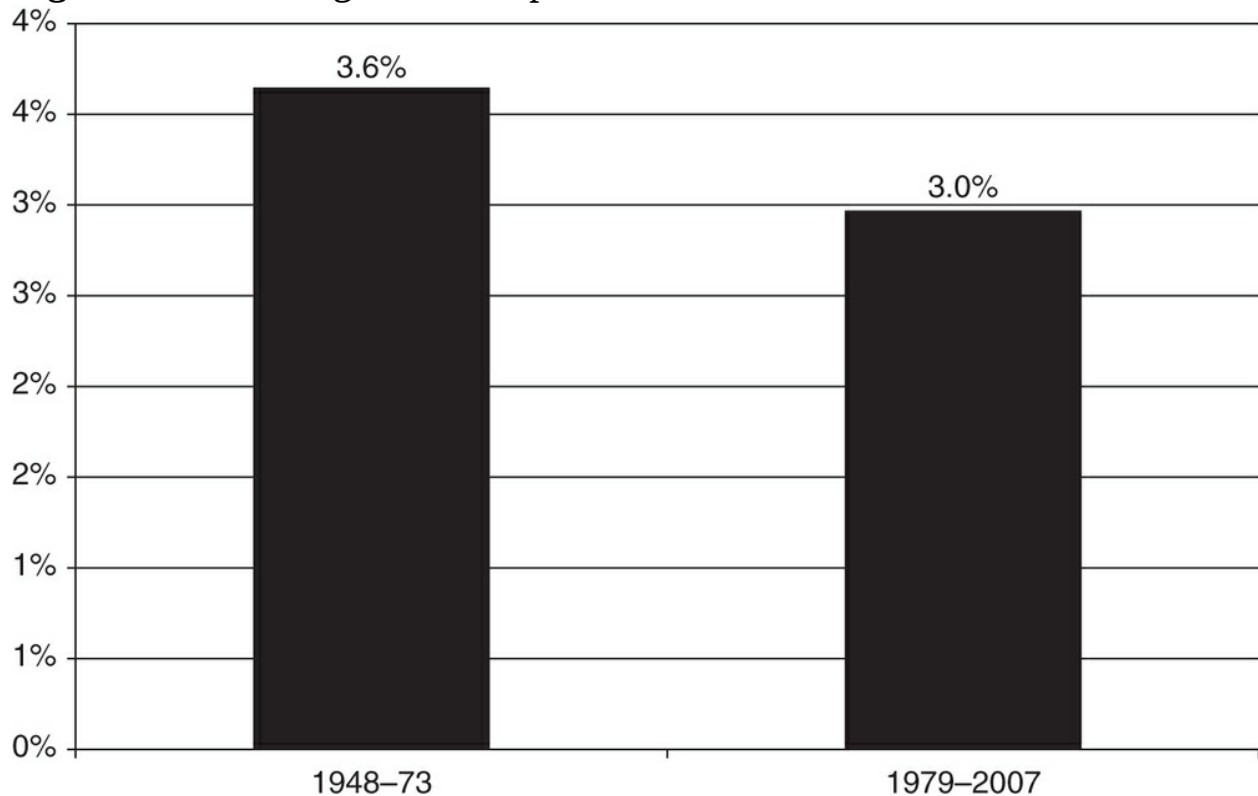
**Figure 33.10** Annual growth rate of US gross domestic product in chained 2005 dollars



Source: US Bureau of Economic Analysis, NIPA Table 1.1.6, [www.bea.gov/](http://www.bea.gov/), 2013.

[Figure 33.11](#) shows the rate of capital accumulation which, rather than accelerating in the neoliberal era, was slower in the later period than it had been in the earlier one. [Figure 33.12](#) shows that labor productivity growth, while recovering after 1979 from its sluggish pace during the crisis phase of 1973–79, was significantly slower in 1979–2007 than it had been in the regulated capitalist era of 1948–73. The promised explosion of saving did not occur – personal saving almost disappeared, as [Figure 33.13](#) shows. Neoliberal restructuring was followed by rapid growth, not of accumulation but consumer spending. As [Figure 33.14](#) shows, consumer spending trended upward, from 62% of GDP in 1979 to about 70% after 2000.

**Figure 33.11** Average rate of capital accumulation in the US

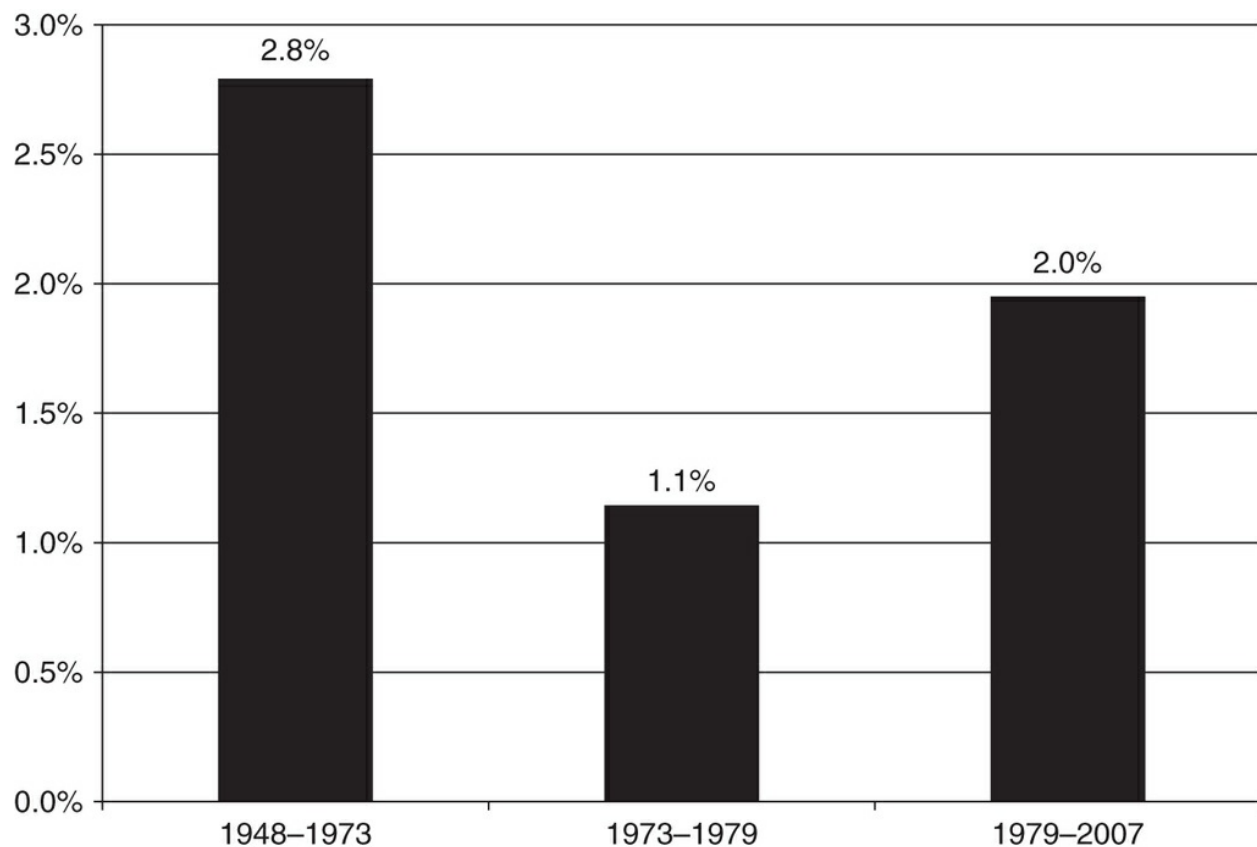


Note: The average rate of capital accumulation is net nonresidential fixed investment divided by prior year-end net nonresidential fixed assets, both inflation corrected.

Source: US Bureau of Economic Analysis, NIPA Tables 5.2.5, 1.1.9, and Fixed Asset Table 4.1, [www.bea.gov/](http://www.bea.gov/), 2012.

**Figure 33.12** Average annual labor productivity growth rate in the US

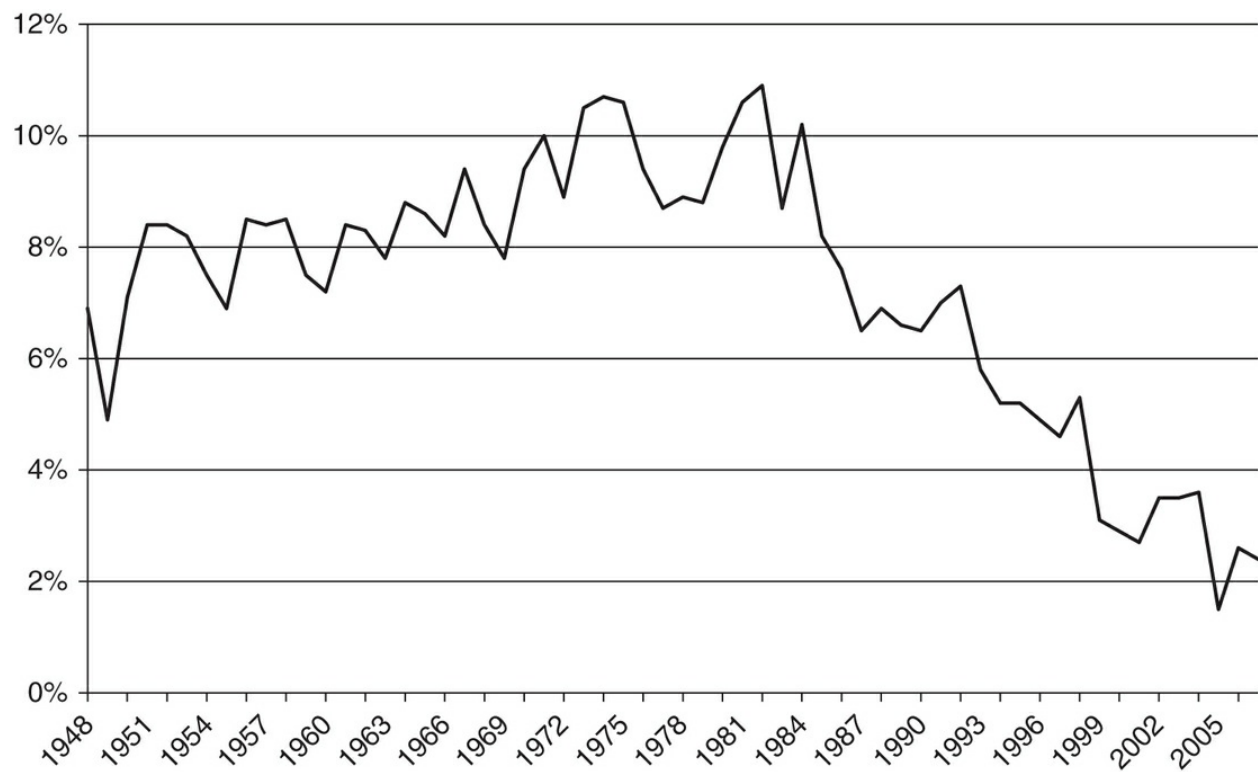




Note: Output per hour in the Nonfarm Business Sector

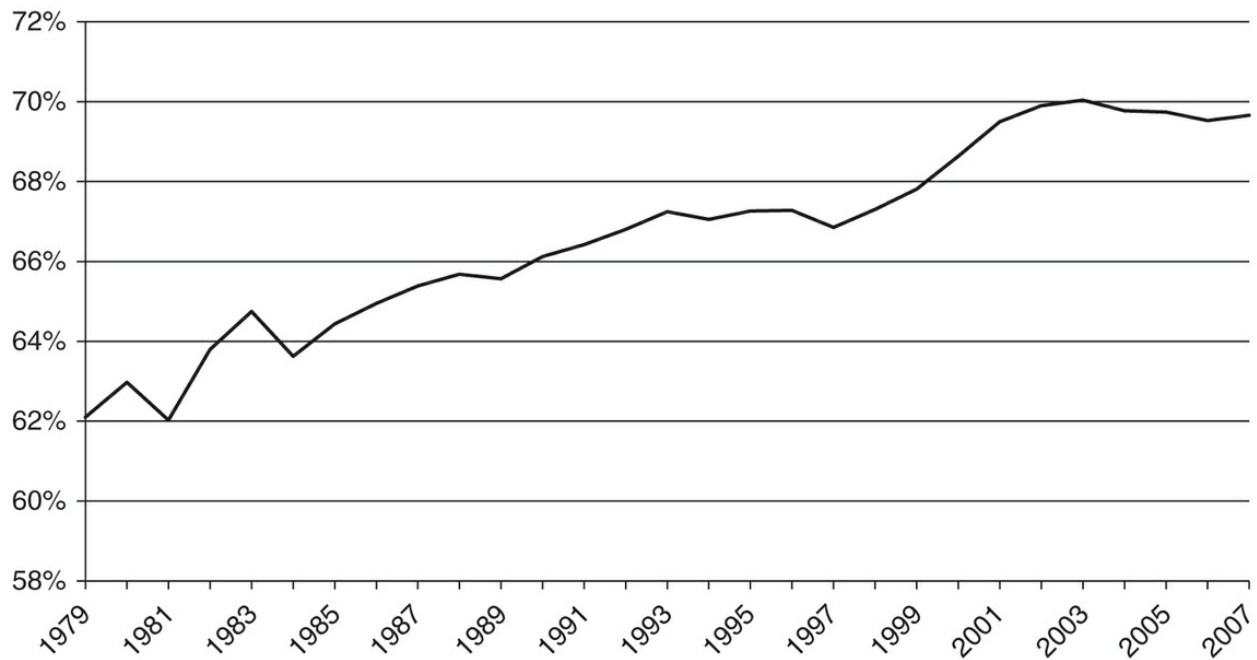
Source: US Bureau of Labor Statistics, Labor Productivity and Costs Database, [www.bls.gov/lpc/](http://www.bls.gov/lpc/), 2013.

**Figure 33.13** Personal savings as a percentage of disposable personal income, 1948-2007



Source: US Bureau of Economic Analysis, NIPA Table 2.1, [www.bea.gov/](http://www.bea.gov/), 2013.

**Figure 33.14** Consumer spending as a percentage of gross domestic product, 1979–2007



Source: US Bureau of Economic Analysis, NIPA Table 1.1.5, [www.bea.gov/](http://www.bea.gov/), 2013.

One dimension of macroeconomic performance did improve after 1979: that of stability. The US economy had three long economic expansions in 1982–90, 1991–2000, and 2001–07. The average length of uninterrupted economic expansions since the early 1980s was almost eight years (95 months), compared to an average of just over four years (50 months) for the five expansions during 1948–73. Inflation remained low even at the peak of the business cycle after the early 1980s and averaged only 3.1% per year from 1982 to 2007 for the consumer price index.

To understand the capital accumulation process in neoliberal capitalism, one must take note of three key developments that emerged from neoliberal restructuring: (1) growing inequality, which was discussed above; (2) the transformation of the financial sector into a risk-seeking, speculative actor in the economy, also discussed above; and (3) the emergence of a series of large asset bubbles. The 1980s saw a bubble in Southwestern commercial real estate, whose collapse sank a large part of the savings and loan industry. In the second half of the 1990s, a giant stock market bubble arose. And in the 2000s, a still-larger bubble engulfed US real estate. By contrast, the

preceding period of regulated capitalism had no large asset bubbles. The first two developments cited above account for the large asset bubbles. The rapidly rising corporate profits plus the rapidly growing income of rich households generated investment-seeking funds that exceeded the available productive investment opportunities. Some of that flow found its way into investment in assets, which tends to stimulate rising asset prices. The deregulated financial institutions, eager to lend for speculative purposes, supported and participated in such investment, which enabled incipient asset bubbles to grow larger and larger.

Growing inequality, risk-seeking financial institutions, and large asset bubbles combined, in a way no one had expected, to promote long economic expansions. The wage stagnation driving growing inequality meant rapidly growing profits when the economy expanded, which encouraged further expansion. However, an expansion cannot continue for long without increasing demand for the output of an expanding economy. Contrary to Say's Law, supply does not automatically create its own demand. The decline of wage income and the slow growth of government spending in the neoliberal era posed a threat to continuing economic expansion.

The demand problem of neoliberal capitalism was resolved by debt-fueled consumer spending. Risk-seeking financial institutions found ways to lend money to families whose wages were stagnating or falling. The introduction of subprime mortgages enabled hard-pressed households to pay their bills and even increase spending. Other 'financial innovations', such as subprime mortgage-backed securities and credit default swaps, created the appearance of safety for the institutions that financed the lending spree, while providing multiple opportunities for quick profit in the financial sector. Lending requires some kind of collateral on the part of the borrower, and the big asset bubbles provided the collateral, enabling families to borrow to pay their bills. In the late 1990s, inflating stock market portfolios of upper-income families promoted an acceleration of consumer spending that prolonged the expansion of the 1990s (Kotz, 2003). In the 2000s, income-poor households were able to borrow against the bubble-inflated value of their homes to get money to pay their bills (Kotz, 2009, 2015: 109–114).

No one planned this interlocking set of developments with the aim of

fostering long economic expansions, but it worked to enable the increasingly unequal neoliberal capitalism to resolve the problem of demand and give rise to long expansions. Inflationary pressure can derail an economic expansion by prompting the Federal Reserve to raise interest rates; but, after 1980, the weakened bargaining position of labor meant that little or no inflationary pressure arose even when the unemployment rate fell to a low level.

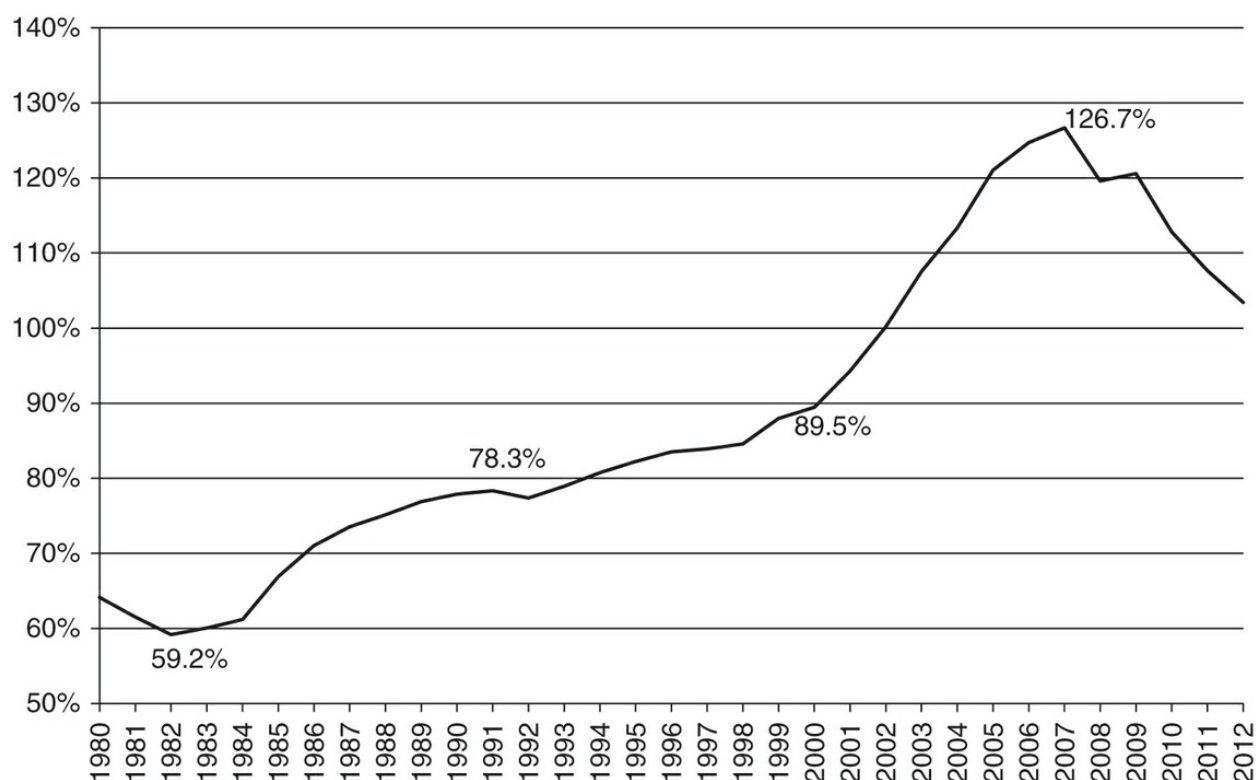
The long expansions and quiescent inflation gave rise to the belief that neoliberal restructuring had brought an end to economic instability. Ben Bernanke, a Princeton University economist who was named chairman of the Federal Reserve in 2006, used the term ‘Great Moderation’ for this era (Bernanke, 2004). In his presidential address to the American Economic Association in 2003, Robert Lucas, a leading figure in the revival of free market economic thought in the 1960s and 1970s, stated that the ‘central problem of depression-prevention has been solved, for all practical purposes, and has in fact been solved for many decades’ (cited in Krugman, 2009). The leading economists did not realize that the seemingly stable economic expansions of the neoliberal era rested on a foundation that was bound to collapse, and to do so in dramatic fashion.

## **Economic Crisis and Beyond**

The very processes by means of which neoliberal capitalism promoted capital accumulation and long economic expansions at the same time gave rise to economic trends that were unsustainable over the long run. These trends were rising household debt ratios, increasing leverage of financial institutions, and the spread of bound-to-fail ‘toxic’ financial assets throughout the financial system.<sup>14</sup>

The resolution of the demand problem posed by declining real wages by means of household borrowing generated a long-term rise in household debt. After 1980, a markedly upward trend in household debt relative to household income set in, as [Figure 33.15](#) illustrates.<sup>15</sup> From 1982 to 2007, the ratio of household debt to household disposable income more than doubled.

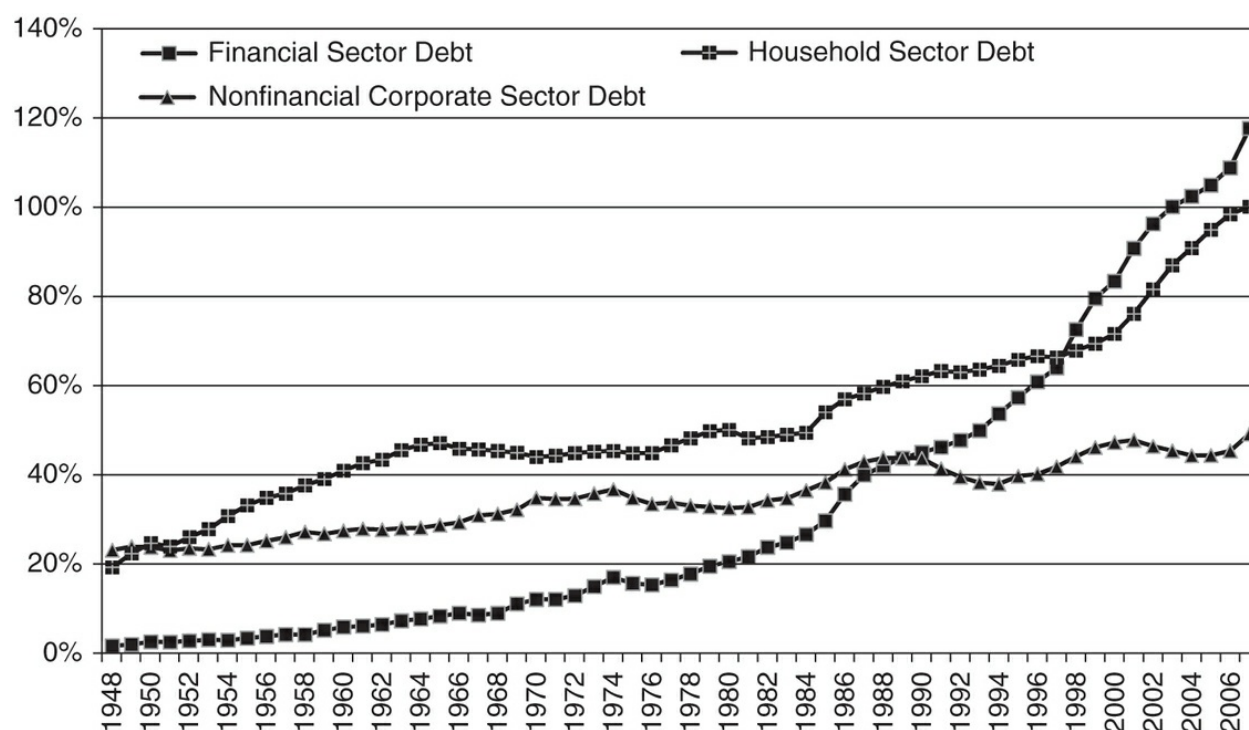
**Figure 33.15** Household debt as a percentage of disposable personal income, 1980–2012



Sources: Board of Governors of the Federal Reserve System, Flow of Funds Accounts, Table B.100, [www.federalreserve.gov/](http://www.federalreserve.gov/), 2013; and US Bureau of Economic Analysis, NIPA Table 2.1., [www.bea.gov/](http://www.bea.gov/), 2013.

Second, the speculative activities of financial institutions were so profitable that they were motivated to borrow heavily to finance more and more such activities, while the deregulation of the financial sector allowed them to increase their leverage. [Figure 33.16](#) shows that financial sector debt rose much more rapidly than the debt of non-financial corporations or households in the neoliberal era. From 1979 to 2007, financial sector debt rose from 19.7% to 117.9% of GDP, an increase of almost a factor of six. Financial regulatory agencies, which did retain some oversight of financial institution leverage but were influenced by the widespread belief in deregulating the financial sector, did nothing to discourage this trend.<sup>16</sup>

**Figure 33.16** Debt of sectors of the US economy as a percentage of gross domestic product



Sources: Board of Governors of the Federal Reserve System, [www.federalreserve.gov/](http://www.federalreserve.gov/), 2010; and US Bureau of Economic Analysis, NIPA Table 1.1.5., [www.bea.gov/](http://www.bea.gov/), 2010.

Third, highly risky new financial assets – various kinds of financial derivatives – spread throughout the US and the global financial system. For example, the outstanding value of collateralized debt obligations in the global economy rose from \$2.9 billion in 1995 to \$1.34 trillion in 2007 (SIFMA, 2013). The process of creating and distributing subprime mortgage-backed securities and other new financial products was highly profitable. If these assets were quickly passed on to the final investors, the big financial institutions would have offloaded the risk. However, the big institutions held onto a large volume of these assets.<sup>17</sup> For example, the 25 largest US commercial banks held \$14 trillion in credit default swaps on September 30, 2007 (*New York Times*, February 17, 2008: 1, 17).

The above three long-term trends – rising household debt, rising financial sector debt, and a growing volume of new financial assets in the financial system – were sustainable after 2000 only as long as the real estate bubble

continued to inflate. That bubble enabled households to continue to roll over their growing debt, generated profits for financial institutions that easily covered their rising debt payments, and propped up the market value of the new risky financial assets. However, every asset bubble eventually deflates. When the real estate bubble began to deflate in 2007, all three trends soon became unsustainable. Unable to continue to borrow against rising home value, households were forced to reduce consumer spending, leading to a decline in consumer spending in the first quarter of 2008 that marked the start of the Great Recession. As the home mortgage default rate shot up in 2008, investors began to dump asset-based securities, driving their market value down sharply. By the fall of 2008, the biggest commercial and investment banks faced rapidly declining asset value along with very high debt, and the global financial system began to freeze up as banks feared to make the overnight loans to one another required to keep the banks operating. The global financial crisis had arrived, intensifying the Great Recession and leading to a government bailout of the major US banks.

The financial crisis and Great Recession of 2008 have been followed by sluggish recovery and stagnation in the developed economies. The austerity policies adopted in many countries are obstacles to a vigorous economic recovery. However, a strong case can be made that the underlying cause of the stagnation is that a structural crisis of the neoliberal form of capitalism began in 2008, which means that that form of capitalism can no longer promote normal capital accumulation. The debt-fueled consumer spending that drove expansion for some 25 years can no longer do so. Inequality has continued to increase, and financial institutions are still engaged in speculative activities, but that no longer leads to relatively stable capital accumulation since it no longer feeds growing debt-financed consumer spending.

History shows that every past institutional form of capitalism has eventually entered a period of structural crisis, which was resolved only after major institutional restructuring. A restructured capitalism emerged around 1900, again after World War II, and again in the early 1980s, resolving the structural crises of the late nineteenth century, the 1930s, and the 1970s. This history, along with theoretical considerations, suggests that we will see a new period of institutional restructuring emerge in the coming years. No economic



law dictates the nature of such restructuring, which can take various directions, and could lead to a different form of capitalism or even a transition beyond capitalism. The outcome will be determined by struggles among various groups and classes over how to resolve the crisis.<sup>18</sup>

## Notes

1. That quote is from *The Spectator*, April 8, 2013, available at <http://blogs.spectator.co.uk/coffeehouse/2013/04/margaret-thatcher-in-quotes/>. Thatcher's view of society has been widely cited, usually as follows: 'There is no society. There are only individuals and their families.' The latter quote is apparently derived from the actual words cited in the text.
2. The term neoliberalism is confusing to those schooled in US politics, where a 'liberal' is someone who endorses an active government role in regulating business, a generous welfare state, and strong trade unions. Everywhere but in the US, the term 'liberal' implies more or less the opposite economic policy positions, that is, opposition to government regulation of business, the welfare state, and trade unions.
3. The term 'capital-labor accord' suggests a harmonious relation that does not capture the character of the capital-labor relation in regulated capitalism, which involved significant capital-labor conflict. The compromise between capital and labor contained class conflict in ways that reduced its negative impact on profit-making and accumulation.
4. China's growing role as the engine of the global economy is a result of the way its non-neoliberal model has fit into the neoliberal global system. In recent years, advocates of neoliberalism have grown stronger in China, but so far they have not been able to restructure the economy as they wish.
5. The term 'institution' in this context, referring to the IMF and World Bank, means an official organization. More commonly, we use the term 'institution' to refer to a regular practice or form of a relationship, such as peaceful collective bargaining or government regulation of banking.
6. When the financial crisis and Great Recession struck in 2008, these

neoliberal 'hands-off' macropolicies were quickly, although temporarily, abandoned in favor of active intervention.

7. In the 1970s, Watt founded the anti-environmentalist Western States Legal Foundation. Ann Gorsuch, a former attorney for Mountain Bell and then a conservative member of Congress from Wyoming, saw her role as EPA head to be the easing of environmental regulation and downsizing of the agency.

8. Baran and Sweezy (1966: 50–51) provide a good account of the co-respective competition among large corporations in the US in the post-World War II decades. They credit Schumpeter with originating that concept.

9. One study found that the percentage of new CEO hires from outside the company in S&P 500 firms rose from an average of 15.5% in the 1970s to 32.7% in 2000–05 (Murphy and Zabojsnik, 2007: 34).

10. Other dimensions of income inequality involve distribution by race, ethnicity, gender, or country.

11. For comparisons of economic performance in the two long periods of effectively working SSAs, it is desirable to choose beginning and ending years that are business cycle peaks. The years 1948, 1973, 1979, and 2007 were all peak years. The year 1979 is the closest normal business cycle peak to the early 1980s, and it is a year when many economic trends shifted.

12. The series for wages and salaries in Figure 33.8 includes managers' (and CEOs') pay.

13. For a variable such as the unemployment rate that is an average of a series of annual values, the time period for regulated capitalism must be 1949–73, since each year must be counted as within only one long period. For variables that are growth rates from one year to the next, the relevant period for regulated capitalism is 1948–73, since it measures the compounded annual growth rate whose first year should be 1948 to 1949. 1949–73 has 25 years of unemployment rates to be averaged, while 1948–73 has 25 year-to-year intervals for calculating a growth rate.

14. A fourth long-run trend, not considered here, was rising excess

productive capacity in industry. See Kotz (2015: 141–144).

15. Household debt relative to income rose from the end of World War II to the mid-1960s, as the great postwar housing boom brought rising homeownership and rising home mortgage debt. From the mid-1960s to 1980, there was no trend in the ratio. See Kotz (2015: 110).

16. For an account of the unfortunate 2004 decision by the US Securities and Exchange Commission to lift the limit on borrowing by the largest investment banks, see Kotz (2015: 129).

17. Crotty (2009) discusses the reasons why the large financial institutions held large quantities of the risky assets.

18. See Kotz (2015: chapter 7) for a discussion of possible future directions of institutional change.

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# 34 Corporate Power and Neoliberalism

**Joshua Barkan**

## Introduction

Neoliberalism has been variously described as a political ideology, a set of policy prescriptions, or a new form of governmental rationality. In each case, however, neoliberalism has been closely associated with attacks on the robust role of states and public rights in private markets. Given this definition, the corporation provides a unique lens on neoliberalism. On the one hand, neoliberalism and associated models of globalization have aggressively promoted the interests of corporations as part of economic liberalization. Because neoliberalism has been understood as extending market relations and economic forms of calculation into ostensibly non-economic domains of social life, the terms ‘neoliberalism’ and ‘corporatization’ have often been used synonymously. In fields such as education, health care and media, the interchangeable references to neoliberalism and corporatization highlight the ways these social spheres have been subjected to market logics, but also transformed from objects of state investment governed by notions of public welfare to areas managed by large companies with the primary aim of profitability.

The rub is that corporations have long been considered antithetical to markets. Corporations, of course, engage in numerous market activities – making and selling goods in commodity markets, purchasing and deploying labor power in the production process, issuing stock in financial markets, etc. – yet economic analysis has traditionally distinguished corporate institutions from markets. In the words of noted business historian Alfred Chandler (1977), corporations represented ‘the visible hand’ of the economy, organizing production bureaucratically. This notion was also central to the analysis of the corporation offered by transaction costs economists from Ronald Coase (1937) to Oliver Williamson (1975). For these scholars, the competitive advantage of corporations resides in their ability to internalize

market exchanges within the structure of the firm, making them, in Williamson's terms, 'hierarchies' as distinct from markets. Related arguments appear in contemporary work on global value chains (Gereffi et al., 2005), suggesting that not only individual corporations but also entire corporate networks and supply chains generate value through mechanisms that are quite different from those characterizing traditional market exchanges. One could even go as far back as the classical political economists, including Adam Smith (1978), who viewed corporations, with their state-backed charters, as government-created entities that disrupted the invisible hand of the price mechanism.

This suggests some problems with analyzing contemporary issues in political economy through today's dominant ideological tropes. Although privatization is routinely invoked by champions of what have come to be understood as neoliberal reforms in ways that benefit corporations, the corporation does not fit neatly into divisions of public and private. Contemporary policies promoting corporate capitalism could be seen as an instance where the reality of neoliberalism belies its rhetoric (see, for instance, Crouch, 2011; Birch, 2015). But, analytically, the contradictory role of the corporation in today's politics and economy is more usefully understood as an effect of the strange role the corporation has played within the genealogy of liberal-capitalist government itself. This is because, throughout its history, the corporation has provided a legal-institutional form where new modes of government have been developed. With the advent of liberal-capitalist empires and nation-states, corporations became vital institutions for organizing capitalist socio-economic and political relations. Part of the reason they were so useful as a tool or technique of government was the way they exploited and transformed the central conceptual divisions undergirding liberalism, including not only the aforementioned distinction between public and private, but also those between state and market, politics and economy, individual and collective, persons and things, dominion and imperium, and citizen and sovereign, each of which has been essential to liberal forms of power.

Understanding the relations between the corporation and liberalism (whether neo- or otherwise) requires historical or, more accurately, genealogical study. In the pages that follow, I outline some elements of this genealogy, with particular attention to the roles of corporations as not just economic

institutions, but entities that have profoundly shaped the social and spatial organization of power in liberal capitalist societies. Part one begins with a brief discussion of how critiques of neoliberalism frame the corporation as an object of study. My aim here is not to provide a robust empirical description of corporate power today, but rather to show that the critique of neoliberalism relies on and deploys a conceptual division between the proper spheres of public power, on one side, and private right, on the other, in order to expose the growing power of corporations. The corporation is particularly troublesome in these critiques of neoliberalism because of the way it is always out of place, exceeding the spatial and conceptual boundaries in which it is presumed to properly reside.

As is well established, these conceptual distinctions are crucial to liberal political and economic thought. In part two, however, I show how uneasily the corporation has fit within this framework. As a medieval legal institution linked with the images and figurations of sovereign power, corporations survived within liberal regimes for their usefulness in managing, governing and disciplining what Foucault (2007: 96) called 'the complex of men and things'. As such, they have straddled and transgressed idealized notions of 'the political' and 'the economic' throughout the modern period. Consequently, writing on the corporation has long been marked by the tensions between the utility of the corporate legal form and fundamental principles and justifications of liberalism.

I suggest that this is the same tension we see today in contemporary writing about the corporation and neoliberalism. Part three thus brings the argument forward and explains what this genealogy of the corporation means for understanding the current debates discussed in part one. First and foremost, the genealogy of the corporation shows the fundamental incoherence and wrong-headedness of a host of related arguments that have come to be characterized as neoliberal and support various projects of deregulation, privatization, and private governance. More troubling, however, this genealogy also complicates common notions of neoliberalism that are used to critique today's rapacious forms of corporate capitalism. Specifically, it challenges what has become a standardized historical narrative of neoliberalism. After all, the use of legal and state power to constitute markets, commodity relations, modes of accumulation, and forms of



economic government and subjectivity are not new or unique to post-1970s transitions in capitalism. More prosaically, to locate the origins of contemporary capitalist social relations and paradigms of governmental reason in events such as the twentieth-century ideologies of the German ordoliberals, the Austrian and Chicago Schools of economics, the politics of Thatcherism and Reaganism, or even the structural adjustment programs of the World Bank and the norms associated with the Washington Consensus is to miss the way that the present emerges out of a far more diverse and chaotic past. Attention to the ways the long dynamics of capitalism, discipline, and government come together in historically specific moments and institutional forms might open alternative lines of political contestation than those suggested by the dominant renderings of neoliberalism.

## **Neoliberalism and the Corporation**

Although there are different types of corporations, current debates associated with the critique of neoliberalism focus primarily on business corporations, entities with limited liability organized to make profits for their owners.<sup>1</sup> In this regard, political concerns over the corporation and corporatization have come to designate a variety of troubling relations between businesses and society, which we can broadly categorize as falling in two primary groups: one treating neoliberalism as a set of ideas and policies structuring contemporary political economies; the other viewing neoliberalism as a form of governmental rationality shaping basic notions of society and subjectivity, with grave portents for citizenship and democracy.

In terms of the first group, concerns about the growing power of corporations converge on the ways that neoliberal policies marshal state power to promote specific industries, sectors, or companies. Such arguments take a number of forms, including discussions of state-backed projects of privatization and financialization, along with legal changes promoting corporate consolidation and monopoly power. David Harvey's (2005) work on neoliberalism provides an exemplary case of this line of reasoning that touches on each of these areas. For Harvey, neoliberalism represents both a set of theoretical ideas and institutionalized policy proscriptions that began to take hold in the mid-1970s amid the collapse of the post-Second World War political and economic compromise, which had led to sustained economic growth in core capitalist

economies through the 1950s and 1960s. As with most other accounts, Harvey locates the origins of neoliberal theory in the mid-twentieth-century writings of scholars associated with the Mont Pèlerin Society and, later, with the University of Chicago's economics department. These thinkers are linked in their critiques of state planning and economic regulation in not only its communist and socialist forms, but also in terms of New Deal Keynesianism. The crux of Harvey's sweeping global account, however, is the uneven ways those ideas were institutionalized in a series of concrete events beginning in the 1970s. Here, too, we see the familiar list of events associated with neoliberalism, including Reagan and Thatcher's attack on labor unions; the privatization and deregulation of key aspects of the US and UK telecommunications, transportation, finance and energy industries; the 1979 Volker shock and promotion of anti-inflationary policies over those pursuing full employment; the proliferation of IMF structural adjustment programs; and the recurrent financial crises, along with subsequent projects of liberalization and shock therapy, in places such as Chile, Mexico, Argentina, Russia, South Korea, and China, to name only a few.

By distinguishing neoliberal theory from the practices of states and capitalist enterprises, Harvey is able to show that neoliberalism is much less about the utopian project to produce truly free markets than it is a project of restoring accumulation for particular classes and class fragments (see also Cahill, 2014). Corporations appear as an important component of the capitalist class and Harvey demonstrates that neoliberalism has entailed the use of state power to benefit corporations and their executives in a number of ways. First, for Harvey, neoliberalism has been coincident with the shift from manufacturing to finance in core capitalist economies. Aided by monetarist government policies and the deregulation of the financial industry, neoliberalism has not only been a boon to traditional finance companies, such as banks, but also to large manufacturing and consumer corporations that have expanded into financial services. This also has entailed the rise of executive compensation through stock options and the related shift to shareholder value as a measure of corporate success (see also Ho, 2009). But Harvey's most important point is that financial expansion occurred within an international context dominated by the 'Washington Consensus', in which 'US and UK models of neoliberalism were ... defined as the answer to global problems' (Harvey, 2005: 93). Harvey chronicles the ways developing states

liberalized their economies in order to attract global capital, while also facing heightened competition from other places and territories following similar trajectories. For the classes orchestrating this form of neoliberal globalization, the 'primary objective, however, was to open up as much of the world as possible to unhindered capital flow' (Harvey, 2005: 93).

In addition to financial globalization, Harvey gives other examples of the way state power has benefited corporate sectors of the capitalist class. As a geographer with long-standing interest in urbanization, Harvey connects neoliberalism with the restructuring of urban space through the use of public-private partnerships (see also Harvey, 1989). Harvey notes that many of these partnerships are unique in that 'the state assumes much of the risk while the private sector takes most of the profits' (Harvey, 2005: 77). Relatedly, Harvey chronicles a shift from government, what he terms 'state power on its own', to governance, in which corporations are involved in 'writing legislation, determining public policies, and setting regulatory frameworks (which are mainly advantageous to themselves)' (Harvey, 2005: 76–77). For Harvey, these techniques are just part of broader processes of 'corporatization, commodification, and privatization of hitherto public assets' which constitute a 'signal feature of the neoliberal project' and have been opening up 'new fields for capital accumulation in domains hitherto regarded off-limits to the calculus of profitability' (Harvey, 2005: 160). Harvey goes on to list a number of areas of government and policy that have either been directly put under the administration of private enterprises or have been restructured to function like private business, including public utilities, social welfare agencies, public institutions like universities and prisons, the military, agriculture, creative, cultural and artistic endeavors, and the global intellectual property and trade regimes. Harvey argues that privatization is central to the class-based accumulation strategies of neoliberalism, as assets are transferred from 'the public and popular realms to the private and class-privileged domains' (Harvey, 2005: 161).

Harvey's broad account of neoliberalism as a class-based project in which corporations have profited through either direct benefits of state largess or by using corporate money and power to reshape politics resounds with the arguments of numerous other scholars. For instance, the essays collected in *Neoliberal Environments* (Heynen et al., 2007) build directly on Harvey's

conceptualization of neoliberalism, tightly linking neoliberal environmental governance with the privatization and enclosure of land, labor, and resources in ways that dispossess people and communities, while benefiting corporations and capitalist elites. Duménil and Lévy (2004, 2011) emphasize the importance of finance and explain the role of financial interests as drivers of neoliberal policies based on their responses to post-1970s declines in corporate profitability. Like Harvey, Duménil and Lévy focus on the international strategies of finance, as the deregulation of developing economies in the 1980s and 1990s provided new sources of income for the uppermost reaches of the capitalist class. They also describe the way this process has been abetted by managers, whose ‘main field of activity ... is the organization of corporations’ (Duménil and Lévy, 2011: 76), as their incomes have become intertwined with the financial interests of firms.

Colin Crouch (2011) provides probably the most explicit consideration of the role of the corporation in contemporary neoliberalism. Although Crouch echoes the concerns about financialization, his primary interest is in the ways corporations disrupt *both* market activities and political processes. The size of corporations, their efficiencies in lowering transaction costs, and their ability to hierarchically coordinate complex undertakings allows them to exercise monopoly power in markets. Corporations also actively pursue their interests in democratic politics via lobbying. Furthermore, because neoliberalism lacks a specific theory of the corporation – treating it simply as any other market participant – neoliberal policies are particularly inept in reining in corporations. Working-class organizations and social welfare states were once able to do this within the national corporatist frameworks of mid-twentieth-century regulated capitalism. As with Duménil and Lévy, Crouch argues that at least one potential path out of neoliberalism entails a shift in the actions of corporate managers away from financial interests and toward a pluralistic concept of social responsibility.

Although these brief summaries fail to do justice to the complexity and nuance of these arguments, they point to one of the key ways corporate power is framed in relation to discussions of neoliberalism. These accounts, centrally concerned with the dynamics of capitalist accumulation, present the corporation as a particular type of capitalist firm that is able to secure profits through their power to shape both policy, on one hand, and market dynamics

and competition, on the other. Moreover, because of the particular relationship within corporations between owners, managers, and workers – most notably the separation of management and ownership that has become a defining characteristic of the modern corporation (see Berle and Means, 1932) – firms themselves become, at least potentially, an arena of struggles over the direction of capitalism.

These political economy-oriented approaches contrast with those less focused on corporations themselves than on corporatization as a dominant logic or style of management under neoliberalism. This line of reasoning is accentuated in those studies, many of which building on Foucault's (2008) lectures from the 1970s, that view neoliberalism as a form of governmental reason (Larner, 2000; Ong, 2006; Brown, 2015). Aihwa Ong (2006: 3) argues that neoliberalism marks 'a new relationship between government and knowledge through which governing activities are recast as nonpolitical and nonideological problems that need technical solutions'. A form of technical reason, Ong argues that neoliberalism is ruthlessly directed at 'optimizing' practices of self-government – making us ever more efficient regulators of our bodies – and populations – differentiating social groups through practices of inclusion and exclusion. Wendy Brown (2015) echoes this approach, treating neoliberalism as 'a distinctive mode of reason, of the production of subjects, a "conduct of conduct," and a scheme of valuation' and connecting it primarily with 'a historically specific economic and political reaction against Keynesianism and democratic socialism'. Yet Brown insists on the paradoxical nature of neoliberalism, as other processes, traditions, discourses, and norms always condition neoliberalism's various spatio-temporal instantiations, rendering it 'disunified and nonidentical with itself in space and over time' (Brown, 2015: 21).

Thus, the analysis here begins from the premise that the political-economic explanation of neoliberalism is correct but also insufficient for charting the full impact of neoliberalism as a transformative force. In addition to consolidating circuits of capital accumulation that benefit particular classes, neoliberalism has also produced new schemas of evaluation and management, as well as corresponding forms of veridiction that support those governing practices. These new practices have restructured not just the fields of politics and economics proper, but also the broad range of social spheres

by which we are governed, including the institutionalized domains of education, punishment, medicine, genetics, law, urbanization, and environmental government, as well as the processes that shape our subjectivity, identities, and desires. It was in this sense that Foucault (2008: 243) characterized neoliberalism as the 'the generalization of the economic form of the market'. On this reading, neoliberalism is more than simply the growth of new markets, say, for previously unpriced commodities; it also entails the generalization of the market as a way of knowing and, thus, acting on the world.

This form of knowing, managing, and governing has, at times, been connected with the figure of the corporation under the term 'corporatization'. As such, it refers to the intertwining of states and corporations in regulating populations, but also to the deployment of corporate managerial techniques into areas of social practice once thought to be organized via different means and toward other ends. Wendy Brown clarifies the point, stressing that within neoliberal government 'both persons and states are constructed on the model of the contemporary firm' (Brown, 2015: 22). Elaborating on Sheldon Wolin's (2008) notion of a corporately managed democracy, she argues that 'it is not simply a matter of corporate wealth buying (or being) politicians and overtly contouring domestic and foreign policy, nor of a corporatized media that makes a mockery of informed publics or accountable power. More than intersecting, major democracies today feature a merging of corporate and state power' (Brown, 2011: 46).

This general argument is fleshed out as scholars show how corporatization shapes not only the actions of individuals, states, or industries, but the fundamental thought and practice – essentially, the entire *habitus* – of whole social spheres. For instance, much of the literature analyzing problems in the contemporary university focuses on issues of neoliberalism and corporatization (see, for instance, Aronowitz, 2000; Bousquet, 2008; Donoghue, 2008; Schrecker, 2010). The now well-known story chronicles the 'ruining' of the institution, as universities once charged with educating citizens into national cultures, and western civilization more broadly, have now become tasked with creating workers that can compete for jobs in global markets (Readings, 1996). Marc Bousquet usefully notes that the term 'corporate' in this discussion refers to two things. First, there is the political

economy of higher education – as Bousquet puts it, ‘the way campuses actually relate to business and industry in quest of revenue enhancement and cost containment’ (Bousquet, 2008: 9). Concomitant with the changing social function of universities has been the growth of a global higher education industry that is increasingly privatized. As states have decreased support for public universities, many universities have responded with economizing strategies, including the increased use of adjunct and graduate student labor in teaching, rapidly rising tuition costs, the marketing and branding of universities (particularly through the growth of college athletics), the expansion of online and distance learning and, like global capital itself, the attempt to capture new revenue sources through international satellite campuses. This is to say nothing of the intensifying development of for-profit and online institutions, which now compete with some traditional universities and colleges.

At the same time, these political and economic changes go hand in hand with new norms and values, or what Bousquet (2008: 10) describes as a shift in the ‘organizational culture’ governing universities. For Bousquet, corporatization thus also indexes how cultures of administration and management have redirected the institution itself, along with its constituent groups of faculty and students, toward market-based logics of commercialization and capitalist investment. As he laments, ‘higher education administration pervasively and self-consciously seeks control of the institution by seeking to retool the values, practices, and sense of institutional reality that comprise faculty and student culture. And they have succeeded wildly’ (Bousquet, 2008: 12). Wendy Brown (2015) concurs, noting that the traditional norms, goals, and values that governed the public university's mid-twentieth century's extension and democratization of the liberal arts have now been supplanted by neoliberal administration dedicated to fostering ‘human capital’. The result has been a dramatic proliferation in metrics and assessments, which direct both students and scholars alike toward increasingly specialized and professionalized forms of scholarship. This undermines the central relationships within public universities between research, teaching, and public service. Although individuals can profit in such a system, Brown demonstrates the disastrous consequences such changes hold for democracy and self-government.

Higher education's corporatization mirrors developments in other fields. Recognizing as much, some scholars have extended the argument to suggest that the corporation provides a model of reasoning that composes the basic form of global subjectivity today. Thus, Pierre Dardot and Christian Laval argue in the grandest possible terms that 'neo-liberalism defines a certain existential norm in western societies and, far beyond them, in all those societies that follow them on the path of 'modernity'' (Dardot and Laval, 2013: 3). The end point of this 'new global rationality' or form of 'world-reason' is the transformation of both individual subjectivity and the basic model of society and social interaction to mirror the form and practices of the enterprise. As they suggest, 'the neo-liberal moment is characterized by a homogenization of the discourse of man around the figure of the enterprise' (Dardot and Laval, 2013: 259). It is as if to say that, at least for Dardot and Laval, we are all nothing but corporations now.

Such an argument could be critiqued for its overblown rhetoric, yet my point is to show the taken-for-granted nature of our understandings of the corporation in critiques of neoliberalism. Whether carefully focused and contextualized or totalizing and general, the ways corporations figure in studies of neoliberalism is remarkably consistent. As with the political economic approaches discussed previously, in accounts focused on governmental reason the corporation continues to appear as a capitalist firm, with neoliberal policies and ideologies benefiting specific corporations and sectors of the economy. But these approaches go beyond the political economic analysis to suggest that the corporation provides models for human subjectivity and the organization of institutions more broadly.

At least two important implications follow from this argument. First, although they differ in their causal explanations, both the political economy and governmental rationality approaches agree that one of the crucial problems with the corporation is the way its power has expanded into realms and domains beyond its originally circumscribed purview. For both approaches, the central concern is that corporations have privatized previously public goods and intervened directly in domains of politics that are (or at least should be) governed by other logics. Wendy Brown (2015: 96) provides the most explicit rendering of this division in her claim that neoliberalism is marked by the ascent of *homo oeconomicus* – closely



connected with the rationality of the firm – over and against *homo politicus*, the subject of politics who both represents the best antidote to neoliberal rationality and ‘the most important casualty of the ascendance of neoliberal reason’. Second, this declensionist narrative of how the public has been overtaken by corporate-economic reason is situated within an historical account that locates key transitions in post-1970s shifts in ideology, political economy, and the thought and practice of government. When taken together, it suggests that the last forty years mark nothing short of an epochal transition in human history, or, as Brown (2015: 45) puts it, ‘neoliberalism is the rationality through which capitalism finally swallows humanity’.

## Genealogies of the Corporation

Of course, the scholars limning the contours of neoliberalism recognize that broad claims can be difficult to sustain. One response has been to emphasize the geographic variability of neoliberalism and the ways it intertwines with other types of political and economic projects. Jamie Peck has used the term ‘neoliberalization’ to describe neoliberalism as a variegated process in which ‘each experiment [in neoliberalization] should be seen as a form of reconstruction, representing a conjunctural episode or moment in the contradictory evolution of neoliberal practice’ (Peck, 2010: 6). Others, interested in neoliberalism as a political and economic response to declining profitability for core capitalist economies and classes during the 1970s, have compared today's neoliberal policies with other moments of capitalist crisis and restructuring (Duménil and Lévy, 2004). Receiving far less attention, however, are the continuities, traces, and survivals (cf. Althusser, 1969: 114–116) that persist in today's forms of governmental reason. When we turn toward the genealogy of the corporation, however, we can see that many of the techniques of policing, disciplining, and governing that are associated with neoliberal corporatization are neither unprecedented nor solely linked with the people and projects that have come to define the standard history of neoliberalism. Thus, considering the corporation, the issue is not only that the practice of neoliberalism runs counter to the ideals offered by free-market fundamentalists, as scholars have claimed (Harvey, 2005; Crouch, 2011; Cahill, 2014; Birch, 2015). The issue is rather that there are other, much older origins for the practices constituting corporate power obscured by the narratives of neoliberalism, including the more nuanced and flexible notion

of neoliberalization.

Genealogies, with their attention to the diverse lines of development constituting objects of knowledge, are particularly well suited to grasping these submerged formations. Take, for instance, an admittedly 'modest' text like Joseph Stancliff Davis's two-volume *Essays on the Earlier History of American Corporations* (1917: vii). Published in 1917 as part of the *Harvard Economic Studies* series, Davis's *Essays* focused on the evolution of the corporation in the United States. Written during the period that historian Martin Sklar (1988) termed 'the corporate reconstruction of American capitalism', Davis, a Harvard professor and future president of the American Economic Association, was one of many scholars interested in the development of corporations. In conjunction with the growth of a national corporate economy in the United States, the turn of the twentieth century saw a torrent of books, articles, and government studies addressing problems such as industrial combinations and trusts, the nature of corporate personhood, the internal management of companies, and the dynamics of corporate finance. Davis's *Essays* contributed an historical approach to these discussions, aiming to 'illuminate the shadowy background of the modern corporation' (Davis, 1917: vii). Even though the essays primarily focused on eighteenth- and early nineteenth-centuries corporations, Davis's point was to draw a line between the modern corporation of 1917, with its unique competitive advantages but also its extensive political liabilities, and this 'ancient lineage' (Davis, 1917: 3).

Davis began by clarifying the different types of corporations, separating public from private corporations, as well as those chartered in England from those in the colonies. For Davis, the distinction between public and private corporations concerned both the control and ends of different institutions. What made corporations such as towns, cities, and corporate colonies public was that they were designed as the structure of government and public authority. Corporations such as religious groups, societies and businesses were private because they were controlled by individuals and designed to allow them to pursue some specific ends that were, at least in Davis's estimation, not of public concern. Though the distinctions would be clear to his readers, and is equally so today, Davis also admitted that 'such a classification, however, is difficult to make' because 'the law of the period,

even as presented by Blackstone on the eve of the Revolution, did not differentiate the various types; and the charters do not admit of ready grouping in all cases, even when they are accessible'. Davis, nevertheless, affected such distinctions 'for convenience', stating that 'we may somewhat arbitrarily set off the public corporations from the private ones, applying a distinction then unrecognized' (Davis, 1917: 49).

Admittedly a minor point in the history of writings on corporations and one far-removed from the concerns of contemporary politics, yet Davis's arbitrary distinction also opens up alternative paths of inquiry into the trajectories of corporate power. If earlier corporations were not simply private embodiments of capital, what were they? Relatedly, what was the relationship of the corporation to public power? And if the distinction between the public and private aspects of corporations was unclear up to the nineteenth century, what happened to make that division a simple convenience by the early twentieth century?

Trace Davis's statements back to Blackstone and a different set of relations are brought into focus. Indeed, William Blackstone, the famed eighteenth-century English jurist, whose *Commentaries on the Laws of England* (1790) exercised a profound influence on nineteenth-century US legal thought, also described and classified the various types of corporations. Blackstone differentiated aggregate corporations with many members from sole corporations made up of a single person. He also distinguished between ecclesiastical and lay corporations and, as a subdivision of lay corporations, civil and eleemosynary corporations. In this regard, the towns and cities, which Davis would call public corporations, and the manufacturing and commercial corporations, which Davis would consider private, were all simply civil corporations, part of the larger group of lay corporations. More interesting, however, is that the classes of lay corporations were vast. In addition to towns, created for 'good government', and commercial corporations, raised for 'the advancement and regulation of manufactures and commerce', lay corporations included civil corporations such as 'churchwardens, for conservation of the goods of the parish; the college of physicians and company of surgeons in London, for the improvement of the medical science; the royal society, for the advancement of natural knowledge; and the society of antiquaries, for promoting the study of the past'

(Blackstone, 1790: 470–471), as well as the universities of Cambridge and Oxford. The other class of lay corporations was made up of eleemosynary institutions ‘constituted for the perpetual distribution of the free alms or bounty’, and included ‘all hospitals for the maintenance of the poor, sick, and impotent; and all colleges, both in our universities and out’ (Blackstone, 1790: 471). None other than the king himself was ‘made a corporation to prevent in general the possibility of an interregnum or vacancy of the throne, and to preserve the possessions of the crown entire’ (Blackstone, 1790: 470).

What becomes clear, then, when we examine this longer history is that corporations – including corporations for commerce, manufacturing and trade – were integral to the very structure and practice of public authority, to be sure, but also government in the particular sense that Foucault articulated concerning the ‘right disposition of things’ (Foucault, 2007: 96). Early modern corporations, which Blackstone (1790: 467–468) refers to as ‘bodies politic’, ‘political constitutions’, or a ‘little republic’, were created to give or recognize rights that associations used to pursue some end, such as ‘the advancement of religion, of learning, and of commerce’. The corporation’s status as an ‘artificial person’ allowed it to ‘preserve entire and for ever those rights and immunities, which, if they were granted only to those individuals of which the body corporate is composed, would upon their death be utterly lost and extinct’ (Blackstone, 1790: 467). As Blackstone explained, these rights, privileges, and immunities were conferred by the crown in the form of charters of incorporation or letters patent. The rights they established included perpetual succession, the rights to sue and be sued and otherwise appear in court, the ability to purchase and hold lands, the recognition of a common seal for transacting business, and the ability to make rules governing the internal affairs of the corporate undertaking.

I have argued elsewhere (Barkan, 2013) that, in doing so, corporations became an important institutional form – a ‘tactic’ as Foucault (2007: 99) might put it – for the early mode of economic government called ‘police’. By granting rights, privileges, and immunities to corporations in perpetuity – what we might think of as delegations of sovereignty – the crown encouraged individuals to undertake much of the management, regulation, supervision, and policing of social life. Indeed, almost the entire range of disciplinary institutions charged with the ‘conduct of conducts’ (Foucault, 2000: 341) –

including hospitals, prisons, asylums, schools, churches, alms houses, cities and towns, the factory and the colony itself – were, first in England but also later in the United States, chartered as corporations (Barkan, 2012). Far from being private, much less antithetical to state power, chartering corporations was the mechanism of economic government by which the crown promoted diffuse projects of spiritual, intellectual or material development.

Given these relations, it should come as little surprise that later historians of the period, like Davis, should find it difficult to draw a bright line between the public and private dimensions of corporations. Nonetheless, such classifications could be arbitrarily assumed by Davis's time because, through the course of the nineteenth century, discourses of popular sovereignty interlinked with liberal conceptions of property and contract to recast the legal basis of corporate power in Anglo-American law. This, of course, occurred in relation to the creation and growth of a corporate capitalist economy in the nineteenth-century United States, although we should carefully parse the relations of causality and motivation between changing dynamics of law, government, and capitalism.

For instance, in the North American colonies, corporations were chartered for projects of government and internal development, including providing the governance structures of many of the colonies themselves. The practice of chartering corporations continued after the American Revolution with state legislatures granting special acts of incorporation to individuals, at times with monopoly powers. As with the range of corporations discussed by Blackstone, early US corporations were similarly chartered for churches, hospitals, literary and educational institutions, and poor relief. They were also a tool of state legislatures used to promote infrastructure development, at times offering monopolies to groups of individuals in order to encourage them to construct roads, highways, turnpikes, and canals (Hartz, 1948). Such uses of public power could be controversial for benefiting the members of corporations over the public at large (Maier, 1993), and, similar to today, corporations were often assailed as anti-democratic and represented as monstrous throughout the nineteenth century (see Barkan, 2013).

The 1819 US Supreme Court case of *Dartmouth College v. Woodward* is correctly held as recasting the corporation as a private entity. The case

considered the status of Dartmouth College's corporate charter, originally issued by King George III before the war. The court famously ruled that the charter constituted a contract between the king and trustees of the college and thus was instrumental in establishing a class of private corporations. The eminent legal historian Morton Horwitz (1977: 111–112) has argued that 'the change in the conception of the corporation marks one of the fundamental transitions from the legal assumptions of the eighteenth century to those of the nineteenth', in which the archetypical corporation became 'the modern business corporation, organized to pursue private ends for individual gain'. But note also that the case concerned the status, not of a business, manufacturing, or commercial corporation, but a college. Moreover, even in the *Dartmouth College* (1819: 636) decision, Chief Justice Marshall maintained the dominance of law and the state over the corporation, holding that 'a corporation is an artificial being ... existing only in contemplation of law'. Thus, while the notion that the corporation was a private entity produced through contract would certainly benefit the capitalist who would come to use incorporation as a powerful tool for organizing the production and distribution of commodities, it is also clear that these legal changes stemmed from new understandings of government and sovereignty in the wake of the American Revolution. Moreover, *Dartmouth College* concerned the political authority of an ousted regime; the need for a new political conception of incorporation would become more pronounced as state legislatures intensified the practice of chartering corporations. Working against the impression that such special acts of the legislature were corruptions of the public welfare, state legislatures further privatized corporations by creating general incorporation laws that made the privileges of incorporating widely available.

Other examples could certainly be brought to bear, but the critical point is that the privatization of the corporation was primarily an attempt to maintain an institution that was defined by its exceptional powers under a monarchical regime within the new language of popular sovereignty and associated legal concepts of contract and property (cf. Barkan, 2013). In light of this history, Davis's difficulties classifying corporations appear less arbitrary and convenient than symptomatic of the general development of corporate power. Neither entirely private nor public, incorporation was a legal technique by which states empowered groups of people to govern, manage, police and

discipline individuals, things, territories and their interrelations toward some ends that were optimal for the things and people in question, as well as for the state. Furthermore, questions concerning how corporate power related to public authority, on the one hand, and private rights, on the other, were always fraught. Although discourses of the private corporation suggested that the state was simply recognizing an association created by individuals, the long history of charter policy indicated that the state was more active in constituting these powers. Yet corporations remained politically contentious because, once legally constituted, charters established rights and liberties that benefited members of the corporate bodies against not only other individuals but, at times, the public at large.

## **Corporate Power and the Multiple Histories of the Present**

This brief excursus can only gesture to some of the sinuous paths in the history of corporate politics and power. Yet what I hope to make clear is that elements of contemporary politics that are taken today as the telltale signs of neoliberalism – including privatization, the personification of the corporation as a subject of rights, privileges and immunities, public-private partnerships, and even the corporate person as a model subject of economic government – emerge from and reiterate other, less heralded moments in the historical development of the corporation. Recognizing as much has implications for a range of debates over neoliberalism. First, it provides additional support, albeit with a different emphasis, for the argument that the rhetoric of free markets, privatization and deregulation has little relation to the reality of today's political economy. Commentators have demonstrated that making 'free markets' requires all sorts of state intervention (Peck and Tickell, 2002), implying that free markets are never really that free. Understanding the genealogy of the corporation also suggests that today's corporate-led privatization is not really so private. Libertarian and free market advocates for the types of reforms that have come to be characterized as neoliberal turn toward privatization and privatized government on the argument that private institutions existing in competitive markets voluntarily produce effective and efficient regulations (see, for example, Stringham, 2015). But this simple substitution of state regulation with corporate governance misconstrues the

ways corporations blur distinctions between public and private, as well as the exceptional powers of nominally private entities to police and coerce (cf. Hale, 1923; Cohen, 1927; Ferguson, 2005). From an analytical standpoint, William Novak's (2009: 27) understanding of US law and politics, 'in which power has long been distributed along an exceedingly complex array of persons, associations, and institutions that are not easily categorized as fundamentally either public or private', is far more useful to understanding the corporation than the more simplistic forms of analysis emphasizing state or market as the locus of power in society.

Novak's nod to the historical dimensions of this intertwining of public and private power is also, however, instructive for those seeking to critique contemporary politics in terms of neoliberalism. Because our understanding of neoliberalism has focused on the ways a specific set of ideologies, policies, and dispositions have become dominant forms of social regulation and subjectivity in the wake of a systemic crisis of capitalist accumulation in the 1970s, we have failed to recognize that there are other points of origin for the practices of government and economic regulation that we today think of as neoliberalism. There are, of course, novel developments within what we might think of as the *particular* history of neoliberalism – the well-trod account of Friedman and Hayek, Thatcher and Reagan, shock therapy and structural adjustment. Yet, as 'neoliberalism' is used to characterize and critique an ever-widening set of policies, ideas and social processes, the relations between this particular history and such diverse empirical phenomena is increasingly tenuous. The ubiquity of neoliberalism as an analytical framework thus not only eclipses other histories, but also the ways those histories shape phenomena in the present. In this sense, the issue is not about how neoliberal ideas conjoin with others in an ongoing experiment of neoliberalization, as much as a contention that the ideas we term 'neoliberal' have alternative histories far afield from those we have considered.

This is certainly true of corporate power. Although commentators are correct to note recent changes in the corporate economy, such as the growth of finance (which we should recognize as having its own historical predecessors – see Arrighi, 1994), there are also important continuities in the historical development of corporations. Corporations have been used at various times as governmental and disciplinary institutions, as well as important institutions



for managing the production and distribution of commodities and inter-capitalist competition. Whether it is the monstrous British and Dutch imperial trading companies of the eighteenth and nineteenth centuries or the infamous cartels and trusts of the early twentieth century, there is a well-documented history of corporate power whose timeline differs from the comparatively recent story of neoliberalism and, thus, offers us different lessons and points of entry into today's political events (see for instance Birla, 2009; Stern, 2011). In particular, it suggests that the problems with the corporation are not unique to the contemporary moment and, similarly, many of the proposed solutions – from corporate responsibility and enlightened management to projects of shareholder or stakeholder empowerment – have been tried before. Rather than viewing corporate power as something that has increasingly contaminated the public sphere since the 1970s, we might examine the historically and geographically diverse ways corporations mobilize, exploit and manipulate liberal divisions of public and private, or the state and economy, as part of their practices of disciplining and governing populations and territories.

## **Note**

1. There is now a well-established literature centrally concerned with explaining neoliberalism, broadly, and, secondarily, the roles of corporations in constituting neoliberal social formations. This work includes Foucault (2008), Harvey (2005), Peck and Tickell (2002), Peck (2010), Larner (2000), Brenner and Theodore (2002), Leitner et al. (2007), Klein (2007), Duménil and Lévy (2004, 2011), Dardot and Laval (2013), Crouch (2011), Cahill (2014) and Brown (2015), much of which will be addressed below. There is also an analogous literature concerning the ways that social services are increasingly coordinated by non-profit and non-governmental agencies, which in some senses are both corporations and corporatized. For an introduction, see Ferguson and Gupta (2002) and Ferguson (2006).

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# **35 Disciplinary Neoliberalism, the Tyranny of Debt and the 1%**

**Tim Di Muzio**

## **Introduction**

At least since the Global Financial Crisis (2007/08) and the Occupy Movement, if not before, more and more people are waking up to the fact that global income and wealth inequality have been worsening both between and within nations. Indeed, the financial services holding company Credit Suisse reported that ‘the top percentile now own half of all household assets in the world’ (2015: 19). If we consider the top decile, the top 10% of wealth holders now own 87.7% of all outstanding global wealth (2015: 24). In the political economy literature, there is a recognition that this period of increasing inequality has coincided with what Stephen Gill (1995) has called ‘disciplinary neoliberalism’. For Gill, ‘disciplinary neoliberalism’ encompasses forms of macro and micro structural and behavioral power that reconfigures both the state and society to serve the interests of capital. These reconfigurations of state and society and their political economies are often locked-in by what he calls ‘new constitutionalist’ measures (Gill and Cutler, 2014). Such measures include trade agreements like the North American Free Trade Agreement (NAFTA), the regulatory framework of the World Trade Organization (WTO) and General Agreement on Trade in Services (GATS), and the Maastricht Treaty, just to name some of the most prominent examples. For Gill and others concerned with the turn to disciplinary neoliberalism, the policies that lead to new forms of structural and behavioral power are largely the result of the stagflationary crises of the 1970s in advanced capitalist countries, as well as the general debt crisis across the developing world in the 1980s. Thus, in fits and starts over the last 30 years or so, states and societies have been reconfigured in the interests of global businesses and the accumulation of capital.



In this chapter, I want to show how neoliberal policies have contributed to increasing inequality, the tyranny of debt and rise of the 1%. I will argue that this trend is largely the result of a debt-based monetary system and that, without substantial change, we will likely see an intensification of neoliberal policies, greater inequality and more austerity – particularly for the most vulnerable among us.<sup>1</sup> To substantiate my argument, I will first discuss our current monetary order and why this leads to expanding national, business and personal debt across virtually every society, and particularly those with the largest economies by GDP. In the second section, I will explore what I call the debt–neoliberalism–austerity nexus by focusing on three key neoliberal policies: fiscal discipline, privatization and trade liberalization. In the third section, I show how these policies (among other factors) have contributed to the rise of the 1% and greater global inequality in income, wealth and life chances by examining the example of Wal-Mart and the Walton family in the United States.

## Money and the Creation of National Debts

I want to argue that it is very difficult to have a clear understanding of the turn to ‘disciplinary neoliberalism’ without first having a clear understanding of how new money gets produced in our economies and the debt that results. But before I discuss this process and the consequences for our societies, we should give pause and consider the very basic, but too often neglected question: what is money? While there is considerable debate on the issue, there are two primary schools of thought. The first school sees money as metallic coins, particularly of the gold and silver variety. These ‘metalist’ scholars argue that gold and silver have an *intrinsic* value and, therefore, are the only true sources of money (Ingham, 2004: 7). Up until 1971, when President Richard Nixon ended the convertibility of US dollars to gold, there is little doubt that most people believed real money was mostly gold. The question is whether they are correct to see gold as the only true forms of money, which brings us to the second school of thought on money that challenges the metalist thesis. These scholars argue that money should never be confused with a medium of exchange (that is, the stuff that represents money). They point to the fact that over human history, all sorts of material goods – cigarettes, cowrie shells, vodka, cows, wampum, cacao, silver, gold, paper bills, etc., have represented money (Davies, 2002: 27). Since all

manner of mediums have been used as money, critical scholars think of money as an abstract claim on society and nature expressed in a unit of account (e.g., dollars, euros, pounds). In other words, since money is in reality an abstract concept, it can be represented by virtually anything – though some material things are certainly more practical than others. Today, we are used to thinking of money as the notes and coins we use in day-to-day life. However, in most developed countries, notes and coins only represent a tiny fraction of the money supply. For example, in the United Kingdom, only 3% of the money supply takes the form of notes and coins, while it is a bit higher in the United States at 11%. The rest of the money is simply numbers in computers on the double-entry balance sheets of commercial, central and investment banks. Those of us who use Internet banking to receive deposits and pay our bills will not be too surprised to find this out.

Despite the evidence to the contrary, that money is indeed an abstract claim on society and nature measured in a unit of account, there will still be those who think that gold (and sometimes silver) is the only ‘true’ money. These metalists argue for a return to the gold standard but, as Eichengreen (2011) points out, any return to the gold standard not only has practical issues to be worked out, but would, more importantly, be a disaster for the global economy. No one knows exactly why certain humans had a fascination with gold, but it was particularly Eurasians who coveted the metal because they thought of it as the currency of power (Bernstein, 2004; Kemmerer, 1944). So while we can conceive of money as primarily an abstract claim on society and nature expressed in a unit of account, for a considerable amount of time, gold and silver were its chief representatives. The problem with a reliance on gold and silver as the only true money is that, for an economy to expand, more gold and silver would have to be found. But as we know, both metals are in limited supply, sparking geopolitical competition among European powers during the era of exploration, transatlantic slavery and colonization. So how could the money supply expand without having to constantly find gold and silver? It turns out that this problem confronted intellectuals in England in the seventeenth century.

As Wennerlind argues, intellectuals were consumed by the problem of how to expand the money supply (2011: 17). At first it was thought that base metals like lead could be transformed into gold and silver – the proverbial

Philosopher's Stone. When this idea was proven incorrect, an epistemological breakthrough was made whereby members of the Hartlib Circle – an early scientific correspondence society – thought of money as an abstract unit of account. If money could be represented by anything – not just gold and silver – then it was possible to create more of it. Important as this breakthrough was, in practice goldsmiths had already been expanding the money supply by circulating their own private notes representing coinage deposits over and above what they actually held in their vaults (Davies, 2002: 249ff). For example, a goldsmith might have £500 in gold coins and thinks he can get away with issuing paper notes up to the value of £1,000 (the extra £500 extended through loans at interest). As long as people trust in the fact that they can exchange the notes for gold at some later date, but have no need of cashing in immediately, the notes can circulate as currency, thereby expanding the money supply. However, given the intensity of the debate on the dearth of money, this slight expansion of the money supply as goldsmith credit was not sufficient to ignite a growing economy.

The watershed moment occurred in London when a group of financiers advanced William Paterson's plan for a Bank of England. It is important to recall that up until 1688, when the English Parliament finally subordinated the Crown to its will, any debt taken in the name of the state was the debt of the sovereign, not the people. What London financiers wanted to create was a permanent 'national' debt based on the power of Parliament to tax the population. To be sure, this was a period of intense geopolitical competition in Europe and the Bank was ostensibly chartered to finance a war with France. In return for £1,200,000, the Crown-in-Parliament promised an 8% return to the Bank's investors plus a yearly management fee of £4,000 (Davies, 2002: 260; Wennerlind, 2011: 108ff). The £1,200,000 extended to the Crown-in-Parliament was not all given in coinage, but mostly in paper notes believed to be backed by silver coinage. The inventor of the Bank believed that only a minor percentage of silver coin (15–25%) was needed to ensure the confidence in the use and circulation of the notes (Wennerlind, 2011: 110). These notes, according to Wennerlind, became 'England's and Europe's first *widely* circulating credit currency' (2011: 109, my emphasis). Thus, the money supply was expanded significantly with the birth of the first permanent 'national' debt – a debt rooted in war and backed by taxation. As yet, there is no global history on the creation of 'national' debts worldwide,

but several factors influenced the globalization of the institution: (1) colonialism and the power of international finance; (2) geopolitical competition and the need to emulate the success of the Bank of England and the perceived gold standard; and (3) the willingness to borrow from international creditors.

Whatever the precise history of national debts, we can be sure that permanent national debts have been created worldwide, backed by a state's power to collect a revenue stream, since the watershed moment of the Bank of England's creation (Gnos and Rochon, 2002). This basic relationship is at the heart of all modern indebted states and virtually every state on the planet has a ballooning national debt. So, to be clear, if public officials want to borrow more money than they receive in taxes, fees and fines, they are *structurally forced* to go into debt to private social forces. This is called 'the capitalization of the state' and means that government bondholders will get a future flow of income from the taxes, fees and fines collected by the state (Nitzan and Bichler, 2002; 2009). State revenue is also collected when states privatize public assets and sell licenses to the public. Those who buy state debt can also sell their ownership claims to another investor in a secondary market, which increases liquidity. In other words, as Marx (1981: 429) claimed: 'the initiators of the modern credit system take as their point of departure not an anathema against interest-bearing capital in general, but on the contrary, its explicit recognition'.

This is a crucial point to consider for three reasons. First, most people have little idea how new money enters the economy. Second, most people who have reflected upon the creation of money think that banks only intermediate between savers and borrowers. The idea here is simple: banks take in deposits and, since not everyone will be withdrawing their money all the time, banks simply use a portion of these deposits they do not have to hold as 'reserves' to create loans for willing borrowers. This interpretation is completely incorrect as the Bank of England has stated and as Richard Werner's research has empirically demonstrated (Di Muzio and Robbins, 2016; McLeay et al., 2014; Turner, 2015; Werner, 2014a, 2014b). This brings us to our third point and how new money is actually created in most modern societies. Banks do not take from depositors to issue loans; rather, when they make a loan to a client, they create the money by digitally inputting a deposit into the

customer's account. This means that privately-owned banks create the majority of the money supply as debt in advanced capitalist economies. Most governments do issue notes and coins and make a small profit from doing so, but by far the most dominant form of money is electronic, not notes and coins. The heterodox school of thought known as Modern Money Theory does recognize that the majority of the money supply is created by commercial banks when they make loans. However, Modern Money Theory is largely descriptive in nature and the school has done precious little to suggest any major reforms to the way money is produced in capitalist economies (Huber, 2014).

So, when we start to think about neoliberal policies, we need to have this understanding of money in the front of our minds and understand that there is nothing technically stopping our democratic governments from issuing an interest-free currency and spending it on productive projects and programs benefitting society. Doing so would not accumulate a national debt. Of course, there are debates about how this can be done (and done responsibly), but the fact that these debates are only marginal at the moment is one reason to fear that neoliberal policies will intensify over time. This is largely because the main justification for neoliberal policies, as I will argue, is public and corporate debt (Di Muzio and Robbins, 2016; Hager, 2013, 2016; Soederberg, 2012, 2013a, 2013b, 2014). This fiscal-financial system works particularly well for the 1% who own considerable shares in the national debts of the world. According to the *Economist* debt clock, total government debt worldwide is just under US\$60 trillion and counting.<sup>2</sup> Ownership over the capacity to create money is one of the chief ways that money gets redistributed from the public to a minority of private hands (Creutz, 2010; Hager, 2016). This does not have to happen for any scientific or natural reason, but is merely a legacy of historical social struggles between a monarch and moneyed and propertied men. I would like to argue that this system of money/credit creation needs to be overcome if we are to set policies that move away from neoliberal austerity.

## **The Debt–Neoliberalism–Austerity Nexus**

To recall, the main task of this chapter is to demonstrate how neoliberalism has strengthened inequality, contributed to the rise and rise of the 1% and that

this transformation is rooted in a debt-based money system owned and controlled by private social forces. As you are likely aware from reading this *Handbook*, the term ‘neoliberalism’ is a contested concept that is interpreted in many ways by different scholars (Cahill, 2014; Harvey, 2005; Saad-Filho and Johnston, 2005). Neoliberalism, I contend, is best understood as a set of policy prescriptions that are associated with what Williamson (1990) termed ‘the Washington Consensus’. The term is called the Washington Consensus because these policy prescriptions were generally agreed upon by the International Monetary Fund, World Bank Group and the US Treasury – all located in Washington, DC. Williamson arrived at these policies because he argued that they were the most prescribed in structural adjustment programs imposed upon debtor nations of the Global South beginning in the 1980s. Thus, it is very important to understand how the debt crisis of the Global South contributed to neoliberal policy prescriptions that eventually came to be applied in the Global North.

Throughout the 1960s and 1970s, US and UK banks, often working as consortiums, lent large sums of money to virtually every developing nation and some of their largest corporations. These loans were issued at variable interest rates and were appealing at the time because interest rates were considerably low and sometimes negative (George, 1988). However, largely due to a historically unprecedented increase in the oil price (which effects virtually all prices, albeit differentially), developing nations now had to pay higher prices for oil – a commodity denominated in US dollars. This rapid hike in the oil price by 407% from 1970 to 1974 was orchestrated by officials in the US government, so that oil producers would help fund growing US budget and trade deficits and purchase American arms (for an overview of the literature, see Di Muzio, 2015b: 122ff). This made servicing the interest on the debt more difficult, particularly for poorer nations with fewer resources to monetize on global markets and earn US dollars to service their debt. If this was not enough, Paul Volcker, then-chairman of the Federal Reserve in the United States, raised the Federal Funds Rate by a magnitude of 300% from a lower rate of 4% in 1973 to 16% by 1980–81. Thus, within the span of a few years, the debts of the developing world ballooned by unprecedented levels. Total developing world debt went from US\$19 billion in 1960 to US\$376 billion by 1979 – an increase of 1,879% (Di Muzio and Robbins, 2016, citing Stavrianos, 1981: 127).

The official excuse for this massive increase in interest rates was to dampen inflation in the economy of the United States. However, as I have suggested elsewhere, a close look at the data does not bear this out (Di Muzio, 2015: 122ff). The most likely hypothesis is that interest rates were intentionally raised in order to burden the developing world with a permanent debt to be serviced *in perpetuity*. And, indeed, the total debt of the developing world is now US\$4 trillion and counting. If this sounds a bit strange, consider the fact that trapping people/nations in debt has long been a strategy of the powerful (see Di Muzio and Robbins, 2016; Hudson, 2015; Perkins, 2004; Soederberg, 2014). There are many examples, but I will only mention two here. First, President of the United States and slave-owner Thomas Jefferson's native strategy – that is, a strategy to get more land – was to entrap the Amerindians with debt and, when they could not repay, expropriate their land. Authorities in the British Empire also used the same strategy around the world by extending loans to governments. In 1903, the senior diplomat, Arthur Hardinge, wrote the following to the Secretary of State for Foreign Affairs, Henry Charles Keith Petty-Fitzmaurice, fifth Marquess of Lansdowne, regarding Persia (modern-day Iran): ‘The more we get her into our debt, the greater will be our hold and our political influence over her government’ (cited in McLean, 1976: 297). But it was the liberal writer on imperialism, John A. Hobson, who noticed that the strategy applied far more broadly:

The creation of public debts is a normal and a most imposing feature of Imperialism. ... It is a *direct object of imperialist finance to create further debts*, just as it is an object of the private money-lender to goad his clients into pecuniary difficulties in order that they may have recourse to him. Analysis of foreign investments shows that public or State-guaranteed debts are largely held by investors and financiers of other nations; and recent history shows, in the cases of Egypt, Turkey, China, the hand of the bond-holder, and of the potential bond-holder, in politics. This method of finance is not only profitable in the case of foreign nations, where it is a chief instrument or pretext for encroachment. *It is of service to the financial classes to have a large national debt of their own*. The floating of and the dealing in such public loans are a profitable business, and are means of exercising important political influences at critical junctures. (Hobson, 1902: Chapter 7, my

emphasis)

In short, as Richard Robbins and I have argued, debt is a technology of the powerful in their quest to accumulate more monetary units differentially (relative to others) over time. With this in the background, we can now summarize the ten policy prescriptions of the Washington Consensus that were developed in the 1980s as structural adjustment programs imposed upon 129 indebted states that had difficulty servicing payments to their creditors:

### **The Washington Consensus**

1. Fiscal discipline (avoid large deficits that lead to mounting national debt);
2. Invest in primary health care, education and infrastructure to encourage economic growth;
3. Broaden the tax base and apply moderate marginal tax rates;
4. Interest rates should be positive and market determined;
5. Exchange rate should be competitive internationally;
6. Liberalization of trade (lower tariffs);
7. Liberalization of Foreign Direct Investment (FDI);
8. Privatize state assets;
9. Deregulate the economy to encourage competition/growth;
10. Ensure property rights are secure.

Ostensibly, these policies were encouraged to promote economic growth in countries with large external debts. ‘External debt’ is a term indicating that these countries owed their debts in foreign currencies – particularly US dollars and British pounds. To earn these currencies, production must be geared towards earning foreign exchange by selling goods or services on the international market. And since the debt is perpetual, this means the discipline of neoliberal policies will also be perpetual, if not intensifying over time. To consider this idea, let's take a closer look at three of the leading policies imposed by the international financial institutions and US Treasury.

*Fiscal discipline* is a key policy goal promoted by the international financial institutions and the US Treasury. The idea here is fairly basic: governments should not spend beyond what they collect in revenue. In other words, deficits should be avoided, since yearly deficits lead to mounting national debt and, ultimately, higher interest payments to creditors. The problem with



this idea, and why even the largest capitalist country on earth – the United States of America – run consistent deficits, has to do with the reality of the fiscal system (how a state raises revenue and spends). First, we have to keep in mind that the deficit is an ‘ex post value’, which means it is only calculated at the end of the fiscal year – whatever the date may be in each individual state (Parguez and Seccareccia, in Smithin, 2000: 112). Only then do we know whether we have a surplus (the state has taken in more revenue than it has spent) or a deficit (the state has spent more money than it has taken in).<sup>3</sup> Governments can try to budget based on a previous year's revenue and typically do engage in revenue forecasts but, ultimately, deficits are far more common than surpluses. Still, telling governments that they should aim for balanced budgets (no deficits) is akin to taking away the power of the state to spend into the economy during times of economic recession or depression.

It also, and perhaps more importantly, effectively delegitimizes the idea that democratic governments should be able to create their own new money to meet the priorities set forth in their mandate. But in the current system, as we have noted above, if a state does spend more than it gathers in revenue, it is structurally forced to go into debt to a minority of private social forces. Once again, we are operating as if this has to happen by some natural law. The people who most benefit from this type of a fiscal system are creditors to the state – those who have capitalized state debt and effectively privatize a portion of the state's domestic revenue and redirect it towards themselves. Put simply, the very concept of fiscal discipline completely occludes the idea that the state has the sovereignty to create money at will, interest free. Let's consider a brief example. Suppose Finland wants to build a new public hospital in a region with a growing population but few health services. If we do not follow the neoliberal strait-jacket of fiscal discipline, the government of Finland can simply tender a call for bids to private construction companies. Once the government decides who will build the hospital, it can order the Bank of Finland to create the money interest free rather than borrow the money from the private sector.<sup>4</sup> Theoretically, all the Bank of Finland needs do is credit the government's current account by entering numbers into a computer. But if we stay within present fiscal thinking, suppose the new hospital can only be financed by deficit spending. In this scenario, the Finnish government will borrow – say 1,000,000 euros – to build the hospital. Now suppose that it will take at least two years for the government to pay off this

debt at a compound interest rate of 5%. What this means is that the cost of the hospital will actually be 1,102,647.38. The interest charged (102,647.38), makes the hospital far more expensive for taxpayers and goes to private social forces who lent the government their money or, alternatively, a bank that created the credit-money out of thin air (Collins et al., 2014; Werner, 2014a, 2014b). Clearly, the first option – from a cost-to-taxpayers’ point of view – is better than the second option. This was noticed by none other than the classical economist David Ricardo in addressing England's national debt:

It is evident therefore that if the Government itself were to be the sole issuer of paper money instead of borrowing it of the bank, the only difference would be with respect to interest: the Bank would no longer receive interest and the government would no longer pay it. ... It is said that Government could not with safety be entrusted with the power of issuing paper money – that it would most certainly abuse it. ... I propose to place this trust in the hands of three Commissioners. (cited in Zarlenga, 2002: 297)

But we are told by neoliberals and others that states must balance the budget and, if they cannot manage this task, must go into debt to private social forces. This then leads to the tyranny of perpetual debt and a justification for more austerity programs that typically harm the most vulnerable people in any given society (Abouharb and Cingranelli, 2007).

A second leading policy of the Washington Consensus is the *privatization* of state-owned assets. Historically, states have generally decided to nationalize assets that are deemed to be of benefit to the public at large, running them at-cost. Examples include water sanitation systems, waste and sewage systems, public education, the provision of electricity, and so on. These utilities, where they do not take on debt, can be run at-cost and, therefore, are far less expensive to run than if they were run by private companies for profit. However, within the context of a ‘debt crisis’ or what some have called the ‘fiscal crisis of the state’ in the Global North, selling state assets is one of the most common ways for governments to raise additional revenue to pay off rich creditors. In the two decades that followed these crises, a rash wave of privatizations occurred:

Over the past two decades [1980–2000], privatization has become a key ingredient in economic reform in many countries. In the last decade alone, close to one trillion US dollars worth of state-owned enterprises have been transferred to the private sector in the world as a whole. The bulk of privatization proceeds have come from the sale of assets in the OECD member countries. Privatizations have affected a range of sectors such as manufacturing, banking, defence, energy, transportation and public utilities. The privatization drive in the 1990s was fueled by the need to reduce budgetary deficits, attract investment, improve corporate efficiency and liberalizing markets in sectors such as energy and telecommunications. The second half of the 1990s brought an acceleration of privatization activity especially among the members of the European Monetary Union (EMU), as they started to meet the requirements of the convergence criteria of the Maastricht Treaty. (OECD, 2001: 43)

What this passage suggests is that a central reason for the mass wave of privatizations since 1980 has been 'budgetary deficits'. This trend has continued into the twenty-first century with just under US\$500 billion in privatizations across the OECD up until 2009, and another US\$1.1 trillion dollars in privatization from 2009 to 2013 (OECD, 2009; see also KPMG, 2013). The impacts of global privatizations are fiercely debated and the literature is too vast to consider here, but many critical scholars contend that privatizations lead to higher administered prices that block people from services, unaccountable corporate control over key community resources and an additional revenue stream for the 1% (Hagen and Halvorsen, 2009). In a short chapter such as this, we cannot consider all of the evidence on the impacts of privatization, but it is perhaps worth briefly discussing the privatization of fresh water services given the ubiquity of its application in the Global South.

The IMF and the World Bank have been active in supporting the transition from publically-managed to corporate-dominated social services such as water. Both international financial institutions have included water privatizations as loan conditionalities – conditions that inquiries into IMF loans have revealed are generally applied on the 'smallest, poorest and most

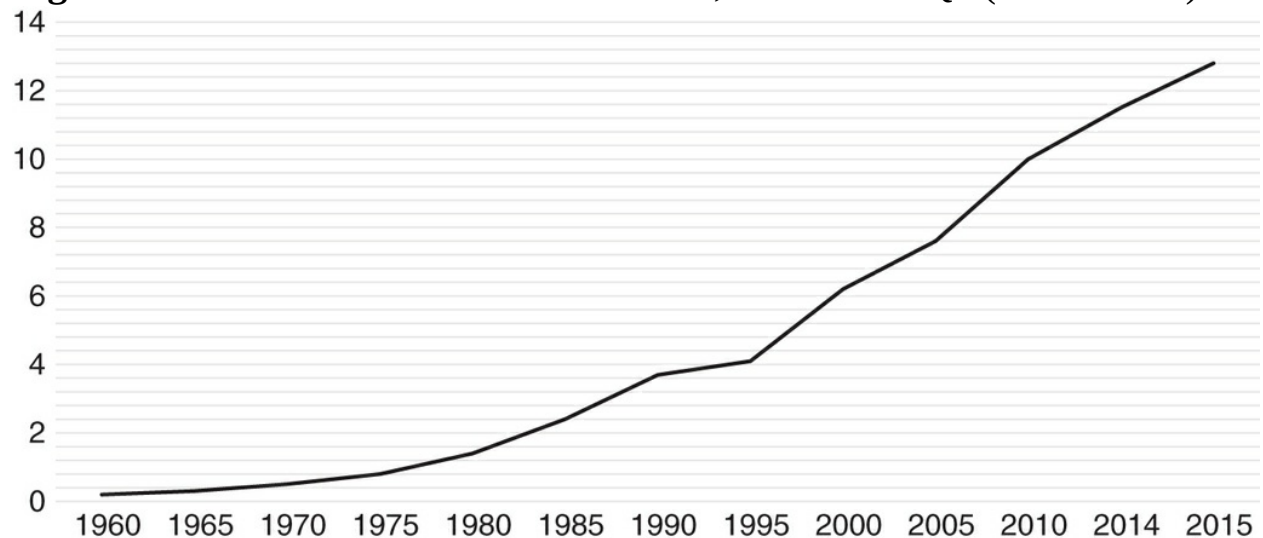
debt-ridden' African countries (Grusky, 2001; see also Roberts, 2008). The results of the neoliberal reforms pressed by the international financial institutions have been predictably disastrous. Infrastructure has not expanded to bring poor populations into the grid of piped water and dramatic price increases have forced the poor to radically cut down on their use of water and fetch water from dubious sources, significantly increasing health risks. In addition to the widespread corruption and bribery that has accompanied privatizations, the reforms are being implemented undemocratically with loan documents often remaining secret and in violation of existing laws. Such is the case in South Africa where, despite the fact that it is the only country that constitutionally protects the people's right to water, over 10 million residents have had their water cut off since the implementation of a 'cost recovery' program inspired by the World Bank (Barlow and Clarke, 2002; Chirwa, 2004). In fact, water privatizations appear to be such a disaster worldwide that the Transnational Institute has counted 180 re-municipalizations of water across 35 different countries in the last 15 years (Kishimoto et al., 2014). This is a hopeful trend, but the future of water privatization is still being written as companies vie to get their hands on one of the world's most-needed resources.

The third Washington Consensus policy is also related to debt: *trade liberalization*. Trade liberalization is essentially the reduction of tariff barriers and removal of non-tariff barriers (e.g., quotas, licensing rules) or their commutation into prices so that goods and services can be more easily traded between nations. Greater tariff liberalization facilitates goods crossing borders, therefore making the exploitation of cheap labor easier for corporations as they seek to accumulate differential earnings. Nations have typically used tariff barriers to shield national industry from international competition because, all things being equal, tariffs on foreign made products increase the price of those products and encourage consumers to choose local or nationally produced goods. However, after World War II, the General Agreement on Tariffs and Trade was set up to harmonize tariffs downward. The agreement was eventually institutionalized as the World Trade Organization in 1995, an intergovernmental institution that helps regulate trade and encourages trade negotiations among nations. Moreover, a range of bilateral and multilateral trade agreements have been signed like the NAFTA, GATS and Agreement on Trade Related Aspects of Intellectual Property

Rights (TRIPs). These agreements have been largely pushed by giant corporations in their quest for differential earnings and have been widely unpopular with domestic populations, as demonstrated by recurrent protests since the World Trade Organization protest in Seattle, Washington in 1999.

There are a range of reasons that motivate corporate leaders to lobby for trade agreements and greater liberalization of trade, but here we will focus on production costs. Many believe that large corporations finance their operations and/or expansion out of retained earnings. But the evidence seems to suggest otherwise. For example, take the level of non-financial business debt in the United States in [Figure 35.1](#).

**Figure 35.1** US non-financial business debt, 1960–2014 Q1 (trillion US\$)



Source: Federal Reserve, LA144104005.Q.

It not only appears from this chart that business debt is increasing over time, but also that there was an acceleration in the accumulation of corporate debt from 1995 – the era typically associated with greater globalization of the world economy. To put this level of debt in perspective, consider that the national debt of the United States is about US\$16 trillion at the time of writing, whereas in the fourth quarter of 2015 total business debt stood at US\$12.8 trillion. The entire debt of the non-financial corporate universe in the United States is almost as large as its entire national debt. This is

important to consider because interest is a cost to business and these costs eventually must be pushed on to consumers. As Rowbotham (1998) pointed out some time ago, business cannot control the cost of interest they have to service, but what they can control in non-unionized environments is the price they pay for labor. This appears to be the primary reason why corporations closed down factories across the Global North and moved production to countries such as China and Mexico, among other nations with lower GDP per capita and a plentiful workforce willing or compelled to work for very low wages. Neoliberals celebrate the decline of manufacturing in advanced capitalist economies because they interpret the phenomenon as giving rise to a services economy which, they argue, can also provide for stable and well-paying jobs in the Global North (Rowthorn and Ramaswamy, 1997).

However, many argue that the deindustrialization and decline of manufacturing in advanced capitalist economies led to the decline of unions, decent-paying jobs and job security. While many cities fell victim to deindustrialization, this trend was perhaps best captured in Michael Moore's film *Roger & Me*. The film explores what happened to Flint, Michigan, USA after General Motors CEO, Roger Smith, decided to terminate 30,000 workers in the 1980s. The jobs were relocated to Mexico, where cheaper labor could be employed in the production process. With lower tariffs, General Motors could then re-import its products from Mexico and sell them to Americans. After the layoffs, Flint is shown to be left utterly demoralized, with an epidemic of business closures, high unemployment and people being evicted from their homes because they fail to pay rent or service their mortgages. Thus, trade and investment liberalization, pushed for by large corporations, has had a tendency to decimate traditional manufacturing employment in the Global North and is one of the reasons suggested – particularly in the United States – for the disappearance of the middle class (for the case of Canada, see Brennan in Di Muzio, 2014: 59–81).

## **American Winter, Wal-Mart and the 1%5**

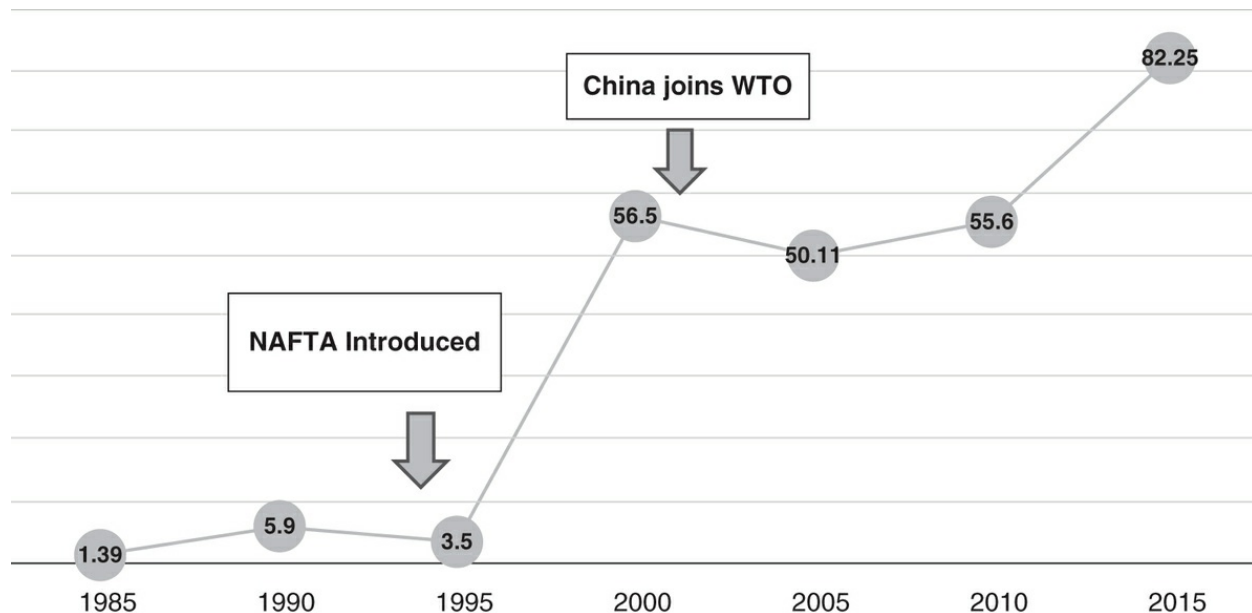
There are a number of ways to demonstrate how ‘disciplinary neoliberalism’ and debt have contributed to the wealth of the 1% and growing inequality. However, an especially pertinent example has become evident in recent years through Senator Bernie Sanders’ consistent berating of America's richest family, the Waltons of Wal-Mart fame, for effectively taking public

subsidies. Because the wages Wal-Mart pays to its employees are so low, many of Wal-Mart's workers are forced to go on food stamps, seek public subsidies and Medicaid, which are paid programs financed by tax revenue. For example, one study reported that Medicaid expenditures by the government increased by US\$898 per Wal-Mart worker in the United States (Hicks, 2015). This represents a yearly taxpayer subsidy of US\$1.3 billion dollars to the company and its shareholders. Yet another study done by Americans for Tax Fairness estimated that the total subsidy received by Wal-Mart, when food stamps and public housing are included along with Medicare, is closer to US\$6.2 billion.<sup>6</sup> So how low are Wal-Mart's wages? It turns out, for a family of four, below the official poverty rate:

Walmart's average sale Associate makes \$8.81 per hour, according to IBISWorld, an independent market research group. This translates to annual pay of \$15,576, based upon Walmart's full-time status of 34 hours per week. This is significantly below the 2010 Federal Poverty Level of \$22,050 for a family of four.<sup>7</sup>

If Wal-Mart workers shared in that 430% increase in the company's value (see below), the average yearly salary would be (rounding up) US\$66,000 a year, well above the official poverty line.<sup>8</sup> What this suggests is that the wealth of the Waltons, in part, is being subsidized by American taxpayers due to the insufficient wages it pays its workers. In the last fiscal year (2015), *Forbes* reported that the Walton family was worth US\$149 billion, or more than the total wealth of the bottom 42% of the American population combined.<sup>9</sup> Their wealth is primarily held in Wal-Mart shares and this leads us to ask the following three questions: (1) what happened to the share price of the company after the introduction of NAFTA, which facilitated trade with Mexico?; (2) what happened to the share price of the company after China joined the WTO in December 2001?; and (3) was the exploitation of cheap wage-labor in the United States complemented by the exploitation of super-cheap labor abroad?

**Figure 35.2** Wal-Mart share price in US dollars (billion) at five-year intervals  
Source: Yahoo Finance.



There are, of course, a range of factors that bear on Wal-Mart's earnings and, therefore, the overall market capitalization of the firm. But the hypothesis advanced here is that the ability of Wal-Mart's suppliers to exploit cheaper labor in both Mexico and China – in part, facilitated by so-called free trade agreements – was a major contributor to the increased valuation of the company, as demonstrated in [Figure 35.2](#). From January 1994 to May 2016 (the time of this writing), the value of the company went from just over US\$40 billion to just over US\$212 billion. This represents an increase of 430% over the period.<sup>10</sup> To be sure, this is also a period of Wal-Mart's expansion both in the United States and abroad, and there is little doubt that this also contributed to increased earnings and therefore the private fortune of the Walton family. But there can be very little doubt that the liberalization of trade helped propel the Waltons to a level of wealth not seen before these agreements, since they allowed their suppliers to escape high-wage countries for lower-wage ones, thereby reducing costs.

However, exploiting cheaper wage-laborers to reduce costs and boost earnings is not the only reason why Wal-Mart puts pressure on its suppliers to cut costs. The company is also in debt to the tune of US\$50 billion and must pay its creditors varying rates of interest from 2.5% at the low end to 6.5% at the high end.<sup>11</sup> If we take a simple interest rate average of 4.5%, Wal-Mart would owe its creditors US\$225 million in interest over the period of a year. This can continue so long as its quarterly earnings remain in the billions of



dollars, but it is important to note that interest is a cost to Wal-Mart and, therefore, incentivizes the company to cut costs and demand cost-cutting from its suppliers. So, both from the perspective of equity, which capitalizes the potential of the firm to generate earnings, and debt, which capitalizes the assets of the firm, Wal-Mart and its suppliers are motivated to find the cheapest pools of competent and compliant wage-labor. Thus far, as evidenced by the rapid rise of the Walton family into the stratosphere of the 1% after the passing of NAFTA and China's entry into the WTO, the strategy appears to be working. How long this will continue is anyone's guess, but there are movements in the United States pushing for a higher minimum wage and Bernie Sanders continues to make noise about a rigged economy that favors the 1% at the expense of a disappearing middle class.

## Conclusion

In this chapter, I have argued that neoliberal policies – what Stephen Gill calls ‘disciplinary neoliberalism’ – are largely the result of how we produce new money as debt. We surveyed how international loans were made to the developing world from the 1960s under variable interest rates. Thanks to rigged oil prices and the subsequent Volcker shocks, the United States ensnared the developing world in perpetual debt service to Northern banks. The consequence of this was an explosion of well-documented neoliberal policies across the Global South. I have also tried to show how neoliberal policies, now inflicted with increasing frequency on the Global North, contributes to stark inequality, the tyranny of perpetual debt and the rise of the 1%. To do so, I discussed three key policies of the Washington Consensus, applied in both Global North and South. Last, though more empirical work could be done on the rapid rise of Wal-Mart's share price, I demonstrated that there is considerable evidence to suggest that the signing of NAFTA and China's entry into the WTO boosted Wal-Mart's share price and, thus, the capitalized fortunes of the Walton family by 430%. Austerity politics and the intensification of neoliberalism will likely continue so long as governments are structurally forced into debt when they want or need to spend more than they collect in taxes fines and fees. Moreover, as non-financial corporations take on more debt, they are incentivized to find cheaper pools of labor, since labor cost is far more controllable than the interest rate. Moving towards a form of democratically controlled sovereign

money would remove the power of the social forces of finance to discipline governments, while simultaneously eliminating the excuse for neoliberal austerity – ever more mounting debt across all levels of society.

## Notes

1. This assessment also appears to be shared by Hudson (2015).
2. Economist debt clock, [www.economist.com/comment/1325345](http://www.economist.com/comment/1325345) (accessed 15/9/2016).
3. Though this is true for the fiscal year, governments would have some clue of their position from month-end data.
4. It should be noted that, since Finland decided to join the Euro, this is illegal under the current system.
5. *American Winter* (2013) is a film by Harry and Joe Gantz that follows families struggling in the aftermath of the global financial crisis. *Rich Hill* (2014), by directors Andrew Droz Palermo and Tracy Droz Tragos, is another great film on the lives of three American boys and their struggles with family and poverty in the USA.
6. [www.forbes.com/sites/clareoconnor/2014/04/15/report-walmart-workers-cost-taxpayers-6-2-billion-in-public-assistance/#484c00527cd8](http://www.forbes.com/sites/clareoconnor/2014/04/15/report-walmart-workers-cost-taxpayers-6-2-billion-in-public-assistance/#484c00527cd8) (accessed 4/5/2016).
7. <http://makingchangeatwalmart.org/factsheet/walmart-watch-fact-sheets/fact-sheet-wages/> (accessed 3/5/2016).
8. <http://makingchangeatwalmart.org/factsheet/walmart-watch-fact-sheets/fact-sheet-wages/> (accessed 4/5/2016).
9. [www.forbes.com/profile/walton-1/](http://www.forbes.com/profile/walton-1/) (accessed 3/5/2016).
10. The value of the company for 1994 is calculated by multiplying 3.14 billion outstanding shares by US\$12.93 in January 1994. The value for May 3, 2016 is taken from <https://au.finance.yahoo.com/echarts?>

[s=WMT#symbol=WMT;range=my](#) (accessed 3/5/2016).

11. <http://quicktake.morningstar.com/stocknet/bonds.aspx?symbol=wmt> (accessed 4/5/2016).

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# 36 Neoliberalism's Gender Order

**Lisa Adkins**

## Introduction

In this chapter, my starting point is that neoliberalism is both a distinctive political philosophy and practice. As a political philosophy, neoliberalism is by no means singular and its genealogy is both complex and contested (Foucault, 2008; Gane, 2013; Lemke, 2001; Mirowski, 2013; Nik-Khah and Van Horn, 2016; Stedman Jones, 2012). As political practice, since the crisis of Fordism in late 1970s, neoliberalism has become hegemonic and replaced the post-Second World War project of welfare state capitalism in advanced liberal societies. The process of the take-up, embedding and institutionalization of neoliberal principles in the architectures of governance has, however, been neither benign nor inevitable. Instead, the take up and institutionalization of neoliberal principles has itself comprised a political process involving a multifarious transnational infrastructure (Mirowski and Plehwe, 2009; Stedman Jones, 2012; Van Horn et al., 2011). It is important to recognize that these principles are themselves not unitary and that there are varieties of neoliberalism in practice. These include the Ordoliberal principles embedded in the economic and monetary policies of the European Union and which steered the European integration project from its very inception (Blyth, 2013; Hänninen, 2013), and the Chicago School's principles embedded in US competition policies and laws (Davies, 2010).<sup>1</sup> Such varieties in practice should not, however, distract from recognition of neoliberalism's hegemonic status. As Dieter Plehwe (2009: 2) has suggested, 'much like welfare state capitalism during the post-war era of Fordism, hegemonic neoliberalism needs to be thought of as plural in terms of political philosophy and political practice'.

During the time of its hegemony, it has become clear that one feature of neoliberalism as political practice is its ability to capitalize on crisis and emergency conditions, such as the global financial crisis and the sovereign

debt emergencies that ensued – indeed, that one feature of neoliberalism is a continuous mutation and further roll-out in the face of such crises (Peck et al., 2012). During this time, it has also become clear that the social and economic realities of neoliberal governance include the radical reform of welfare states, permanent public debt and budget deficit crises, the reconfiguration and massive expansion of finance such that everyday life is financialized and accumulation strategies are finance-led, wage stagnation, the thoroughgoing institutionalization of contingent labour markets and rising inequalities based on wealth and, especially, on the ownership and distribution of financial assets.

For many feminist scholars, neoliberal hegemony is little short of a disaster. This is not only because it has effectively undone the state formation to which many of its rights and equality-based political aims were attached, but also because many of the deleterious outcomes of neoliberalism's political practices – low wages, intermittent and precarious employment, cuts to state benefits and other state provisions, such as housing, child care and health care – are felt particularly harshly by women, especially poor and minority women. Indeed, much feminist effort has gone into charting these deleterious outcomes. Thus, one distinctive and substantial body of feminist scholarship has dedicated itself to mapping the damaging outcomes for women of neoliberalism via a focus on policy and policy regimes. A further distinctive and also substantial body of feminist scholarship has focused on the ways in which neoliberalism has captured subjectivity and, in particular, has spawned a specific and injurious interiority for women and has done so especially for young women. While these two bodies of scholarship are in many respects intellectually distant, they are, nonetheless, united in a focus on the harms inflicted by neoliberalism on women.

In this chapter, my aim is to contribute to these feminist engagements with neoliberalism. I will suggest that while the bodies of scholarship focusing on neoliberalism's deleterious effects are of significance in their own right and have made important contributions to understanding the dynamics, reach and penetration of neoliberalism's matrix, in their respective policy and subject foci they have tended to bracket the fundamental reworking of the economy–society relation which is at the very core of neoliberalism's philosophical and political project. In so doing they tend to sideline how the reworking of the

economy–society relation (and the accompanying shift in the management of populations) involves a fundamental reworking of the gender order. I will suggest, therefore, that neoliberalism does not simply comprise a set of problematic policy effects for women, nor does it only yield a specific kind of subjectivity. Rather, it must be understood as a rationality which contains the coordinates of particular gender order. This is an order which is not an effect or outcome of neoliberalism (and still less an effect of the retreat of the state from the market), but is at neoliberalism's philosophical and political core. To begin to map this order it is necessary that I first turn to the reworking of the economy–society relation.

## **Neoliberalism's Economic Society**

Neoliberalism's logic and dynamic is often characterized as one of the capture of society (and of the state) by economic principles and, especially, by the principle of market-based competition. Thus, one narrative of the rise of neoliberalism is that of an unfolding process of economization involving the dual movement of the withdrawal of the state from its regulatory functions in regard to economy and society and colonization of both by market principles. In this narrative, neoliberalization is, therefore, located as a process concerning the subordination of both state and society to the market and the extension and application of market principles to all aspects of life. One does not have to look far to find this narrative in operation. It can be found, for example, in Pierre Bourdieu's (1998, 2003) later polemical works, which focused on what he termed the 'tyranny of the market'. Here he described neoliberalism not only as doxic (that is, as a naturalized orthodoxy that operates as if it were an objective truth), but also as concerning a generalized process of 'submission to the values of the economy' (Bourdieu, 1998: 6–7).

While such understandings of neoliberalism have a certain affective appeal, not least because they firmly locate the market and market-based principles as the villains of the social, economic and political maladies of the neoliberal era, they require firm tempering. It is by now well established, for example, that rather than constituting a process of the withdrawal of the state from both economy and society (or, as it is sometimes termed, deregulation), neoliberalism has been concerned with the making and embedding of a set of powerful institutional linkages in which the state plays – and continues to

play – a powerful role. This is the case from the expansion of finance (Konings, 2010), through the stagnation and repression of wages (Humphrys and Cahill, 2016), to the operation of post-welfarist workfare regimes (Peck, 2001). It is also by now well established – especially by economic sociology inspired by science and technology studies – that markets, including the competitive orders and spaces they configure, are achievements involving a heterogeneous set of actors which include the judiciary and the state (Adkins 2015a; Çalışkan and Callon, 2009, 2010; Christophers, 2015). Markets and the principle of competition they involve do not, then, have autonomous and universal force, but must always be understood as a result of a process of configuration. At stake in the state's implication in processes of market-making and competitive orders in the neoliberal era is not, however, simply the state acting to facilitate the process of market making and/or to embed market relations in society. Instead, at stake is a transformation of political authority as well as the economy–society relation.

These transformations were set out explicitly by Foucault in his lectures on neoliberalism published in *The Birth of Biopolitics* (2008). Tracing neoliberal philosophy and practice through the Ordoliberal and the Chicago School traditions, here Foucault set out how at issue in neoliberalism is the market becoming the mode of rationality for both the state and society. This, however, is not a simple question of the state working to establish and/or further embed market relations in society, or of the elevation of the authority of the market over that of the state. Instead, as Wendy Brown (2015) has framed it, at issue is the activation of the state ‘to facilitate economic competition and growth and to economize the social, or ... to “regulate society by the market”’ (Brown, 2015: 62). For Foucault, it is this activation of the state to facilitate competition and growth and to economize the social, that is, to generalize the market, which marks the specificity of neoliberalism and separates it from liberalism. While classical liberalism sought to free the economy from the state or, more precisely, to establish sufficient freedoms for the economy, in neoliberalism the market becomes the mode of rationality for both state and society. Neoliberalism thus raises ‘the market to a principle of all life and of government’ (Brown, 2015: 61). To understand neoliberalism is, then, to understand that it is not an extension of liberalism, or a programme of marketization sponsored and supported by the state, but a wholesale transformation of political rationality such that the state acts to

regulate society by the market (by promoting and facilitating competition) and assesses and legitimizes its own conduct in such terms.

Understanding that neoliberalism operates as such a rationality is critical for grasping how this mode of governance has rewritten the economy–society relation and, in turn, how this reworking contains a re-plotting of the coordinates of gender. This re-plotting inheres in how neoliberalism as a rationality works to transform the social from a special sphere with distinctive properties (especially the properties of exchange) into a plane which is continuous with the economic and, especially, with the principle of competition. In his engagement with Foucault's lectures on neoliberalism, Thomas Lemke (2001) makes this transformation explicit and, in particular, makes explicit how the drive to create a competitive order transforms the social and shifts its relationship to the economic. While the social market economy of Ordoliberalism, for example, appears to hold the social and economic as distinct spheres, not least in the assumption that market-based competition requires support via state (that is, political) regulations and by social interventions in the form of social policy, the social and economic are nonetheless critically linked via the reimagining and reworking of the social body as an enterprise. Indeed, in Ordoliberal regimes, the social is located as a domain in and through which entrepreneurial forms can be multiplied and extended. In this context, the task of social policy is therefore not one of offsetting the worst effects of economic injustices via strategies of redistribution (found paradigmatically in welfare state capitalism) but, instead, to 'block anti-competitive mechanisms' (Lemke, 2001: 195) and activate entrepreneurial social relations. In social market economies, and working in tandem with a reinvention of law, social policy thus codes social activity as an enterprise and the social as a domain for the actualization of the entrepreneurial form. While in Ordoliberalism the social and economic are, therefore, imagined as distinct fields, the coding of social activity as an enterprise paradoxically destabilizes the distinction between the two.

While Ordoliberalism's social economy has this paradox at its core, the encoding of the social as economic is pushed harder in and by the neoliberal thought of the Chicago School. Here, any difference between the social and the economic is flattened via the application of the analytic principles and categories of economic action, and especially of utility-maximizing rational

action to the social sphere. At stake is a redefinition of the social as part of the economic domain or, more precisely, an expansion of the economic to include all forms of human action. This expansion renders social relations intelligible only in as much as they can be converted into and assessed by economic criteria and, especially, by market standards and benchmarks. Thus, intimate relations, cultural tastes, love and household divisions of labour are all rendered zones of utility maximization and rational, calculative activity, in short, of the competitive behaviour of economically rational individuals. In contrast to the classical doctrines of liberalism, however, which demarcated economic behaviour as natural and a freedom which the state should work not to constrain, here economic action coded as competition is 'behaviouristically manipulable' (Lemke, 2001: 200). In this context, the task of government is to shift the variables of the environment to foster and enhance such competitive and calculative action, that is, to foster the ability of economically rational actors to approach every situation through the matrix of utility maximization. Thus, and as countless studies have now underscored, the techniques of neoliberal governance typically concern the transfer of previously collectivized social risks (such as unemployment insurance and health care) to the individual and the formatting of subjects such that they approach these problems through the procedures and methods of calculativeness. Neoliberal governance, then, produces responsabilized and economically calculative subjects whose very actions contribute towards the thoroughgoing transformation of the social into an entrepreneurial form and who, in turn, must endure the consequences of both the successes and failures of their own calculative actions. This, moreover, is the case as much for the unemployed worker enrolled in a workfare scheme as it is for the hedge fund manager working on Wall Street: both are entrepreneurs of themselves, that is, investors in themselves. This is an investor who is 'himself his own capital, being for himself his own producer, being for himself the source of his earnings' (Foucault, 2008: 226).

What is clear is that in the varieties of neoliberal philosophy and politics, the capitalization of the social, or the rendering of the social as economic, is at stake. This process has placed competition as the basis of social relations and replaced a social previously governed by a pervasive logic of exchange. What is also clear is that this reworking has opened out a specific topology of life and especially one in which the Keynesian impulse towards the protection

and maintenance of lives has been transformed and recalibrated (Cooper, 2008). This is a topology in which it is only those lives which are intelligible via the grid of market disciplines that are endowed with value. This topology has been made explicit by Elizabeth Povinelli (2011) in her discussion of the operations of social welfare programmes functioning in the context of a state power geared to facilitate competition. Here she notes how the success of such programmes is measured not through metrics such as increases in health or longevity, but through the ability to produce market value such that if a welfare programme is life enhancing but cannot demonstrate it has also produced market value, it will necessarily be positioned as a failure and as a target 'for rooting out of the state' (Povinelli, 2011: 22). Indeed, in this environment, Povinelli suggests, 'any form of life that is not organized on the basis of market values is characterized as a potential security risk' (Povinelli, 2011: 22). At issue, then, in the operation of neoliberalism is the setting of a new topology of life whereby a failure to attain market value is a failure to cross the threshold into life. As Michel Feher (2009) has argued, in this environment the subject must constantly guard against the depreciation of their market value (or human capital) which, in turn, places the subject in a relentless drive towards investment, self-appreciation and speculative activity.

## **Feminism's Neoliberal Subject**

Within feminist theory, the placement of competition, calculativeness and the entrepreneurial form at the very heart of society has by no means gone unnoticed. This is especially so for those feminists who have tracked and mapped the emergence of entrepreneurial and competitive forms of subjectivity for women or, perhaps better said, the economization of femininity. Located precisely as an expression of how participation in life requires incessant investment and self-appreciation, that is, of how the economization of the social reforms all forms of conduct, economized femininity is located as having a range of features and characteristics. These include the prioritization of work, working and achievement; an investor or entrepreneurial approach to appearance, the body and health as well as to the household, intimate relationships and to children; a constant striving for perfection; an emphasis on self-transformation; a disavowal of external constraints and of inequalities (especially, but not only, those relating to



gender); a repudiation of vulnerability; punishing self and other-directed competition; a rejection of feminism, and a constant tendency to the abjection of others, especially those who do not live up to or live out the demands of economized femininity. This latter process is, moreover, located not as a simple outcome of the demands of neoliberal subjectivity but central to its materialization, not least because it operates as a constitutive outside for subject formation (see e.g., Gill, 2008; Gill and Orgad, 2015; Gill and Scharff, 2011; McRobbie, 2007, 2009, 2015; Ringrose and Walkerdine, 2008; Rottenberg, 2014; Scharff, 2016a, 2016b; Tyler, 2013).<sup>2</sup>

Feminists who have mapped the characteristics of economized femininity have also pointed to its injuries. As Christina Scharff has put it, neoliberal femininity ‘comes at a cost’ (Scharff, 2016b: 223). These injuries include exhaustion, suffering and living in a perpetual state of deferred hope (see e.g., Berlant, 2011; McRobbie, 2009, 2015). These troubles are, moreover, by necessity turned inwards. At the same time, these injuries are paradoxically the very stuff of public culture (see e.g., Weber, 2009, 2014). Because these predicaments, anxieties and worries are, however, always individualized and located as the outcome of bad choices whose solutions are always to be found in the further enhancement of human capital and entrepreneurial action, they are never named for what they are: specifically, as the violent effects of a neoliberal culture in which the costs and risks of life have been transferred from the state and employers to populations, and in which the social has been opened out to a process of capitalization.

It is, however, not only forms of suffering which mark economized femininity as injurious. Also at issue are the ways in which the process of abjection that acts to shore up the contours of this form of subjectivity is exclusionary. Thus, a number of feminists engaged with economized or entrepreneurial femininity have pointed to what they understand to be the exclusionary practices which are hardwired to this mode of subjectivity. They point, for example, to how an economized femininity is buttressed and maintained by the persistent location of classed and raced subjects as outside its contours. White middle-class, along with aspirational, women are, in other words, engaged in a constant struggle to claim economized femininity – including its injuries and privileges – as their very own. Economized femininity has, then, yielded a distinctive politics of class and race in regard

to subjectivity and subject formation. In addition, the very technologies of economized femininity have been located as exclusionary. Thus, the social techniques critical to achieving and making claims towards such a subject position (for instance, the self-transforming practices of self-help, therapy and makeovers) have been understood to be unevenly distributed and only fully accessible to already-privileged subjects and, in particular, to the white middle-classes. Attempts by less privileged subjects to open themselves out to techniques of reinvention and self-transformation invariably end in failure, which, in turn, works to shore up the limits and boundaries of inhabiting and living economized femininity (Ringrose and Walkerdine, 2008; Scharff, 2016a; Tyler, 2013).

In this context, it is critical to record that women, and especially young women, have been hailed by governments (in their policies and strategies), transnational political agencies (in their political recommendations and proposals), and transnational corporations (in their charitable campaigns), as the ideal subjects of entrepreneurial reinvention. As such, women, and young women in particular, have been (and continue to be) positioned as playing a special role in the process of neoliberalization, especially in the economization of the social. This positioning of young women as subjects of capacity in regard to neoliberalization and in neoliberal rationality has not gone undetected by feminists concerned with economized femininity (see e.g., Allen, 2014; Banet-Weiser, 2015; McRobbie, 2007; Scharff, 2016b). This positioning has, however, tended to be read simply as part of the incitement of women towards economized femininity and is usually set as a backdrop or setting on and in which the various conflicts and dramas over that subjectivity and the injuries it entails and inflicts are played out.

As I will make explicit later in this chapter, the positioning of women as subjects of capacity forms far more than a context or backdrop to the gender order of neoliberalism; instead existing at its very core. A focus on the injuries of subjectivity and on subject formation, including its inclusions and exclusions, tends, however, to obscure the significance of this positioning. While the body of feminist scholarship I have set out here has certainly made clear that neoliberalism is psychically injurious to women and has radically reworked feminine subjectivity, indeed constituted women as new kinds of political subjects, it has arguably not paid enough attention to issues of the

political economy of neoliberalism and, especially, to the critical question of how and why women are – and continue to be – located as subjects of capacity in regard to the process of neoliberalization, particularly the economization of the social. This body of scholarship has, without a doubt, demonstrated that the domain of popular culture serves as a critical site for the production and circulation of neoliberal values; but, in its emphasis on economized femininity, the key coordinates of neoliberalism's gender order are eclipsed. A focus on these coordinates, moreover, exposes that order not to be one which works to exclude particular subjects, but as one which includes whole populations in its commands. In this respect, neoliberal governance differs markedly in its dynamics from its Keynesian forebears. To make these coordinates explicit and address the question of how and why women are located as subjects of capacity in regard to the economization of the social, it is necessary that I now turn to a second body of feminist scholarship concerned with neoliberalism: namely, that which has focused on policy and policy regimes. While at face value, this body of scholarship is theoretically and substantively far removed from that focused on questions of the subject and subject formation, they nevertheless share a common emphasis on the harmful effects of neoliberalism for women.

## **Feminism's Neoliberal Political Economy**

Feminist political economists, economists and social policy scholars have dedicated much effort to analyzing the various policies and political programmes which comprise neoliberal policy regimes. They tend to be in agreement that social and economic policies which seek to open out competition and growth across both economic and social domains are particularly injurious to the welfare, well-being and economic security of women. Typically, such scholars measure the deleterious effects of neoliberal policy regimes on women via contrasts to the redistributive and rights-based policies of Keynesianism, that is, the policies of welfare state capitalism. They have also mapped the take-up of neoliberal policy instruments, including those which have opened out the provisioning of social goods such as welfare, health, education, child care, elder care and housing to the logic of market competition. Thus, and in an early iteration of work in this genre, the epic volume *States, Markets and Families* (O'Connor et al., 1999) mapped the take-up of variants of 'market-based' social (and especially welfare)

policy in the US, the UK and Australia. While the effects of such policies were certainly not located as universal, the authors of this volume nonetheless argued that ‘under neoliberal conditions, the price of women's liberal individualism is that their needs and satisfactions are defined by the market paradigm’ (O'Connor et al., 1999: 54). The problem with such a market definition, the authors went on, is that ‘it gives no ground for reconciling ... the constraints of human interdependency and the connectedness to others that is most fully developed in the lives of women’ (O'Connor et al., 1999: 54).

Putting aside the elision of liberalism and neoliberalism at play here, what is of interest in this understanding is how constraints operating in women's lives, and especially the constraints of the caring and kin labour and other forms of socially reproductive labour on which interdependency depends, are understood to place limitations on the ability of women to become the kind of subject demanded by neoliberal policy regimes. Indeed, this line of argumentation continues to be pursued across feminist analyses of neoliberal social and economic policies. The command, for instance, found in employment and welfare policy across advanced liberal states that all women, no matter what their circumstances, be in paid work or actively looking for work, is routinely located as injurious to women as it places many women, particularly middle-income and poor women, in the impossible situation of working for wages (and/or for state benefits) and dealing with unpaid caring responsibilities (including care for the elderly), responsibilities which themselves have been actively intensified and extended by the restructuring of the state (see e.g., Lewis, 2002; Lewis and Giullari, 2005; MacLeavy, 2011). Such responsibilities are, therefore, located as placing many women in a situation where they are unable to activate their situation to maximize market utility, especially in regard to waged-labour. One further and related deleterious consequence of the policy emphasis on waged work and working for women identified by feminist scholars concerned with neoliberal policy is a reduction in the ‘significance of social reproduction’ (MacLeavy, 2011: 617). Indeed, this reduction in the significance attached to social reproduction in policy terms has been located as contributing to what is often understood to be a crisis in social reproduction, that is, a crisis in the maintenance and sustainability of life (see e.g., Leonard and Fraser, 2016).

While many feminist scholars have focused attention on the injurious effects of specific policies and programmes on women, others have offered more broad-scale analyses. Thus, Sylvia Walby (2011) has argued that women disproportionately shoulder the deleterious effects of neoliberal policies. Indeed, she suggests that neoliberal policies have intensified inequalities running along axes of gender. Low wage growth strategies, for example, hit women harder than men because of their already disadvantaged position *vis-à-vis* men in the labour market and because women are already disproportionately clustered in low-waged jobs which are defined as low-skilled; while cuts to public expenditures in the name of addressing public deficits are harmful to women not only because it is women more than men who tend to rely on publically funded services, but also because they tend to be employed in public sector jobs (Walby, 2011: 118–119). Neoliberalization has then compromised – and continues to compromise – the economic security (especially the income security) and social well-being of women.

These latter points have been reiterated across feminist analyses of the latest round of neoliberal policy reform, namely those associated with the austerity state. Here, the coordinated programmes of cuts to public spending and strategies of wage and price devaluation which austerity comprises, have been routinely located as detrimental to women. For the case of the United Kingdom, for example, it has been argued that the burdens of austerity have been borne disproportionately by women and that austerity as a permanent reality is intensifying and extending inequalities operating along gender lines. These include inequalities concerning distributions of money, income and jobs (see e.g., Annesley, 2014; Elson, 2013; Karamessini and Rubery, 2013). Assessing the impact of austerity, the Women's Budget Group in the UK, for example, have suggested:

Austerity has had a devastating impact on the poorest households and on women. By 2020 the living standards of the 10% lowest income households will fall by an average of 21%, more than five times as much as the cut to living standards of the top 10%. Women are hit harder than men and households headed by women such as lone parents and single female pensioners are hit hardest, both being about 20% worse-off on average in 2020. (Women's Budget Group, 2015)

Such drops in living standards are connected to falling incomes (both in the form of wages and social security payments) and declines in disposable income. Ruth Pearson and Diane Elson (2015) have suggested that the biggest falls in disposable income as the result of austerity policies have been ‘borne by the most vulnerable women – lone mothers, single women pensioners and single women without children’ (Pearson and Elson, 2015: 8).

Feminist scholars concerned with austerity policies have, however, not only located such policies as making women worse off in terms of money and income, but also as intensifying the so-called crisis of care. In turn, this intensification has been located as creating further injuries for many women, especially poor women whose income levels do not enable them to access caring services provisioned by the market (both formally and informally). In regard to this crisis, the Women's Budget Group has suggested that ‘[w]omen are bearing the brunt of the care crisis: they are often expected to step in to fill the gap when the state fails to provide care services, are over-represented among low paid care workers, and more likely to be care recipients themselves’ (Women's Budget Group, 2013). In regard to this care crisis, it is critical to register that crises in social reproduction are by no means coterminous with austerity and that capitalism fosters what Silvia Federici (2013) has termed a permanent crisis in social reproduction. It is also important to register that cuts to public spending and strategies of devaluation in regard to price (for instance, in regard to the price of labour) are long-term processes hardwired to neoliberal social and political economic strategies in play since the late 1970s (Adkins, 2015b). Austerity should, in other words, not be located as the instigator of a range of processes which are historically long-lived, even if the injurious effects of neoliberal economic and social policy regimes are intensifying (Fox Piven, 2011; Lorey, 2015).

While these latter points are somewhat sidelined in feminist engagements with austerity, feminist scholars have, nonetheless, continued to be actively engaged not only in mapping and recording the injurious effects of austerity policy, but also in thinking through alternative policy regimes, especially those built on strategies of redistribution. The Women's Budget Group has, for example, designed *Plan F: A Feminist Economic Strategy for a Caring and Sustainable Economy* (2015) as a feminist alternative to austerity. Here, instead of emphasis on cuts to public services and social security to address

budget deficits, emphasis is placed on a suite of policies which reverse cuts 'that have had particularly adverse impacts on women'; invest in social infrastructure (including in care, health, education and social security); improve the terms and conditions of work 'for the work force who staff the social infrastructure the majority of whom are women'; strengthen workers' rights; raise the minimum wage 'to a level that ensures a decent living'; ensure access to affordable care; improve 'support for people – currently mainly women – who provide unpaid care in families and communities'; create a social security system that 'aims at fairer sharing of caring and the costs of caring'; and increase investment in social housing, positing that 'an affordable home for all is central to a caring economy' (Women's Budget Group, 2015). The aim of the plan is 'to invest in creating a caring and sustainable economy that prioritizes care for people and for the planet' (Women's Budget Group, 2015).

It is clear that *Plan F* is a call for the instatement of redistributive policy instruments, collectively provisioned social goods and an end to the relentless process of economization associated with neoliberal policy regimes. It is, in short, a call to undo the economy–society relation instigated by neoliberalization, and especially the economization of the social. This is made explicit in Pearson and Elson's (2015) discussion of *Plan F*. In regard to child care, they write, for example, that:

[i]f the costs of market-based childcare have to be found from wages and salaries and social security payments rather than through local or central government provision of public services, then the result will be the increasing reliance on unpaid family carers – not just mothers or sometimes fathers, but in very large measure retired or still working grandparents. (Pearson and Elson, 2015: 23)

In place of such market-based arrangements, they suggest that 'a new social contract is needed where everyone contributes to funding public services and reaps the benefits from a more inclusive society' (Pearson and Elson, 2015: 26).

While there is a certain technocratic and procedural appeal to the idea that

such a set of policies and the forging of a new social contract can be put in place to halt the injurious effects of neoliberalization, it nonetheless rests on the assumption that neoliberalism itself concerns a set of policy instruments. As Johanna Oskala (2013) has cogently argued, however, reducing neoliberalism to a set of policies or a policy regime negates the fact that neoliberalism is a rationality. At stake are not problematic policies or policy effects, but the market becoming the rationality for state and society. In this context, it is erroneous to think that neoliberalism can be countered by a set of alternative policy instruments, as this rationality is both thoroughly embedded and long-lived. Two further points are important to add here. First, it is important to recognize that arguments for the instatement of redistributive and regulatory policy instruments to curtail the worst excesses and injurious effects of neoliberalization for women operate as counterparts to arguments also forwarded in the post-financial crisis era that a regulatory programme orchestrated by the state can curtail the worst excesses of financialization. As scholars of finance have argued (see e.g., Konings, 2010), and as I have already argued so far in this chapter in regard to neoliberalization more broadly stated, such formulations themselves rest on the assumption that at issue in neoliberalism is the retreat of the state from the market, while entirely negating the fact that it has concerned the making and embedding of a set of powerful institutional linkages in which the state – including state regulation – plays a key role. While this is so, the critical point to register here is that feminist arguments regarding the instatement of redistributive and regulatory policy instruments on the part of the state to counter and/or reverse the effects of neoliberalization must be located as operating in the broader post-financial crisis context in which the idea of a ‘return’ to state regulation and redistributive policies has a strong affective lure. Cooper and Konings (2015) have suggested that this lure or affective background must itself be located as part of the political project of neoliberalism, not least because it is symptomatic of how neoliberalism has been able to leverage what they term capital's ‘speculative austerity’, that is, a simultaneous tendency towards speculative expansion and austere refoundation. Understood in this light, it is clear that calls for returns to regulation and redistribution – including returns to Keynesian policy regimes – should be located as part of (and not outside) the dynamics of this affective structure.



The second issue which is important to register is how in feminist accounts of the injurious effects of neoliberal policy, it tends to be assumed that these injuries are ones which amplify, intensify and further sediment problematic aspects of many women's lives that were present in the Keynesian era. It is assumed, for example, that neoliberal policies (for instance, cuts to social care) intensify the unpaid labour required of many women for the maintenance and reproduction of life, including labour 'that contributes to the well-being and maintenance of the workforce and society' (Pearson and Elson, 2015: 23). Thus, such accounts tend to assume that neoliberalization has made what were already problematic aspects of women's lives worse. It is, moreover, the intensification of these problematic aspects of women's lives – such as the intensified necessity for unpaid socially reproductive labour – which are assumed to constrain and limit the ability of many women to fulfil the commands of neoliberal policy regimes, especially commands towards investment, self-appreciation and speculative activity in regard to wage-labour, housing, health and welfare.

## Workfare Lives

What such understandings sideline, however, is how neoliberalization concerns not living the same lives in a more intense and, at the same time, more precarious and insecure fashion, but a *transformation* of lives. This transformation is, moreover, not one whose dynamic turns on the logics of exclusion, constraint or limit, but on those of inclusion, expansion and limitlessness. This includes the activation and optimization of the capacities of whole populations to enhance the immeasurable, incalculable and non-exhaustible potentiality of competition. The dynamics of this transformation, especially the dynamics of this transformation in certain women's lives, can be made clear by zooming in on aspects of neoliberalism's regulatory structures. In this final section, and to make the dynamics of this transformation explicit, I will focus on workfare, that is, on work-based welfare reform. Taken up across OECD countries from the 1990s onwards, such reform ostensibly aims to optimize employability for unemployed and underemployed populations and typically does so by commands towards mandatory work and work-like activities. It also does so via regimes of sanctioning for non-compliance with commands to work. According to the World Bank, such measures aim to 'incentivize job search and job finding,

productive participation in society, and becoming and remaining self-sufficient and less dependent on public support' (Immervol, 2012: 1). As this implies, what is critical in the take-up of workfare is that it has transformed the welfarist social right of access to state protection and support in times of unemployment (albeit, this was a right operative most readily for male workers) into a set of obligations and compulsions and, especially, obligations to work. As Jamie Peck (2001) has framed it, workfare residualizes welfare, enforces work and has transformed welfare into workfare states. Indeed, workfare has been (and continues to be) central to the neoliberal reform of welfare states.

Substantial research has been carried out focusing on this process of reform. This includes analyses which foreground how, in its command that unemployed populations work for state benefits and/or accept low-paying forms of precarious waged work or face benefit sanctions, workfare should be understood as provisioning a free and/or cheap supply of labour to the bottom rungs of flexible labour markets, thereby placing downwards pressure on wages. Workfare has, then, been located as a central institutional pillar of the regulation of labour and labour markets within the neoliberal era (see, especially, Peck, 2001; also Krinsky, 2007; Wacquant, 2010). In addition, workfare has been understood to format the kinds of post-welfarist, risk-bearing, entrepreneurial subjects demanded by neoliberalism, especially in as much as workfare states typically locate unemployment as a problem of human capital deficiencies (that is, as an issue of problems with labour supply), rather than as an issue with problems of demand (see e.g., Triantafillou, 2011, 2012; Walters, 2000). In the micro-politics of workfare schemes, this focus on issues of labour supply translates into an endless demand that the jobless and out-of-work take on the problem of unemployment as their very own.

What is overlooked in these accounts, however, is the sexual politics operating at the very heart of the reform of welfare into workfare states. Existing feminist analyses of workfare tend to suggest that these politics inhere around how the commands of workfare are difficult for many women to fulfil due to workfare's valorization of waged work and its 'limited recognition of the burdens and disbenefits of care' (MacLeavy, 2011: 626). Thus, in their prioritization of waged work and work-readiness, workfare

schemes have been understood by feminist scholars to be more attuned to the lives of men than they are to the lives of women (McDowell, 2005). Indeed, workfare has been located as pressurizing women ‘to gain access to work, or at the very least become “work-ready” whilst retaining practically all of their caring and household work “responsibilities”’ (MacLeavy, 2011: 612). These socially reproductive responsibilities have been located as meaning that women are often ‘unable to fulfil the stipulations of ... workfare programmes’ and, as a consequence, are likely to suffer sanctions and extreme financial hardship (MacLeavy, 2011: 618). Thus, feminist analyses of workfare follow a parallel logic to that of many feminist economists, political economists and social policy scholars, who have located neoliberal policy regimes as injurious to women because prior demands on their labour – especially demands for socially reproductive labour – mean that they cannot fulfil the commands of those regimes. Workfare states, and especially their prioritization of work and work-readiness, are then understood to be exclusionary of many women, with disastrous social and economic consequences.

What these kinds of accounts neglect, however, are the ways in which women, and especially – although not only – poor, unemployed and underemployed single women with dependent children, do not simply suffer the injurious effects of workfare, but are, in fact, *targets* of workfare. Indeed, from the very inception of workfare in the US, poor single women with dependent children have been such targets (Cooper, 2012; Fox Piven, 2011; Mink, 1998; Smith, 2002, 2007, 2008). At present across OECD countries, alongside such unemployed women, targets of workfare also include young people (especially young men), the long-term unemployed, the over-fifties and indigenous populations. To understand this targeting, it is necessary to grasp that workfare is a device entangled in securing the conditions of possibility for capitalist accumulation driven and ordered by the logic of competition and, in particular, it is necessary to grasp how this has involved a particular emphasis on the opening out and activation of the labouring capacities of these target populations, including the labouring capacities of women. Indeed, the targeting of women in and by workfare has taken place alongside a massive explosion in women's waged labour, an explosion which has included women in all manner of circumstances. The simultaneous targeting of women by workfare regimes and expansion in women's waged

labour is by no means a coincidence, since at stake in both is precisely the incorporation of women in the imperative of wage labour.

This incorporation can be tracked through shifts in employment policy, especially in the abandonment in the late 1970s by advanced liberal societies of a Keynesian commitment to the ideal of (male) full employment and embrace of Schumpeterian employment policies aimed at securing employability and enhancing the competitiveness of open economies (Jessop, 2002).<sup>3</sup> From the point of view of the concerns of this chapter, two issues are critical in this shift. First, is the move away from a focus on issues of demand (including the role of the state in ensuring the demand for labour, that is, for securing full employment), towards a focus on issues of labour supply, and especially a self-organizing and flexible supply of labour. In this supply-side universe, unemployment is located and understood not as a problem of demand, which the state should work towards resolving with employers, but as one of competitiveness and, particularly, as a problem of the competitiveness of labour (Triantafillou, 2011).

The second issue which is vital to register is that while the full employment policies of Keynesianism in practice almost always concerned the employment of men (and assumed that the vitality of the male labouring body was assured by the protections of the welfare state, including by the state-backed unpaid socially reproductive labour of women), the embrace of non-equilibrium Schumpeterian employment policies has opened out whole populations to the command to work and employability in the name of enhancing the competitiveness of economies, that is, in the name of growth. This has meant that those previously exempted and protected from work and working have been (albeit unevenly and messily) opened out to the imperative of waged work. The paternalistic protections afforded to many women by welfare states have, for example, been progressively removed and replaced with the demand (and necessity) that they either work and/or become work-ready. It is, then, because of this command that unemployed women find themselves to be targets of Schumpeterian workfare regimes, including intensifying conditionalities, sanctions and experiments with their lives. Registered as problems in need of attention in an environment where the incorporation of women into the imperative of wage labour is located as central to the competitiveness of economies, unemployed women are

consistently located as in urgent need of enhancing their work-readiness and employability.

What is apparent in the take up of Schumpeterian employment regimes is that they have been critical in the fade out of Keynesian social formations, including those through which labour power was organized as a substance which was to be replenished on a daily basis via the guarantees of the welfare state and socially reproductive labour of women. Indeed, one of the key mechanisms which kept this arrangement in place in the Fordist-Keynesian era – the family wage – has been thoroughly dismantled and the ideals of the male breadwinner and female dependency have been replaced by adult worker models which assume that all adults, no matter what their circumstances, should be working or, if not in work, then actively seeking work (Adkins, 2012; Cooper, 2012; Deeming, 2014). Such policy models and the associated location of women as subjects of economic capacity should, then, be properly located as part of the Schumpeterian drive through which whole populations have been opened out to the command to work. What is critical in this model of economic growth is that it precisely does not locate women as subjects of social reproduction, that is, as subjects located in the social realm whose role is to contribute 'to the well-being and maintenance of the workforce and society'. Thus, at issue in neoliberalism for women is not an amplification, intensification and sedimentation of problematic aspects of their lives that were present in the Keynesian era, but a transformation of those lives, turning on the removal of paternalistic protections afforded by the welfare state and incorporation into the imperative of wage labour. In this transformation, women's lives have become connected by a set of common principles even if, at face value, such lives may seem distant and removed. The lives of poor single mothers who churn between working for state benefits in workfare schemes and working for below-poverty line wages in precarious jobs, and those of women in middle-income jobs which demand continuous training and skill updating to remain in those jobs are, for example, connected via the command that they are incorporated in the wage labour imperative and in their location as subjects of economic capacity in regard to capitalist growth.

Neoliberalism contains, then, at its very core the coordinates of a gender order in which women are located not as subjects who replenish and maintain

labour power or maintain social life, but as subjects who are critical to capitalist growth and the competitive order via their incorporation in the wage labour imperative. Indeed, the location of women as such via Schumpeterian means should be understood as one critical mechanism through which the reworking of the economy–society relation has been effected and, in particular, should be understood as a mechanism through which the lives of women which were previously coded as social – as subjects whose activities were aimed at the maintenance of wage labour and society – have been transformed into lives which are now coded and organized by the principle of competition. This transformation of women's lives should, in other words, be understood as one critical dimension of the market becoming the mode of rationality for state and society. In this capitalization or economization of the social and the associated transformation of women's lives, those activities that were previously coded as socially reproductive have also been transformed. Domestic labour, for example, is no longer a 'labour of love' which replenishes the workforce and/or maintains society, but is a speculative and investor proposition (Allon, 2014); while child care is less of an activity which is antithetical to market activity but a site of entrepreneurial creativity and inventiveness (Taylor, 2016). The politics of these transformations are by no means straightforward or benign, not least because it connects to the opening out of debt and indebtedness as a condition of contemporary existence to which many women, especially poor women, are particularly exposed (Soederberg, 2014). What is clear, however, is that such a politics cannot be captured by recourse to the figure of a socially reproductive woman. This is the case not least because while the Keynesian sexual contract separated domesticity and motherhood from the market, neoliberalism's reworking of the economy–society relation has placed them on the same continuous plane.

## **Conclusion**

In this chapter, I have argued that rather than as a mode of governance which inflicts a raft of injuries on women and intensifies problems previously existing in women's lives, neoliberalism should be understood as a rationality which has transformed women's lives. I have suggested that this transformation should be located as a critical axis along which the economization of the social has taken place, that is, as a critical dimension of

the market becoming the mode of rationality for state and society. In laying out this line of argument, I have highlighted how existing feminist scholarship, which focuses either on injurious forms of neoliberal subjectivity or the harmful effects of neoliberal policy, underplays and sidesteps the major transformations in the gender order at stake in neoliberalization. In particular, in their focus on injurious and exclusionary forms of interiority and harmful policy effects, these existing bodies of scholarship bypass the reconfiguration of the economy–society relationship at the heart of neoliberalism and, in turn, how that reconfiguration involves a fundamental reworking of the gender order. In this chapter, therefore, and by focusing on this reconfiguration, I have argued that neoliberalism must be understood to concern a distinctive gender order, one which I have illustrated with reference to growth strategies and the management of life via Schumpeterian means. In so doing, I have suggested that the keywords for understanding neoliberalism's gender order are not – as is so often assumed – exclusion, constraint and limit, but inclusion, expansion and limitlessness.

## Notes

1. These principles are often assumed to be those of neoclassical economics. As Mirowski (2014) has elaborated, however, the genealogies of neoclassical economics and the Chicago School are distinct, with the latter rejecting many of the principles of the former.
2. While some feminist writers have suggested that economized femininity concerns a repudiation of feminism (see e.g., McRobbie, 2009), others argue that it has concerned the rise of a 'neoliberal feminism' characterized by the instrumentalization of feminist critique (see e.g., Rottenberg, 2014).
3. On the discovery and redefinition of Schumpeterian economic thought by the neoliberal thought collective, especially Schumpeter's understanding of entrepreneurship, see Plehwe and Mills (2012). Here they note how at the time of this discovery, the president of the Mont Pèlerin Society declared that the new age of Schumpeter was to replace that of Keynes.

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# 37 Neoliberalism and the Urban

**Margit Mayer**

## Introduction

To understand how neoliberalism has affected the urban, we draw primarily on political-economic and Foucauldian perspectives, as these, together, go a long way towards explaining how the neoliberal project has been continually reworked and contested in various spheres of life (Mayer and Künkel, 2012; Peck et al., 2013). The conceptualization of ‘neoliberalization’ proposed by Brenner, Peck and Theodore (cf. their chapter in this *Handbook*) highlights the instability and evolving nature of neoliberal regimes of accumulation and modes of regulation, as well as the relational interconnections between neoliberalizing spaces – from neighbourhoods, cities and regions all the way to nation states and multinational zones – within a transnational governance system, and is therefore particularly helpful for bringing the neoliberalization of the urban into view (Brenner et al., 2010a; Peck et al., 2012). By focusing on the political dimension of ‘regulatory restructuring’ towards the increasing marketization and commodification of all realms of social life,<sup>1</sup> this concept of neoliberalization emphasizes its process-based character, the path-dependency of concrete neoliberal projects, and the role of strategies and that of the state. The preference is, therefore, to speak of neoliberalization instead of neoliberalism – signalling that we are not dealing with a fixed state or condition, but rather with a *process* of market-oriented regulatory restructuring. This process entails no ‘convergence’ of regulatory outcomes. Rather, neoliberalization projects assume myriad contextually specific forms as they collide with diverse regulatory landscapes inherited from earlier rounds (such as Fordism, national developmentalism, or state socialism). Neoliberalization thus works as a contradictory process of state-authorized market transformation (Peck and Theodore, 2012: 178), pushing endlessly for marketization and privatization, but never able to produce an equilibrium (Peck et al., 2012: 277).

Because of its focus on the state, this perspective is productively complemented by Foucauldian approaches focusing on neoliberal governmentalities (some tensions between these approaches and neo-Marxist ones notwithstanding), as they highlight the ways in which state and corporate actors create and promote particular subjectivities (cf. Mayer and Künkel, 2012; Peck, 2013). By focusing on state intervention in subject formation, governmentality approaches sharpen our understanding of neoliberal urbanism and the evolving relations between different kinds of contestations, political institutions and discourses at all scales, especially when they are complemented by neo-Gramscian perspectives (cf. Davies, 2014).

Rather than seeing a rolling back of state power, both of these conceptualizations of the neoliberal project or regime highlight the active mobilization of state institutions to extend commodification and promote market rule, as well as the (self-)technologies of identification and responsabilization through which state programmes and discourses work. Further, these perspectives imply that there is no single 'pure' form or 'ism', because any neoliberal formation hinges upon contextually specific *strategies* of regulatory reorganization. Therefore, Brenner et al. (2010a) and Peck (2013) speak of 'variegated neoliberalism' to suggest that the systemically uneven character of neoliberal hegemony is best understood by analyzing the ways in which such political projects are embedded in different contexts, whereby political and power structures facilitate the spread of market rule to more and more arenas of social life, and concessions to local culture and/or protest movements have been shaping the neoliberal project in various 'local third ways' (Mayer and Künkel, 2012: 10–11).

In this perspective, cities and urban regions are seen as key arenas, in and through which processes of regulatory creative destruction occur (Peck et al., 2013): they are sites of regulatory 'problems' (such as poverty, crime, joblessness, etc.); sites of putative regulatory 'solutions' (where new policy prototypes are developed and experimented with, and which, if effective, will travel around the world); and sites of contradictions, conflicts and opposition to such projects. While many states in the course of globalization have been fostering competition among cities, they have handed more and more tasks pertaining to economic development, as well as social infrastructures, down

to municipalities. As a consequence, the urban dimensions of the 2008 crisis have become particularly pronounced – not just because of the role the subprime mortgage meltdown played in triggering it, but especially because cities have become sites of exacerbated fiscal discipline and deepening enclosure and dispossession, as well as renewed cycles of protest.

In spite of the widespread adoption of neoliberal discourses and policy formulations, there is no such thing as *the* neoliberal city, just as there is no pure 'neoliberalism'. Instead, diverse place- and territory-specific patterns of neoliberalization have emerged as the search for policy models and forms of governance has intensified on the urban scale. Such contextually specific patterns have emerged wherever (global, national, regional, local) alliances promote market-oriented solutions to regulatory problems – in housing, transportation, economic development, labour, environment, etc. The outcomes are not only contextually specific (as they depend on local institutional and political legacies and struggles), but also always partial and impure forms and messy hybrids. Though varied, messy, and specific, neoliberalization processes have fundamentally transformed what used to be 'Fordist' or 'Keynesian cities', and urban scholars have sought to construct a 'moving map' of neoliberalization (Harvey, 2005: 88; cf. Peck et al., 2013).

## **Dimensions of Neoliberal Urbanism**

While cities under socialism, developmentalism, or Keynesianism were shaped by the respective logics and rationalities of the context they were embedded in, processes of neoliberalization have meanwhile actively been constituted (and contested) across the system of urban(ized) regions. For example, cities were defined under Keynesianism by the ways in which central governments took over – in more or less bureaucratic, patriarchal, or authoritarian fashion – large parts of social reproduction, generating expanded infrastructures of collective consumption. The norms and standardization of the Fordist-Keynesian city, its functional zoning, suburbanization, specific types of urban renewal, and state-underwritten collective consumption marked the urban form and reproduction. With the crisis and dismantling of the Fordist regime, the logics and dynamics characterizing the Fordist-Keynesian city also gradually became eroded and were displaced by the (il)logics of successive phases of neoliberalization,

eventually replacing it by a rather different formation.<sup>2</sup> First, a roll-back of Fordist institutions and redistributive policies (in most regions of the capitalist West during the 1980s) aimed to address the limits of the Keynesian city. In the following roll-out phase, policy makers sought to ameliorate some of the destructive effects of the dismantling of the Fordist compromise (during the 1990s). Next, urbanization became a global phenomenon in a third round, beginning with the dot.com crash of 2001, as financial markets became globally integrated to debt-finance urban development around the world. The 2008 crash has catapulted us into a 'post-crisis' round of austerity urbanism, where policy innovation seems to have slowed and the hegemonic hold of the neoliberal project seems to have weakened. While familiar strategies, such as fast-policy adjustments and experimental reforms, are 'eclectically stitched together across scales of governance' (Peck et al., 2013: 1096), the landscapes of urban development and urban governance have been mutated once again through the creatively destructive process of neoliberalization.<sup>3</sup>

Of foremost importance to urban scholars with a political science focus is the observation that urban policy-making hinges no longer primarily on the institutions of the local elected state and its bureaucrats; instead, it relies ever more on business, real estate, developer and investor interests (all of them increasingly global). Concomitantly, the point of urban policy has become to facilitate the unfettered operation of 'the market'. Urban services (what is left of them) have become increasingly privatized, and city governments have become the purchasers rather than providers of services, the goal of which has become to activate and entrepreneurialize 'clients' (Hackworth, 2007; Geddes, 2011; Theodore and Peck, 2011). The latest round of neoliberalization (where the neoliberal project has been discredited by the 2008 crash and stagnant growth rates that followed, as well as delegitimized by social movements, but still not weakened) is characterized by a devolved form of extreme fiscal constraint, which in the northern countries is projected largely onto sub-national state scales. Here, the municipalities are adversely affected, many of which have developed an advanced form of austerity politics, which not only dismantles Fordist social welfare infrastructures (as during the first roll-back phase), but grinds away at what has survived the repeated rounds of cut-backs and neoliberal restructuring.

Neoliberal urbanism thus denotes a complex configuration involving the local adaptation of neoliberal regulations, such as the enforcing of low wages and insecure working conditions, restrictions of tenants' as well as workers' rights, debt as both enabler of continuing habitual levels of consumption and as disciplinary technique. Simultaneously, it also entails specifically spatial adaptations of neoliberal tenets, such as increasingly uneven spatial developments: while attractive areas are ever more spiced up with expensive, glitzy and securitized developments, poor neighbourhoods are suffering even more cut-backs, surveillance and coercive technologies. The politics of neoliberal urbanism have been characterized by the deliberate valorization of real estate and public space, creative city policies, and punitive (austerity) policies. Both the spatial polarization and social precarization aspects of neoliberal urbanism were only intensified through the measures with which policy managers sought to cope with the fall-out of the 2008 crisis. Drawing on a broad spectrum of empirical work on recent urban restructuring and transformations of urban governance,<sup>4</sup> and interpreting these observations through the lenses of the analytical approaches sketched, four dimensions in particular can be distilled as characteristic features in the neoliberalization of cities. In presenting these characteristic policies, strategies and forms of governance, I highlight how each of them has contributed to exacerbating social imbalances and conflicts which, in turn, has transformed the urban polity, as well as available space and resources for urban residents. From the start, the neoliberalization of the urban has been met with resistance and challenging movements; they, too, have continually adjusted and transformed as neoliberal urbanism evolved and morphed, in many regions, into austerity urbanism.

## Chasing Growth in New Ways

The overarching political strategy continues to be what it has been since the beginning of the neoliberal turn: the pursuit of *growth first*. That is, urban managers do whatever they can to accelerate investment flows into the city and improve their position in the inter-urban rivalry. Cities that come out on top of this global competition include those whose real estate markets appear as safe-havens to footloose global capital, such as London, New York, Vancouver or Shanghai, or cities whose credit-fuelled construction boom (e.g., Istanbul) or tourism industry (e.g., Barcelona) have driven real estate

surges. ‘Aspiring’ cities of the Global South, in their efforts to reach world-class status, have joined this competition with enormous speed and, since growth is not as sluggish in some of these regions, often with significant success (Roy and Ong, 2011).

While not all cities can come out on top, this inter-urban competition has led urban policy makers and planners everywhere to prioritize – unless challenged by mass movements – ‘highest and best use’ as criteria for land use decisions, to roll forward gentrification and create urban enclaves, privatized spaces of elite consumption, and sanitized spaces of social reproduction, thereby transforming the built environment. The pursuit of such growth-chasing projects, heated by international property speculation, has led to exploding property prices. These, in turn, have led to surges in evictions, social displacement, and a new homeless crisis borne out of an affordable housing crisis (in addition to that borne out of the subprime mortgage crisis, as was the case in Spain). In contrast to the global city hotspots which attract international investments and, thereby, contribute to economic growth (if not for all, see e.g., Watt, 2013), most ‘ordinary’ cities now face tightening budgets which prevent urban managers from implementing the types of big project and urban spectacle they used to employ in their efforts to radiate the message of success to investors and tourists alike. Cash-strapped cities – and not merely in the more heavily indebted European South – have turned increasingly to forms of locational politics that rely more on low-cost, symbolic ways to play up the local flavour and attract ‘creative classes’ that help culturally upgrade their brand. That is to say, the search is on for innovative low-budget, especially culture-led efforts to mobilize city space for growth.

There exist, of course, a great variety of cultural branding strategies, as they have become a popular instrument for diverse cities to build structural competitiveness within the global urban network. Different forms of instrumentalization of artistic and creative production occur in small and big, poor and flourishing, northern and southern cities, as everywhere urban managers have become enamoured with image construction, place branding, and city marketing. In the process, artists and other creative workers have been assigned particular roles in urban development strategies to enhance the unique brand of each city, with their presence being understood as

particularly conducive to creating 'indigenous authenticity'. Many cities have put in place specific programmes and subsidies for these groups in order to foster the emergence of spaces for their cultural and sub-cultural activities and productions. In this new appreciation for soft locational assets, the cultural milieus of artists and creatives, as well as oppositional movements and radical squats, have received attention as they mark urban space as attractive, especially where they can be tied into the marketing strategies applied to attract tourists and investors. Radical squats or self-managed social centres are, thus, frequently seen as charging their environment with cultural capital which, in the scheme of 'creative city' policy, then becomes transformed by investors into economic capital. Formerly squatted buildings, open spaces and other 'biotopes', which anarchists spiffed up or precarious artists made interesting, have become harnessed by clever city officials and (real estate) capital as branding assets that contribute to the image of 'cool cities' or 'happening places' (cf. Mayer, 2013, 2016a). Yet, as such strategies tend to upgrade and valorize the spaces made attractive by artists, squatters, or alternative or (sub-)cultural interim users, they tend to lead to the further displacing or marginalizing of groups that lack symbolic cultural resources, thus triggering their protest.

## Entrepreneurial Governance

The neoliberalization of cities has also been defined by their adoption of *entrepreneurial forms of governance* in ever more policy areas, where they make more and more use of presumably more efficient business models and privatized forms of governance. This trend has presciently been described by Harvey (1989) for the early stage of neoliberalization as privatized governance and public-private partnerships, outsourcing and localization of risk, and an orientation to speculative investment, along with the commodification of place and place assets. Since then, municipalities have thoroughly internalized such entrepreneurial logics, aided along the way by disseminators of policy intelligence, such as the World Bank, International Monetary Fund, World Trade Organization, or Organization for Economic Cooperation and Development (cf. Theodore and Peck, 2011). Strategies such as contracting-out and task- and project-driven initiatives (such as developing a particular part of town, upscale uses for waterfronts, 'science cities', and other projects suggested by the *growth first* imperative, such as

competing for mega-events such as the Olympics, World Cups, International Building Exhibits, etc.), have become routinized manoeuvres in governance. Under conditions of slow growth, of course, these strategies can provide sustained competitive advantage only for a few cities; hence we see municipal treasurers, becoming progressively wary of failed projects and speculation ruins, to instead increasingly favour more small-scale regeneration efforts. Where funding streams from superior levels of government have dried, and local governments need to do more with less, cities have increasingly turned to 'the markets' – and not just for funding speculative projects, but to fund basic infrastructure as well. In this process, urban governance structures have become more and more financialized.

According to Peck (2014b: 400), these processes of entrepreneurialization and financialization signal not merely a transition from one mode of urban governance to another, but also a transformation in inter-urban relations, as new forms of regulation have become institutionalized. Already in the early stages of neoliberalization, mayors and their partners from the business sector (often bypassing council chambers) began to set up special agencies to deliver target-driven initiatives that focus on specific concrete objectives. In contrast to the previous Keynesian mode of governance – which generally used to secure the consent of the governed through tripartistic, corporate and long-term designs – these novel modes of regulation, while less transparent and often not democratically legitimated, produce hegemony (if at all) by making flexible, small, and constantly changing concessions to particular groups, primarily to middle-class-based and upwardly mobile groups. This trend towards projects has transformed municipal planning, where informal and cooperative procedures have gained new significance. Such cooperative planning procedures now involve both participatory citizens and (global) developers, along with the municipality's political and administrative representatives, but do not always succeed in resolving conflicts over planned development or those about in/exclusion and representation (cf. Swyngedouw et al., 2002; Miller, 2007; Purcell, 2009). In fact, in this increasingly ad hoc and informalized political process, out-of-town investors, global developers and corporate flippers have come to play ever-stronger roles in these procedures, although it has been local politics that, by adopting entrepreneurial strategies, has allowed them this role. At the same time, the changed urban planning processes also provide new openings for small and



big political resistances ‘by enacting countless dividing lines in the city’ (Nicholls and Uitermark, 2016: 1; Rinn, 2016).

These entrepreneurial governance strategies, their lack of public transparency, and their strengthening of the hand of outside investors, have given rise to all kinds of struggles over the (erosion of) representative democracy and exclusion of ‘expendable’ groups from the city. From the ‘real democracy’ demands of Madrid's Indignados, to resistance against the plans for Istanbul's Gezi Park, to countless urban campaigns against the undemocratic ways in which large urban infrastructure projects would get pushed through, all these struggles contested the underlying shift towards entrepreneurial urban governance. Besides such citizens’ protests against opaque decision-making, expediting projects favoured by global developers or corporations, there have also been growing mobilizations of those who are deemed superfluous or do not conform to the standards of international investors now shaping the urban environment: they challenge how these strategies exclude them from the ‘right to the city’ (cf. Brenner et al., 2012; Smith and McQuarrie, 2012; Samara et al., 2013).

## **Privatization – of Local State Assets, Public Services and Public Spaces**

Intensified *privatization* of state assets and public infrastructures, as well as of services (through outsourcing), is another key feature of neoliberal urbanism, which keeps being pushed to new levels. Privatization of the local public sector involves both destructive and creative moments – with the elimination of public monopolies for municipal services, such as utilities, sanitation or mass transit an example of the former, and the creation of new markets for service delivery and infrastructure maintenance a case of the latter. These processes of privatization have not only transformed the traditional relation and boundary between the public and private spheres, as they have implied not just the rolling-back and reorganization of the socially-oriented institutions of the public sector; rather, as collective infrastructures – from public transport and utilities to social housing – are now exposed to the market, privatization has actually turned into financialization (cf. Hodkinson, 2012; Rolnik, 2013). In this raiding of public coffers, often by government-

sponsored private companies, urban resources, public infrastructures and services have been turned into options for expanded capital accumulation by dispossession (cf. Merrifield, 2013). For US cities, Peck and Whiteside (2016: 9) conclude that '[i]nfrastructure provision, which was integrated and socialized under Keynesian regulation, has since been extensively “unbundled”, rated for “return”, and financialized, in a manner that shifts the locus of power toward bond market networks and away from growth-machine coalitions *per se*'.

The privatization of one particular state asset has had particularly palpable effects for urban land: as the extortion of maximal land rent works best through dedicating more and more private spaces to elite consumption, cities have intensified the privatization of public land and public areas. Privatizing train stations or (quasi-public) shopping malls has meant limiting access to and/or making the use of collective infrastructures more expensive. Whole urban centres – from Paris, Manhattan and London to Singapore and Hong Kong – have become, in the words of the *Financial Times*, ‘exclusive citadels of the elites’. ‘[T]he middle classes and small companies are falling victim to class-cleansing. Global cities are becoming patrician ghettos’ (Kuper, 2013).

These enclosure strategies have triggered various contestations, from protests against rent increases, to occupations of social centres. Occasionally, situationist-inspired guerrilla and other actions in the semi-public privatized spaces of surveillance and consumption have responded to privatization processes impinging on public spaces (cf. Eick and Briken, 2014). And, in some instances, movements have forced municipalities to re-communalize water and/or energy utilities with popular referenda, but this has occurred only sporadically (cf. Becker et al., 2015).

Where the public sector has not yet been (fully) privatized – when, for example, health care, child care, schools or universities are still in the public sector – tight city budgets have been used as justification for keeping public employees’ wages stagnant. Where municipalities and provincial governments have frozen or cut back expenditures and wages, this has triggered waves of protest from state employees from Wisconsin to Madrid and Germany (Buhle and Buhle, 2012; Streeck, 2015; Martinez, 2016), as well as protests against cut-backs of public infrastructures, services, schools

and universities. But where credit-rated cities have to find funding for public education, health care systems, or municipally managed utilities on the financial markets, their employees face growing risks of losing their jobs altogether, and residents stand to lose what used to be basic services (cf. Peck, 2012, 2014b).

Particularly combustible situations have been generated where deprivation and exclusion, deepened through these enclosure strategies, have been accompanied with punitive state measures and police brutality, manifest as part of a further (fourth) characteristic feature of neoliberal urbanism.

## **A Two-Pronged Strategy for Dealing with Social Polarization**

Finally, the tool-kit for dealing with the intensifying *social polarization* has been renewed. Social and socio-spatial polarization have been intensifying ever since the onset of neoliberal urbanism. Concomitantly, the numbers of vulnerable groups and their grievances have been exploding due to the deregulation and flexibilization of labour markets, welfare retrenchment, and the increase of low-wage and informal sectors that employ growing sections of the (racialized) ‘precariat’ and growing numbers of migrants, i.e., growing and differentiating sets of precarious, often paperless workers (cf. McNevin, 2006; Wacquant, 2009; Beckett and Herbert, 2011). In order to address the territorial concentration of what became termed ‘social exclusion’ (Mayer, 2003: 114), a tool-kit was invented during the roll-out phase of neoliberalization that consisted primarily of area-based programmes, i.e., a mix of neighbourhood, revitalization and activation programmes that were to stop the presumed downward spirals in ‘blighted’ or so-called ‘problem neighbourhoods’. These programmes have, meanwhile, been severely curtailed and superseded by a two-pronged policy. Its prongs are, on the one hand, attrition and displacement policies and, on the other, more benign programmes designed to incorporate *select* impoverished groups and areas into upgrading efforts. We find this policy differentiation in cities of the Global North and South, although the focus here is on how the processes work in Northern cities (cf. Roy, 2013; and various chapters in Samara et al., 2013; and Wang et al., 2016, for analogous processes of differentiated

inclusion, simultaneous eviction and resettlement, dispossession and patronage). Both in terms of geographies and social groups, the effects of these policies contribute towards sharpening polarization: policies addressing upgradable areas end up generating more uneven socio-spatial development, while policies differentially targeting groups and individuals divide the citizenry according to ascribed risk and credit worthiness.

The ‘benign’ prong frequently gets applied to decaying social housing districts or (ex-)industrial areas which are, due to changing circumstances, deemed to have some development potential. Such previously stigmatized ‘problematic’ districts have, in the recent past, become locations for urban spectacles and (development) projects, with city managers claiming that such upgrading strategies will benefit the residents of these areas. While not *directly* displacing poor or unemployed residents with immediate force, such programmes still result in not only ‘revitalizing’ and upgrading such blighted neighbourhoods, but also inducing a gradual residential shift. For example, in the de-industrialized, but CBD-near district of Hamburg-Wilhelmsburg in Germany, the city charged urban development corporations to implement an International Building Exhibit and a Garden Show, thus achieving an upscale transformation by means of exhibitions and festivals (cf. Birke et al., 2015); while in the run-down district of the Bronx in New York, the local state encouraged the building of new luxury hotels when the booming real estate market of Manhattan made adjacent blighted boroughs attractive for upscale residents and tourists. Social mix policies constitute further means that are widely (re-)adopted by city governments across Europe and North America to tackle urban deprivation. While widely praised for ‘breaking up concentrations of poverty and providing neighbourhoods with a middle-class voice’ (Bridge et al., 2014: 1133), empirical research has shown varied results. As with US efforts to reform public housing (cf. Chaskin, 2013), such measures of benign incorporation are today strategically employed in order to undergird efforts to attract growth, investors, creative professionals and tourists. They ‘work’ only where valorization processes, i.e., a rise in property values and investments, are promising. And once they ‘succeed’ – frequently by even marketing the ‘wild urbanism’ and exploiting the rough working-class milieu or chic ‘indigenous authenticity’ – in attracting the desired clientele, the indigenous poor and vulnerable populations are eventually forced out (Mayer, 2008: 324–325; Vitale, 2010).

However, the prong that is used far more widely under conditions of austerity urbanism consists exclusively of repressive and criminalizing measures and instruments. It entails punitive strategies that tend to criminalize unwanted behaviours and groups, as well as attrition and displacement policies that evict and banish the poor, pushing them to further outskirts or into invisible interstices of blight within the urban perimeter.<sup>5</sup> The intricate causal relationship between the gentrification-led restructuring of city centres and inner-city housing markets through new and often gated development projects, the clearance of public housing (e.g., Elmer and Denning, 2016), elimination of protections of tenants, and expulsion of disadvantaged places, milieus and social groups, is everywhere obfuscated in new discourses of (in)securitization and self-responsibilization (cf. Smith, 2002).

Many communities of colour, informal workers, homeless people, the undocumented, and increasingly new austerity victims, as well as protest movements and urban 'rioters', are primarily exposed to this repressive side of neoliberal politics: stricter laws, tougher policing and more disenfranchisement. As precious central urban space plays such a key role in inter-urban competition, urban policy makers seek to cleanse it of whatever might diminish its exchange value or might disrupt the exclusive commerce and consumption, or the tourism that is supposed to take place here (cf. Vitale, 2010; Beckett and Herbert, 2011; Eick and Briken, 2014, esp. Section III: Policing the Urban Battleground).

Thus, traditionally vulnerable groups – the ones Wacquant (2008) labelled as 'urban outcasts' and groups unwanted in the core retail districts, such as street youth or panhandlers – are surveyed, controlled, or banished. Moreover, the new austerity victims, who are increasingly losing out in both labour and housing markets, confront this part of the tool-kit as well: more extensive surveillance, more aggressive policing, and generally more stigmatizing, repressive and expelling treatment. Feher (2015) describes increasingly brutal ways of 'disposing of the discredited' that have become characteristic of neoliberal governance. These measures to 'disappear' people without assets, which are of no use to austere neoliberalism, range from making them statistically invisible, via harassing them 'to death', all the way to pushing them out of or not letting them into gated Europe, North America, or Australia.

In some ways, ailing municipalities and cities teetering on the brink of bankruptcy are at the forefront of systemic austerity, as they engage in the most drastic cutbacks in public infrastructure. Not just in the US, where cities can actually file for bankruptcy,<sup>6</sup> or in debt-ridden Southern Europe, but also in still-stable Germany, the number of heavily indebted cities has exploded, and some municipalities have gone broke (Holtkamp and Kuhlmann, 2012). Often, municipal fiscal crises are used to install so-called (unelected) ‘emergency managers’ who can rule with unrestricted authority over the urban region for which fiscal emergency has been declared. Aside from cutting basic services, these (state-imposed) managers also pass laws and decrees that suspend essential political and social rights (Peck, 2014a; Peck and Whiteside, 2015; Schipper and Schönig, 2016). Rather than receiving support from supra-local levels of government, distressed cities are requested to shoulder even more burdens, responsibilities and deficits, as higher state levels are shifting these downward. Given their shrinking room to manoeuvre in a state of continuous market surveillance, most of these cities attempt to tackle the offloaded social and ecological ‘externalities’ with the very same methods of outsourcing, deregulation and privatization of public services and social supports which have already proven to incapacitate the state, thereby burdening those at the bottom and compounding their economic marginalization with state abandonment (Peck, 2012: 650–651).

All of these currently popular instruments and policies have implications for the ways in which urban resistance has formed, and they structure oppositional groups’ room to manoeuvre. While creative city policies and some of the ‘benign’ integrative measures may open up new space and resources for action and sustenance for some grassroots initiatives, the expanded austerity and criminalization policies not only exacerbate social polarization, but also work to restrict and suffocate protest movements of more vulnerable urban residents. The expansion of stop and frisk measures, identity controls, and surveillance technologies has particularly affected people of colour and migrant groups, especially their youth. But this disciplinary, repressive side of neoliberal urbanism is also looming larger in the authorities’ response to political, militant, and riotous behaviour.

In sum, neoliberal urbanism denotes a complex configuration, where the widespread adoption of neoliberal discourses and policy formulations is

mutating the landscapes of urban development and urban governance (Peck et al., 2013: 1092). While it manifests in different nationally and locally specific forms, and also takes on different socio-spatial contours, this ‘moving map of neoliberalization’ (Harvey, 2005: 88) contrasts markedly with previous urban constellations and exerts rather different influences and constraints on contemporary contestations. In a concluding section, the dynamics and mutual influences of neoliberal urbanism and its resistance are briefly delineated.

## **Resisting, Challenging, Overcoming Neoliberal Urbanism**

A broad spectrum of urban collective actions – from well-organized campaigns and social movement actions to violent uprisings – has co-evolved with and against the neoliberalization of cities. The delineated manifestations of neoliberal urbanism have sometimes triggered protest directly, but they also affect resistance through the way they (re)shape political opportunity structures. In particular, the latest round of neoliberalization of the urban, which has imposed austerity on already lean urban governments, has sparked heretofore unseen levels of protest – both from the left and the right, as well as new middle-class-based activism that emerged to defend against new risks (Giugni and Grasso, 2015; Peterson et al., 2015; Ancelovici et al., 2016). Research exploring the complex and contradictory forms of urban resistance that have arisen in response to this latest round of neoliberalization, which needs to take account of both its progressive, emancipatory and regressive, right-wing variants, is still only beginning to emerge.

This brief concluding section can merely summarize some findings from the research to date on relations between the dynamics of urban neoliberalization and urban protests of recent decades that have been motivated by social justice (rather than those motivated by, for example, religious fundamentalism or ideals of purity of blood or nation). It highlights how the dynamics and tensions inherent to neoliberal urbanism have generated more conflict and contestation involving a more heterogeneous group of affected subjects.

Leitner et al. (2007: 320f) distinguished between different trajectories that the articulation of contestations and neoliberalisms can follow. First, in the *engagement* trajectory, non-neoliberal interests opt for or see no alternative to cooperation with neoliberal corporate and institutional power. Second, in the *opposition* trajectory, movements challenge the neoliberal agenda in myriad different ways, illustrated by the case studies collected in their book. A third trajectory operates through *alternative knowledge production*, whereas a fourth trajectory – *disengagement* – develops spaces within which alternative practices can be pursued, such as nonmarket forms of economic organization and everyday livelihoods. Given ‘the multitude of contestations ... and of trajectories through which contestations rub up against neoliberalism, it is little wonder that the effectiveness of contestation has become such an intensely debated issue’ (Leitner et al., 2007: 322). Since this diagnosis, the multitude of trajectories, as well as that of theorizations about them, has only grown.

A modicum of consensus among the theorizations may be claimed, though, about the broad ways in which neoliberal urbanism has redefined the ground for urban movements. For one, today's urban movements confront additional targets and adversaries beyond city politicians, such as unelected technocrats (especially financial technocrats), as well as global investors and developers, who are behind the financialization of property and housing markets and pushing for big development projects. Some of these actors, who are responsible for what locals perceive as problematic development, are very difficult to target. Unlike the local growth machines and business-dominated regimes attacked in the past, the banking institutions responsible today are increasingly headquartered in other countries (Fainstein, 2016: 1505). For another, movements now mobilize around a panoply of new issues, such as privatizations and cuts (to education, child care, social services and pensions), evictions, rising poverty and homelessness, as well as racist anti-refugee populism and media campaigns against ‘others’, who are painted as having been ‘living beyond their means’. In addition, many movements witness de-democratization processes in various spheres, as well as suspension of civil rights, which increasingly affect their own practice, while they face more and new forms of repression.<sup>7</sup> Also, growing numbers of movement organizations lose state funding or legal status as recognized associations, or lose public support, as they are criminalized – and thereby



suffer from shrinking resources, opportunities and open spaces for their activities. On the other hand, the movement terrain has been altered as it has expanded with new actors who mobilize around these restrictive measures and scandalize the deprivation of rights and resources imposed on unwanted or ‘disposable’ groups. Human rights groups, solidarity initiatives, refugee support groups and scores of more or less spontaneous actions have drawn on populations that used to be distant from urban activism.

As the recent austerity cuts have been hitting not only the traditionally disadvantaged, but increasingly youth, students, creatives, and more segments of the middle class, the punitive side of neoliberal urbanism has come to be experienced by growing numbers of different, formerly not precarious groups in so-called first-world cities. Newly asset-less victims of austerity – such as the newly-evicted due to foreclosures, people with college degrees but without (commensurate) employment and the newly-indebted – have swelled the ranks of the urban disenfranchised, and many have joined mobilizations against neoliberal urbanism (Mayer, 2016b, cf. della Porta, 2015; Mayer et al., 2016).

What appears, on the one hand, to be a huge achievement when compared to earlier waves of urban movements – that a larger number of different groups from across the social spectrum are involved in anti-austerity struggles and movements for a more just city – presents, on the other hand, unfamiliar and tough challenges, because the heterogeneity of backgrounds, socializations, and interests creates tensions and frictions in collaborating. While neoliberal urbanism has produced a growing and differentiated spectrum of ‘discredited’ groups, these do not, in spite of their shared expulsion or disenfranchisement, automatically share positionalities and interests. The stratification within the protest camp has become complex and capillary, going far beyond the cleavage between the ‘truly disadvantaged’ and comparatively privileged movement groups (‘privileged’ because they may hold some leverage within neoliberal urbanism as part of sub-cultural scenes or creative milieus possessing assets that are potentially marketable in the context of inter-urban rivalry over cultural branding). While the latter may sometimes still receive concessions or offers for incorporation, the ‘urban outcasts’ face – if not deaf ears – more restrictions, surveillance, and aggressive policing than their potential allies. Such stigmatizing and repressive treatment exacerbates their

disenfranchisement and also deepens the divides and oppositions among the different groups locked out of or exploited by the neoliberal city and dispossessed in its crisis management. Even before state agencies' differentiating repressive treatment of the 'disposable', there is no natural unity among this growing vulnerable population. Different homeless groups and groups of undocumented, the welfare dependent, de-industrialized, informal and low-wage workers, various racialized groups, or migrant youth have extremely divergent experiences and each face widely different and specific challenges. These different positions and concomitant needs pose real hurdles for a coming together in joint struggles.

But all of these traditionally and newly asset-less groups are present in the heterogeneous new movements, their different socializations, cultural backgrounds, and political ideas frequently clashing, especially when the assemblies of the squares reached out into neighbourhoods, schools, hospitals, and to direct actions at banks and protests around political institutions. This clashing and rubbing up against each other, however, is the first step in overcoming the hurdles and distances that exist between the different groups neoliberal urbanism has harmed and, increasingly, also mobilized – each with their own organizing potential and specific challenges. This first step provides the opportunity for the different constituencies to get to know and respect each other, overcome reservations about each other's lifestyles and motivations, and for seasoned political activists to reconfigure their assumptions about how to build and grow movements adequate to the historical situation.

On the basis of this first, 'on the ground' step, varied localized joint struggles will, however, need to become more than the sum of their parts. This, in any case, is the implication of the conceptualization which Brenner et al. (2010b) have developed about the rise – as well as the overcoming – of neoliberalization. The authors distinguished three dimensions of neoliberalization processes corresponding roughly to the decades in which neoliberalization shifted from 'disarticulated' to 'deep(ening)': regulatory experiments (1970s), interjurisdictional policy transfers (1980s) and, finally, transnational rule regimes (1990s), emphasizing that the trajectories of neoliberalization unfold not only within distinct (post-Keynesian, post-developmental or post-socialist) local fields, but also within extra-local,

inter-urban and transnational fields of power.

*Counter-neoliberal* pathways and scenarios are correspondingly conceived as also following these three dimensions of regulatory restructuring, but progressively *pushing back and replacing* the neoliberal rule regimes. This has entailed actions ranging from experiments across dispersed, disarticulated contexts at local, regional and national scales, via a thickening of networks of policy transfer based upon alternatives to market rule, all the way to ‘deep socialization’ dismantling and replacing neoliberal rule regimes by constructing alternative, market-restraining, socializing frameworks for macro-spatial regulatory organization, and characterized by radical democratization of decision-making and allocation capacities at all spatial scales (Brenner et al., 2010b: 333–342).

Building on this analysis, Peck et al. (2012: 285) argue that ‘the construction of counterneoliberalizing systems of policy transfer, whether among social movements, cities, regions or states, represents a major step forward for progressive activists and policy makers. But in the absence of a plausible vision for an alternative global rule regime, such networks are likely to remain interstitial, mere irritants to the global machinery of neoliberalization, rather than transformative threats to its hegemonic influence.’ This implies that only when we build new forms of inter-urban politics, when we join forces across the uneven map of neoliberalization, will there be a chance to break with the pattern of neoliberal urbanism. As yet, most of the urban mobilizations are still (dis)articulated ‘in fragments’, while the combined forces of economic austerity and state repression circumscribe their terrain, hampering and limiting any scale-jumping efforts by the movements (Peck et al., 2013: 1095). But the movements’ success will be measured not only by their local victories, because local successes risk falling into the ‘local trap’ if they do not manage to link up through horizontal networks and scale up to higher state levels. Their success is, thus, crucially measured by their contributions towards building the new rules of the supra-local game. This will require that the dispersed sites of protest forge a broader and inter-urban anti-neoliberal front, and that their networking *across* local alternatives become more effectively articulated with a strategic fight for those new rules of the extra-local game (Peck, 2013: 24).

In this multi-scalar struggle, movements will need to simultaneously sort out how to turn local solidarity practices into counter-neoliberal struggles *while* building movement-to-movement solidarity across the uneven urban landscapes, politicizing anti-eviction and other emergency support *while* pushing the state – on all scales – to protect rather than punish society with austerity policies.

## Notes

1. They conceive neoliberalization as one among several tendencies of regulatory change that have been unleashed across the global capitalist system since the 1970s, and describe as its three major features: (1) prioritizing market-based or market-oriented responses to regulatory problems; (2) striving to intensify commodification in all realms of social life; and (3) increasingly mobilizing financial instruments to open up new arenas for capitalist profit-making.
2. In their search to identify the logic of a growth model and regulatory regime that might succeed the Keynesian-Fordist one that had reached its limits, scholars were initially uncertain how to label the emerging formation and assess its capacity to provide societal coherence and (however temporary) stability. They spoke of ‘post-Fordism’ (Jessop, 2001), the ‘post-Fordist-workfarist society’ (Keil, 2002) and the post-Fordist city (Mayer, 1994), before making out the successor regime as driven by the (il)logic of the neoliberal project, continuing to debate its sustainability to this day.
3. These phases – which roughly, but not universally, correspond to the decades indicated – are well described in Brenner et al. (2010b). The correspondences between these phases and respective urban movements are presented in Mayer (2012: 65–69, 2013: 6–10).
4. See, for example, Aalbers (2013); Brenner and Theodore (2002); Cartier (2012); Clement and Kanai (2015); Derossett (2014); Geddes (2011); Hackworth (2007); He and Wu (2009); Hourani and Kanna (2014); Osterlynck and Gonzáles (2013); Park et al. (2011); Peck (2012); Schipper (2014); Theodore and Peck (2011); Tulumello (2016); Wang et al. (2016); Weber (2002).

5. Beier (2015: 6) provides examples from around the world of a continuous push of resource-poor people from the centre to peripheries: Neo-Haussmannian projects such as the construction of the Royal Avenue in the medina of Casablanca, the resettlement of informal settlements in South Africa and Brazil in the context of mega-events such as the FIFA World Cup, and the demolition of run-down council estates in the southern city centre of London.

6. Cf. [www.governing.com/gov-data/municipal-cities-counties-bankruptcies-and-defaults.html](http://www.governing.com/gov-data/municipal-cities-counties-bankruptcies-and-defaults.html).

7. For example, the Spanish safety law ‘La Ley Mordaza’ was passed in July 2015 to clamp down on the assemblies, eviction blockades, and protests near government institutions, i.e., the forms of activism that had been characteristic of the anti-austerity and real democracy movements sweeping across Spanish cities. Demonstrators participating in unauthorized protests near ‘sensitive’ locations can now be fined with sums as high as 600,000 Euros (Minder, 2015).

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# 38 Austerity as Tragedy? From Neoliberal Governmentality to the Critique of Late Capitalist Control

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## Introduction

In the wake of Europe's turn towards austerity, scholars from a range of perspectives are debating the role of neoliberal economic theory in the management of the global economy. For some, the power of neoliberal theory is demonstrated clearly by the fact that, despite its obvious failure to anticipate the global financial meltdown of 2008, key policymakers around the world have remained loyal to many of its key technical stratagems, including that of expansionary fiscal consolidation (Soros, 2008; Blyth, 2013; Krugman, 2013). Surveying the sites and scenes of the current European crisis, these 'Constructivist' critics present neoliberal theory as a powerful mechanism of cultural normalization, describing and prescribing the norms and values which not only lured thinkers, policymakers and practitioners to endorse market deregulation in the first place, but which induce in them even now a confidence that the path to recovery is one not of re-regulation or systemic change, but one rather of *austerity*. Problematically, however, this argument appears to be premised on a rather narrow understanding of the *domain* of neoliberal power. Implicit in its framing is the expectation that, once the elites who propagate these ideas have been dispatched, we shall naturally resume or rediscover a more authentic relation with capitalist valorization. In this sense, as plausible as it may seem, the theory offers little by way of an account of the intimate or everyday cultural mechanisms by which austerity sustains its grip on the popular imagination.

Others balk at the idea that austerity is even remotely connected to neoliberalism. Not only are self-declared 'neoliberals' a rare phenomenon, they say, but the principles of neoliberalism have been applied unevenly, and



have shifted over time (Birch, 2015). Provocative as this response may be, however, the present chapter argues that it is important not to restrict our understanding of neoliberalism solely to its technical strictures. To the contrary, considered as a kind of popular intuitive sensibility, neoliberalism continues to command mass popular support. To make sense of this, a potentially more useful account of neoliberalism comes from work inspired by the French theorist, Michel Foucault. Invoking Foucault's notion of biopolitics, and the closely associated concept of neoliberal subjectivity, this body of scholarship argues that neoliberalism is actually much more than a system of technical rules. Rather, it is something more like an everyday ideology, which simultaneously both reduces the complexity of human life to market-based interaction, and advocates for the application of market principles to an ever-expanding range of traditionally non-market spheres. Setting aside the internal diversity of elite debates and intrigues, then, the perspective advanced in this chapter appraises neoliberalism as a regime of everyday subjectification or, in Dardot and Laval's terms, 'practical normativity' (2014: 9).

Nevertheless, questions arise as to how much insight even this Foucauldian line of thinking can give us into the means of neoliberal mass alignment. Contemporary Foucauldians tend to focus solely on questions of *epistemic* power, defending this move as a corrective to the more reductionist tendencies they perceive in Marxist approaches. Of course, given the unstinting nature of Foucault's critique of Structuralist theory, this move is understandable to a certain degree (see Springer, 2012). But there is a danger in reading neoliberalism *solely on its own terms*. The epistemological stance on biopolitical economy, useful insofar as it reveals the anthropological ambition of neoliberal theory, or the imaginary of what Mirowski (2013) terms the 'neoliberal thought collective', tends nevertheless to accept the neoliberal defense of austerity at face value, thereby reducing it to nothing more than a naïve error of thought, a move which runs contrary not only to Foucault's more *bodily* ontology of subjectivity, but which also ignores the basic asymmetry of power inherent in the allocation of capitalist wealth (Piketty, 2014).

The present chapter thus makes a partial departure from this preoccupation with the discourse of neoliberal elites. It seeks instead to explore the

arguments of scholars like Konings (2015a) and Lazzarato (2014) concerning the constitutive autonomy of capitalist money, and the extent to which austerity's paradoxical longevity might also be attributed to *non-discursive* forms of power. To make this argument, the chapter starts with an attempt to fill in some of the puzzling institutional 'blanks' of Foucault's reading of neoliberalism. Crucially, the only evidence we have of any sustained commentary by Foucault on the topic of neoliberalism are the transcriptions of his 1978–79 lecture series, published as *The Birth of Biopolitics* (2008). These lectures are hugely important, in so far as they offer insights about the economistic nature of biopolitics, adding considerable nuance to one of the most frequently-cited concepts of his formally-published works. Yet, neoliberalism was but a fledgling political project at the time of Foucault's engagement with it, and so his lectures could have anticipated neither the intensification of money's power as a force of subjectification under neoliberal financialization, nor the extent to which subjectivity itself has become a stake in contemporary capitalist valorization.

Foucault's lectures, in this sense, leave a good deal of room for misinterpretation. To remedy this, I invoke Konings' (2015a) argument that neoliberalism cannot itself be comprehended without a reflection on the paradoxical role of capitalist money as a mechanism of pre-subjective orientation, circumventing the conscious mind to reattach the subject continuously to the task of economic speculation. Far from being the imposition solely of a 'neoliberal thought collective' (Mirowski, 2013), then, the willing subject of contemporary austerity is merely the most extreme expression to date of a mode of social power which, while it predates neoliberalism, functions nevertheless as the affective precondition of neoliberalism's recent success. Concluding, however, the piece argues that, on its own, Konings' theory leaves us with little or no sense of the place of even this wider understanding of subjectivation within contemporary capitalist reproduction. Thus, it turns to Lazzarato's *machinic* theory of capitalist power in order to see not only how labouring bodies (disavowed in neoliberal theory) are implicated in austerity, but in order to gain a better analytical grasp on the *stake* of austerity itself; namely, capitalism's deepening dependency on these bodies, in its neverending quest to expropriate surplus value. The chapter ends, therefore, with a brief discussion of a number of possible strategies of 'cyborg' labor as it seeks to resist the

non-discursive elements of austerity's power.

## **Austerity, an Unhappy Side-Effect of Elite Epistemology?**

Constructivist scholars of International Political Economy (IPE) have devoted attention to a range of areas where 'everyday' ideas about how markets function, and how they ought to function, appear to have influenced the development of the financial crisis. Questions investigated by Constructivists include how 'theory-driven' financial innovation drove the development of the esoteric products that actually collapsed in the meltdown (Wigan, 2010), how epistemic frames helped select instruments for assessing performance in the market (Langley, 2010), and how everyday expectations shaped welfare trade-offs in subprime mortgage market regulation (Seabrooke, 2010). Outside of academia, the best-known Constructivist critic of the crisis is probably Mark Blyth, star of a fairly prominent YouTube video (<http://youtu.be/FmsjGys-VqA>). Uploaded in September 2010, and with over 68,000 views to date, the video gives us about five and a half minutes of a tweed-vested Blyth, accompanied by dancing chalkboard-style graphics and symbols, expositing on the difference between debt and leverage. He argues that, while a 'balancesheet' perspective on the events of 2008 would suggest that it ought principally to be worries over sovereign debt that is keeping us up at night, we should be wary of what he terms 'the fallacy of composition'. As he notes, just because one sector in an economy is facing the need for cut-backs, it does not follow that cut-backs are necessarily a good thing across all sectors – this being especially true during a global recession.

Expanding on these arguments in a subsequent book, Blyth (2013) suggests that a full accounting of the turn to austerity requires an understanding of the political power of neoliberal ideas. Economic theory, he says, is not just a 'correspondent reflection' of the world we live in; it is a constitutive force within it (2013: 39). To be sure, the 1999 repeal of the Glass-Steagal Act made possible a panoply of new, complex financial instruments. But the core issue was the 'epistemic hubris' of the US bankers who failed to see the obviously mounting risk in their portfolios (2013: 91). In this manner, however, Blyth appears to suggest that the crisis was essentially an accident.

It was caused neither of a lack of regulation, nor of moral hazard, but of a mistaken way of *thinking*. Similarly, by way of a solution, European policymakers appeared at first to embrace Keynesian theory. Blyth suggests, however, that this was mainly because the crisis had left most of the world's neoliberal economists in a state of shock, with many more or less having fled the field of debate (2013: 54). Meanwhile, in key institutions, like the European Central Bank (ECB) and the German government, a particular 'Ordoliberal' strand of neoliberal thought remained popular.

'Ordoliberals', says Blyth, distinguish themselves by their deeply cautious approach to economic governance, and a particular sensitivity on the topic of inflation. More precisely, they are advocates of a *Sozialmarktwirtschaft* model, where the state may intervene to regulate, and provide social safety nets, but only in so far as this might further the 'framework conditions' that 'make the market possible' (Blyth, 2013: 57). Thus, on account of the influence of Ordoliberal thinking, order and stability became the premium values guiding ECB policy during the crisis. Despite being overshadowed temporarily by the rather more Keynesian perspective of the US Treasury at the outset of the crisis, the German view reasserted itself in 2010. Indeed, by summer of that year, 'growth friendly fiscal consolidation' had become the watchword among op-ed writers and in statements from the world's key financial institutions. With debt-to-GDP ratios soaring on the European periphery, especially in Greece, the emerging consensus among members of the G20 was that a fire sale was in the offing. This is unfortunate, Blyth notes, because with the exception of Greece, there was nothing necessarily catastrophic going on among the so-called PIIGS (Portugal, Ireland, Italy, Greece, Spain). At the end of the day, they were all cases of banking crises causing sovereign debt crises (2013: 73). In an ideal world, the solution would simply have been to write down the debts. In other words, for the PIIGS to have started printing money. Bound to the common currency, however, their hands were tied, and the reticence of key European partners meant that fiscal support would not be forthcoming.

So how, against the weight of evidence, did this German account gain saliency in the first place? Blyth traces the genealogy of expansionary fiscal consolidation to the so-called 'Bocconi Boys', Alberto Alesina and Silvia Ardagna. It was later popularized by the influential economists, Carmen

Reinhart and Kenneth Rogoff. Studies carried out by these prominent scholars warned of the growth-suppressing effects of high debt-to-GDP ratios. Moreover, they drew on examples, like Ireland's recovery from recession in the late-1980s, as evidence demonstrating the synergistic effects of combining cuts to expenditure, with wage moderation, and currency devaluation. Blyth cites a barrage of research to debunk these theories, nothing ultimately that they conflate correlation with causation. When the ratings agency Standard and Poor's decided on August 5, 2011, to downgrade US debt, for example, the effect was not to chase up the country's bond yields. To the contrary, it was equities that took the hit (Blyth, 2013: 3). Thus, far from a concern about government spending, what markets were essentially signaling was an anxiety about prospects for growth. The point, says Blyth, is not that debt does not matter. Rather, it is that the resolution of debt is contingent upon the vicissitudes of the business cycle, and has very little to do with the deficit (2013: 12).

For Blyth, then, an erroneously confident understanding of the risks of financial deregulation was at the very heart of the crisis. 'Neoliberalism', he suggests, not only played a major role in causing the crisis but, regrettably, prevails even today as the basic paradigm for many of the world's most powerful economic decision-makers. Yet, while one can certainly appreciate how the work of key academic theorists might come to exert a major influence on the mindsets of policymakers, it is another question entirely as to how neoliberal principles might *willingly* be internalized by the populations they govern. Blyth, for his part, certainly understands that neoliberal norms can be transmitted into the domain of everyday life. After all, as he notes in his YouTube video, austerity has a ring of virtuous commonsense about it; after a decade or more of debt-fueled growth, recession is all too easily palmed off as the 'pain after the party', recalling to us the true cost of the goods and services we enjoy so much. Cuts in government spending, in this sense, are lived as a kind of economic cold turkey. 'Austerity is painful, yes', goes the refrain of this morality play, 'but it is as natural as a hangover'. Blyth unfortunately delves no further into these insights. Austerity for him is merely the unhappy side-effect of elite epistemic hubris. And the question of how austerity has come to be embraced in an everyday sense is left unaddressed.

## Introducing Biopolitical Economy

By contrast, a recent Foucault-inspired strain of analysis goes beyond the technical perspectives of key elites and intellectuals, and instead looks at austerity as part of a wider political program. Crucially, this work marks an interesting expansion of the sorts of questions that Foucauldian scholarship has traditionally been disposed to ask. In International Relations and IPE at least, such scholarship has tended to fall into one of two categories. One, so-called ‘global governmentality’ studies, deals specifically with issues of visibility and measurement in regional and global institutions (see Kiersey and Weidner, 2009; Joseph, 2010). The other, featured mainly in the field of Security Studies, takes its cue principally from Giorgio Agamben's reinterpretation of Foucault, and explores the War on Terror as a case of the ‘eternal return’ of the logic of sovereign exceptionalism (Dillon and Reid, 2001; The Editors, 2013). In the wake of the financial crisis, however, a rather different understanding of biopolitics has emerged. Taking its cue from Foucault's *Birth of Biopolitics* lecture series (2008), wherein he explores the emergence of liberal political economy, this literature recognizes Foucault as possibly the first theorist to grasp the full breadth of neoliberalism's anthropological ambition. That is, in Mirowski's terms, its commitment to using markets and governance to completely recast ‘the totality of human existence into a novel modality, to be disciplined and punished by structures of power/knowledge’ (2013).

Might this concern with neoliberalism's anthropological ambitions help us to better appreciate austerity's longevity? To answer this question, we should first look at a seminal aspect of the broader historical development of contemporary political power. Specifically, the discovery of something called political economy. The basic blueprint of the modern mode of power is to be found in the early Christian pastoral, the advent of which is, for Foucault, ‘one of the decisive moments in the history of power in Western societies’ (2007: 185). But where the Christian pastoral pursued the selfdirection of the subject through a training in the values of divine asceticism, contemporary governmentality intends for the development of an economic subject. The ideal of this subject makes its first appearance in the sixteenth century, roughly around the same time that we see the emergence of the territorially administrative state. At this time, commentators begin discussing a

proliferating series of objects, including something referred to as the population, which they take somehow to be a naturally existing phenomenon, present in the state of affairs. Accordingly, much as in the Christian pastorate, we see a certain naturalization of 'men in their relationships with things like customs, habits, ways of acting and thinking' (Foucault, 2008: 96). What distinguishes them is that, where that older mode of government obtained around a spiritual field of intervention, the 'level of reality' or 'field of intervention' for the administrative state would be something called the economy (2008: 95).

Yet, as Foucault portrays it, if the sixteenth century sees the emergence of the economy as the essential object of governmental activity, by the eighteenth century political economy has become the 'major form of knowledge' through which government knows and assesses the performance of human life (2008: 108). No longer the container or vessel of a soul that must be directed towards heaven, the subject is now a creature of economic interests, a *homo economicus*. Thus, suggests Foucault, we find ourselves in the era of Classical Liberalism, where the success of government is deemed contingent in large part on its ability to 'cut out or contrive a free space of the market', wherein man's naturally-utilitarian competitive impulses might be better expressed (2008: 131). The idea is that there are now certain things which government ought *not* to do if the state is to be economically successful. In this sense, says Foucault, liberal political economy drives 'a formidable wedge' between the powers of the state and the sphere of daily human life (2008: 17).

Over time, however, this idea of a naturally-existing, naturally-competitive *homo economicus* becomes unconvincing, and the era of classic 'laissez-faire' Liberalism recedes. Neoliberalism, its contemporary iteration, founds itself on a rejection of the natural existence of economic man. Instead, it imagines the need to anticipate specific kinds of governance structures which will encourage the emergence of a new kind of subject, the 'entrepreneur of oneself'. That is, one who is constantly, consciously, balancing the costs and benefits of action not only in economic life, but even in seemingly non-economic spheres. In Foucault's own lifetime, this view reaches its maximum expression with the American *anarcho*-liberal strain, associated with the Chicago School. And it is here that we can see most starkly how

neoliberalism is founded on something of a paradox. For while anarcho-liberalism begins by positing that practically *every* social activity may be read as an ostensibly market-based form of interaction, it understands equally that not every human will *accept* its own nature, as an economic subject.

Critically, neoliberalism attempts to resolve this paradoxical formulation by posing the neoliberal subject as the bearer not of some natural or unitary economic identity but, rather, of something called human capital. According to this theory, because everybody's body is understood as naturally possessing a certain capacity for generating wealth, any kind of activity that involves 'substitutable choices', or the application of a 'limited means to one end among others' (Foucault, 2008: 222, 268), should be comprehended as labor and, thusly, investment. The scope of such labor includes not only the traditional 'job', therefore, but also any kind of activity where the pursuit of some sort of surplus value or future return can be imagined to be taking place (2008: 224). As a result, economic analysis can be applied to activities in a wide range of social arenas: marriage, parenting, discrimination, education, population growth, crime, and even insanity. The upshot is that, while the neoliberal individual cannot by any means be claimed to be rational, human capital stands in as a kind of leverage point for the modulation of its behaviour, via the manipulation of market parameters. Despite the fact that it might not know what it is, then, *homo economicus* is enjoined in a kind of assemblage with its wealth-generating capacities. It is a productive potential, an 'enterprise unit', a 'machine-stream ensemble' or even a 'capital-ability' (2008: 225). The question for policy is how this proto-subject can be made to 'accept' itself for what it is (2008: 269).

Thus, to borrow from Lemke, the paradox is that neoliberalism 'endeavors to create a social reality that it suggests already exists' (2001: 203). The expectation that the proto-subject is governable is premised on the belief that it is already capable – out of hope for some form of return, and in response to a diversity of incentives – of consciously recognizing the need for its own self-direction, and of undertaking the improvement of its own basic physical capacities, mental skills, attitudes, and so forth (Foucault, 2008: 226, 229). Emphasizing this, Foucault suggests that neoliberals approach the study of economics as nothing less than the 'analysis of the internal rationality' by which individuals come to their own conscious determination as to how they



should develop themselves (2008: 223).<sup>1</sup>

Yet there does also an understanding that the subject might not wish to cooperate with this plan. Neoliberalism is aware, for example, as Foucault notes, that competitive ambitions might need to be restrained, once in place; that the entrepreneurial self might choose to take too much risk, and ‘live dangerously’ (Foucault, 2008: 66). For this reason, neoliberalism can be said to have a ‘consciousness of crisis’ (2008: 68); ‘freedom’ is taken to be an intrinsically unstable good, and one which must be constantly monitored, directed, and insured against, if social life is to function optimally (2008: 65).

Foucault recognizes, in this sense, the political implications of neoliberalism's desire to protect against the risks associated with entrepreneurial impulses. Curiously, however, nowhere in his lectures does he appear to elaborate upon the possibility that neoliberal securitization might be conscious of other threats to its hegemony. Lazzarato (2009), by contrast, suggests that neoliberals will also regard as anathema any such New Deal-style innovations as may block the potential of the market for ‘insecuritization’. That is, they will want to destroy any lingering institutions of socialism or collective determination which may promulgate false or unproductive senses of security, or otherwise discourage individuals from taking risks *individually*. Thus, while human capital allows neoliberals to present the market as the superlative mechanism of government, giving it the capacity to create subjects, and to direct the entirety of social life, from the margins, it has a clear interest in preventing the emergence of any contravening accounts of what human life is, or what it is for.

Some have read Foucault's stance on neoliberal insecurity as an equivocation, or even an indication that he may have harbored some admiration for the theory. Mirowski, for example, argues that while it would be ‘an absurd counterfactual’ (Mirowski, 2013: 97) to claim that Foucault was himself a neoliberal, he nevertheless ‘too readily swallow[ed] the basic neoliberal precept that the market was an information processor more powerful and encompassing than any human being or organization of humans’ (Mirowski, 2013: 97–98). This position is endorsed also by Zamora (2014), among others (e.g., Behrent, 2009), who claims that while Foucault self-consciously refused to advocate neoliberalism, he nevertheless ‘adopt[ed] all of its

critiques of the welfare state'. Indeed, Zamora cites a case where Foucault expressed concern about the perverse effects of welfare: 'on the one hand, we give people more security, and on the other we increase their dependence'. Thus, he suggests, Foucault's writings on state services 'actively contributed to [their] destruction', in a manner that was 'entirely in step with the neoliberal critiques of the moment'.

Of course, the ideal of a single essential or 'true' reading of any thinker is one to be avoided. Yet, as Kelly (2014) observes, Zamora's argument is based more on conjecture than fact. Indeed, he notes, while the argument that Foucault was somehow a neoliberal or crypto-conservative dates back some decades now, it overlooks the simplest of Foucault's teachings about social life, 'that human actions at a micro level combine together at a macro level to produce effects that may be unintended by the participants, but nevertheless shape our society and our lives'. True, the lectures reveal to us perhaps a more diagnostic Foucault than usual, making it seem perhaps that he has no political stake in what he is discussing. Yet it is important to remember that nowhere in his work did he back off or retreat from this core intellectual commitment, or suggest that it might not also apply to neoliberalism. Less an opponent of welfare, then, Foucault was arguably encouraging us to try to think beyond the blackmail of having to choose between government by the market, or by the state (Frase, 2014). Indeed, it is worth remembering, Foucault cites this very reason as the basis of his claim that a true socialist governmentality had yet to be 'invented' (2008: 94).

As noted above, Constructivists like Blyth appraise neoliberalism as a discourse of legitimation, placing it therefore as a central ideological variable explaining both the origins of the 2008 crisis, and why austerity has become the tool of choice in its resolution. Foucauldian critics, for their part, tend to be more interested in the theory's anthropological ambitions. The subject of neoliberal governance, as Foucault hinted, is highly plastic, but it is also a creature that bears a certain ethical responsibility. In Wendy Brown's terms: 'As human capital, the subject is at once in charge of itself, responsible for itself, yet an instrumentalizable and potentially dispensable element of the whole' (2015: 38). The political project of neoliberalism, in this sense, is perhaps nowhere better captured than in Margaret Thatcher's famous axiom, 'Economics are the method but the object is to change the soul' (cited in

Hilgers, 2012: 82). Neoliberal *theory* thus expresses the fantasy ideal of an order spontaneously self-organizing around the principles of the market, but the austere methods of neoliberal *practice* also bear a pedagogical significance, oriented as they are to the realization of that fantasy.

This idea of neoliberalism as a ‘political project’ is ubiquitous in governmentality literature (Larner, 2003; Davies and Mills, 2014), and it clarifies the approach's methodological contrast with Constructivism. In Mirowski's terms, neoliberalism cannot be explained by the mere ‘consilience’ of neoliberal ‘doctrine and function’ (2013: 89). Rather, through governmental processes, neoliberalism has become ‘integrated directly into the makeup of modern agency’, and ‘fills up the pores of our most unremarkable day’ (2013: 129). In this sense, the critical project of what we might call ‘biopolitical economy’, per Jessop's definition, is to address the problem of ‘a political project that is justified on philosophical grounds and seeks to extend competitive market forces, consolidate a market-friendly constitution and promote individual freedom’ (Jessop, 2013: 70). Assessing everyday neoliberal practice as well as discourse, in other words, Foucauldian IPE distinguishes itself from Constructivism by taking neoliberalism seriously as a vision of *government*. Yet, as we will examine in the next section, what remains unclear in this account is the extent to which we are supposed to understand this governmental vision as one of capitalist provenance or, indeed, as having any relationship to capitalism at all.

## **Austerity as Biopolitical Economy**

If Foucauldian IPE can be said to unify in and around the argument that neoliberalism is more than merely a technical economic theory, it is not without its share of internal disagreements. At least two controversies emerge at this point. The first is to do with scale, and the consistency of neoliberalism's global distribution. Echoing themes in the so-called ‘Varieties in/of Capitalism’ debate (Bruff and Ebenau, 2014), some argue that the idea of a monolithic, globe-spanning neoliberalism stretches Foucault's method inappropriately. Indeed, for this very reason, Joseph (2012) argues that Foucauldian methods on their own are not sufficient to the task of analyzing power relations in global political economy, and suggests instead that we alloy these methods with those of Antonio Gramsci. For Joseph, while the

micro-level operations that promote the rationalized individual conduct of neoliberalism may be observed at work in certain Western states, it remains the case that the biopolitical affect reaches its limits in the uneven spatial logic of global capitalism's distribution of power. Championed by the US, Western states seek to promote the American model of production around the world, but they will tend to foist this model on subject nations in instrumental fashion, drawing on a range of heterodox methods to achieve their goal.

The second challenge is more chronological in nature. Reviewing the substantial record of neoliberal policy, and noting its immense internal diversity on key issues, including the relative merits of corporate monopolies, it asks 'at what point in history do the specifically neoliberal technologies of power and accompanying rationalities kick in, as it were?' (Birch, 2015). Situating 'neoliberalism' historically, then, this approach seeks to comprehend how specific local knowledges have influenced the pathways of its development, thereby detotalizing our understanding of its power to determine outcomes (Larner, 2003). Thus, limited on one side by the uneven global logic of neoliberalism's spatial distribution and, on the other, by the internal diversity of neoliberalism's genealogy, it begins to appear that the thesis of biopolitical economy carries an impossible explanatory burden. Yet, while these critiques occasion further reflection on the applicability of Foucauldian methods to the connections between neoliberal thought and more context-specific variables, it is worth noting how they can also function to foreclose a number of critical research questions.

On the topic of scale, for example, a number of scholars insist that the Foucauldian model of power, properly understood, can easily encompass the possibility of a globe-spanning assemblage of capitalist production. Here, critically, the Foucauldian method does not suddenly 'stop' at the hard limits of capitalism's distribution (Legg, 2008; Vrasti, 2013; Bailey, 2014). To the contrary, capitalism itself is biopolitical, generating the deep emotional connections from which neoliberal governmentality, in turn, draws its fuel (Konings, 2015a). Conversely, on the question of neoliberalism's genealogical diversity, it bears noting how this argument appears to be motivated, at least partly, by a conscious desire to avoid any kind of economic reductionism in our understanding of what neoliberalism actually is. Larner, for example, cautions that many critical accounts of neoliberalism

remain problematically 'embedded in Marxist or Neo-Marxist theoretical traditions' (2003: 511). Mirowski, similarly, objects that 'Marxist concepts of exploitation and surplus value' can have no place in Foucauldian political economy (2013: 100).

Mirowski's conclusion is problematic, however. It rests on the unelaborated assumption that Foucault was indeed an unstinting critic of Marx, and that the lengthy description of neoliberalism's genealogy proffered in his lectures can be read only as an endorsement of this view. Yet, this is a dubious representation of Foucault's work, with analytically-constraining effects (see also Springer, 2012). Moreover, it is an account in which the category of the body is conspicuously absent, a neglect which runs against the grain of Foucault's work, and which renders Mirowski incoherent on the question of how austerity 'gets into our heads, becomes part of our identity, disposition, and desires, our basic sense of self' (Konings, 2015a: 28). With Mirowski, it is neoliberalism's influence among economic elites which must be demonstrated, in order for it to count as a political variable. Yet the means by which its logic is transferred to the subject is completely overlooked. Thus, as with Constructivism, it becomes very difficult to connect the theory with an understanding of the intense emotionality of our connection to core neoliberal values, like austerity. Scholars may claim, as Mirowski does, that the point of governmentality studies is to go beyond mere discourse, and address actual practices of social reproduction, but the basic puzzle of austerity's resilience throughout the crisis remains unresolved. The result, then, as Konings argues, is a paradoxically economic account. Despite its discursive methodology, it amounts to little more than a reproduction of Polanyi's characterization of autonomous money as a cold, instrumentalizing abstraction: a 'fiction that exists only by virtue of all-too-human irrationality' (Konings, 2015a: 4).

Critics of Foucauldian IPE, then, whether they be concerned primarily with questions of scale or time, display a tendency to ignore the lived, bodily experience of capitalist existence. To borrow from Jason Read, they foreclose on any analysis of neoliberalism's double nature. On the one hand, as he puts it, neoliberalism 'is an ideology that refers not only to the political realm, to an ideal of the state, but to the entirety of human existence. It claims to present not an ideal, but a reality; human nature.' On the other, it is also an ideology that 'is generated not from the state, or from a dominant class, but

from the quotidian experience of buying and selling commodities from the market' (Read, 2009: 26). In this sense, while exploration of the internal diversity of neoliberal theory might reveal much about its intellectual breadth, it is less clear how much it can tell us about the influence of this generative, *asignifying* aspect of market-based life. Foucault's narrative suggests that the discovery of the market, and the realization of a need for an autonomous development of wealth, drove a 'wedge' between the powers of the state and the populations it seeks to govern (Foucault, 2008: 17). But, as Konings teaches us, it was 'iconic' money which secured the continuity of the abstract mode of power developed in the Christian pastoral. Disdainful of idolatry, Christianity developed in its place the icon, a 'mundane technology' of abstract representation, which invited the subject not so much to worship a truth but to develop an intuitive, metaphor-based relationship to an infinite, and ultimately unknowable god (Konings, 2015a: 45). Capitalist money, despite its socially-constructed nature, functions by the same paradoxical mechanism, sustaining emotional investment, or faith, in the redemptive potential of a life in infinite speculation.

Following Konings, then, we can grasp something of the non-conscious capitalist orientations that coexist with neoliberal discourse, and its vision of a morally redemptive mode of economy. Critically, Konings rests his argument upon a more finely-grained understanding of the process of subjectification than that merely assumed in the governmentality scholarship discussed above. While the operation of modern societies is premised on the internalization of norms and values, he cautions, this is not a straightforward process. Rather, it is one that develops in the context of networks of engaged social action. Over time, we develop a repertoire of 'meaningful practices and connections' in and around icons, the non-signifying nodal points of these networks (2015a: 38). Icons are produced through metaphor and, as such, they are metonymic devices; they mediate symbolic content, the singular, irreducible diagrams of meaning, between different spheres of social activity. In this sense, they are paradoxical phenomena. Icons, says Konings, begin life as speculative, actively-produced symbolic condensations, which must struggle on the field of discourse to achieve dominance as the moral indexes by which we orient our daily interactions. But successful icons are more than the sum of such condensation. They are in fact those signs which have, over time, become the short-hand, self-evident signals which 'the autonomous

regions of the brain' can recognize quickly, and which have therefore become capable of guiding our pre-conscious, instinctual behaviors as we go through our daily lives (Konings, 2015a: 57). Indeed, because of their established, intuitive capacity for translation between our various networks of activity, they are the mandatory passage points through which we *must* work if we are to advance our subjective interests. All our activities and performative roles must be narrated in relation to them.

Icons are thus 'generated through and connected to our everyday life; immanent yet generative, embedded yet autonomous' (Konings, 2015a: 38). They function to orient our lives, but precisely in the sense described by Lazzarato (2014: 41), as 'assignifying semiotics'. That is, they are akin to moral traffic lights, their power as signs being linked to their capacity to bypass our conscious minds, tap directly into our nervous systems, and trigger autonomic responses. One upshot of this capacity is that icons are possessed of a certain plasticity, remaining coherent even as they connect networks of tremendous relational complexity. Money is the quintessential example of the plastic icon; having no relation to objective value, it is possessed nevertheless of such *intuitive rationale* that it functions as the principle symbolic passage point of our time. Money emerged first as one of a number of possible ways of mediating relations of debt and credit between different spheres of action, making possible the 'carry over' of meaning between them (Konings, 2015a: 60). In our capitalist economy, however, money has gained tremendously in its metaphorical power, and confronts us now, for all intents and purposes, as an autonomous force, the very index of value, but also as a passport allowing us 'access to difference' (2015a: 61). Such a claim is not to deny that 'a dollar is a dollar', as Cooper and Konings cite Negri (2015: 4). Rather, it is to acknowledge this *paradoxical unity* of money, which encompasses both its practical translational capacity and, as such, its affective power to dispose subjects to continuously reinvest themselves in its accumulation.

Once set in motion, Konings notes, the capitalist logic of money is, of course, problematic in all kinds of ways; the 'chrematistics' it unleashes run contrary to the spirit of our emancipatory hopes and dreams. But we should not conflate these forces with capitalist 'economy', a term which Konings uses in the pre-modern sense, as akin to Foucault's notion of governmentality,

referring to the field of ‘attitudes, affinities, and routines that sustain order in quiet and unseen ways’ (2015b: 90). Economy, therefore, is not the narrow, technocratic governmental discourse that scholars like Blyth associate with neoliberalism. Rather, it is a double phenomenon, combining the iconoclastic spirit first modeled in the Christian pastoral with a relentless emotional investment in money. Indeed, this is precisely the paradox captured by notions like Adam Smith's hidden hand; money is merely a convention, an arbitrary sign, but one which has the power, if acknowledged in a non-idolatrous manner, to auger a regime of immanent morality and sociality. On the one hand, then, autonomous money constitutes an affective condition of possibility for the redemptive spirit of capitalist economy. On the other hand, the subjective demands it triggers are nowhere more starkly delineated than in neoliberalism, which imagines the ‘faithful engagement of economic signs’ as the principal normative mechanisms of the Good Life (Konings, 2015a: 11).

To conclude this section, then, regardless of the internal diversity of neoliberalism's discursive record, or the contradictory nature of the linkages between some of its strands and specific policy formulations, it is clear that, as an ideology advancing the cause of *financialized life*, neoliberalism strives to effect a global regime of power that leads subjects to accept, in deed if not in word, the ideals of human capital discussed above. To attribute a measure of neoliberalism's success in this endeavor to our experience of everyday life in a world of capitalist money, however, gives us a chance to comment on what is perhaps an overlooked aspect in our discussion of Foucault to date. To wit, a principal foundation of Foucault's approach to power is that it only ‘holds good’ to the extent that it ‘induces pleasure’ (2000: 120). The contribution of *Birth of Biopolitics* is that it lays out the discourses of neoliberal economics that imagine the market explicitly as a technology of security, targeting the minds and bodies of subjects to effect in them the moral sensibility of the marketplace. Yet, as Read notes, to be methodologically consistent with Foucault's formally-published works, the lectures in *Birth of Biopolitics* would have to focus on neoliberalism's ‘existence as a practice and not just a theory diffused throughout the economy, state, and society’ (2009: 30). Positing capitalist money as a confessional technology in this sense suggests it may be a key condition of possibility for the governmentality of austerity, sustaining the affective



orientation required for the reproduction of everyday neoliberal logics.

## **Austerity and Late Capitalist Chrematistics**

The critique of capitalist money does not necessarily exhaust our critique of capitalist power, however. For Konings (2015a), the goal of an immanent critique of political economy is to comprehend how the elaboration of capitalist institutions and symbols become central to the organization of meaning-making – that is, how life becomes attached to capitalist power. In his analysis, however, the capture of desire in capitalism takes on something of a tragic or accidental character, epitomized by the rise of populist neoliberal movements like America's Tea Party. Here, the paradox of capitalist money is pivotal. Precisely because it is nothing, an unknowable god, our relationship to money is immanent, or confessional. In a capitalist society, we are charged to engage with money in a non-idolatrous fashion, respecting its ability to convey value, while suppressing our hope for 'magic' redistributions of wealth (2015a: 49). In this manner, despite its unattainability as a goal, we are compelled to pursue our moral perfection before money. The consequence of our investment in this paradoxical logic becomes especially manifest in times of crisis and anxiety, and is expressed in our narcissistic 'doubling-down' on the logic of money; we embrace precarity as if it were our salvation, demanding ever-more vigilance and self-control on the parts of ourselves and others.

As today's plethora of 'self-help' manuals and 'reality' television programs on the topic of entrepreneurship will attest, conscious ideological expressions of neoliberal values are a regular feature of contemporary popular culture, encouraging us to equate iconophilia with maturity, and equivocation with weakness and victimhood. Such artifacts distill something of the 'sadistic streak' of contemporary capitalism's ethos, facilitating the:

...disavowal of our complicity in the production of suffering, while allowing us to claim responsibility for our fortune; it urges us to feel responsible for things that we have little influence on while letting us off the hook when it comes to things we are responsible for (Konings, 2015a: 111).

In this sense, the non-conscious aspect of capitalist money fuels a logic of wounded attachments, an ‘alchemy of trauma and faith’ (2015a: 117). It drives a narcissistic tendency in capitalism, says Konings, compressed in recent times by the normalization of perpetual, revolving debt. In the face of declining real wages, working people in many parts of the developed world have embraced debt as ‘a source of income’ (2015a: 117). Banks make profits from this, of course, but entrepreneurial subjects are expected to maintain a reflexive attitude to their debt, keeping it high enough to sustain a credit rating, but not so high as to imply they were taking it for granted.

The pre-conscious orientations of capitalist money thus combine with the more direct, consciousness-targeting operations of popular culture, along with newer technologies of veridiction, such as financial indices and ratings, as the moral metrics by which we are to hold ourselves to account. Summarized, therefore, Konings’ argument might best be described as a claim that, through the iconic power of money, financial indices have achieved a kind of tragic moral autonomy over our minds and bodies. Now, in our quest to reckon with the paradox of austerity’s continued popularity, such an understanding is certainly a contribution. Nevertheless, it is unclear how this critique of what is essentially a kind of capitalist ‘false consciousness’ is supposed to connect with the struggles of those whose lives have been materially subjugated under austerity, and for whom questions of ‘wounded attachments’ are doubtless a very distant concern. While a more complex ontology can arguably help increase our awareness of affective investment as a condition of neoliberalism’s paradoxical longevity, to conclude that austerity is merely the consequence of an affectively-entrenched *misapprehension* of the world risks obscuring the very real – and often brutal – ways in which those aforementioned chrematistical forces confront the subjects of capitalism. Neoliberal desire functions not only to sustain the disciplinary demands of austerity, but it legitimizes an expropriative mechanism which prioritizes the ever-increasing wealth of a tiny handful of individuals at the expense of the dignity and wellbeing of the vast majority of humans on the planet, as well as that of the planet itself. Our analysis must prioritize such facts.

Such claims would not strike Foucault as especially controversial. As he once wrote, ‘power is tolerable only on condition that it masks a substantial part of

itself' (1990: 86). He was clear, too: notwithstanding neoliberalism's celebration of the universal entrepreneurialism of *homo economicus*, *biopolitics* had played a key historical role in the development of capitalist "valorization" (1990: 140–141). Thus, because of this amnesiac element in neoliberal reason, progress in our analysis of austerity may require a repudiation of the anti-Marxism of Foucauldian IPE. In 1548, Etienne de La Boétie used the term 'voluntary servitude' to explore how it is that the masses are moved to pursue their enslavement as if it were their freedom. Applying this term to the plight of contemporary labor, however, Frédéric Lordon reminds us that for many workers, choice is so limited that questions of pre-conscious attachment are somewhat beside the point. True, per Spinoza, human beings by nature seek joy. In this sense, it is equally true that all 'social structures find expression as configurations of desires and affects, and thus have their own specific imaginary' (Lordon, 2014: 49). Yet, no regime is *purely* confessional. To the extent that they feature something like a 'boss' figure, who captures and expropriates 'powers of acting passionately' in order to convert 'labor-power into labor', confessional regimes always incorporate a measure of vertical governance (2014: 121).

To grasp the significance of austerity from this perspective, it may be helpful to consider the arguments of a number of Autonomist Marxist scholars, and their research on Post-Fordist accumulation. In Hardt and Negri's terms, capitalism in recent decades has adopted a number of productive tendencies intended to draw surplus from the domain of what they term *the common*. Citing Marazzi, they suggest that this Late Capitalist, or 'Post-Fordist', style of accumulation is most forcefully exemplified in the regime of contemporary financialization which, while it often appears to us as an 'enormous engine of abstraction', is premised nevertheless on a very real 'social wealth' (Hardt and Negri, 2009: 157–158). That is, a wealth constituted by the ongoing social creativity we find in the sphere of the common. Of course, we are already familiar with the idea of a 'common wealth' of the natural world, in so far as we might speak of a common ownership of the air we breathe, or the oceans in which we fish. The implication of the common in the production of value, however, bespeaks the deepening dependency of capital on practices of social labor, as it embraces the production of communicative goods and services. The work involved in such production can be considered social, or taking place 'in common', in so far as its raw materials, 'knowledges,

languages, codes, information, affects' (2009: viii) and the like, are *crowdsourced*, originating not in the economic sphere, but in that of the reproduction of life itself.

If capitalist valorization is becoming dependent on the laboring subject's capacities for non-linear creativity, care, and the like, then the stakes of this transformation are perhaps nowhere more forcefully demonstrated than in the emergence of the so-called 'gig' economy, with its social network-based forms of pseudo employment, like the taxi company Uber (Srnicek, 2017). Here, on the one hand, the drivers ostensibly work for themselves, driving often as a 'side gig' to earn a 'piece-wage' supplement to a minimum-wage job, yet fulfilling tasks far surpassing those of the traditional taxi driver. On the other hand, the company itself practically disappears, operating on an algorithmic basis, with radically outsourced overheads, and drawing its profit solely from a 'rent' charged to the driver for the use of its network.

In the story of Post-Fordism's cynical mode of production, then, rent is a central element of the plot. As 'self-employed' workers in the gig economy, we pay rent in the form of platform fees. In the same breath, to compensate for austerity's reduced wages, the interest we pay on our credit cards constitutes yet another rent.

If one doubts the cynicism of this mode of accumulation, it is worth pausing to consider its reliance on confessional technologies, as it makes ever-greater emotional demands of its workers. 'Epithumogenesis', as Lordon puts it, or the task of aligning the worker's desire with those of the firm, has become a paramount concern for managers, who must now deploy 'managerial methods of enlistment' to solicit the total investment of the worker in his or her job (2014: 52). The upshot is that, whereas the Fordist worker could go to the factory, and fantasize about a 'real life' that was somehow 'elsewhere' (2014: 52), today's post-Fordist worker is called on to make 'an unlimited commitment of the self' (2014: 38). Living in austere times, 'elsewhere' thus becomes a concept which necessarily haunts the 'self-employed' Uber driver, as nothing more than an opportunity cost. Today, everything is work.

To borrow again from Jason Read, then, the reproduction of Post-Fordist value depends on life itself, or the 'productive power of subjectivity' (Read, 2003: 153). Critically, however, this is not a production enjoined by equals.

As Lordon argues, capitalism today features a particularly cruel *division* of desire, where capacities for autonomous creativity are promoted as never before, but where the fullest possibilities for expression of these capacities are reserved only for those who can afford them. Leaving aside for a moment the question of how an unlimited form of work might ever be conceived as adequately remunerated, the point here is simply to indicate the expropriation of autonomous desire as a stake of contemporary capitalist valorization; even in those rare cases where Post-Fordist workers might be well paid, they suffer still the total subsumption of their poetic autonomy within ‘the master-desire’ of the boss (2014: 118). Thus, in Lordon's poignant terms, financialized capitalism is ‘the world of the girlfriend experience’ (2014: 84).

In this sense, we can begin to draw some conclusions both about the nature of the 2008 crisis, and the function of austerity today. For Lazzarato, the events of 2008 marked ‘above all a crisis of the neoliberal subjective model embodied by “human capital”’ (2015: 14). That is to say, the bubble of neoliberal financialization ran afoul of the affective limits of Post-Fordist bodies. In this light, as with Blyth, the neoliberal preoccupation with sovereign debt may be considered a political diversion. In contrast with Blyth, however, a breakdown in Late Capitalism's mode of subjective expropriation was also a factor. Post-Fordism invested its surplus primarily into capital securities, with a view to ‘renting’ it back to workers. Triggered by the failure of the US banking system, however, the collapse of credit-based expropriation has catalyzed a shift into a new mode of expropriation, from rent to *taxation*. Austerity policies, as Lazzarato observes, are thus:

in reality policies for multiple ‘forced’ levies, running from taxes per se to cut backs in wages ... decreases in welfare-state social spending ... and income deductions through price-raises ... [as] countries have auctioned off ‘public’ property to the private sector. (2015: 39)

Post-Fordism's confessional mode of valorization thus appears to be transforming into something altogether more disciplinary. Like Konings, Lazzarato argues that the relative autonomy of financialized money is indicative of a ‘dual regime of subjectivity’ in capitalist production today (2014: 34). However, whereas Konings draws on affect to explain our tragic

embrace of debt, for Lazzarato the focus is on bodies, which are now leverage for the emergence of a new, disciplinary mode of capitalist expropriation, with taxation being the key measure or 'barometer' of its deployment (2015: 36).

If we can claim, then, that the secret of Post-Fordism was the marketization of the common, today that secret is out in the open. The economy is being refloated via a radical externalization of the risks of capitalist chrematistics onto the crowd, revealing an intensification of discipline in capitalist command. For Lazzarato, this shift bespeaks a *machinic* turn in the nature of capitalism. Value, he explains, is today drawn from the interface between conscious and non-conscious labor, exceeding thereby any quantifiable relation to the value of the labor time necessary for its manufacture (2014: 43–45). To demonstrate this, Lazzarato offers the example of the unemployed, who are subjected to 'dispositifs' of austerity which surveil and adjudicate over their performance, and which have the power to determine their 'possible or probable action' in non-obvious ways (2009: 111). On the one hand, lingering elements of neoliberal governmentality may call on the unemployed to become better confessional subjects of the market, subjecting themselves to further education, unpaid internships, and the like. On the other hand, however, government databases constitute non-discursive systems which simultaneously render unemployed bodies as mere technical quantities, a mass of 'deindividuated component parts', reduced to a measure of the national labor force's quality and cost, submitting them to a kind of activity that 'no longer has anything to do with labor' but which is productive of value nevertheless (Lazzarato, 2014: 47–48).<sup>2</sup>

The machinic nature of austerity thus speaks to a shift in the balance between confessional and disciplinary techniques, and evokes the idea of a computerized or algorithmic capitalist command, akin to Deleuze's (1992) concept of the society of control. For Lazzarato, one of the reasons machinic command is so central to the dynamics of contemporary capitalist valorization is that neoliberalism's regime of conscious subjection has started to fail. The financial crisis in the West has revealed the magical thinking behind neoliberalism's emancipatory promise and, as a result, its ability to marry the 'production of subjectivity' with 'production' is now slipping (2014: 53). Like Lordon, then, Lazzarato seeks to disabuse us of the notion

that capitalist subjectivities are today merely 'willing slaves'. While epithumogenesis remains a vital pillar of capitalist reproduction, austerity bespeaks a cynical shift towards other, non-conscious means for expropriating value from human beings. This is perhaps, then, the crucial statement concerning the stakes of austerity; in so far as its asignifying systems function to discipline the material possibility of departing from the axiom of autonomous money, causing us thereby to hunker down and surrender our 'future' (Lazzarato, 2015: 70), austerity is a mode of capitalist rule, in its own right.

## **Conclusion: Resisting Austere Taxation**

As Dardot and Laval argue, one of Marx's greatest intuitions was his recognition that capitalism was also a system of 'anthropological "production"', and not just 'a system of economic production' (2014: 25). Marx was interested in how the reproduction of capitalist valorization presupposed a government of man's very species being, in terms not only of his brain but also of his body. To evoke the body in this context is not to reduce representation to epiphenomenon, however. Rather, it is to depart somewhat from a concern with discourse and subjectification, and to join instead with Konings, Lazzarato, and others, in a reflection on the importance of affect and bodily subjugation in the reproduction of capitalism. As a regime of power, austerity targets the body just as much as it does the subjective. What we must keep in sight today is the shift from Post-Fordist rent to austere taxation. If, in its unequal division of desire, Post-Fordist capitalism externalized an ever-greater share of the cost of production onto the realm of 'living work' (Lucarelli, 2010: 137), austerity amplifies the structural element of this double-bind, cynically exploring the extent to which the subject can be bypassed altogether.

What is to be done? One source of hope might be found in Deleuze and Guattari, who argue that desire is 'neither attributable to individuals nor overcodable by collective signifiers' (Deleuze and Guattari, 1987: 241). Desire is a phenomenon of the body, whether collectively or individually conceived and is, as such, irreducible to the assemblage. In this sense, it may also produce energetic 'lines of flight' which the assemblage cannot capture. Applied to our context, as Hardt and Negri put it, the expropriation of the

common is not the simple upshot of the traditionally-conceived ‘technical composition’ of capital, where labor is considered a subservient organ in the overall development of productive processes (2009: 142). To the contrary, soliciting the knowledge and techniques of emotional labor and communication, Late Capitalism presupposes what Virno (2002) refers to as ‘mass intellectuality’, a development which portends possible dangers for capitalism. The shift towards machinic control, while pernicious, nevertheless presupposes the recruitment of such intellectuality, and is thus still bound by the conditions of its own possibility to provide a wide-enough degree of freedom that labor can self-organize, or ‘produce cooperation autonomously’ (Hardt and Negri, 2009: 140). Certainly, it is right to speculate as to what impact future autonomous machines might have for capitalist dependency on the labouring subject (Frase, 2016). For now, however, mass intellectuality remains a factor and, because the assemblages of capitalist desire are now transnational in nature, they exhibit no obvious ‘center’ of command. In this sense, as Timothy Luke suggests, the potential for resistance confronts capitalism simultaneously, ‘from everywhere and nowhere’ (2001: 125).

The creative potential of globalized mass intellectuality is not yet fully known. The point, however, as Donna Haraway puts it, is not to rediscover a newly empowered proletariat, or other pre-given subject of anti-capitalist resistance. Rather, it is to claim that the cybernetic laborers of capitalism's machinic control may be more like illegitimate children, ‘often exceedingly unfaithful to their origins’ (Haraway, 1990: 67). Conceding that austerity's longevity is rooted in the realm of desire as well as consciousness, then, it is clear that anti-capitalist strategy must go beyond the level of merely waging an insurgency against the performance of neoliberal subjectivity. Anarchist-infused strategies, like Occupy Wall Street and 15-M, seek to disrupt efforts to suture hegemonic discourse by seizing the public squares and raising consciousness. They have been relatively unsuccessful to date, however. And, as Christaens puts it, this is likely because ‘they do not speak the language’ of the financial sector, and so their insurgent truths have trouble gaining legitimacy (Christaens, 2016: 10). Yet, anti-austerity strategies need not bind themselves solely to the terrain of the discursive. Departing from the contestation of neoliberal subjection, other movements seek instead to engage directly with the asignifying algorithms of capitalism. The notorious Yes Men, for example, have managed periodically to throw figurative spanners in



the works of the global financial assemblage, by feeding it false data, and triggering glitches in its signaling regime (2016: 10). Other groups take this disruptive strategy even further, provisioning for more sustained departures from the transmission belts of capital's machinic axioms, through the creation of parallel socialist economies (Holland, 2011).

Such parallel economies bespeak 'exodus'-style strategies, eschewing traditional state-focused hegemony in favor of material ruptures wherein imaginative cyber-nomadic potentialities can take flight. The complexities of global capitalism are such, however, that politically significant degrees of rupture will likely be impossible to accomplish without the embrace of some measure of state capacity. The question, therefore, is to balance the goal of provisioning for the movements of exodus, and all the creative, disruptive subjectivities they can generate, with that of a state-oriented hegemonic strategy (Arditi, 2014). Indeed, such concerns have been at the center of recent left-'exit' debates in Europe. Arguing against the case for a 'Grexit' from the euro, for example, Gindin and Panitch (2015) and Gourgouris (2015) suggested that the goal of provisioning for the Greek movements be approached with a degree of cautious *realpolitik*. Given the complete unreadiness of the Greek economy for life outside the euro, and the deep unpopularity of the idea in Greek polls, they insisted, the cause of exodus would be better served were the Greek state to take up the margin of freedom remaining to it within the eurozone system to create spaces for democratic production to flourish, and were the movements of Greece to mobilize in holding the state accountable to this goal.

The critique of biopolitical austerity is the basis thus not of an idealist demand. Pace Blyth, it refuses capitulation to the complacent, ever-delayed promises of liberal reformism. But neither does it call for vengeance upon the expropriators, with a view to reuniting the working class with some or other exact measure of alienated value. As Lordon advises, the history of socialist strategy attests to the inadequacy of the critique of fetishization as the basis of any emancipatory struggle; the objects of our love will always be externally determined for us, no matter how many class enemies we destroy (2014: 94). Instead, it is a critique which takes seriously Late Capitalism's cruel and antidemocratic division of desire, and its recent, cynical embrace of austere taxation. Hitherto actually existing socialisms, Foucault pointed out,

have always been forced into the blackmail of having to mimic the governing logics either of liberalism, or of sovereign totalitarianism. For this reason, he concluded, a real left governmentality had yet to be ‘invented’ (Foucault, 2008: 94). Lordon is surely right, in this sense, when he suggests that the task of the communist today is to experiment, and to work towards effecting more democratic divisions of labor, premised on ‘equal participation in the determination of a shared collective destiny’ (2014: 131).

## Notes

1. This is in contrast to Ordoliberalism, which Foucault discusses as a separate, more interventionist branch of neoliberalism that takes competition as a ‘principle of order’ for the organization of a secure life, but not fully a ‘principle on which one could construct society as a whole’ (2008: 248).
2. Indeed, this example seems to capture the essential controversy of Ireland's JobBridge program, introduced under the guidance of the European Troika, wherein unemployed young Irish workers are stricken from the national register while they pursue ‘experience’ by taking non-salaried six-month positions, all while still drawing welfare (see IMPACT, 2015).

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## 39 Neoliberalism and Global Health

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The value of services is hard to measure ... if they are supplied free by the public sector. (World Bank, 1981c: 17)

Dr. Hasselbacher never talked in terms of morality; it was outside the province of a doctor. (Graham Greene, 2007: 59)

### Introduction

When thinking about neoliberalism and health, Ebola is not the first disease that comes to mind. However, the recent Ebola epidemic in Sierra Leone is emblematic of the effects of neoliberalism on long-term population health.

Ebola first entered Sierra Leone in the eastern district of Kailahun, on the Mano River near the triangular border with Guinea and Liberia. The earliest infections may have occurred as early as March 2014, but none was brought to the attention of health authorities and confirmed by diagnostic testing until two months later (Gire et al., 2014; Sack et al., 2014; Carroll et al., 2015). By July, a second epidemic wave had overtaken the north of the country from the Freetown suburb of Port Loko (Yang et al., 2015). In all, an estimated 14,000 people in Sierra Leone fell ill before the virus was finally stamped out in the autumn of 2015 (Centers for Disease Control and Prevention, 2016). About half of them died (Petti et al., 2015).

All epidemics are ‘a transverse section through society’ (Rosenberg, 1992: 179), and Ebola was no different. It exposed lingering nightmares from Sierra Leone's 1991–2002 civil war; conflict between a cosmopolitan elite and village communities; coordination failures between the central government in

Freetown and elite rural families; cross-border relationships fostered by international development agencies and electronic telecommunications; a longstanding local practice of smuggling and concealment from state authorities dating to the colonial period; a deep history of colonialism and enslavement; and linguistic and cultural allegiances on which the existing national boundaries proved to be a superficial overlay. However, many countries struggle with similar dynamics. The outbreak would have been manageable if public health institutions were functioning adequately.

Ebola illuminated a failure of basic institutions of liberal government in Sierra Leone, but it could not have spread as it did without the parallel failure of global agencies that seemed incapable of helping national officials respond. The World Health Organization (WHO) came in for harsh criticism, but most of the post-epidemic commentary focused on Sierra Leone itself and its 'health system'. Clinics and hospitals had been overwhelmed with the influx of patients, were unable to triage effectively or procure basic supplies for treating serious fever, such as rehydration fluids and ibuprofen, and exercised poor infection control, which led to further transmission (Pathmanathan et al., 2014; Dallatomasina et al., 2015; Dunn et al., 2016). There were too few health workers and they lacked training and personal protective equipment (Kilmarx et al., 2014; Olu et al., 2015). Ambulances were scarce and rudimentary (Casey et al., 2015). Laboratory infrastructure was inadequate for the sudden volume of samples and staff lacked rapid diagnostics and experience with biosafety protocols (Chua et al., 2015). Referral and health information systems did not function properly (McPake et al., 2015).

During the epidemic, these systemic inadequacies led many Sierra Leoneans to doubt the usefulness of pursuing treatment and, worse yet, to fear contracting Ebola at health facilities. Both concerns were tragically valid, and they crippled early efforts to break the chain of transmission at the community level (Anon., 2014; Economist, 2014; Richards et al., 2015). The weakness of the health system undermined both prevention and cure: it exacerbated and prolonged the epidemic, while producing stark global inequalities in the fatality rate. Of the epidemic's victims, almost half of those treated in Sierra Leone died, while nearly all of those treated in developed countries recovered after receiving basic rehydration, electrolyte replacement,

fever control, and immune system support (Stephens et al., 2015; Centers for Disease Control and Prevention, 2016).

In the period after the epidemic was finally brought under control most analysis focused on ‘hard’ factors in the dysfunction of Sierra Leone's health system (Boozary, Farmer, & Jha, 2014; European Commission, 2015; McKay, 2015; World Health Organization, 2015). Less attention was paid to a ‘soft’ factor: the global rise of neoliberalism in global health. During the last three decades, as a condition for badly-needed external financing, Sierra Leone's government agreed to transform its public health institutions according to a blueprint mandated by international development agencies. In place of the firm commitment by the central government after independence from Great Britain to provide all Sierra Leoneans with free basic health care – a ‘National Health Service’ – these reforms substituted a decentralized health system whose financing relied to a substantial degree on fees from individual patients.

In the process, neoliberal health reform in Sierra Leone undermined the state's coordinating capacity by reducing investment in the ‘meso-level’ of health administration. It diverted the government's resources away from hospitals and clinics, forcing many practitioners and patients to fall back on their own resources. It exiled health care to a decentralized framework that relied on vestigial institutions of the colonial era, thereby burdening public health with the most intractable structural weaknesses of state and society in Sierra Leone. Above all, it profoundly undermined the trust between the country's public health institutions and its citizens. The reforms ensured that when ties between the center and localities began to fray under the stress of a major transnational epidemic, the health system would snap.

Sierra Leone's health reforms of the 1980s, 1990s, and 2000s tell the story of a neoliberal impulse that became dominant in global health soon after its emergence with WHO and UNICEF's ‘Health for All’ campaign. Indeed, one can go so far as to say that global health as we know it was *created* through the transmission of that neoliberal impulse to countries around the world. But what, exactly, is a ‘neoliberal impulse’?

In this chapter, we attempt to answer that question by examining the intertwined history of neoliberalism and global health institutions in Sierra

Leone, one of the poorest countries in the world. This history shows neoliberalism to be a movement within the statist tradition, rather than in opposition to it. We show how it affected the public health sector in Sierra Leone, particularly after the global inflationary crisis of the mid-1970s. We underscore the neoliberal premises of the 'Health for All' campaign for primary health care by WHO and UNICEF, particularly its endorsement of decentralization and 'community financing', and the role of these principles in reshaping Sierra Leone's health system in between 1980 and 2010. By weakening the central government's role in the provision of health care, we conclude, the convergence of neoliberalism and global health made a major epidemic crisis almost inescapable.

## **The Rise of Neoliberalism and Global Health**

At the heart of neoliberal ideology in health care are two doctrines: 'rational choice', the idea that consumers in a free market always make decisions in their own interest, and 'human capital', redefining individuals as 'bundles of investments' in health, education, and other public goods (Foucault, 2008: 226–230; Mirowski, 2013: 59). Because such investments were held to be 'the most distinctive feature of our economic system' (Schultz, 1961), US neoliberals paid careful attention, from the 1960s onward, to health care. Because they aimed to capture the bureaucratic state, their premises were expressed in a technical idiom of planning and administration. An intimate relationship thus developed between the scholarly apparatus of neoliberalism and management approaches that used systems theory as a guide to the organization of industrial and scientific production (Mirowski, 2002: 177–231).

Both disciplines attempted to restrict choices about public allocation to purely economic parameters, using procedures like cost-benefit analysis – deliberately in some cases – to place important political-philosophical debates in public health, such as equality or equity versus autonomy, outside the scope of debate. In other words, the so-called 'separation thesis' (that business decisions transcend ethical reasoning) was being applied, with little self-reflection or transparency, to the public sector (Durkheim, 1992: 15; Wicks, 1996; Werhane, 1999).

Many scholars of neoliberalism describe the ideology as having come to the fore in the 1980s as a result of institutional support from the governments of Margaret Thatcher in the United Kingdom and Ronald Reagan in the United States (Rowden, 2009: 62–69). The present authors have adopted a similar narrative in the past (Kim, Shakow, & Bayona, 2000: 132–133; Keshavjee, 2014: 103–106). Undoubtedly the international financial crisis that began in 1982 with Mexico's default on sovereign debt was a key milestone in the neoliberal colonization of global health. However, closer examination reveals that the process was by then already well advanced in deep and insidious ways. Not only were many recognizably ‘neoliberal’ policy ideas and planning tools applied to the health sector as early as the 1960s, but they were endorsed by prominent advocates of egalitarian liberalism, such as US presidents Lyndon Johnson and Jimmy Carter and WHO Director-General Mahler. Indeed, as we will show, decades before WHO's missteps in the 2014 Ebola outbreak it laid the groundwork for the failure of Sierra Leone's epidemic response by pilot-testing fiscal decentralization and a preference for village health care institutions over secondary and tertiary-care facilities as part of its ‘Health for All’ campaign.

In retrospect, it seems more accurate to say that global health and neoliberalism were born twins. They were linked by a network of bureaucracies, procedures and documentary forms which asserted a global model that political theorists call ‘liberal governmentality’ – assuming that the states of Sierra Leone and Brazil are separate but equal and should adopt broadly similar institutional solutions to matters of public concern. Neoliberalism took the shape of *policies* which travelled along that network, and also a *vocabulary* of terms and metaphors applied to an ‘elaborate [transnational] social system, affected by attitudes, values and ideologies as much as by profiles of illness, economics and technology’ (Mechanic, 1979: 3; Lee & Goodman, 2002).

These metaphors and policies all directly contradicted the principle of health as a human right endorsed by many international development agencies.<sup>1</sup> They substituted, instead, a vision of autonomous ‘choice’ – for individuals, and for states. Even those who identified with the social-welfare state and associated ideas of social and economic rights came to support approaches that imbedded the neoliberal principle of autonomy (Nicholson et al., 2016).

By implication, if not always by name, they were a key element of the ‘Washington Consensus’ in development planning identified by John Williamson (1990).

The effortless transition between ‘liberalism’ in the American sense and ‘neoliberalism’ has led to considerable confusion. Williamson (2008: 16) pronounced himself mystified that many of his critics described as neoliberal what he regarded to be conventional, nonpartisan opinion on the merits of privatization, deregulation, and loosening of legal restrictions on foreign trade and the financial sector in developing countries. Others further from the fray have also resisted the semantic drift that leaves neoliberalism as ‘a catch-all shorthand for the horrors associated with globalization and recurring financial crises’ (Jones, 2012: 2). The longstanding Italian distinction between *liberalismo* and *liberismo* (i.e., *laissez-faire*) makes clear that attempts to manage this ambiguity date back well into the nineteenth century (Romano, 2012).

Many institutions of the present ‘liberal international order’ of nation-states seem to be *intrinsically* conducive to ‘the free market ideology based on individual liberty and limited government that connected human freedom to the actions of the rational, self-interested actor in the competitive marketplace’ (Jones, 2012: 2). This is a longstanding pattern. Again and again over the last 250 years, the commitment by Enlightenment liberals to metaphysical individualism has promoted what Uday Mehta calls ‘liberal strategies of exclusion’ (Mehta, 1997, 1999: 46–76). These strategies have a particularly deep history in the post-colonial states of the developing world, being one side of a debate about whether the egalitarian norms of liberalism should (or could) be applied to European colonies (Pitts, 2005; Mantena, 2010; Bayly, 2012). In Sierra Leone, the logic of individual and national autonomy – in health sector budgeting, for example – has driven a persistent effort to limit social welfare programs while maximizing foreign exchange earnings, openly contradicting the World Bank's stated commitment to equity, or ‘poverty reduction’. Given the central significance of autonomy and hierarchy for self-consciously neoliberal actors, the term ‘neoliberal’ fairly describes this retrenchment, at least for the period after World War II.

The Ebola crisis offers a window into a historic struggle within the ‘liberal

international order' of nation-states. Would post-colonial countries like Sierra Leone be allowed to develop British-style 'National Health Services', as envisioned after decolonization, or would they be quarantined within decentralized health systems in which the central government is merely a facilitator and most costs are paid by patients themselves? In this sense, the Ebola epidemic was several decades in the making. It serves as a capsule history of global health, highlighting its present-day dilemmas and, in the process, bringing us face to face with a fundamental tension, if not a fissure, in the liberal project: the problem of inclusion.

## **Decolonization and the Health System**

In March 2004, shortly after Sierra Leone emerged from a decade of civil war, its head of state added his signature to a comprehensive decentralization of social services. A World Bank review describes the Local Government Act as a response to the diversion of government-procured goods like medicines, textbooks and rice seeds in the unsettled post-conflict environment (Zhou, 2009: xviii). In fact, however, the policy was predetermined. 'Fiscal decentralization to the districts' and 'decentralization of the management of health services' were at the heart of Ahmad Tejan Kabbah's platform when he inaugurated the country's first post-war civilian government in 2002 (Kabbah, 2002). Six months before that speech, decentralization had been described as an explicit condition for debt relief by the World Bank and International Monetary Fund (IMF & International Development Association, 2002: 27, 29). It was also central to a campaign by USAID-funded civil society organizations 'to demonstrate the link between corruption and over-centralization' (Campaign for Good Governance, 2001).

The idea of 'decentralizing' the health care system in a country just re-emerging from ten years of violent anarchy is striking. It grew out of Sierra Leone's long engagement with institutions of international development, an interaction that had a powerful impact on all of the parties involved. Its destabilizing features were imbedded not only in the physical and social pattern of development, but also in colonial-era planning frameworks that continued to shape central government policies (World Bank, 1964: 24).

When Sierra Leone won independence in 1961, it faced two immediate



challenges. First, the government needed to reorient colonial-era infrastructure which docked with the British imperial network at the port city of Freetown and paid little attention to the rest of the country. Second, it needed to integrate a 'shadow state' in the countryside comprised of village elites whom the Colonial Office had appointed to collect taxes after its violent suppression of local resistance in the late nineteenth century (Reno, 1995: 28–78). The paramount chiefs were a classic example of the British colonial model of indirect rule intended to reduce administrative overheads (Mamdani, 1996). They were legally defined as the focal points of rural development (Abbott, 1971). Representatives of specific families were given the right to tax, establish treasuries and bureaucracies, and pass bylaws on matters of public order, farming, health and sanitation, and mining (Fanthorpe, 2004b).

After decolonization, Sierra Leone was in an unenviable economic position. It suffered from a low national income of \$780 per capita in constant (2016) terms, profound economic and social inequalities, and about 1.6 million subsistence farmers in a total population of 2.2 million (World Bank, 1964: 2). Moreover, although the country posted intermittently strong economic numbers, averaging 4.6% annual GDP growth during the 1960s, and managed to launch an orderly planning process culminating in a five-year plan supported by the UN Development Program, its central bank had only US\$13.9 million in foreign exchange reserves, enough to pay for seven weeks' worth of imports (World Bank, 1974: 19).<sup>2</sup> A prescient *New York Times* reporter noted in 1970 that after nine years of ineffective import-substituting industrialization, 'debt repayments will be a burden over the next 10 to 12 years' (Anon., 1970).<sup>3</sup> Sierra Leone was still paying off loans taken out by the British Colonial Office before independence, which London specifically refused to forgive afterwards, necessitating an IMF-supervised standby loan arrangement in 1966 (Bhatia, Szapary, & Quinn, 1969; Kargbo, 2006: 83).

Sierra Leone's first prime minister after independence had been a physician in the Colonial Medical Service before he entered politics (Patton, 1996).<sup>4</sup> In the initial ten-year national plan, health was by far the largest budget line item (Carney, 1962; Anon., 1964). At the World Health Assembly held just before the declaration of independence in 1961, there was hopeful talk of 'the

contribution that WHO is making towards the building of the National Health Service in Sierra Leone' (World Health Organization [WHO], 1961: 72). But the ten-year plan remained an unfunded mandate and, a decade after decolonization, the Health Minister reported that implementation of the health strategy 'has been rather tardy due to lack of funds' (WHO, 1971: 48). Government spending on social services dropped as a proportion of the overall budget after independence, while the share of debt service doubled (World Bank, 1964: 19). In 1970, one-quarter of the chiefdoms lacked any government medical facilities (MacCormack, 1984: 199).

The optimistic scenario for the Sierra Leonean health sector did not survive the oil shocks of the 1970s (Yergin, 1991: 588–609). Global fuel prices shot up in two catastrophic spikes in 1973–74 and again in 1978–79 (Crémer & Salehi-Isfahani, 1989). Richer countries drastically curtailed social spending (Wass, 2008; Borstelmann, 2012: 55–63). Poorer countries were forced to borrow, generally from private-sector lenders but with active encouragement by the World Bank, which was attempting to reassert its relevance in the new economic landscape as a provider of policy advice (Balassa, 1981; Lee & Goodman, 2002: 109; Sharma, 2010: 241–52, 2017).

Confronted with massive increases in the costs of key imports like drugs and gasoline, and dramatic increases in the costs of servicing foreign debt, Sierra Leone's government was forced to abandon 80% of its budgeted public health programs in 1974. Two years later, the Health Ministry's budget was slashed by over 50% (World Bank, 1979: 44, Table 5.4).<sup>5</sup> The public health budget fell from 15.4% of total public expenditures in 1963–64 to 8.2% in 1980–81 (MacCormack, 1984: 201; Fyle, 1993: 46).<sup>6</sup> World Bank estimates of life expectancy at birth in Sierra Leone fell as low as 34.4 years by 1980, which would represent, if accurate, a 25% drop from the agency's last estimate before the first oil crisis (World Bank, 1974, 1981b: 47).

A detailed 1980 survey of Sierra Leone's health care institutions shows the administrative side of this turmoil (World Bank, 1981b: 87–124). It found that the country had no unified health system in any meaningful sense, but rather, at least five different systems which 'developed distinct from one another and remain so today': (1) the government-run 'National Health Service', (2) a network of facilities run by religious and secular NGOs, (3)

facilities run by industry, (4) a private biomedical sector, and (5) an 'indigenous or traditional' medical sector (1981b: 96).<sup>7</sup> The analysts noted that 'the most important observation concerning health policy is that there appears to be no mechanism for making it' (1981b: 113).

Paradoxically, this time of crisis in Sierra Leone was also the moment when the WHO–UNICEF primary health care campaign reached critical mass with the 1978 'Health for All' Declaration in Alma Ata (now Almaty), Kazakhstan.<sup>8</sup> A pilot primary health care project was established with WHO and UNICEF assistance in the northern Bombali district; by 1983 two additional pilots were launched in the center of the country (Bo) and the south (Pujehun) (World Bank, 1986b: 5; WHO, 2008: 77–79). International organizations had a symbolic investment in the success of these initiatives: the Alma Ata conference had concluded with an emotional reading of the Declaration by Marcella Davies, a Sierra Leonean physician who coordinated WHO's country office (WHO, 1978b: 19).

The primary care projects in Sierra Leone were funded by bilateral aid and private charity, and most of the new personnel were unpaid community members (Williams, 1979). This was a necessity, not a choice. Wild fluctuations in currency value were playing havoc with the urban cost of living. Yet, despite the fiscal sensationalism that often characterized World Bank reports,<sup>9</sup> there was almost no real increase in the Health Ministry's personnel budget after 1976 until the currency devaluation of 1982/83, and even then the rise was comparatively modest (Meyer, 1984: 3). Moreover, following the 'Health for All' Declaration, the Ministry appeared to make a concerted effort to avoid new capital expenditures: five hospitals were built in the country between the late 1970s and 1983, but the government was not responsible for any of them and ceded administration of one existing government facility to its NGO partners. Another ten rural health centers were also added, but seven of them were built by NGOs (World Bank, 1985b: 63, 1981b: 92–93).

What did increase dramatically around the period of Alma Ata were non-salary recurrent costs – mostly for imported drugs which (like gasoline and foreign rice) were dramatically more expensive as a result of the global economic turmoil (Meyer, 1984: 3). State planners reported in 1977 that the

Health Ministry's drug procurement had completely broken down, with 'constant shortages of supplies' in provincial hospitals and health centers. According to a fieldworker who visited shortly afterward, informal 'cost recovery' for drugs was rampant (Grieve, 1985: 598). However, he noted that the 'absence of trained personnel' made it 'unlikely that a more decentralized system of medical stores is feasible at present', and that the broader balance of payments crisis was wreaking havoc with private- and public-sector drug imports,<sup>10</sup> while exacerbating the government's captivity to patronage networks for which diversion of pharmaceuticals was a lucrative concession (Grieve, 1985: 605–606).<sup>11</sup>

The Ministry's decision to keep salary costs flat – likely a directive from the Treasury at the insistence of donors and creditors – had unintended consequences for the supply of drugs to government institutions. Although expenditures were rising dramatically, there was progressively less to show for them. 'One of the most lucrative sources of income for health practitioners', reported a foreign observer in 1983, 'is taking the funds marked for purchase of medicines by the government, or even taking the medicines themselves, from government hospitals or from the shipping docks in Freetown, the capital, for private sale. The theft of medications from government and private health facilities is so widespread that it has rendered many medical facilities virtually impotent' (Bledsoe & Goubaud, 1985: 277).

Low salaries were undermining the National Health Service in another way. Despite the Health Ministry's public commitment to making basic primary health care available for free or at 'minimal cost', fieldworkers discovered in 1982 that the public sector wage crisis was promoting widespread evasion of this policy in government facilities, where basic drugs and supplies were often unavailable. This contributed to 90% of women choosing to give birth in village settings without formal health care facilities, 85% of them to traditional birth attendants (TBAs) with no formal medical training (Baumslag, 1981; Edwards, Birkett, & Sengeh, 1989: 167–168).

Since untrained TBAs were associated with many avoidable complications, such as tetanus, the leading cause of infant deaths from 1969 to 1979 (Kandeh, 1986), the fact that informal fees in government facilities tended to increase demand for TBA services had severe public health repercussions.

Yet, the government's attempt to expand primary health care by offering training to TBAs as unpaid paramedics, in keeping with the WHO's Health for All strategy (WHO, 1978b: 63), also had unintended consequences for out-of-pocket costs, because formal training was widely regarded within village communities as a rationale for higher prices – despite the apparent attempt by some patients to argue that, as government ‘employees’, trained TBAs should offer free care (Edwards et al., 1989: 68).

## **‘Health for All’ and the Invisible Hand**

What is striking in retrospect about the arrival of the Alma Ata Declaration in Sierra Leone is the extent to which it imbedded neoliberal prescriptions from the start. With the government's internal resources inadequate to fund any service expansion and its foreign bankers opposed to increases in payroll expenditures, the Ministry's WHO and UNICEF advisers urged some combination of aid funding, training for theoretically unpaid community members, and formal user fees which, together, constituted a clear reversal of the official commitment to free care.

According to the World Bank Africa office, the Bombali primary health care pilot project aimed to ‘shif[t] a substantial degree of authority and responsibility to local health development committees at both the chiefdom and district levels’. The ‘community orientation’ of the project ‘could reduce dependence on the central government's revenues. This would be particularly important in the area of pharmaceuticals for Sierra Leone’ (World Bank, 1981a: 112). The analysts went on to highlight a 1975 survey, which suggested that government expenditure on health per capita was less than half the out-of-pocket private expenditure. The research ‘would tend to support the notion that the population at all socio-economic levels is willing and able to contribute significantly to health care, directly’ (World Bank, 1981a: 114).<sup>12</sup> Six years later, World Bank staff reported approvingly that the primary health care projects in Sierra Leone were recouping between 40% and 78% of the cost of drugs from user fees (World Bank, 1986b: 5).

These reports highlight an unresolved tension in the primary health care movement, and in mainstream development institutions more generally. The Alma Ata Declaration urged that primary health care be made ‘universally

accessible to individual and families in the community ... at a cost that the community and country can afford' (Article 6). However, despite a clear statement in the official meeting report that 'individual payment on a fee-for-service basis is certainly not a solution that can be widely applied' (WHO, 1978b: 71), references in the declaration to 'the community' as a key source of financing left the possibility of such payments wide open. 'Members of the community can contribute ... financial and other resources to primary health care', the report suggested in a passage on local participation. It stressed the importance of policies 'to ensure that the community controls ... the funds it invests in primary health care' (WHO, 1978b: 51).

While it was the government's responsibility to 'ensure that essential drugs are available at the various levels of primary health care at the lowest feasible cost', the emphasis at Alma Ata on decentralization meant that financing, too, was being mandated as a local responsibility (WHO, 1978b: 52). Community members were asked to contribute 'their own resources, in cash and kind, in order to develop primary health care in accordance with the program they have worked out' (WHO, 1978b: 68).

In WHO's 1978 elaboration of the financing issues associated with primary health care, it encouraged clinics at the village level to charge 'small fees' for drugs and governments 'to find new types of local institutions through which health care can be cooperatively developed with financing partly by the local people themselves', giving them 'both the right and the incentive to participate in the running of the program' (WHO, 1978a: 28). Members of the study group did caution that 'care should be taken, in the worldwide enthusiasm for maximum local participation or self-reliance in health program development, that this movement is not exploited to relieve national governments of their responsibility' (WHO, 1978a: 29). However, if 'international organizations, multilateral and bilateral agencies, nongovernmental organizations, funding agencies, and other partners in international health' ignored the recommendation at Alma Ata to 'channel increased technical and financial support into' primary care, then these 'small fees' would become more and more central to the success of the larger enterprise (WHO, 1978b: 31–32).

In the period after the Alma Ata conference, experiments in 'community

financing' proliferated. The mandate claimed by WHO and UNICEF for primary health care as a centerpiece of development led aid agencies and governments to try and recover some of its costs from patients through local health financing strategies. This approach was not unprecedented. Shortly after Cameroon's decolonization in 1960, for example, the 'Directorate of Private Sector Support' (DASP) began retaining the services of village-level health workers by allowing them to keep the markups from pharmaceuticals sales (US Agency for International Development [USAID] Africa Bureau, 1980: 24; Molem, 2008: 64). The practice of funding recurrent salary costs of key public-sector health personnel at the village and district level through user fees was one precedent of decentralized financing strategies for primary health care regarded by some as 'neoliberal'.<sup>13</sup>

Another popular private financing model, introduced via USAID and other bilateral development agencies, was the revolving drug fund. In revolving credit arrangements, an initial capital investment is replenished by beneficiaries, often with proceeds from the sale of a commodity. A common feature of many agricultural development projects in the 1960s and 1970s, revolving funds were envisioned by bilateral donors as a way to help small farmers pay for key inputs like seed and fertilizer without locking donors into permanent support (Liebersohn, 1985). By the mid-1970s the model had begun to find its way into social-sector development projects as well, and the 'Health for All' declaration made it attractive to governments seeking to offload recurrent costs – particularly in the financial turmoil that followed the Mexican default on its sovereign debt in the summer of 1982 (Stinson, 1982: 20–25; Cross et al., 1986). Left unstated was the fact that revolving funds had been widely unsuccessful in poor farming communities, with the start-up capital soon dissipating in the face of poverty and high administrative costs (Liebersohn, 1985: 3). Meanwhile, the migration of the model from so-called productive economic sectors to health care rested on a striking unspoken premise: that user fees for health services and user fees for farm commodities are analytically equivalent.<sup>14</sup>

In this sense, revolving drug funds were neoliberal *per se*. Their evolution was predicated on an old popular notion, 'human capital', which became a special project of the University of Chicago economist Gary Becker in the 1960s.<sup>15</sup> Becker, a leading figure in the Mont Pèlerin Society, proposed that

the benefits of social services to the individual could be monetized just like any other commodity by assessing their additional contribution to a worker's economic productivity (Becker, 1975).

Becker illustrated his broader theory of human capital with an analysis of education, but it was soon taken up by health economists. They contributed another characteristically neoliberal argument that would become prominent in certain rationalizations of 'cost recovery' during the 1980s: the claim that markets assert a self-organizing rationality on consumption. Because the neoliberal consumer is rational, 'the demand for medical care must be derived from the more fundamental demand for "good health"' (Grossman, 1972: 248). Because that fundamental demand drives people's attempts to access health services, 'the importance of the cash price and the time cost of care as barriers to medical consumption would be very small', even in poor communities (Heller, 1976: 2). In turn, the high recurrent costs of drugs and personnel should be recoverable from patients without depressing their utilization of the formal health system, thereby allowing for cost-savings by governments (or bilateral funders) (Heller, 1979).

The question of whether user fees depressed utilization of health services in very poor communities was never asked in good faith. By 1979, it was already understood by health economists to be an empirical reality that direct costs to consumers have a rationing effect and that the imposition of copayments for curative care would decrease its utilization (Abel-Smith, 1980: 14). Rationing by price was a core hypothesis of the Health Insurance Experiment undertaken by the RAND Corporation for the US Public Health Service between 1974 and 1982, whose final results were published in 1988, but circulated even before the experiment was over (Aron-Dine, Einav, & Finkelstein, 2013). In USAID publications from just before President Reagan took office, the imposition of fees at the point of service delivery was described as a way to 'discourage the use of in-patient curative care' (Planning and Development Collaborative [PADCO], 1980: 51). The effect had long been familiar to WHO experts. 'If it becomes known that a clinic gives treatment to every patient free of charge', wrote the tuberculosis researcher Wallace Fox in 1964, three years after Sierra Leone's independence from Great Britain, 'this can be depended upon to result in patients presenting ... earlier ... and hence to improved prospects of cure'



(Fox, 1964: 137).

In retrospect, however, the demolition of the National Health Service in Sierra Leone seems to have had little to do with program effectiveness or patterns of consumer behavior, and everything to do with a ferocious debate about the costs of government in the developing world. After the first oil crisis in 1974, recurrent expenditures became a heavy burden for poor countries on top of debt payments that often, as in Sierra Leone, included interest on loans contracted by colonial administrators without the consent of the governed. Because official donors and development banks at the time were typically reluctant to support capital expenditures like health facility construction, and with ‘petrodollars’ readily available elsewhere, current accounts shortfalls were often financed in the mid-1970s by commercial debt – a ‘solution’ that was actively encouraged by development agencies, including the World Bank and WHO (Wood, 1986: 76–93; Kapur, Lewis, & Webb, 1997: 597–607; Sharma, 2010: 241–252).<sup>16</sup>

After two further global economic shocks in 1979 and 1982, the strategy became self-defeating, as creditors pursued outstanding debt with the assistance of the very same agencies. By early 1979 (at the outset of the second oil shock), the ‘recurrent cost problem’ came to be seen as a rationale to ‘favor programs and investments with lower recurrent expenditure implications’ and to encourage governments to impose ‘fees for the use of project services ... in such social sectors as health and education’ (Heller, 1979: 41).

The specter of recurrent costs was ever-present in the so-called ‘Berg Report’, which situated Africa as a primary focus of the World Bank’s emerging emphasis on reorienting government health policy (Stein, 2008: 32–35). Lead author Elliot Berg urged development institutions to ‘play a basic role in designing projects so as to emphasize user charges and cost recovery’, and ‘to develop approaches that conserve fiscal resources while expanding the provision of basic services’. The Berg Report’s goal of promoting ‘decentralized, self-financing approaches’ to health in developing countries was to be achieved by a dramatic shift in fiscal responsibility from national capitals to villages, principally ‘provision of primary rural health care through ... paramedicals funded by village revolving funds’ (World Bank,

1981a: 44).

As noted above, these recommendations were not novel. Bank President Robert McNamara was already on record advocating health-sector user fees as a way ‘to generate surpluses which can be used to expand coverage of these services, and give the poor a more equitable opportunity to benefit from them’ (McNamara, 1981: 329). Many governments in developing countries had already adopted this recommendation, rolling out programs that included ‘community financing’ through revolving funds and other fee-based local fundraising mechanisms as they struggled to flesh out WHO's primary health care agenda after the Alma Ata Declaration (Stinson, 1982: 20–25).

Elliot Berg's call for ‘paramedicals funded by village revolving funds’ represented a conscious effort to mobilize the Health for All agenda – with its focus on ‘barefoot doctors’ and other lay providers – but in order to shrink the scope of central government activities rather than to increase the agency of village communities or expand primary health care services. The precedent was once again offered by Robert McNamara who, in the mid-1970s, began to echo WHO Director-General Halfdan Mahler's call for ‘inexpensive health delivery systems ... designed around community-based health workers who can provide the poor with a broad spectrum of simple and effective services’ (McNamara, 1981: 326–327; Cueto, 2004; Litsios, 2004). The change in emphasis from ‘inexpensive’ to ‘self-financing’ was subtle, but its implications were profound.

Soon after the Berg Report came out, the World Bank moved to create an empirical justification for its two principal recommendations for the health sector: administrative decentralization from national authorities to the village level, and ‘cost recovery’ or user fees for the population at large. An economist in the Country Policy Department, Nancy Birdsall, began poring over household survey data from rural Mali, trying to calculate the price elasticity of demand for health services – that is, whether imposing fees made people use it less. The explicit premise of the exercise was that ‘services as they are now constituted and financed would be impossibly expensive to extend to the whole population’, so that governments had to explore ‘other options’, such as requiring cash payments (Birdsall, 1983). Indeed, under heavy pressure from the Bank, Mali passed legislation in 1983 and 1984

mandating 'various forms of community participation' in health care financing, including user fees (Brunet-Jailly, 1991: 10–12; see also Koita & Brunet-Jailly, 1989: 72–73). The idea that demand for health care was price-inelastic drew from a decade of neoliberal health economics focused on 'cost-sharing' in industrialized countries as part of the reaction against the increase in public expenditures associated with Medicare in the United States and the National Health Service in the UK (Webster, 2002: 70–77; Richmond & Fein, 2005: 58–63; Shakow and Keshavjee, forthcoming). Budget administrators at development agencies, however, required no footnotes to see its appeal (Abel-Smith, 1980: 12–14).

Birdsall's work was circulated internally in 1983 (Birdsall, Orivel, & Chuhan, 1987). The following year a second, much larger, research project was launched in Peru. Supervised by David de Ferranti, a longtime RAND Corporation staffer, it represented a collaboration with the Peruvian government, USAID, PAHO, the West German development agency GTZ, and the UN statistical agency, based on a massive survey of over 12,000 households sampled with strict attention to statistical methodology to ensure that they were representative of the country as a whole (van der Gaag & Musgrove, 1984: 156–157).

Meanwhile, the Reagan administration was moving decisively to reshape public health care institutions in the developing world. 'Recent changes in policy and economic environments have increased the prominence of issues of local financing and non-governmental support of the health system', reported one USAID consultant in 1984 as he explored how to shift the burden of recurrent health sector costs in Sierra Leone from public agencies to patients. 'A political philosophy eschewing the public sector's role in remedying social problems has caused donor countries to reevaluate their roles in foreign assistance programs.' Thus: 'The principal motivation for this study is the policy decision, US Government-wide, that government is to be the provider of services of last resort. That is, alternatives to publicly financed services must be sought and exploited...' (Meyer, 1984: 1–2).

By the end of 1986, USAID had officially determined that the 'inability to cover recurrent costs of preventive health care' was likely an outcome of 'excessive government spending on personal, curative care and excessive

utilization of secondary and tertiary care facilities'. American aid should, therefore, support 'development of private services, fees-for-service, [and] efficient resource allocation and utilization' (USAID Bureau for Program and Policy Coordination, 1986: 7). A few months later, the American aid agency published the results of a five-year, 16-country survey of health care community financing projects that had received US funding between 1981 and 1986. It offered an analysis of relevant considerations and, perhaps more importantly, a palette of possible project designs for subsequent support (Stinson et al., 1987).

The World Bank's Peru study was completed around the same time. It showed unequivocally that 'user fees can generate substantial revenues, but are accompanied by substantial reductions in aggregate consumer welfare, with the burden of the loss on the poor', so that 'undiscriminating user fees would be regressive both in terms of access and welfare' (Gertler, Locay, & Sanderson, 1987).<sup>17</sup> However, David de Ferranti did not appear as an author, and the report was not published initially by the World Bank.<sup>18</sup> In the period between planning and execution, de Ferranti had leveraged his association with the Peru project to become one of the Bank's most prominent advocates of 'cost recovery' in poor countries, and which led to him distancing himself from the findings after they contradicted his chosen approach – even though it was a study for which he had formal responsibility.

'The conventional and still growing faith that health care should be totally paid for and administered by government needs to be vigorously challenged', de Ferranti insisted in an influential 1985 policy paper, one of ten he wrote or coauthored on the subject after 1981. 'There appears to be considerable scope for having users bear a larger share of health care costs, preferably through a combination of fees for services and fees for coverage' (de Ferranti, 1985). He subsequently contributed to an official statement of World Bank policy on user fees along with Birdsall and Elliot Berg's former student John Akin, who had been one of the most consistent and effective advocates of the argument that out-of-pocket payments would not decrease utilization of health services in poor countries.<sup>19</sup> It outlined an 'approach [that] would reduce government responsibility for paying for the kinds of health services that provide few benefits to society as a whole', which is to say that 'most curative care, whether provided by the government or non-government sector, should be

paid for by those who receive the care' (World Bank, 1987: 1–2).

Two months later, the Peru data, showing the damaging effects of user fees on the poor, was published by the National Bureau for Economic Research. The paper drew little attention.

## **‘Community Financing’ and Civil War**

The political manoeuvring in Washington soon had more direct implications for the population of Sierra Leone. In November 1984, after the IMF decided yet again to suspend its lending, the government urgently recruited a consultant via the World Bank to evaluate the health sector in preparation for a possible loan (World Bank, 1986b: 34; Reno, 1993: 28). The situation was dire. One estimate of Sierra Leone's annual government health expenditure per capita in 1986 put it at \$4.65 in real (2016) terms, about half the real expenditure in 1970/71.<sup>20</sup> State expenditure on health fell from 8.2% in 1981 to 3.2% in 1986–87 – faster than its decline during the oil shocks of the 1970s (Zack-Williams, 1990: 27). One firsthand account illustrates the outcome:

State hospitals and clinics have borne the brunt of the crisis. They have been left to decay, while private clinics charging prices well beyond the means of the average wage-earner have flourished. Health workers, like teachers, and other civil servants have had to go for months without wages or salary. This has produced tremendous demoralization among employees and has subsequently affected the services offered. Most of these workers now turn to what Sierra Leoneans now call *mammy coke*, moonlighting. Indeed for quite a number of these workers, ‘the Government job’ is subsidiary to the new-found jobs. (Zack-Williams, 1990: 27)

The privatization-by-default of Sierra Leone's National Health Service during the 1980s was the culmination of longstanding weaknesses in the public sector. The debt crisis in the developing world had led to two more abortive agreements with the IMF, each of them sealed with a currency devaluation

(Kamara, 2001: 127). Officials at the Bank of Sierra Leone complained to the *New York Times* that the country was being 'blacklisted' by commercial lenders, though certain economists and businessmen quoted anonymously in the same article instead attributed the problem to corruption and an overvalued currency (May, 1984).

The underlying instability was clearly global in nature.<sup>21</sup> As Robert McNamara noted in Congressional testimony on 5 September 1985, debt-related riots had broken out in Guatemala that very morning ('A mandate for development', 1985). Yet, when the Bank's report on health care in Sierra Leone was circulated a week later, it placed the blame for fiscal problems exclusively on the government, including the Health Ministry.

The modest objectives of Health for All, wrote the authors, were 'overly ambitious' in light of 'recent budgetary constraints and the widening gap between Government revenues and expenditures'. They called the ministry 'far too centralized', 'inefficient' and 'inadequate' in its management of drug supply, and concluded: 'The financial constraint has been further exacerbated by the Government's policy of providing services at a negligible charge' (World Bank, 1985b: 63–71). They prescribed an end to all collaborative projects with foreign donors, whose budgets represented \$11 million in foreign exchange, except a small fertility initiative in Freetown (World Bank, 1985a: 61, 1985b: 71). 'The Ministry of Health will have to be reorganized, including handing over some of the hospitals and dispensaries to non-governmental organizations' (World Bank, 1985a: xi). Finally, 'efforts should be made to reduce costs and introduce some cost recovery from drugs and hospital care'.

Sierra Leone's longtime president resigned in November 1985, and his successor immediately capitulated to IMF demands by removing price supports for rice and 'floating' the currency, leading to a catastrophic devaluation that wiped out 90% of savings and salaries in just twelve months (Zack-Williams, 1990: 29; Weeks, 1992: 88–89, 129–133). Soon afterward the IMF signed off on a three-year Structural Adjustment Facility that required Sierra Leone to end price controls on a number of other staple consumer goods, including gasoline and kerosene, to privatize state rice imports, and to increase the producer prices of export crops like cocoa, palm

oil and coffee (Longhurst, Kamara, & Mensurah, 1988).

Meanwhile, the World Bank issued a health sector loan whose terms imbedded the recommendations of the Bank's policy recommendations from September 1985: curtailment of direct government involvement in the health system and increased reliance on user fees.<sup>22</sup>

Launched in September 1986, the World Bank 'Health and Population Project' represented a dramatic philosophical shift for the Health Ministry. By this moment in the slow disintegration of the country's public sector, about four-fifths of the annual health care expenditure of \$7.40 for each citizen came from his or her own pocket. The remainder came from the Ministry of Health and other government agencies. All government facilities, other than the WHO- and UNICEF-sponsored primary health care projects, still had an official policy of free care, with 'only nominal sums generated through user fees and pension schemes' (World Bank, 1986b: 6). The World Bank proposed to chart a new course. The 'national health service' envisioned at independence in 1961 would be all-but-formally abandoned, and in its place would be a decentralized system supported by revolving drug funds.

Disbursement of the IMF and World Bank loans was suspended just a few months after the documents were signed, when a failed coup attempt on President Momoh and widespread popular resistance to the austerity policy led the government to refuse any further currency depreciation (Zack-Williams, 1990: 29; Reno, 1993: 31). The World Bank health loan was not to be paid out until 1992, after a military junta had taken power (World Bank, 1996b). Subsequent analysis by the Bank acknowledged that its hardline approach damaged public health by 'keeping other donors away' from Sierra Leone's health sector for five years (World Bank, 1996b: 2). Yet during the intervening period the government continued its attempts to execute the 1986 planning blueprint in the hope of convincing the multilateral lenders to return (Zack-Williams, 1990: 30). Not for the first time, 'the government operated under the constraint of multilateral conditionality without the benefits of multilateral funding' (Weeks, 1992: 30).

The revolving drug fund that was launched in conjunction with the World Bank in 1986 therefore continued to operate even after the Bank suspended

disbursement with modest support from the West German development agency GTZ. Beginning with the original primary health care project in Bombali District, it expanded by 1987 into a country-wide 'cost recovery' system, with procurement of essential drugs by UNICEF (United Nations International Children's Fund [UNICEF], 1989).

In September 1987, five months after the World Bank and IMF abandoned Freetown, Jim Grant, executive director of the UN Children's Fund (UNICEF), found himself 500 miles away in Bamako, Mali, at the annual meeting of WHO's Africa office (Grant, 1987). He proposed a scheme to save primary health care from drowning in a sea of red ink – a scheme that closely resembled the World Bank-designed cost-recovery program in Sierra Leone. Given the debt crisis, he argued, the best that African governments could hope for was to avoid 'disproportionate cut-backs'. Thus 'the social sectors themselves must produce internal restructuring to put higher priorities on those programs which result in the most benefit to the vulnerable' (Grant, 1987: 82). These structural adjustments were to be guided by a sharp distinction between curative care, whose recurrent costs should be recovered from poor patients, and preventive care, which were less suitable targets for user fees (Grant, 1987: 82). Grant's formulation seemed clearly to draw upon the World Bank policy paper published that spring by de Ferranti, Birdsall and Akin.<sup>23</sup>

Just before Grant's speech, WHO Director-General Mahler had addressed the conference, announcing an agency-wide \$45 million cutback. He acknowledged in deeply pessimistic language that the 'revolutionary health policies' announced at Alma Ata nine years earlier were gravely endangered (Mahler, 1987; Brown, Cueto, & Fee, 2006: 67–68; Chorev, 2012: 144–145). A common strategic evolution seems to have driven the WHO and UNICEF to Bamako.<sup>24</sup> WHO's statement on 'Economic Support for Health for All' from earlier in the year affirmed 'adjustment policies which governments ... had to adopt in order to maintain a reasonable balance between economic growth and social development'. This echoed World Bank criticism of 'governments [which] have not seriously taken up the strategic actions required to generate and mobilize all possible resources for health', and strongly endorsed the recommendation to pay for primary health care through 'community financing' – with the further elaboration that '*consumers* be



required to pay for part of the cost of the health services they use' (WHO, 1987: 6–8).

Grant proposed to fund the expansion of primary health care to developing countries by asking patients to pay for their own drugs through revolving drug funds. 'The local costs of the PHC [primary health care] system', he argued, should be 'financed in good part through essential drugs purchase' by patients. Since medicines are the focal point of modern curative care it was reasonable to think that they could pay for other recurrent expenditures. In any case, it was better for people to buy medicines in public facilities with regulated mark-ups than in an unregulated private sector: '[e]ven if people pay two or three times what UNICEF pays for the drugs', these prices 'are very affordable for most' (Grant, 1987: 87). Grant offered the audience an enthusiastic vision of 'an expanded PHC system throughout Africa within five years, which would meet the essential drug needs of the great majority ... and which would be largely locally financed and managed' (Grant, 1987: 86).

In the first Bamako Initiative annual report, UNICEF described no fewer than 24 action plans, with four countries already in the implementation stage, all within a few hundred miles of Bamako – Benin, Guinea, Nigeria, and Sierra Leone (UNICEF, 1989). In September 1989, they met in Freetown to plan the next steps. The delegations described a situation far less promising than the one Grant had offered. 'People are asked to pay many taxes and contributions', they reported, 'as well as to construct health facilities'. However, 'there is a limit to the amount that people can contribute'. They reported significant difficulty determining who should be exempted from payment and who should bear the burden for out-of-pocket costs of 'the poorer people'. Theoretically, this evaluation was to be a community responsibility but 'community participation is complex. ... Health committees which are supposed to represent the people should be composed in such a way that they are representative and competent'. In many instances, it appears, there was significant pressure on these bodies from the paramount chiefs and other local vested interests.<sup>25</sup> Worst of all, they noted, was an apparent bootstrap problem: the failure to provide quality services before the implementation of 'community financing' was causing people to opt out of the public system altogether, shrinking the funding base for fee-based service

expansion (UNICEF, 1990).

The phenomenon that the Sierra Leonean delegation was describing anecdotally became fully visible only in retrospect. In 1987, the year of Grant's speech, 70% of drug costs were being recovered from patients (Kleinau et al., 1990).<sup>26</sup> Subsequent analysis by the World Bank, however, found that returns to the public system from user fees fell to just 44% of costs within two years (World Bank, 1996b: 3–4). One possibility is that low service quality was driving potential users away. A more straightforward explanation is that demand for health services in these very poor communities was not in fact price-elastic. Akin, Birdsall and de Ferranti were wrong. The research they had spurned was right all along.

The UNICEF-sponsored revolving drug fund began operation in communities near Freetown, accounting for one-third of Sierra Leone's population, with fees required for medicines and treatment. Government facilities in all twelve districts of the country were now operating on a cost-recovery basis. The same procurement problems that had supposedly motivated the health system reform in 1986 were all still in evidence, if not more pronounced. Key medicines had to be restocked from unofficial sources. Diversion of drugs by underpaid (or unpaid) community health workers was 'undermin[ing the] program', as the 'economic situation [made] it difficult for people to be completely honest' (Kleinau et al., 1990).

Operational research studies confirmed that high upfront costs and erratic drug supply in government health facilities were causing patients to stay away (Thuray et al., 1997). One medical anthropologist reported that by 1990 hospitals in the south were lying empty – the 'burden of cost recovery falls heavily on the rural population during the rainy season, the time of hunger, when most diseases peak and people have little cash' (Jambai & MacCormack, 1996). By 1990, more than two-thirds of deliveries in one district were at home, supervised by birth attendants who, when trained at all, expected a fee from the community since they were not paid by the Ministry. Since kits and essential drugs were unavailable, they often had to resort to unsterilized instruments, greatly increasing mortality from tetanus and other complications (Konteh, 1997).

For those who did receive care, imposition of user fees had a dramatic impact

on household budgets. The most rigorous analysis of Bamako Initiative-supported districts in Sierra Leone found that, in the first two years of implementation, the poorest households spent a quarter of their current incomes seeking health care. Overall, about 64% of all patients did not seek treatment from formal medical facilities, with almost half of these citing lack of money as the reason, a phenomenon that varied directly with income level. This was partly because some primary health care units had informally increased fees to about 180% of the rate established by the Health Ministry. Even the mission hospitals, which were not subject to policy changes in the public sector, became more expensive after fees were imposed in government facilities. Meanwhile the fee exemption system seemed to have little or no legitimacy among the population, and the researchers believed that its potential to be effective remained 'bleak' (Fabricant, Kamara, & Mills, 1999).

Around the time that the Bamako Initiative came to Sierra Leone, the government finally discharged its arrears to the IMF. A team of IMF advisors flew from Washington to Freetown, while a group of Sierra Leonean 'technocratic reformers' was sent on an IMF-sponsored study trip to Ghana to demonstrate the benefits of mass public-sector layoffs and public-services cuts. New loan agreements were signed in 1991 that strictly obligated the government to 'dismantle' the public sector. In some ways this was a *fait accompli*, for social spending had fallen 85% from the early 1980s, and tax revenues had plunged (Zack-Williams, 1990: 30–33, 1993: 61; Reno, 1996: 11; Siegel, Peters, & Kamara, 1996: 4).

In the midst of negotiations with the IMF and World Bank, the government was challenged by an insurgency in Kailahun district, on the south-eastern border with Liberia, which was in a state of civil war. Within twelve months, the civilian president of Sierra Leone had been deposed by unpaid young soldiers. It seems plausible that the retrenchment of the public sector under structural adjustment played a role in the political instability, not only by alienating patrimonial allies of the government as Sierra Leone was recast as a 'gatekeeper state' for international funding, but also by decreasing social cohesion as core state functions were abandoned (Reno, 1993: 36; Zack-Williams, 1999).<sup>27</sup>

Immediately after the coup, the World Bank resumed disbursements of the health sector loan it had suspended in 1987 (World Bank, 1996b: 2). Armed overthrow of the civilian government had finally ensured that, as one Bank document put it, 'the setting was right for health reforms' (Siegel et al., 1996: 5). Members of the National Provisional Ruling Council (NPRC) junta were mostly in their twenties and ideologically disposed to neoliberal policies. The health docket was assumed by Lt. Col. Akim Gibril, an army gynecologist.

When the Bank returned to Sierra Leone in 1992, government health services were in 'an appalling state of deterioration both in quality and scope', and the physical condition of most health facilities was 'deplorable'. Many hospitals and clinics lacked electricity, water, and access roads, and in some cases rural health centers were found to exist only on paper (World Bank, 1996a: 4). Beginning in 1992, Gibril oversaw the drafting and implementation of a National Health Policy and National Health Action Plan, based on blueprints prepared under World Bank guidance in the mid-1980s (World Bank, 1986a: 14, 19, 1986b: 15–20, 34–35; Decosas, 1990; Gibril, 1997: 3). Under this policy, 4,000 Health Ministry employees – half the total salaried staff – were laid off, allowing the Ministry to trim \$2.6 million from the budget between 1991 and 1996 (Siegel et al., 1996: 3; World Bank, 1996a: 5; Gibril, 1997). The cost-cutting was regarded as a dramatic success, but it was mitigated by the performance of the revolving drug fund which, as of 1996, could 'only be described as a failure' (World Bank, 1986b: 3–4).

As civil war engulfed the country, the security situation made 'community financing' even more damaging. In maternity units, where 75% of system costs were for drugs and supplies, managers were expected to fulfill their program commitments with the aid of user fees. As the conflict intensified, however, the nationwide price of blood bags almost tripled to US\$16 each, putting them out of reach of patients and leading to a sharp decrease in the use of blood for deliveries. One maternity unit adopted a new policy of providing services before payment to all emergency patients, but this approach was not universal (Leigh et al., 1997). Fee exemptions were a total failure, partly because so many were destitute, partly because 'community financing' strategies were so structurally dependent on village elites for enforcement that in a highly stratified society like Sierra Leone, the process was prone to abuse.

The outcomes in Sierra Leone were consistent with evaluations of the Bamako Initiative from all over the world in the mid-1990s. These early reports suggested that the revolving drug funds had failed to have a significant impact on the availability of medicines and other important supplies and did not raise significant amounts of money. As in Sierra Leone, fee exemptions seemed to be ineffective at ensuring access in areas characterized by a high proportion of very poor patients (Keshavjee, 2014: 75).

In 1994, the junta elected to temporarily suspend ‘cost recovery’ for drugs and most collections of user fees for services, citing dramatic increases in the number of displaced persons and widespread impoverishment (World Bank, 1996a: 8). However, the National Health Action Plan (NHAP) frequently reiterated its commitment to ‘community financing’ and its intention to reinstitute cost recovery (World Bank, 1996a: 2, 6–7). So close was the association of the NHAP with user fees that subsequent communications by the Health Ministry with the World Bank cited the population's ‘willingness to pay for the improved services through user fees and the Bamako initiative’ as the primary indication of ‘their commitment to NHAP’ (World Bank, 1996a: 4).

The Bank was not exaggerating when it boasted that the NHAP had fully adopted the recommendations of its 1993 *Better Health in Africa* report (World Bank, 1996a: 8). Aside from user fees (promoted by the Bank partly ‘so that possible private providers are not in competition with free health care’) (World Bank, 1993: 13), the centerpiece of both documents was operationalizing financial decentralization to the district level (World Bank, 1993: Chapter 7; Siegel et al., 1996: 7). Primary care was to be supervised by semi-autonomous district management teams, while hospitals and districts were to have their own community boards (Siegel et al., 1996: 10). This framework was the explicit foundation for a new World Bank loan issued in 1996. Shortly afterward, Gibril left the country to take a fellowship at Harvard School of Public Health when civilian rule was restored under Ahmad Tejan Kabbah (‘Takemi fellows group photos 1990–2000’, 2000). The process of decentralization had only just begun with one district near Freetown when military conflict returned. However, because the NHAP had been written into existing agreements between multilateral financial

institutions and the Government of Sierra Leone, it served as the starting-point for national health planning after Tejan Kabbah returned to power in 2002 (Williams, 2007: xvii).

It was just over half a century since the Labour government had announced to every British household that the National Health Service ‘will provide you with all medical, dental, and nursing care. Everyone – rich or poor, man, woman or child – can use it or any part of it. There are no charges, except for a few special items’ (Webster, 2002: 24). That famous pamphlet also inspired the National Health Service established in post-colonial Sierra Leone, and its continued grassroots appeal was one reason the government clung so tenaciously to the principle of free care, long after its ability to deliver had vanished in a sea of debt. Sierra Leone's National Health Service was founded on the idea that decolonized states should confer on their citizens the same rights as industrialized countries, a central feature of the American rhetoric of development after World War II. It became, among other things, important to Sierra Leoneans’ national allegiance. It could not be casually abandoned.

The drive for savings on the ‘recurrent costs’ of health care to governments began as a side-effect of the reaction to the Medicare program, more than a decade before Ronald Reagan and Margaret Thatcher took office (Shakow & Keshavjee, forthcoming). In its origins, austerity was a structural phenomenon of the liberal international order, not an ideological campaign of its neoliberal representatives. Well in advance of the 1986 health reforms, the government of Sierra Leone was *already* starving its health budget in the interests of its creditors. By the mid-1980s, before any of the World Bank's policy directives had been adopted, health was *already* down to 3% of total state expenditure. What the IMF and World Bank did subsequently was to besiege Sierra Leone, from a development perspective, by withholding funding yet crowding out other donors for five years, until a junta seized power and adopted health-sector structural adjustment policies to the letter.

The full implementation of neoliberal health sector policies in Sierra Leone was delayed until after the war. After that, in retrospect, a complete health system breakdown like the Ebola epidemic appears almost inevitable.

# Decentralization and Epidemic

At first, the World Bank and IMF seem to have anticipated that decentralization in Sierra Leone after the civil war would move forward largely through ‘restoration of paramount chiefs’ (IMF & IDA, 2002: 14). Some observers, however, were concerned that decentralization models floated by international development agencies would further empower the chiefdoms, which they saw as abusive and extractive institutions directly implicated in the violence (Fanthorpe, 2004a). Belatedly, the World Bank country office came to echo these misgivings. In the end, it advocated reviving the defunct system of district and municipal councils, to serve alongside the chiefs as focal points of decentralization (World Bank, 2003: 37–47). This model was formally adopted as the Local Government Act of 2004. However, the precise division of responsibilities between the councils and the chiefdoms was left strategically vague, as was the financing strategy (Jackson, 2005: 51; Fanthorpe, 2006; Manning, 2009; Labonte, 2012).

In principle, the councils were supposed to have access to an independent revenue stream via their legal authority over local taxation and regulatory fees, to be collected by the chiefs and then shared with them in an unspecified manner (Government of Sierra Leone, 2004: §20, 45, 58–59). However, the struggle with entrenched power was no contest. By 2009, a ministerial decree gave the chiefs permission to keep all proceeds of local taxes, a principle enshrined in law without fanfare in 2011 (Edwards, Yilmaz, & Boex, 2015: 56). Extraction of diamonds, gold, and other natural resources by multinational firms continued to be negotiated with the chiefdoms, rather than the councils (Bermúdez-Lugo, 2008: 35.1–3).

Given these constraints, the councils were able to directly provide only a tiny slice (recently estimated at 7%) of the funds for service provision (Edwards, et al., 2015: 56). Yet, despite their lack of meaningful budget authority, they were still formally responsible for all health care decision making and priority setting at the facility level (Sierra Leone Ministry of Health and Sanitation, 2009: 11). Most expenditures of the public health system continued to be disbursed directly by the national health ministry, but at a significantly reduced level. The World Bank acknowledged in 2009 that ‘competing priorities and revenue shortfalls’ were diverting central

government allocations originally mandated by the decentralization program away from local public health institutions (World Bank, 2009: 3). A year later, a joint review by the National AIDS Secretariat and UNAIDS underscored the ‘inadequacy of the resources needed to ensure effective functionality of ... decentralized facilities’ and widespread confusion about the organizational division between local councils and chiefdoms (Government of Sierra Leone and UNAIDS, 2010: x).

Ultimately, these weaknesses of decentralization were central to the health system's dysfunction in Sierra Leone, with poor services at the local level leading to alienation of the population from the formal health sector. The challenges to decentralization were complex, but one significant obstacle was the very loan conditionalities that had led to the parallel structure. It was not until five years after the ‘decision point document’ that the World Bank and IMF announced the fulfillment of their conditions (including decentralization), erasing most of the \$1.2 billion in sovereign debt that accumulated during the civil war (IMF & IDA, 2002; IMF 2006; World Bank, 2016). The country's annual service payments fell from US\$25 million to US\$6 million in 2008.

In 2002, a WHO-supervised survey had found that the government of Sierra Leone was providing about one-quarter of health care spending in the country (including external aid). Six years later the government share of health expenditure had dropped to 18%, as low as in the late 1980s. Adjusting for inflation and population growth, the government actually spent US\$1.50 less per person in 2008 than it had in 2002 (WHO, 2017). The deficit was made up by Sierra Leone's population, more than half of which lived on less than US\$1.25 a day (United Nations Development Programme [UNDP], 2015). Private out-of-pocket payments for health care rose from about \$30 per person in 2004 to almost \$40 per person in 2008 (79% of the national health expenditure), the highest level in Africa according to some estimates (WHO, 2017).

By the late 2000s, the cost of care was directly impeding people from using health facilities. In a country where one in six children died before their fifth birthday, an extensive survey in Kailahun and three other sites nationwide found widespread avoidance of the formal health system because people



could not afford to pay in cash up-front. Unaffordable and arbitrary fees for services, the expense of travel to sparse health care facilities, and lack of supplies and skilled personnel were leading many people to fall back on traditional healers, despite widespread knowledge that biomedicine was effective for many conditions (Oyerinde, Amara, & Harding, 2012; Oyerinde et al., 2013). Not only was high out-of-pocket expenditure clearly implicated in death and illness for Sierra Leoneans, the failure of the marketized health system was migrating beyond the country's porous borders: prevalence of drug-resistant tuberculosis reached 'alarming' levels in 2008, including two new mutations specific to Sierra Leone (a familiar indication of interrupted care) (Homolka et al., 2008).

On 27 April 2010, President Ernest Bai Koroma abolished all fees at government health facilities for pregnant and lactating mothers and children under 5 years of age. The Free Health Care Initiative (FHCI) cost about \$35 million, of which \$31 million was provided by a combination of foreign aid and loans (Gborie, 2010: 2). The roll-out of FHCI coincided with a steady increase in Sierra Leone's state health care budget, which rose from about \$48 million in 2008 to \$85 million in 2013 (coinciding with a sharp increase in indebtedness) (World Bank, 2016; WHO, 2017). Much of the new funding seems to have been directed through organizations outside the public sector. Between 2009 and 2013, the NGO share of health care expenditures approximately doubled, from about 10% to about 20%, rising from about US\$6.50 for every person in Sierra Leone to US\$18 per capita (WHO, 2017).<sup>28</sup> In many cases, the decentralization strategy directly undermined the official commitment to free care. For example, although government policy mandated that medicines for malaria should be free to anyone diagnosed, surveys found that one in four malaria patients treated at NGO facilities was charged for the main fixed-dose combination pill, and half of those treated with drugs for complicated malaria were charged by NGOs (Amuasi et al., 2012).

The influx of new funds from state and private sources led to a reduction in the out-of-pocket component of health care spending and an increase in the utilization of health services by pregnant women and young children. Out-of-pocket expenditure fell from 80% in 2008 to 61% in 2013 (WHO, 2017). However, in the years immediately before the outbreak of Ebola, Sierra

Leone's local health facilities continued to suffer from profound resource and procurement problems that led to widespread imposition of unofficial fees, as erratic and inadequate resource streams undermined the officially mandated 'free care' policy. According to one report written the year before the epidemic, 'Insufficient, unpredictable and heavily earmarked resource flows down to the facility level, combined with poor staff discipline, resulted in inefficient health facilities that relied heavily on user charges' (Pieterse & Lodge, 2015; Simson, 2013: 4). Both in principle and practice, decentralization and 'cost recovery' were elements of the same prescription.

During the Ebola epidemic, the combination of underfunding and lack of clarity about who would be responsible for coordination of health system activity was catastrophic (Edwards et al., 2015). At a certain point, an affirmative decision appears to have been made to sideline the councils (Turay, 2015). Ultimately, it was the chiefs to whom government turned, both because they proved to be the only effective local authority and because they controlled the ritual associations whose burial practices were implicated in the chain of contagion. This, in turn, allowed the chiefs to extract significant rents from international agencies, and to improve their political position. A recent position paper by the chiefs to the body revising Sierra Leone's constitution has proposed establishing them as a separate house of legislature with life tenure (Kargbo, 2015).

One can only speculate about why the catastrophic health sector decentralization policy in Sierra Leone proceeded despite clear evidence that it was undermining the coherence of the system and damaging health outcomes. One plausible hypothesis, however, is that the decentralization of health care in Sierra Leone, designed and promoted by the World Bank and other development agencies, was incidental, a minor corollary of the broader transfer of authority away from the central government that was driven by the needs of the transnational mining industry. From the colonial period onward, that industry has been a silent partner to the chieftaincy system in Sierra Leone (Zack-Williams, 1995; Fanthorpe, 2001). It was also deeply interested in the transfer of central government power over mining licenses and other taxation and regulatory functions to the chiefdoms (Curtis, 2014; Human Rights Watch, 2014).

To the extent that the Ebola epidemic was exacerbated by a struggle between ‘traditional’ and ‘modern’ institutions in the decentralized Sierra Leonean state, how could that be laid at the World Bank's doorstep? The answer is that ‘traditional’ authority is a misnomer. The leading neoliberals in Sierra Leone were the paramount chiefs themselves.

## Conclusion

The neoliberal principle of autonomy that was embedded in Sierra Leone's public health budget became lethally concrete during the Ebola crisis, when the country's borders were made impermeable by quarantine. Then, as beforehand, the autonomous logic of the liberal international order clearly failed the people of Sierra Leone. Paradoxically, the ‘community financing’ strategy pursued by the World Bank, USAID, UNICEF, and WHO served to isolate communities in Sierra Leone and other countries from the right to health, rather than facilitating their participation in global standards of acceptable care.

The global inflationary crises of the 1970s and their aftermath had swallowed up the ambition of Sierra Leone's architects to create a National Health Service modeled on the system in the UK and turned their dream into a bureaucratic fiction. Even before the oil shocks, many citizens were already operating informally on a fee-for-services basis. But instead of approaching this situation as a public-health and a moral problem, committing their authority and resources to closing the gap between wealthy and poor nation-states in a post-war international system that treated them formally as equivalent and interchangeable, development institutions elected simply to draw lines of quarantine that allowed clear distinctions to be imposed between them.

As demonstrated in this chapter, many features of this approach can be seen in the structure and premises of WHO's Health for All campaign. How could an egalitarian movement be transformed so quickly into a mechanism for stratification of rich countries from poor ones? The answer is that neoliberalism in global health during its formative period during 1980s reflected a permanent tension within the liberal state system itself rather than an ideology of the moment. It grew out of a tendency to address failures of

egalitarian ideals within a given group, not by trying to widen the institutional criteria for inclusion ('social justice'), or by working to alter the relevant traits of group members who are disfavored ('social change') but, rather, by arbitrarily re-classifying those members outside the boundaries of group itself – what Mehta calls a 'liberal strategy of exclusion'. It is not simply that the 'neoliberal' strategy was thoroughly steeped in the terminology of egalitarianism, but also that it was, in many cases, free-riding on existing institutions, cashing out strategies (like cost-effectiveness analysis or fiscal decentralization) designed to mitigate the high costs of statism, but for the purposes of public savings and private enrichment rather than social inclusiveness.

During the past decade the policy discussion over user fees has shifted decisively back toward the prevalent view among health economists in the 1970s – before development agencies became mesmerized by the so-called 'recurrent cost problem' – that charging patients at the point of service delivery is likely to impede access to care in very poor communities (Robert & Riddé, 2013). Many countries in Africa started to remove user fees in the 2000s and reported significant increases in health services utilization (Riddé & Morestin, 2011). David de Ferranti himself seems to have quietly thought better of his position on community financing as early as 1995, telling an interviewer that 'the Bank' (as he put it) had been wrong to encourage ministries of health to introduce user fees when there may have been 'better ways to get to better places' (Lee & Goodman, 2002: 110).

By then de Ferranti was director of the Bank's Human Development Department and, even after this admission of error, he did not change his public stance. His halfhearted recantation remained unpublished for seven years. Indeed, in 1996 he wrote in the foreword to a case study of Sierra Leone that the country's approach (based on 'community financing' and user fees) allowed it to 'use available resources more productively, and... increas[e] accountability to households' (Siegel et al., 1996: v).

In the absence of any public accountability for their errors of analysis, both UNICEF and the World Bank continued to promote the Bamako Initiative as a success in West Africa well into the 2000s, and resource-poor countries like Sierra Leone continued to engineer 'cost recovery' into their public health

systems, even though the Bank had formally acknowledged the risks of imposing fee-for-service care in poor communities (Johnson & Stout, 1999: 26, 46). One background paper for the World Development Report of 2004, which was written by some of the main architects of the Bamako Initiative at UNICEF and the World Bank, argued that forcing people living in poverty to pay for their own medicines transformed them: 'From mere recipients of health care, *consumers* became active partners whose voice counted' (Knippenberg et al., 2003: 4). This was not an empirical position, but rather a spiritual one.

Even in 2007, after massive evidence had accumulated that dismantling the Bamako Initiative pricing structure was having dramatic positive effects on access to care, UNICEF's *State of the World's Children* report still claimed that 'the initiative improved the access, availability, affordability and use of health services in large parts of Africa, raised and sustained immunization coverage, and increased the use of services among children and women in the poorest fifth of the populace'. None of these assertions is supported by evidence. The report stated that four countries were implementing the Bamako Initiative (Rwanda, Mali, Guinea and Benin), but failed to mention that all of them were ranked in the bottom 20 countries in the world on a key measure of child mortality. Furthermore, it issued a direct challenge to the gathering international consensus among policy analysts against user fees, asserting that 'calls for the immediate and universal elimination of user fees for health care services may prove overly simplistic or unrealistic' (UNICEF, 2007: 36, 57, 85).

This was soon after Uganda and Zambia had eliminated user fees for their entire populations and a number of African countries, including South Africa, Tanzania and Burundi, had launched free services for all pregnant women and children (Riddé & Morestin, 2011). Plainly, the durability of UNICEF's commitment to 'cost recovery' speaks to an intense ideological commitment. Today, by contrast, the received wisdom within development agencies favors public provision of universal health coverage (UHC) financed with tax revenues, and opposes direct payment at the point of service delivery, a position that has received public support from the UN General Assembly and numerous mainstream development economists, including David de Ferranti (Boseley, 2012; Savedoff et al., 2012).

This movement toward more equitable distribution of health care resources is welcome. But absent hoped-for public funding, UHC could easily become a vessel for imposition of very different policies, for example expansion of unregulated private insurance markets. The precedent of WHO's primary health care campaign should make us wary about the ease with which the resource needs of egalitarian liberalism can give its neoliberal counterpart a lever with which to undermine it.

## Notes

1. See in particular F.A. Hayek's assault on social and economic rights as expressed by the Universal Declaration of Human Rights (Hayek, 2012: xv–xvi, 99, 101–106).
2. For a comparison with the late colonial period, see Due (1966: 20, Table 7, and 21, Table 8).
3. The World Bank literature overstates the country's economic stability in this period since the 10-year averages are heavily weighted by strong performance after the IMF standby arrangement was concluded. Due to its foreign indebtedness, the country was painfully vulnerable to external shocks like the US decision to leave the gold standard in 1970 – see Anon. (1971).
4. For general background on Milton Margai, his colleagues, and the transition to the post-colonial health system in Sierra Leone, see Patton (1996).
5. The Health Ministry's budget recovered only in 1977–78 after a standby arrangement was concluded with the IMF providing the government with assistance managing its debt-fueled balance of payments crisis.
6. MacCormack (1984: 201), based on an unpublished Health Ministry analysis; see also Fyle (1993: 46, Table 3.1) (which lacks data for 1963/64).
7. Category 3 (facilities run by private industrial concerns) is oddly omitted from the health sector situation analysis, although it seems to have represented a larger share of infrastructure than the NGOs, but is referred to

earlier in the document (p. 93).

8. See remarks by the Health Ministry's Chief Medical Officer Belmont Williams at the 1979 World Health Assembly, which note one PHC project that was about to be expanded to additional districts, but also pressing needs for 'greater assistance from national, international and nongovernmental organizations.... Sierra Leone [will] not be able to achieve the goal of health for all alone' (WHO, 1979a: 211–212).

9. One 1985 World Bank report highlights a purported increase in the Health Ministry's budget of more than 300% between 1973 and 1983 – a figure that upon inspection fails to deflate the annual allocations. The real budgets, given elsewhere in a table, increase little year by year, and then usually in an obvious attempt to account for prior real decreases due to inflation (World Bank, 1985b: 66).

10. The official record of the 1979 World Health Assembly includes a note inserted by Sierra Leone's Health Ministry expressing its deep concern about drug procurement, and charging that 'deliberate exploitation by large pharmaceutical companies' was exacerbating the country's supply problems, 'thereby reducing much further still the very limited funds available for the purchasing of our drugs'. It went on to laud the initiative that evolved into the Essential Drugs and Medicines program. The tendency of World Bank analysts to blame the Ministry for dysfunctional drug supply in subsequent years must have been galling to officials (WHO, 1979b: 246).

11. See for a baseline the 1970 *New York Times* interview with Ernest Dunstan Morgan, the first Sierra Leonean to qualify as a pharmacist after the color bar was dropped by the Colonial Medical Service in the 1920s. The stark contrast between this hopeful narrative and Grieve's grim account from the end of the decade heightens the sense that the global inflationary crisis was as catastrophic for drug procurement as for rice consumption (Jones, 1970: 57).

12. The reference is to the Sierra Leone Expenditure Survey undertaken jointly by the Department of Agricultural Economics at Michigan State University and Njala College in Freetown. The valuable health-related data collected by this project was never published, and the published work cited in

the World Bank study makes no mention of health care expenditures, suggesting that Bank analysts had access to the raw data in some other form. A USAID consultant, Jonathan Meyer, subsequently attempted to convince the American government to fund a study on rural health care costs and expenditure patterns in Sierra Leone using this same dataset, but his recommendation does not appear to have been followed (Meyer, 1984: 10).

13. Decentralization is sometimes described as a key tenet of ‘neoliberal governmentality’ alongside other supposedly entrepreneurial values, such as competitiveness and self-interest (Steger & Roy, 2010: 12). But the term itself is standard-issue nineteenth-century bureaucratic jargon (see e.g., Schmidt, 1990). Max Weber (1922) presented the centralization of state budgets as a distinguishing feature of modernity, arguing that premodern governments from Achaemenid Persia to feudal Europe were, by contrast, decentralized (*dezentralisiert*) in their fiscal administration of operations (p. 666). As of 1969, the delegation of power to ‘local policy implementors’ was called ‘the single structural reform most frequently proposed for Third World countries’ (Rothenberg, 1980: 145).

14. The neoliberal assumptions of the copayment were widely recognized as such by 1979, when they were lampooned by unnamed participants of the National Center for Health Services Research workshop at Wolfsberg, Switzerland: ‘The case for cost-sharing is to make health care more in line with the purchase of motor cars’ – an analogy they proceeded to demolish (Abel-Smith, 1980: 5).

15. Ironically, given critiques by Foucault and later Mirowski of human capital as a neoliberal concept *par excellence*, the idea is essentially mercantilist and in that earlier form it entered into the lexicon of several socialist economists and politicians, including Gunnar Myrdal and Salvador Allende. While serving as the Chilean Minister of Health, Allende offered a sustained elaboration of *capital humano* in relation to population health (1939: 195–198).

16. Sharma emphasizes Robert McNamara's personal responsibility for exacerbating the developing-country debt crisis by facilitating commercial lending to governments in the mid-to late 1970s. Meanwhile, in its main ‘Health for All’ strategic blueprint, WHO repeatedly called for primary



health care expansion to be funded by sovereign debt, including commercial debt (WHO, 1981: 68, nos. 8–11).

17. This finding was soon confirmed by a massive study of US consumers by the RAND Corporation, under a contract with the Department of Health and Human Services. It also found a sharp drop in care-seeking by people who paid more at the point of service delivery (Manning et al., 1987: 19, Table 4.1).

18. A year later it was republished in the Bank's policy working paper series, but by then the organization's direction was firmly established (Gertler et al., 1988).

19. See Akin, Guilkey, & Popkin (1981). Stein attributes the neoliberal turn in the World Bank approach to healthcare to de Ferranti, but Akin may be a more likely candidate. See also Keshavjee (2014: 95–96).

20. For 1986: see Decosas (1990: 170). For this figure (\$2.45 in nominal terms) the author cites the 1988 *World Development Report*, which however gives government expenditures on health only as a percentage of the overall budget. For 1970/71: Nickson (1979), cited in MacCormack (1984: 199). Compare this figure (\$1.92 in nominal terms) to the World Bank estimate, based on data provided by the Central Statistics Office (World Bank, 1974: Vol. 5, Table 2.7 (unpaginated)).

21. John Weeks (1992: 12–20, 30–40) makes a powerful case that criticisms of the government were overstated and that the balance of payments crisis stemmed almost exclusively from global economic conditions. Initially the Bank was willing to concede the obvious reality that poor performance by Sierra Leone and other poor oil-importing African states during the 1970s owed substantially to the burden of indebtedness that resulted from 'external shocks, especially the oil price increase of 1974–75 and its aftermath' as well as factors 'which would have constrained progress even if external circumstances had been better – a limited or under-exploited resource base, weak institutions, limited skills, a lack of infrastructure – in short, the structure of poverty itself'. The objectionable 'policies and weak economic management' which were the formal rationale for structural adjustment were presented simply as a contributing factor (Liebenthal, 1981: 52–53). This

balanced assessment disappeared as structural adjustment and policy intervention became more and more central to the agency's self-image.

22. The relationship between the World Bank and IMF in this period reflected considerable rivalry, in which lines of terminology, authority, and capital fluctuated between the two institutions. For an internal account of the heist of the Bank's structural adjustment brand, see Boughton (2001: 643–55 and *passim*).

23. See World Bank (1987: 2), with the argument provided in de Ferranti (1985: 28–34 and *passim*). De Ferranti himself found the distinction between curative and preventive care hard to sustain, though this discovery did not lead to reflectiveness (1985: 27, note c).

24. Agostino Paganini's assertion that 'the WHO was furious' about the speech by Jim Grant is rather mystifying. All the evidence points to the UNICEF announcement having been closely coordinated with WHO. Among other things, the idea of a 'September surprise' requires that one ignores WHO's repeated endorsement of the Initiative, e.g., in the OAU resolution of May 1988. While there were undoubtedly many at WHO who were surprised and dismayed by Grant's proposal, the suggestion of uniform opposition by WHO is inaccurate (Paganini, 2006).

25. This problem had been evident since the outset of the global campaign for fee-for-service care, though analysts failed to take note of its implications (see Marquez & Seims, 1987: 61).

26. The USAID report anthologized by Kleinau et al. is ambiguous about the exact budgetary contribution of the cost recovery program – it is unclear from the text whether '60 to 90 percent' refers to the primary care program in general or simply to the cost of drugs. If the latter, then it would seem that already in the mid-1980s the evidence from Sierra Leone was suggesting that the entire model of funding primary care by charging for drugs was unsustainable.

27. For broader African context, see Cooper (2002: 156–190) and Uvin (1998).

28. The NGO data are 'noisy', likely because of problems in reporting, which we have tried to mitigate by taking two-year averages.

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## **Part VI Cultural Dimensions**

# 40 Neoliberalism and Media<sup>1</sup>

Sean Phelan

## Introduction

References to neoliberalism are commonplace in media and communication studies.<sup>2</sup> As in other fields, the concept is normally invoked critically; to speak of neoliberalism usually suggests a disposition that is opposed to it. Yet, the concept is not always affirmed *as* a concept, even by critical scholars. Some interrogate its ready-to-hand authority as a critical keyword (Flew, 2008). Others refer to it with a casual weariness, as if its commonplaceness illustrates its lack of descriptive and explanatory value (Grossberg, 2010). Whatever we make of the concept, it is difficult to talk about the current condition of critical media and communication studies without talking about neoliberalism. If, as Ernesto Laclau (1990) suggests, all identities are structurally constituted by antagonisms, we might call neoliberalism the master antagonist – even more so than capitalism (Garland & Harper, 2012) – of critical research in the field.

This chapter examines how the concept of neoliberalism is articulated in the interdisciplinary field of media, communication and journalism research. The literature has not generated the kind of theoretical differences evident in other fields (see Birch, 2015). Nonetheless, the primary reference points are familiar ones. Critical political economy perspectives dominate (David Harvey's (2005) work has been particularly influential), interspersed with eclectic citations of Michel Foucault (2008), Pierre Bourdieu (1998b), Wendy Brown (2003), and many others. Instead of being a focal point of intensive theorization, neoliberalism has been most commonly deployed as a narrative and framing device – to cue a pessimistic story of how media and communication systems and cultures have changed since the 1970s and 1980s. Discussions of neoliberalism are sometimes mediated by existing theoretical differences. One is the distinction between political economy and cultural studies, which has been regarded as a defining theoretical division of

the field.<sup>3</sup> Different authors have interrogated the coherence and value of the latter distinction (see Fenton, 2006). It can conceal as much as illuminate, and obscure the heterogeneous character of the work done under both headings. Nonetheless, the distinction continues to have a discursive authority in the field that intersects with a historiography of the neoliberal era. The rise of British cultural studies as a theoretical rival to political economy was ‘almost exactly coterminous’ (Murdock, 1995: 91) with the rise of neoliberalism, and grounded in the attempts of Stuart Hall (1988) and others (Hall et al., 2013) to make sense of the political emergence of what later became known as ‘Thatcherism’.

I organize my initial discussion of the literature around a broad distinction between political economy approaches that conceptualize neoliberalism as a ‘free market’ ideology and capitalist formation, and cultural studies perspectives, including governmentality studies, which emphasize its political, cultural, social and discursive dimensions. I do not present an exhaustive empirical account of all the media and communication practices that have been described as neoliberal. Nor do I identify each and every critical theorist invoked by media scholars. Instead, the first two sections highlight how discussions of neoliberalism have been animated by a ‘narrative of decline’ (Dawes, 2014: 702), which highlights how media institutions and spaces have been progressively colonized by market policies and logics.

I then consider arguments that question the polemical value of the concept of neoliberalism. Instead of dismissing them, I suggest they underscore the need for greater refinement of how the concept is deployed as a theoretical and analytical category. I end the chapter by reflecting on how conceptualising neoliberalism as a ‘mediated’ or ‘mediatized’ phenomenon might inform the work of scholars in other fields. If, as media scholars like to suggest, ‘everything’ is now mediated (Livingstone, 2009), how might critical media studies illuminate the social and political dynamics of neoliberalization in ways that have been comparatively neglected in the wider literature?

## **Neoliberalism as a ‘Free Market’ Ideology**

Critical media scholars of different theoretical orientations define



neoliberalism as, first and foremost, an economic ideology, system and formation. This perspective has been developed most purposefully in the critical political economy literature, though references to ‘neoliberal political economy’ and ‘neoliberal capitalism’ have a wider currency in the field, sometimes in work only loosely connected to an explicitly defined political economy literature. Critical political economy begins from the premise that the analysis of economy can never be separated from the analysis of politics (Mosco, 2009). In its strongest Marxist iteration, both are theorized as regional domains of an interlocking capitalist-liberal democratic system. Nonetheless, the dominant impulse in the field has treated the economic domain as primary. Media and communication systems are conceptualized as integral elements of a capitalist system increasingly dependent on the production of information, representations and data (Chakravartty & Schiller, 2010; Freedman, 2014). Profit-orientated media corporations function as instruments of ideological domination because of how they legitimize capitalist interests, norms and dispositions, and the one-dimensional pursuit of economic growth, within mainstream media spaces (Garland & Harper, 2012; Peck, 2015).

For critical political economists, neoliberalism represents a particular regime of capital based on a realignment of the relationship between market, state and labour (Hope, 2012). Neoliberalism signifies the political return of the ‘free market’ as a guiding ideological principle of economic and social life, in a fashion that recalls the *laissez-faire* liberalism of the nineteenth century (McChesney, 1998). The story of neoliberal ascendancy doubles as a story of the Keynesian crisis of the 1970s and 1980s, particularly when narrated from the US- and Euro-centric perspectives that dominate the neoliberalism (and media) literature. The Keynesian paradigm likewise internalized capitalist imperatives, but it saw the welfare state as a necessary bulwark against the negative social effects of the market. Neoliberal ideologues and policy advocates questioned assumptions about the necessity of state intervention in the market, and read the unemployment and inflation increases of the 1970s as symptoms of the failure of Keynesianism. Instead of positioning the state as the agent of a ‘public interest’ that opposed the market, neoliberals recast the interests of the state, public and citizens as synonymous with market competition and the pursuit of economic freedoms.

Media researchers have documented how free market ideas and policies have reconfigured media and communication systems in different countries since the 1970s (see, for example, Briziarelli, 2014; Cammaerts & Calabrese, 2011; Fenton, 2011; Freedman, 2008; Grantham & Miller, 2010; Hope, 2012; Louw, 2005; McChesney, 2015; Thompson, 2012; Thussu, 2007). Media and cultural industries were repositioned as the same as any other commercial industry; in the neoliberal imaginary, they primarily exist to make profit for their shareholders. Tensions between the commercial and public orientation of media predated the neoliberal era. Different Marxist theorists (Debord, 1995; Horkheimer & Adorno, 2002) had long decried the stupefying and depoliticizing effects of commercial mass media, and their structural complicity with the capitalist system. The specific impact of neoliberalism lay in how it altered (and continues to alter) the balance of power in favour of market forces, and weakened the notion of state-enabled 'public service' alternatives to a purely commercial media system (Freedman, 2008). The ideological privileging of the market enabled the development of a media landscape that prioritized the interests of large conglomerates (Herman & McChesney, 1997) who assumed, and were given, the power to shape national media systems according to their own institutional priorities (Hope, 2012).

We can identify three broad themes in the political economy of media that highlight the damaging effects of neoliberal policies, and which are often interrogated from critical normative perspectives that affirm the ideal of a democratic, participatory media system that challenges corporate norms (see, for example, Andersson, 2012; Titley, 2013). These themes transcend any distinctions between 'old' and 'new' media, journalistic and entertainment media, and broadsheets and tabloids. They capture trends and patterns that are global in scale, even if the impact of neoliberalism has varied across national and regional contexts and been given variegated expression in different media practices and genres.

First, scholars highlight how neoliberal policies have reshaped the dynamics of media ownership and regulation. Before the neoliberal era, media policies in liberal democracies were typically governed by a mix of market and protectionist logics. The precise configuration of the policy regime depended on the national context and medium. Pickard (2014) describes how the US

media system, institutionalized in the 1940s, was governed by corporate libertarian assumptions that anticipated the neoliberal era, and which departed from the social democratic policies then gaining ground elsewhere. In contrast to broadcasting, newspapers in most countries have been historically run as advertising-based commercial operations, even if the self-image of newspapers as quintessential ‘free market’ institutions was masked by various forms of public subsidy (McChesney, 2012). Nonetheless, consistent with the wider assumptions of the Keynesian era, states generally asserted themselves in protectionist ways that constrained the autonomy of commercial media or, in the case of broadcasting, simply assumed the prerogative of monopoly state control. The nation state assumed the mantle of representing a public interest that could not be entrusted to a purely commercial media system (even if the argument sometimes masked – especially in the early days of state-owned broadcasting (see Hope, 2012) – a political desire to exploit the propaganda benefits of the new mediums of radio and television, as a counter to the power of privately owned newspapers).

The neoliberal era institutionalized a very different policy vision. A commitment to the ‘privatization, deregulation, liberalization and globalization’ (Pickard, 2007: 121) of markets became the *raison d'être* of media and telecommunication policy both within individual states and in transnational bodies like the European Union and the World Trade Organization (Hesmondhalgh, 2008). Publicly owned media and telecommunication companies were sold and privatized. Legislative restrictions on foreign and cross-media ownership were removed. Competitive mechanisms were introduced in broadcasting markets previously controlled by the state. And national media systems were increasingly subsumed into transnational capital networks, giving international media corporations’ enormous political power and authority over the organization of the public sphere in different countries. Some suggest (see Freedman, 2008: 49) that characterizing these neoliberal policy shifts as a process of ‘deregulation’ is a misnomer, because, instead of withdrawing from media regulation, states embraced ‘light-touch’ (Mansell, 2011: 22) regulatory regimes that positioned media corporations as the best guarantors of customer choice, media plurality and media freedom. The neoliberal era did not completely override the principles of earlier regulatory regimes. Some media

remained in public ownership, and some governments attempted to introduce regulatory initiatives to counter the extreme free market logic of first-wave neoliberalism (Thompson, 2012). Nonetheless, the forces of market competition assumed a new authority over the institutional governance of publicly owned media organizations like the BBC (Freedman, 2008, 2014). And in extreme cases, such as New Zealand, the principles of public service media were largely renounced, even when the national television broadcaster remained in public ownership (Thompson, 2012).

Second, media scholars have examined how neoliberal logics have changed the conditions of media production, in tandem with a wider structural shift to a digital media universe that undermined the viability of traditional advertising models. Media content is increasingly produced based on calculated assessments of its likely commercial viability and ratings potential, rather than on any distinct normative evaluation of its potential to enhance the quality of the public sphere. Broadcasting schedules are a case in point. Primetime is reserved for commercially lucrative programming, while public interest content is increasingly relegated to ‘graveyard’ slots, reimagined as products for niche audiences. The reconfiguration of media production practices has been accompanied by a normalization of precarious work regimes, and the emergence of online surveillance and commodification mechanisms (Roberts, 2014) that treat page hits as the primary measure of value. Fenton (2011: 64) describes how the production of journalism under neoliberalism has become reliant on the ‘creative cannibalization’ of public relations source material, because of deprofessionalized work regimes where journalists are expected to produce more with less. Journalists’ ability to assert their professional autonomy, and produce genuine ‘public interest’ news, is progressively undermined by the imperatives and logics of the economic field (Benson & Neveu, 2005; Bourdieu, 1998b).

Third, scholars document the corrosive effects of neoliberal cultures on the content published and disseminated in media spaces. Sensationalized, PR-driven and celebrified media become emblematic of a dumbed-down public culture, where the normative obligation of media organizations to keep citizens informed is displaced by the need to entertain consumers. Tabloid-driven practices and formats proliferate (Louw, 2005), and ‘infotainment’ is embedded as the default genre of news and current affairs coverage. The

most affluent demographics become the primary targets of media attention, and those who deviate from some preferred set of middle-class archetypes and lifestyles are more readily demeaned and scapegoated (Erikson, 2015). The neoliberal era has admittedly seen a significant expansion of content options, especially for audiences with the purchasing power to access the most critically acclaimed media content. Nonetheless, critics see the rhetoric of 'consumer choice' as simply a cover story for a more stratified and fragmented media landscape, dominated by the profit-making imperatives of a small number of media corporations (Freedman, 2014; Herman & McChesney, 1997). Dean (2009: 230) suggests that the very notion of a democratic public culture is debased by a 'technological infrastructure of neoliberalism', and the 'big data' economy and 'quantified self' of online media (Beer, 2015). All content and contributions, no matter how radical their political intent, are subsumed into an undifferentiated logic of market exchange, and the value-generating mechanisms of digital media platforms like Google and Facebook (Compton & Dyer-Witheford, 2014; Roberts, 2014).

Neoliberalism is conceptualized across the political economy literature as the ideology of global capitalism: the self-serving doctrine of a transnational ruling class who own and control most of the world's media corporations; a power elite who move easily between state and corporate universes (Briziarelli, 2014; Freedman, 2014). This ideology justifies itself in the name of consumer choice, media pluralism, and individual freedom. Yet, instead of creating a mythical 'marketplace of ideas', neoliberal policies have institutionalized a media landscape that is oppressive of 'non-market forces' (McChesney, 1998) and which largely precludes any significant departure from a neoliberal consensus in media coverage (Mercille, 2014). Or when the neoliberal order is challenged, the threat is domesticated – diluted into an ideologically palatable set of reformist measures, or narrated as a story of individual moral corruption – as it was during the financial crisis in 2007 and 2008 (Chakravartty & Schiller, 2010; Silke & Preston, 2011). Freedman (2014) cautions against crude functionalist readings of the relationship between neoliberalism and media. Contrary views are voiced and circulated (see also Cammaerts, 2015), and a one-dimensional production of neoliberal propaganda would be untenable both politically and commercially. Nonetheless, corporate control of the media system imposes clear limits on

the possibility of a sustained political interrogation of neoliberal assumptions within mainstream media spaces, because of media outlets' own embeddedness in capitalist culture and values.

## **The Cultural Politics of Neoliberalism**

All discussions of neoliberalism in media research are in some sense informed by a political economy approach; no one would argue that neoliberalism's cultural and discursive dynamics can be understood separately from its economic bearings and logic. Moreover, the theoretical heterogeneity of the political economy literature (Wasko, Murdock & Sousa, 2011) troubles the notion of a unitary political economy analysis of neoliberalism. Nonetheless, political economy has been primarily understood as code for analytical approaches that see mainstream media practices as epiphenomena of their capitalist and economic foundations. The emergence of British cultural studies<sup>4</sup> represented a challenge to these economic tendencies, and especially Marxist frameworks that saw little more than a media propaganda system that served the interests of the ruling class. Rather than disavowing the Marxist tradition, Hall and his colleagues at the Birmingham School of cultural studies (Hall et al., 2013) looked to a different set of Marxist theoretical sources (among them Althusser, Gramsci and Laclau) to accord greater significance to the role of politics, culture and ideas in determining the constitution of the social order. This approach inculcated a new alertness to the political importance of media and journalism practices, and their entanglement in forms of ideological and discursive work that were not reducible to the project of legitimizing capitalism.

Hall (1988) argued that the rigid theoretical assumptions of orthodox Marxism could not account for Thatcherism's success in generating a level of popular support that disrupted the notion of the working class as the potential agents of a radical, anti-capitalist political consciousness. His intervention revived interest in the status of the concept of ideology in Marxist theory. Hall interrogated a Marxist reflex that equated ideology with a relatively superficial domain of ideas – a 'false consciousness' (1988: 49) that masked the real material conditions of capitalist society, and which had its apogee in the media's fixation on the trivial and the spectacular (Debord, 1995). This

perspective missed the political significance of ideological practices, and obscured the ‘rational and material core’ of a Thatcherite project that ‘works on the ground of already constituted social practices and lived ideologies’ (1988: 56). Hall was especially attentive to the relatively autonomous role of journalists’ professional ideologies in enabling Thatcherism's political success, and the place of media representations in producing an elite-driven social consensus. Rather than presupposing a unitary ideology, he stressed the ideologically heterogeneous character of Thatcherism – its weaving together of a mix of neoliberal, conservative, populist and authoritarian idioms into a hegemonic project that resonated with the common-sense assumptions of mainstream media discourses.

Cultural studies brought a new theoretical vocabulary to the study of media and popular culture, which privileged concepts like ideology, hegemony, interpellation, subjectivity, representation, discourse, text and signification (Hall, 1982). It highlighted the political importance of news media as discursive and semiotic forms, which actively construct a social world that privileges certain ideological perspectives, while simultaneously disavowing ideological commitment behind an appeal to journalistic objectivity and impartiality. Cultural studies challenged a mode of ideology critique that positioned journalists and media workers as dupes of the capitalist system or as one-dimensional symptoms of alienated labour. Media representations and practices need to be taken seriously in their own right, as constitutive elements of the social order. It also interrogated a received critical view of media audiences as largely passive. Studies emphasizing the capacity of audiences to challenge dominant media representations became something of a new theoretical orthodoxy, as part of a general emphasis on the contingency of the social order.

Cultural studies has taken different theoretical and regional trajectories since its Birmingham school iteration in the 1970s. Critical cultural studies scholars examine the role of different mediated practices in the production of neoliberal subjectivities (Gilbert, 2011). A focus on the ‘politics of representation’ has informed a wider body of critical research on neoliberal discourse, under the theoretical guise of critical discourse analysis (Fairclough, 2002), critical linguistics (Block et al., 2012), and rhetoric (Aune, 2001). My own work (Phelan, 2014a) draws on a combination of

Laclau's discourse theory and Bourdieu's field theory to explore the protean character of neoliberal formations, and the resonances between a 'third way neoliberalism' that disavows the notion of a market/state antagonism and a 'journalistic habitus' that is enacted as anti-ideological (see further discussion in the final section).

Nonetheless, political economy scholars have historically criticized cultural studies researchers and discourse analysts for fixating on the textual and discursive dimensions of media practices, to the detriment of a systematic analysis of their capitalist conditions of production. This critique has sometimes been articulated as a general critique of post-modernist and post-structuralist theories, for reducing 'the real' to the status of a discourse and exaggerating the capacity of media audiences to 'resist' dominant ideologies (Garnham, 1995). Writing in 2000, Philo and Miller (see also Garnham, 1995) accused 'critical' media scholars of producing research that is complicit with neoliberalism, because of a valorization of popular taste that becomes indistinguishable from an ideological celebration of market pluralism. More recently, Downey, Titley and Toynbee (2014) criticized certain faddish tendencies in media studies for displacing Hall's focus on ideology critique, and the role of media in legitimating neoliberalism. For his part, Hall's (2011) later reflections on neoliberalism reinvigorated the anti-capitalist impulses of the original cultural studies project (see also Compton & Dyer-Witheford, 2014), against some of his laments of how cultural studies had displaced its focus on the politics of the social totality.

Yet, cultural scholars' commitment to ideology critique of neoliberalism has partly been transmuted into other theoretical vocabularies. In particular, Foucauldian theorizations of neoliberalism as a system of governmentality (Foucault, 2007, 2008) represent perhaps the most programmatic alternative to conventional political economy approaches. This work is sometimes framed in opposition to ideology critique, textured by Foucault's (2007) own reservations about the concept (see Dawes, 2016). Ouellette and Hay (2008: 2) distinguish their analysis of the reality television genre of the 'makeover' programme from the notion of neoliberalism as a top-down hegemonic ideology. They argue that reality television formats are better theorized as cultural sites of a 'highly dispersed' neoliberal governmentality, which disseminate techniques and prescriptions for how individuals and populations



should self-actualize themselves in a world of market competition. Their work is part of a wider literature on the neoliberal character of reality television, not all of it explicitly Foucauldian (see Couldry, 2010; Gilbert, 2011). McCarthy (2007: 17) describes reality television as 'a neoliberal theatre of suffering', because of how it dramatizes the individualized, precarious and affective working conditions of neoliberal regimes. These competitive pressures take a more generalized form in the self-branding conventions and prescriptions of social media (Hearn, 2008). A publicly performed notion of selfhood and agency is inculcated that dissolves into the 'entrepreneurial self' of neoliberal reason (Mirowski, 2013), because of its relentless desire for visibility and attention.

Dawes (2014: 704) draws on Foucault to interrogate media scholars' dependency on 'rudimentary readings' of neoliberalism as a 'free market ideology that serves powerful private interest' (see also Dawes, 2016), and shorthand binaries that pitch market against state, public versus private, and citizens versus consumers. The governmentality literature enables us to better grasp how neoliberalism involves a 'reconfiguration of the relation between state and market' (Dawes, 2014: 714), which, instead of renouncing a commitment to the values of citizenship and publicness, seeks to recast them within a market-centric framework. Liestert (2013) likewise uses the concept of governmentality to explore the place of the mobile phone in the political rationality of neoliberalism. Mobile media enable a ubiquitous data surveillance regime, but also new forms of political agency and protest as possible 'counter-rationalities and counter-conducts' to neoliberal rule (2013: 59).

Beyond Hall and Foucault, critical media and communication studies scholars have drawn on a variety of other critical theoretical sources – among them Lacan, Žižek, Brown, Hardt and Negri, Laclau, Mouffe, Deleuze, Honneth (Couldry, 2010; Fenton, 2016; Jutel, 2015; Mylonas, 2014; Tiessen & Elmer, 2013) – to explore the heterogeneous manifestations of neoliberal rationality. Much of this work belies any clear distinction between political economy and cultural studies. Class (Eriksson, 2015), gender (North, 2009), race and ethnicity (Lentin & Titley, 2011), sexuality (Sender, 2006), and social movements (Fenton, 2016) all intersect in discussions of neoliberalism and media cultures, not as discrete objects of analysis, but as constitutive

elements in the universalization of neoliberal capitalism. Read in this way, neoliberalism takes the shape of a material-discursive formation, rather than something that can be adequately grasped through any simplistic opposition of discursive/idealist and materialist perspectives (Dahlberg & Phelan, 2011; Phelan, 2014a). Discussions of neoliberal discourse, neoliberal affect, neoliberal subjectivity, and neoliberal governmentality became equally pertinent to critical analyses of neoliberal political economy and ideology.

## **Questioning the Polemical Status of 'Neoliberalism'**

I have thus far presented an overview of how the concept of neoliberalism has been deployed – as a *name* for the dominant social order – by different theoretical traditions in critical media and communication studies. However, the concept has also been regarded quite differently by those who question its assumed status as the default ‘antagonist’ of the field (see Phelan, 2014b). This discourse has a currency across the social sciences (see Barnett, 2005; Rose, O'Malley & Valverde, 2006), and is given its most derisory articulation in journalistic put-downs that see ‘neoliberalism’ as nothing other than a shibboleth of left-wing conspiracy theorists and activists. A qualified version of this discourse has also featured in recent critical work on neoliberalism, as part of a reflexive assessment of the limitations of shorthand definitions and narratives (see, for instance, Peck, 2010; Phelan, 2014a).

Flew (2009) interrogates how the concept operates in the political economy literature; he is more amenable to the account of neoliberalism formulated by Foucault. He questions critical media scholars’ reliance on neoliberalism as an ‘omnibus’ term, which reduces the analysis of different national contexts to a ‘single organizing prism’ (Flew, 2008: 128). His argument (see also Flew & Cunningham, 2010) folds into a general commentary on the status of critique in media and cultural analysis. He captures tensions between analytical approaches that pragmatically respond to the assumptions and contradictions of neoliberal political economy, and an externalist critical stance that asserts strong opposition to a unitary neoliberalism.

Grossberg (2010) voices a similar critique of the term's taken for grantedness, but with sharper focus on the cultural studies literature. Ritualistic appeals to neoliberalism can ‘le[t] us off the hook’, he argues, and cultural studies

‘would be better off without [the term] unless its meaning is always specified and contextually located’ (2010: 141). Grossberg articulates a set of objections that go beyond any specific theorization of neoliberalism; Marxist and governmentality accounts can be equally ‘lazy’ (2010: 2). The term can produce a totalizing form of analysis, which fails to grasp the dynamics of the particular social context.

Garland and Harper (2012: 413) question the value of the concept from a Marxist perspective, suggesting the ‘discursive substitution of “neoliberalism” for “capitalism”’ has obscured the role of the state in serving the material and propaganda interests of capitalists. Contrary to the assumption that the dominant account of neoliberalism has been Marxist, they interrogate the woolly-headed liberal assumptions that underpin critiques of neoliberalism, which find expression in a largely unproblematic defence of public service broadcasting as a democratic alternative to neoliberal media. A ‘neoliberalism-versus-democracy framework’ (2012: 413) is inadequate, they argue, because of the co-opted condition of democratic cultures and state infrastructures under neoliberalism (see also Dean, 2009; Roberts, 2014).

## **Neoliberalism as an Analytical Category**

Taken together, these critiques point to the analytical limitations of conceptualizing neoliberalism as a monolithic concept or structure, which ‘causes’ and ‘acts’ on different social and media practices. The concept needs to amount to more than a polemical device for denouncing media regimes that we wish were otherwise (Dawes, 2014; Phelan, 2014a).

Debates about the conceptual status of neoliberalism embody tensions between universal and particularistic modes of analysis (Glynos & Howarth, 2007; Phelan, 2014a). Invoking a unitary ‘neoliberalism’ performs a necessary universalizing and totalizing function. It enables critical media scholars to name and identify – whatever our preferred theoretical vocabulary – ideological, hegemonic, economic, governmental, and discursive continuities between different social contexts and practices. At the same time, the notion of a universal neoliberal structure, logic or subject can obscure how neoliberalism is differently articulated in different social contexts. These

methodological problems do not disappear if ‘capitalism’ is reinstated as our primary antagonist. Tensions persist between asserting the coherence of the universal concept and negotiating the existence of different neoliberalisms or different capitalisms (Hay & Payne, 2015; Soederberg, Menz & Cerny, 2005).

These analytical conundrums are also political. For critical scholars, the concept of neoliberalism names the Other that gives discursive coherence to our own political-intellectual (Grossberg, 2010) identities. It signals the always-already political character of scholarship, in contrast to a scientific habitus that disavows political commitment. Nonetheless, Barnett (2005) and Clarke (2008) argue that ritualistic denunciations of a monolithic neoliberalism can generate a kind of political fatalism, where we simply confirm the story of neoliberal dominance, rather than disarticulating its constitutive logics and mechanisms. The critique of neoliberalism potentially inhibits our capacity to conceptualize a way beyond ‘it’, and explore how the material-discursive legacies of neoliberal regimes might be politically reconstituted and ‘disfigured’ (Phelan, 2014a).

In this spirit, I want to identify five ways that media and communication scholars might mitigate the field's over-reliance on a broad-stroke understanding of neoliberalism, and enrich the analytical purchase of the concept. Some of these tendencies are already evident in the literature, but relatively under-developed compared to the authority of a ‘big picture’ (Peck, 2010: xii) neoliberal story. Contrary to those who wonder if the term should be discarded, we might say that the problem is not with the concept as such, but rather with how it is analytically deployed and articulated.

First, instead of treating neoliberalism as a ‘static type’ (Clarke, 2010: 980) definition or concept, media scholars should take their cue from the geography literature and focus on *processes* of neoliberalization (Brenner & Theodore, 2002; Peck, 2010). We cannot, and should not, avoid sometimes speaking of a unitary neoliberalism. Nonetheless, this simple change in perspective focuses attention on how neoliberal ‘logics’ (Phelan, 2014a) are acting *on* and *in* social practices, in contrast to a one-dimensional mode of critique that simply names social practices as ‘neoliberal’. It compels us to explore how neoliberal processes are articulated with other political, social,

economic, cultural, and media processes, in ways that can cannibalize the latter, but also generate paradoxes, contradictions and political resistance. It differentiates between the neoliberalization of a practice and the practice as such (for example, the notion of press freedom) even when our capacity to make such a distinction is challenged by the subsumptive power of neoliberal reason. We should be able to speak coherently about the neoliberalization of media practices and cultures, without reducing the latter to nothing other than neoliberal symptoms. We need to be attentive to other things happening in mediated regimes that cannot be accounted for within a neoliberal framework. However underdeveloped or latent, they represent potential composite elements of counter-hegemonic media practices that challenge neoliberal(ized) reflexes and dispositions.

Second, media scholars need to check our default representation of neoliberalism as a ‘free market’ ideology and philosophy that is perfunctorily opposed to the state. The shorthand has a certain conceptual coherence, not least because of the thematics of neoliberal rhetoric itself. Nonetheless, it can reproduce a problematic opposition between economic and political rationality, where neoliberalism is primarily aligned with the former. And it can downplay the state-enabled character of neoliberalism (see Foucault, 2008; Wacquant, 2012), by dichotomizing the relationship between market and state. To be fair, no one would deny the existence of something called the ‘neoliberal state’ (Briziarelli, 2014; Roberts, 2014), be it in the form of an aggressive championing of market rule, a ‘third way’ formation that privileges the trope of a state/market ‘partnership’ (Phelan, 2014a), or state-enabled audit regimes that internalize market rationality (Crouch, 2011; Power, 1997). Yet, even when critically and ironically inflected, Wacquant (2012) and Crouch (2011) wonder if critiques of the ‘free market’ can amplify the truth effects of discourses that *dichotomize* market and state. In addition, the anthropomorphic, totalizing figure of ‘the market’ risks attributing agency to a ‘thing’ that is always a proxy for a particular regime of state-enabled corporate power (Jones, 2013). Simple state/market binaries also obscure the heterogeneous potential of both entities and the possibility of different configurations of state, market and civil society in the political and institutional design of media and communication systems (see, for example, Baker, 2001). Privileging the figure of a unitary state either working for or against neoliberalism brackets out the tensions between the ‘right hand’ and

‘left hand’ of the state (Bourdieu, 1998a), where the narrow economic reason of the former is challenged by the social impulses of the latter. And critical discussions of the market can easily dissolve into general denunciations of neoliberalism, as if markets are, by definition, *neoliberal* institutions, rather than mechanisms potentially open to different political articulations (see, for example, Holland, 2011). Blanket critiques of this kind impair recognition of how even radical democratic visions of an alternative media system might incorporate market-based elements (Curran, 2002). And they sidestep, or simply dismiss, the political question of how capitalism might be differently organized (see, for instance, Hay & Payne, 2015), in ways that would reject the myth of a ‘free’ market.

Third, media scholars need to develop more theoretically differentiated analyses of neoliberalism, partly through closer engagement with work in other fields. Discussions of media and neoliberalism are inherently interdisciplinary. Yet the level of cross-disciplinary engagement is sometimes slight. Garland and Harper (2012) suggest that media scholars miss some of the nuances in David Harvey's account of the neoliberal state, despite the widespread citation of his book on neoliberalism. Dawes likewise reads the privileged status of Harvey's work, and the largely uncritical engagement with it, as indicative of the field's ‘limited awareness of the wider array of perspectives on neoliberalism’ (Dawes, 2014: 712). Media scholars’ engagement with other fields therefore needs to be more rigorous. Yet we also need to do more than cite theoretical authorities elsewhere, as if theories of neoliberalism are imported into media and communication studies, rather than something potentially immanent to our own analysis. And instead of seeing it as a weakness, perhaps our field's comparatively pragmatic approach to theory (see Dahlgren, 2011) might be construed as a strength in illuminating the heterogeneous trajectories of neoliberal reason (see further discussion below).

Fourth, critical media scholars need to acknowledge the political implications of our different analyses, in ways that go beyond the obvious fact that we don't like neoliberalism, or which eternalize the terms of the political economy/cultural studies debate. Neoliberalism is the antagonist that brings us together. Yet the question of what might constitute a substantive alternative to neoliberalism, or a genuine ‘post-neoliberalism’, will inevitably

be contested, and not satisfactorily grasped by abstract declarations of scholars' preferred normative visions. One important focal point concerns the relationship between neoliberalism and the equally fraught concept of liberalism. Should media researchers renounce our historical identification with liberal and pluralist motifs because of an effective colonization of liberal democracy, and the language of progressive politics, by neoliberal reason (Dean, 2009; Fenton & Titley, 2015; Jutel, 2015)? Or might aspects of a progressive liberal inheritance be disarticulated from their neoliberal iteration (Phelan, 2014a), and reclaimed and radicalized as part of a coherent anti-neoliberal politics? These questions invite an additional series of questions, which were rehearsed in the post-mortems about the relative success or failure of the Occupy movement. Can a significant political alternative to neoliberalism emerge through the representational architecture of liberal democratic regimes, and their enduring attachment to a media and political imaginary that remains centred on the nation-state? Or should our political energy be directed towards creating alternative participatory infrastructures that transcend the politics of 'representation'? (Robinson & Tormey, 2007). Answering these, in one sense, old questions does not mean limiting ourselves to either/or propositions. Yet how we prefigure our answers will inevitably inflect our analysis, and our normative assumptions about what might constitute a significant alternative to a neoliberal order.

Finally, we need more comparative studies of how neoliberal logics structure media cultures in different national and regional contexts (Awad, 2014; Hallin & Mancini, 2004), as a counter-tendency to studies that universalize a liberal democratic transition from Keynesianism to neoliberalism. Discussions of the corrosive effects of neoliberalism already go well beyond the Anglo-American- and Euro-centrism of the media literature (see, for example, Awad, 2014; Cupples & Glynn, 2014; Thussu, 2007). Nonetheless, the relationship between different neoliberal(ized) contexts has been relatively underexplored. This limits our understanding of the variegated character of neoliberalism's political articulations and the specific place of mediated dynamics in the neoliberalization of different national contexts. At the same time, comparative researchers should be wary of producing little more than a collection of stylized 'ideal types' (Hay & Payne, 2015) that simply formalize what we already know about the existence of different neoliberalisms. We need to grasp the transnational mediated dynamics of

‘neoliberal nationalism’ (Harmes, 2012), not just reify our analysis of ‘the national’ and ‘the local’. This point is especially important given the embeddedness of media corporations in transnational finance structures (Compton & Dyer-Witheford, 2014; Hope, 2012), which can operate behind the back of national public spheres and mock the political agency of the nation-state (Crouch, 2011; Titley, 2013). Equally, it underlines the importance of a global political front against neoliberalism, and inculcating forms of mediated subjectivity and practice (Berglez, 2013) that enable the possibility of a transnational polity.

## **Mediated Neoliberalism**

I want to end by briefly considering how a critical media studies perspective on neoliberalism might be useful to the wider literature. Scholars in other fields regularly note the role of mainstream media in reproducing and legitimizing neoliberalism. Yet, these references are usually cursory and incidental; the media is cited as one of a number of social institutions infiltrated by neoliberal assumptions. If there is a theoretical intuition, it is a straightforward political economy one about corporate ownership and control of the media system. What we don't see is close theoretical engagement with arguments by media and communication scholars about the ‘mediated’ or ‘mediatized’ character of the social.<sup>5</sup> It prompts the question of how might we understand neoliberalism as a phenomenon that is ontologically dependent on media logics and processes? Our answer will partly depend on how we define the concept of media. Cubitt (2011: 7) argues that ‘spreadsheets, databases and geographic information systems’ are ‘the dominant media of the 21st century’, and that the abstractions we call ‘economy’, ‘polity’ and ‘society’ are made through the materiality of media. His argument recalls the etymology of the words ‘media’ and ‘mediation’ – their emphasis on the in-between and relational (Williams, 1983: 203–207). It also points to the potential comparative strengths of media studies in illuminating what Peck (2010) describes as an ‘omnipresent neoliberalism’ that is materialized as a ‘complex, mediated and heterogeneous kind of omnipresence, not a state of blanket conformity’ (Peck, 2010; see also Anderson, 2015).

One way of conceptualizing mediated neoliberalism is to see it as emblematic



of the shift from a scholastic understanding of neoliberalism to a world of ‘actually existing neoliberalism’ (Brenner & Theodore, 2002). Knowing neoliberalism as an abstract set of ideas and propositions is one thing. But what does ‘it’ look, feel and sound like when it intersects with other logics and practices, which can trouble sweeping arguments about *neoliberal* hegemony? The question is especially apt in a media and journalism studies context, because of the extent to which different ideological discourses and sensibilities are part of the everyday texture of media cultures (Cammaerts, 2014; Freedman, 2014; Phelan, 2014a). Against one-dimensional claims about the neoliberal media, we might even say that extreme, cartoonish proponents of a ‘free market’ identity – think, for instance, of factions of the US Republican party – are much more likely to be disparaged rather than eulogized in media coverage, at least outside the right-wing media universes in which these identities are nurtured and naturalized (Phelan, 2014a).

At the same time, ‘centering’ media (Couldry, 2003) play a crucial role in naturalizing the ‘state-phobia’ (Foucault, 2008) and anti-political tendencies (Davies, 2014) of doctrinaire neoliberalism. The ‘impractical’ nature of any nominally socialist, or even social democratic, alternative is thematized in ways that can collapse into a generalized hatred of politics (Hay, 2007; Phelan, 2014a). Contrary to the simple maxim of ‘there is no alternative’, we might say that ideological and political alternatives to neoliberalism are fragmentarily articulated in both news *and* entertainment media, and that even commercially oriented media cannot ignore these utopian impulses among significant portions of their audiences. However, these alternatives are routinely represented ‘as biased, as mad or nostalgic’ (Cammaerts, 2014), or dismissed as the merely ‘rhetorical’ interventions of those who are indifferent to political ‘reality’ (Phelan, 2014a). The desire for political and ideological alternatives is therefore captured, but given expression through a regime of mediated visibility that caricatures the desire and ultimately affirms the ‘realist’ imperatives of the present (Aune, 2001; Fisher, 2009). Accordingly, neoliberal assumptions and dispositions are naturalized arguably less because of positive ideological identification with markets, but because of a general political and cultural *disidentification* with the idea of ‘collectivist’ (Bourdieu, 1998b) alternatives.

What is potentially obscured by the lampooning of free market extremists on

the one hand, and a disparaging of political alternatives on the other, is the political significance of the discursive terrain where centering media do their most important ideological work (Hall et al., 2013) – in the pragmatic ‘middle ground’ that, by definition, constructs itself as non-ideological. It is a post-ideological sensibility synonymous with the paradoxes of actually existing neoliberalism, because of how it disavows the impression of ideological commitment and coherence, and can wilfully appropriate the fragments of progressive political ideologies. Within the performative rationality of mediated spaces, bland ‘third way’ style recognition of the importance of market and state becomes the default reflex for anyone who wants to show their immunity from the blinding effects of (neoliberal) ideology.

This argument invites the criticism that it simply describes a ‘rhetorical’ phenomenon, or is symptomatic of a culture of ubiquitous public relations and media spectacle that increasingly savvy media audiences can easily see through. There is something in that retort; as we know, some of the most able proponents of third way neoliberalism were masters of political marketing and public relations. Yet, arguments about mediated neoliberalism cultivate two useful analytical impulses. First, they focus attention on the mediated dimensions of objects of analysis that are usually conceptualized independently of media dynamics in the neoliberalism literature, be it ideas, institutions, human subjectivity, regulatory regimes, or class. These should not be reduced to the status of mediated objects. Yet neither can they be satisfactorily understood independently of their mediated articulation, and the place of ‘the media’ in mythically centering the social (Couldry, 2003). We need to get beyond a critical reflex that only sees the ideological distortions and inauthenticity of media representations, if we are to properly understand the ontological implications of mediated publicness.

Second, conceptualizing neoliberalism as a mediated formation brings into view the central place of media infrastructures (big and small) in publicly contesting the political authority of neoliberal reason. This point is particularly salient because of the increased visibility of the term ‘neoliberalism’ in media spaces as a name for the dominant ideology and social order. Arguments about ‘who’ or ‘what’ is or isn't neoliberal have become a more common feature of media and political discourse, and give

sharper definition to the social antagonisms that are the legacies of neoliberal cultures and policies. Neoliberalism will not be defeated through a media politics alone. Yet, constructing media stages that interrogate its discursive authority, and which enable us to collectively imagine the possibility of a different kind of social world, is a crucial part of the politics of constructing counter-hegemonic alternatives. This work is already being done, but much more is needed before it translates into a genuine popular front. Ultimately, we need to create new public spaces, and progressive new ways of being together, that can no longer be usefully called neoliberal.

## Notes

1. This chapter draws on previous work, especially Chapter 1 of Phelan (2014a) and Phelan (2014b). Thanks to Simon Dawes for his comments on an earlier draft of this chapter.
2. Media studies, communication studies, and journalism studies are treated here as overlapping fields.
3. At its simplest, the political economy/cultural studies debate (see Carey, 1995; Garnham, 1995; Grossberg, 1995; Murdock, 1995) involved a disagreement about the relative place of economic structures and processes, over a contrary emphasis on the power of culture, discourse, and ideas, in shaping the constitution of social and media systems. It was in part a proxy for a bigger antagonism across the social sciences and humanities – between political economy scholars, who insisted on the primacy of a Marxist analysis of capitalism and class, and cultural studies scholars, who embraced the novel post-structuralist, post-Marxist and post-modernist theories.
4. This chapter does not pretend to offer a proper historical account of the emergence of British cultural studies, or explore the distinctiveness of other cultural studies traditions (see Carey, 1995). The work of Raymond Williams and Richard Hoggart were important antecedents to the Birmingham school. For an overview of the history of cultural studies, and its connections and fissures with other theoretical approaches in media and communication studies, see Scannell (2007).

5. The concepts of mediation and mediatization are sometimes used interchangeably in media and communication research (as is the case here), as terms for denoting the increasing social power and authority of media processes. However, those whose work is most tied to the concepts insist on a terminological distinction. For example, Strömbäck (2008) describes the mediation of politics as a phenomenon that is not specific to the current historical era, because it describes a long-standing situation where media are the most important conduits and sources of information ‘between the governors and the governed’ (2008: 230). In contrast, mediatization describes the increasing tendency of media logics to ‘colonize’ the logic of contemporary politics (see Couldry, 2010; Meyer, 2002). ‘Political and other social actors not only adapt to the media logic and predominant news values, but also internalize these and, more or less consciously, allow the media logic and the standards of newsworthiness to become a built-in part of the governing process’ (Strömbäck, 2008: 239–240).

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# 41 Neoliberalism and the University

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## Introduction

The rise of neoliberalism during 1980s and 1990s has fundamentally transformed public institutions and the traditional university. Within a few short decades, the social democratic model, which sees education as a fundamental human right, has been replaced by the commodified neoliberal university based on assumptions of individuality, rationality and self-interest summarized by the notion of *homo economicus*. With the arrival of the age of digital reason, however, the wheel of development has made another turn. New technologies have brought into prominence new ways of knowledge making, dissemination, and governance such as peer-production, co-creation, co-design, co-responsibility, collective intelligence, and peer government. In this way, the neoliberal university has experienced an inner conflict between its political economy – based on principles of the free market – and the (digital) logic of collective knowledge production and dissemination. In the age of digital reason, neoliberal principles are increasingly becoming unfit for the ‘core business’ of higher education – teaching and research – and this inability forecasts the inevitable end of the neoliberal university as we know it.

In our recent works (Peters and Jandrić, 2018a, and forthcoming, 2018b) we identified three conflicting discourses around the university, which have dominated the modern period: the Public University circa 1960–80, the post-historical neoliberal university, and the Open Model of the digital university. In this chapter, we describe two important developments: the transformation of the Public University circa 1960–80 into the Neoliberal University, and the transformation of the Neoliberal University into the Open Model of the digital university. By and large, the Neoliberal University is still the dominant model in worldwide higher education – therefore, it deserves a

central position in our analyses. However, as the Neoliberal University increasingly suffers from inner and outer contradictions, the Open Model of the digital university indicates possible directions for its future transformation. By describing the various shifts from the Public University circa 1960–80, to the post-historical Neoliberal University, and the Open Model of the digital university, this chapter tells the story of the rise and fall of the Neoliberal University.

## **From the Public University Circa 1960–80 to the Neoliberal University**

The Public University circa 1960–80 saw its public mission in the historical purpose ‘to educate citizens in general, to share knowledge, to distribute it as widely as possible, and to produce it in accord with publicly articulated purposes (as well as on the assumption of eventual public benefit)’ (Calhoun, 2006: 19). Imbued in the social democratic model, the Public University circa 1960–80 views free higher education as a fundamental human right and a necessary institution for assuring the participation of workers in the global knowledge economy, for countering technological unemployment, and for creating informed citizens within a democracy. The social democratic model emerged out of the post-Depression Keynesianism model of economic management captured in Keynes’ *The General Theory of Employment, Interest and Money* (1936). Keynes’ classic work came to serve as the standard economic rulebook advocating government intervention and the idea that the private sector often makes decisions that lead to inefficient macroeconomic outcomes. The model endured for nearly fifty years and neo-Keynesian and New Keynesian economics continue to exist as modified or blended models. Neo-Keynesians such as John Hicks (e.g., Hicks, 1969) and Paul Samuelson (e.g., Samuelson and Nordhaus, 1948) tried to blend or synthesize Keynesianism with neo-classical economic models that dominated until the 1970s. New Keynesian economics, by contrast, includes economists such as Gregory Mankiw and David Romer (1991), who, responding to the critique of Keynesian precepts by Robert Lucas and Robert Barro in the 1970s, maintained that market-clearing models cannot explain short-run economic fluctuations, among other things.

The Neoliberal University is a post-historical institution based on the idea of technological excellence; it is also sometimes described as the Market Oriented University (Davis and Farrell, 2016), the Entrepreneurial University, the Enterprise University, the Innovation University, and the Global Service University (Peters and Jandrić, forthcoming, 2018b). This model shifts core commitments of the university from ‘the quest for universal truth’ and ‘the cultural infrastructure for democracy’ to ‘quality assurance’ as defined by the discourse of efficiency and excellence, where neoliberal managerialism becomes the dominant model of knowledge performance. Structural transformation towards the ‘knowledge economy’ is supposed to follow from the production of knowledge, investment in human capital and the diffusion of information and communication technologies requiring ‘management’. Neoliberal knowledge management rests on principles of *homo economicus* (assumptions of individuality, rationality and self-interest) that are radically at odds with distributed knowledge systems.

The shift from the Public University circa 1960–80 to the Neoliberal University has been comprehensive and has transformed the university irrevocably and perhaps irreversibly into a consumer-driven system where freedom is defined in terms of consumer sovereignty. The liberal public university is no more – if it ever was. As Bill Readings intimates in his influential book *The University in Ruins* (1996), there is no going back except in nostalgic terms. Readings argues that the university has been strongly linked to the nation-state and its development of a national culture. With globalization and the decline of the nation-state, the university itself has been reorganized as a transnational corporation based on principles of managerialism.

Readings identifies three principle historical traditions that have helped to shape the discourse of ‘The Idea of the University’ from its beginnings in the German modern research university to its status as a mature liberal institution in the twentieth century:

1. The German *Bildung* tradition, based on the works of Kant, Humboldt, Schelling, Fichte, Schellermacher, Nietzsche, Jaspers, Heidegger, and Habermas.
2. The English liberal tradition, based on the works of Newman, Mill,

Arnold, Leavis, Flexner, and Oakeshott (and there is room for a version based on the Scottish Enlightenment tradition).

3. The American pragmatic tradition, based on works of Veblen, Hutchins, Kerr, and Bok.

Using Readings' work, we can identify a fourth, blended, increasingly globalized discourse which expresses an anxiety at the state of the university institution under neoliberalism. Based on works by Lyotard, Derrida, Bourdieu, Said, and Macintyre, the fourth discourse focuses on the moral development of the individual in an educational transformation directed to the formation of enlightened citizens (Barnett and Peters, 2017; Peters and Barnett, 2017; Peters and Jandrić, forthcoming, 2018b). This blended discourse tends to critique neoliberalism, the marketization and privatization of the public university and to underscore its contrast with the classical liberal university (see Jandrić, 2017b; Peters and Jandrić, 2015a, 2015b).

Readings himself was strongly influenced by Jean-François Lyotard's classic *Postmodern Condition: A Report on Knowledge* (1984 [1979]), first published in the year that Margaret Thatcher took the reins of the Conservative Government in the UK. His work proceeded to confirm Lyotard's grim predictions concerning the legitimation of knowledge and the logic of performativity under neoliberal capitalism. Readings places the 'end' of the university in the context of a radical transformation of knowledge. According to Lyotard, 'Knowledge in the form of an informational commodity indispensable to productive power is already, and will continue to be, a major – perhaps the major – stake in the worldwide competition for power' (Lyotard (1984 [1979]: 5). Back in the day, Lyotard worked through the consequences of this transformation of the liberal university in terms of the 'performativity' of 'capitalist techno-science'. In *The McDonaldization of Society* (1993), however, George Ritzer intimates that neoliberalism has caused similar transformations in all public institutions, health care and public governance as well as the university, through the ubiquitous introduction of managerialist principles. In order to understand the roots of neoliberal transformations within the university, therefore, we need to examine the logic of neoliberal managerialism.

## **New Public Management (NPM) and the University**

Managerialism is a form of governance based on constitutional or rule-making activity. As Davis (1997: 228) suggests, the 'new institutional economics encouraged policy-makers to see public services not as production functions or firms, but as governance structures'. Institutional economics abandons the traditional notion of the firm as a production function and instead sees it as a governance structure that seeks to reduce transaction costs. Market competition favours the governance structure with the most efficient solutions for the problems of transaction costs. The notion of economic efficiency in institutional economics has successfully redefined the ethos and practice of *management* as a question of the culture and structure of *governance* based on the value of customizing the service or product.

Neoliberalism is the substantive discourse of governance that is potent precisely because of its capacity to subordinate economics, the social, and politics to rational choice as an exclusive principle of legitimacy. Governance arrangements have been classified into simple purchase and sale arrangements, bilateral arrangements for more complex relationships, such as joint ventures, trilateral arrangements where third parties are involved in processes such as arbitration, and vertical integration where the transaction costs are reduced by forming a firm. While the institutional analysis of the public sector (for example, selecting governance structures which minimize transaction costs) is fundamentally concerned with the same issues as in the private sector, there is a key difference in as much as private sector firms may fail, whereas the same cannot be allowed for government structures, even under marketized conditions.

During the 1980s and 1990s, a particular form of managerialism referred to as New Public Management (NPM) (Aucoin, 1988, 1990a, 1990b; Hood, 1990, 1991, 1992; Boston, 1996; Boston et al., 1996; Peters, 2013) or simply as public management (Pollitt, 1990: 156) came to dominate policy agendas. Pollitt notes that the managerial literature contains little reference to the welfare state or the characteristic modes of thought of its policy-makers, administrators and service providers. He observes that social needs, professional standards, deprivation, community and equity have historically played little or no part in the development of managerialism and writes: 'the transfer, during the last decade or two, of managerialism from private sector corporations to welfare-state services represents the injection of an

ideological “foreign body” into a sector previously characterized by quite different traditions of thought’ (Pollitt, 1990: 11).

NPM is a management philosophy used by governments to modernize and restructure the public sector based on the hypothesis that a more market-based orientation in the public sector would lead to greater cost-efficiency for governments, without negative side effects. Typically, neoliberal restructuring of the public sector (with an emphasis on public health and the universities as two of the largest government portfolios) focused on introducing competition through consumer-driven systems (citizens as shareholders), with strong attention to better management of the public budgetary process, and a new accent on leadership. By the end of the 1990s, commentators were heralding the end of public choice and New Public Management with a resurgence of institutional theories based on March and Olsen's famous paper ‘The New Institutionalism: Organizational Factors in Political Life’ (1984). NPM retained broad political acceptance in several countries, including Australia, New Zealand and the United Kingdom. The variants of NPM in these countries share some general features: a switch in emphasis from policy formulation to management and institutional design, a shift from process controls to output controls, a move from integration to differentiation and from statism to subsidiarity.

There has been a lot of discussion of NPM in the literature on higher education. For instance, Chris Lorenz (2012: 605), in ‘If You're So Smart, Why Are You under Surveillance? Universities, Neoliberalism, and New Public Management’, identifies four consequences of the application of NPM to higher education:

1. A continuous worsening of the faculty/student ratio...
2. Faculty are decomposing into a shrinking core of tenured faculty and a growing periphery of part-time, temporary faculty...
3. Teaching and research are continuously dissociated; ... teaching is increasing... academic research is being outsourced and commodified...
4. Tuition fees are increasing, and the duration of studies is being reduced...

After an exhaustive review of the current literature,<sup>1</sup> Lorenz (2012: 629) concludes:

All things considered, we should expect that as long as organizations continue to be controlled in accordance with the discourse of NPM, management will continue to produce NPM bullshit, and professionals will continue to react with cynicism, hypocrisy, and dissidence.

Some years ago, Jon McKenzie (2001) offered an explanation of 'performance', considered as a new social attitude, in his *Perform or Else: From Discipline to Performance*. He argues that the concept of 'performance' is now widely recognized in business and the commercial world as a conceptual tool for assessing human and technological standards and that it is fast becoming the dominant social model of evaluation. According to McKenzie, traditional philosophical distinctions are becoming less influential and performance, 'effectiveness' and 'efficiency' are growing in power as the new conventions defining the basis for the measurement of what is right, true, and good (McKenzie, 2001: 178–79).

Following Richard Schechter (2000), McKenzie theorizes performance as a formation of power and knowledge, and in doing so warns of the increasing objectification and alienation of human labour. He asks whether we have entered an age of global performance and remarks that 'performance' has emerged as a crucial term in at least three different areas of social life: economics, technology and art. He goes on to explain:

Far from existing in disconnected spheres, these paradigms increasingly overlap and intersect: just as theatre takes place in institutional contexts constrained and enriched by technological and economic imperatives, the theatrical model has come to inform organizational theory and web design. (McKenzie, 2001: 178–179)

McKenzie (2003) theorizes 'performance not only as transgressive cultural praxis but also as a global formation of power and knowledge, one that challenges us to perform – or else'.

For McKenzie, performance management draws upon the paradigm of cultural performance, which replaces scientific management or 'Taylorism',

the dominant organizational paradigm of the early twentieth century. In contrast to scientific management, performance management no longer produces highly centralized bureaucracies with rigid, top-down management styles or perceived controlling, hierarchical and conformist organizational cultures.

[It] attunes itself to economic processes that are increasingly service-based, globally oriented and electronically wired. Since the end of the Second World War, theorists from Herbert Simon to Edwards Deming to Peter Drucker have argued for decentralized structures and flexible management styles, styles that, rather than controlling workers, empower them with information and training so they may contribute to decision-making processes. The principles regularly cited in management are not uniformity, conformity, and rationality, but diversity, innovation, and intuition. (McKenzie, 2001: 6)

As he remarks later, performance management doesn't sell itself as scientific but rather, adopting the paradigm of cultural performance, defines itself as an *ars poetica* of organizational practice, which is evident in texts like *Corporate Renaissance: The Art of Reengineering* (Cross, Feather, and Lynch, 1993), *Jamming: The Art and Discipline of Business Creativity* (Kao, 1997), and *Cultural Diversity in Organizations* (Cox, 1994).

This new soft power of management theory and practice recognizes performance as having acquired a normative force. McKenzie's analysis of it as a formation of power and knowledge enables us to appreciate a theorizing of performative power that extends beyond the realm of cultural production into discourses and practices that have the normative force to structure our organization, and the institutions of work, learning and leisure. And while there are different semantic ranges involved, together with different sites of pragmatic installation, as McKenzie argues, the soft power of performance also enables us to recognize the integration of cultural, management and technological systems.

Higher education is a crucial sub-sector where these types of performative power intersect, especially when framed by the policy template of the



knowledge economy, for in the knowledge economy, the cultural and the symbolic are paramount. This is the very idea behind the so-called sign economy, an economy no longer based on raw materials but rather on the transformation of ideas and symbolic resources by means of intellectual, human and social capital. In this environment, the three spheres of the economic, technical and cultural are brought into a close alignment as performative power combines the rational calculation of ('high performance') technical systems and databases with the domain of affective management based around personal experience and social interaction. Performance management in this context first came to light with the development of performance measurement systems developed by the performance indicator movement and later under the influence of NPM, which drew on principal-agent theory and transaction cost analysis.

Performance management is an ideal system for knowledge management, especially where one of the main aims for the knowledge manager is to extract knowledge from people's heads (often tacit knowledge that is difficult to codify) and to embed it in intellectual systems or processes as soon as possible, protecting it as intellectual property under copyright, patent or international trade law and putting it into commercial service to make a profit. It is, classically speaking, concerned with the appropriation of the knowledge surplus. In this regard, performance management typically utilizes soft psychotherapeutic technologies in the affective domain, alongside traditional peer review mechanisms and collegial exchange, and in combination with simple counts, computer and/or accounting methodologies (including the weighting and the arithmeticization of soft variables like 'reputation') to produce departmental, faculty, and institutional performance 'profiles' and institutional, national and international league tables.

A number of revealing studies of national systems have been published. For instance, using performance management measures based on NPM principles collected from 60 Italian universities, Martina Dal Molin, Mateo Turri, and Tommaso Agaisti (2016) suggest that the implementation of performance measures has been unsatisfactory. Other studies have suggested that the most likely outcome of NPM reforms across the Italian public sector are further commodification of services and the deprofessionalization of public sector workers, with no corresponding increase in efficiency (Adcroft and Willis,

2005; Buseti and Dente, 2014). Liudvika Leišytė, who investigated NPM and research productivity in Dutch universities, argues that the

managerial trend towards teaching-only and research-only positions may have a negative impact on overall research productivity for the Dutch higher education system, because our findings show that ‘teaching–research balance’ contributes positively to research productivity. (Leišytė, 2016: 841)

Thus, in the context of higher education, the simple idea of performance management results in a myriad of complex (predominantly negative) consequences.

## **The Neoliberal University and its Critiques**

After Nietzsche, the critique of the Western university has developed along two interrelated lines. The first, pursued by Weber and continued by Heidegger, Jaspers, Lyotard and Bourdieu, emphasized the dangers of economic interest vested in the university through the dominance of *technical reason*, a form of instrumental rationality which has taken the form of *homo economicus* (either State or market investment). Neoliberalism has rejuvenated *homo economicus* as its guiding principle, with an emphasis on the logics of rationality, individual choice and self-interest. *Homo economicus*, as the dominant form of instrumental rationality, champions a very narrow conception of the self-interested agent (indifferent to the well-being of society) who acts to maximize utility as a consumer and profit as a producer. This instrumentality is very focused on goal-directed behaviour as a means for achieving ends but is generally unable to reflect on the *value of the end in itself*. Various critiques of this framework focus on its individualist nature, on its absence of collective vision, and on accumulated collective irrationality where individual agents each rationally pursue their own self-interest with disastrous effects for the majority as a whole in the longer term (e.g., traffic congestion).

The second line of critique, initiated by Weber in his investigation of

bureaucratic rationality, and further developed by members of the Frankfurt School and somewhat differently by Foucault, traces the imprint of the state in the academy through the apparatus of *administrative reason*. Weber's interest in power and authority led him to focus on forms of rationalization within large organizations. Foucault's analysis of the discursive production of the human sciences and 'disciplinary society' may be seen as converging with Weber's formal analysis of the modern bureaucratic state. His later work is directly applicable to new systems of public administration, such as the New Public Management, which under the aegis of 'reinventing government' became the main means for the transformation of government in the 1990s and the impetus behind neoliberal reforms of the university.

With the rise of the Neoliberal University, these two forms of reason have come together in a new constellation dominated by digital reason. First, through a capitulation of the norms of liberal humanism and the Kantian ethical subject, the university has embraced the main articles of faith underlying the revitalization of economic rationalism and introduced the principle of *homo economicus* into university governance. Second, through the imposition of 'Washington consensus' style structural adjustment policies by the International Monetary Fund, countries in the developing world during the 1980s were forced to privatize universities, often with devastating effects on access, educational opportunity and equality.

The rapidity and scale with which neoliberal policies have placed the university at the service of the global knowledge economy are striking, and no aspect of university life seems unaffected. The huge outpouring of grief, loss, anger, and romance for the Public University circa 1960–80 has been recorded in a stream of publications that comment on a vast range of topics and themes with a strong accent on the unsatisfactory conditions experienced by academics and faculty: 'performance anxiety' (King, 2015; Stahl, 2015); forms of resistance and critical pedagogy (Mott, 2015); the capture and dismantling of the liberal university (Yang, 2016); the exploitation of non-tenured faculty (Schwartz, 2014); the reconstitution of the student and learning in neoliberal times (Morrissey, 2015); the corporatization, accountability regimes and impact of neoliberal competition (Olssen, 2016); the effects of individualization in teaching and learning (Bal, Grassiani and Kirk, 2014); the introduction of managerialist practices and the effects on

management–academic relations (Gannon et al., 2015); gender and youth subjectivity effects (Mountz et al., 2015); the assault on the nature of the public (Bose, 2015); ‘publish or perish’ (Jandrić, 2015); students’ rights; the neoliberal economy of debt (Giroux and Jandrić, 2015); neoliberal developments in different countries and contexts (Brackmann, 2015); forms of privatization; the politics of branding; governmentality (Jankowski and Provencis, 2014; Ward, 2014); the possibilities of resistance (Earl, 2015); neoliberalism and post-disciplinarity (Jandrić, 2016); neoliberalism, education and post-truth (Jandrić, 2017a); neoliberalism, education and technology (McLaren and Jandrić, 2014, 2015; Hayes and Jandrić, 2014); neoliberalism and academic publishing (Peters et al., 2016). While this list provides only the latest publications in the area, similar concerns can be traced at least to the turn of the millennium (e.g., Noble, 1998; Miller, 2004; Ginsberg, 2010).

The Neoliberal University fits hand in glove with global capitalism. Increasingly, universities are instrumental in generating and managing a burgeoning student debt. They have become loan institutions that gamble with endowments and make investments in futures markets. They prioritize research that generates income, develop global partnerships with like institutions and consortia to act as powerful actors in the global higher education market, often overly concerned with branding, institutional image, positioning and global marketing. In this new context, the university is increasingly preoccupied with finance, with financial global partners, imbued with a finance culture that permeates the institution, substituting at every turn for academic leadership and academic culture, downplaying the very sources of self-criticism that used to characterize the university and playing up the financial and reputational stakes.

The Neoliberal University, with little philosophical self-reflection, has been placed in the service of the ‘new global economy’ under conditions of *knowledge capitalism*, with several important consequences (Peters and Besley, 2006; Peters and Jandrić, 2015b; see also Jandrić, 2017b). First, the Neoliberal University has diminished the public status of the university, turning attention away from questions of the public interest to profit-making, investment, audit and accountability. In the era of sovereign debt crisis, the search for alternative funding patterns has led to national strategies for

funding the university in the longer term, either by increasing tuition fees or encouraging fee-paying students to invest in themselves at critical points in their life cycle, on the basis of human capital theory. This strategy has led to excessive student debt, with student loans becoming the second largest source of consumer debt after mortgages. Via debt, public education has been effectively privatized.

Second, the Neoliberal University has supplemented revenue from domestic fee-paying students with a global competition for international students, the growth of multiple campuses and offshore profit centres. All of this has led directly to the encouragement of all forms of capitalization of the self and a kind of new educational prudentialism (Peters, 2005).

Third, the Neoliberal University is preoccupied with issues of intellectual capital and the ownership of the means of knowledge production, via the development and expansion of research parks, private-public partnerships in science production, and an emphasis on the commercialization of research and online teaching initiatives.

Fourth, the Neoliberal University has witnessed the huge growth of administration *vis-à-vis* the teaching and research faculty, to an increasing bureaucratization of the university and to the emergence of a new class of ‘knowledge managers’ – an administrative cadre – whose job is to monitor and measure academic performance and to maximize returns from research.

At the very heart of this permanent regime change is the relationship between global capitalism and the new information and communication technologies, a relationship that developed quickly in the post-war context to create what Peters, Britez and Bulut (2009) (see also Peters, Murphy and Marginson, 2009) call *cybernetic capitalism*: a term introduced to emphasize the new circuits and forms of global capital and new mode of capital accumulation. At the same time, the social and communicative acceleration that results from this relationship at the heart of cybernetic capitalism can be understood in philosophical terms that modify the form of temporality, subjectivity and being: the being of the student, the professor, and the university (Peters, Paraskeva and Besley, 2015).

Several scholars have turned to Foucault's concept of governmentality to

understand the changing regime of subjectivity experienced by faculty, staff and students (Peters, 2001, 2003, 2009; Olssen and Peters, 2005; Morrissey, 2015). This approach sheds light on the subjective effects of the constant measuring and regulating of academic performance and the changing ethos of the 'performing subject' that undermines taken-for-granted academic prerogatives, generating what seems like a continual renegotiation of conditions of academic freedom. Neoliberal infringements of academic autonomy now seem commonplace, eroding tenure, conditions of research and study leave, circumscribing professorial collegiality and decision-making, aggrandizing departments of finance and human relations at the expense of senate, and introducing a hierarchy of line-management that compromises the ethos of sharing, collaboration and collegiality (Kallio et al., 2016). Already in 2005, Olssen and Peters showed that the shift from (professional) academic autonomy to administration is crucial for understanding the Neoliberal University.

## **From the Neoliberal University to the Open Digital University**

In the context of knowledge capitalism, the university's core business of teaching and research has undergone significant changes. Traditional hierarchical modes of knowledge production and dissemination have given way to the pervasive logic of peer production, where everyone is a producer and a consumer. Peer production is based on new forms of collectivity based on collective intelligence, collective responsibility, collective governance and collective action. As such, collective intelligence represents the evolving cultural infrastructure (like the invention of alphabets and writing) for national systems of higher education. For Pierre Lévy, collective intelligence

is a scientific, technical and political project that aims to make people smarter with computers, instead of trying to make computers smarter than people. So, collective intelligence is neither the opposite of collective stupidity nor the opposite of individual intelligence. It is the opposite of artificial intelligence. It is a way to grow a renewed human/cultural cognitive system by exploiting our increasing computing

power and our ubiquitous memory. (in Peters, 2015a: 261)

The project of collective intelligence requires a certain type of informational infrastructure involving open access to information, open communications and open collaboration. As such, it challenges established academic principles such as intellectual property (Jandrić, 2017b), and the principles of knowledge capitalism more broadly. Furthermore, collective intelligence is dialectically intertwined with the open-science economy (OSE), which is a rapidly growing sector of the global knowledge economy utilizing open-source models and its multiple applications (e.g., open access, open archiving, open publishing, open repositories) in distributed knowledge and learning systems. This rich-text, highly interactive, user-generated OSE has seen linear models of knowledge production give way to more diffuse, open-ended, decentralized, and serendipitous knowledge processes based on open innovation and technology. These peer-to-peer distributed knowledge systems rival the scope and quality of traditional proprietary products through the diffusion speed and global access of open-source projects, especially in both software and open-source biology.

From an epistemological perspective, the modern university was an institution built on the principles of industrial media; the open university, by contrast, is built upon the principles of social media, providing the basis for a new social media model of the university. The new model embraces the social democratic vision of the university and provides, first, the means to recover and enhance the historical mission of the university (Peters, 2007) and, second, a useful discourse for re-theorizing the university in the twenty-first century. In this way, new social media model contributes to jettisoning the Neoliberal University's managerialist ideology and returning to a fully socialized view of knowledge and knowledge-sharing that has its roots in Enlightenment thinking about science but finds new practices in commons-based peer-production.

Analyses of epistemology are closely followed by analyses of political economy. At least for a decade, a number of critics have proclaimed that NPM is 'dead' and argue that the cutting-edge of change has moved on to Digital Era Governance (DEG), focusing on reintegrating concerns into government control, holistic (or joined-up) government and digitalization.

DEG draws on principles of open government and utilizes the Web and digital storage to focus on transparency and better communication within government. For instance, Dunleavy and Margetts (2006) argue that NPM has stalled or been reversed because its complexity has reduced the capacity of citizens and public stakeholders to participate in finding solutions for social problems. They claim that the next wave of technology-centred change is shifting towards DEG, which involves reintegrating functions into the governmental sphere, adopting holistic and needs-oriented structures, and progressing digitalization of administrative processes.

Others associated with Public Value theory have reasserted a focus on citizenship, networked governance and the role of public agencies in working with citizens to *co-create public value*, generate democratic authorization, and foster legitimacy and trust. They stress that the domains within which public managers are working are complex adaptive systems with characteristics that are qualitatively different from simple market forms or private sector business. Dunn and Miller (2007: 345) argue that:

the NPM and NWS [Neo-Weberian State] are similar in their sweeping paradigmatic character, their ambiguities and internal inconsistencies, their inability to go beyond instrumental rationality and incorporate forms of hermeneutic and critical reason, and in their advocacy of bureaucracy via participation under certain historical conditions, [and] hence [are] consistent with Weber's characterization of modern organization and management.

They advance a critical theory of administrative reform suggesting that (ibid.: 355):

Ends must themselves be justified. Among those ends are justice, equity, liberty, fairness, and procedural predictability, none of which serve the ends of economic efficiency, *per se*, because they are often ends in themselves. Regrettably, among many advocates of NPM in the USA, the UK, and New Zealand, economic efficiency in its various forms (employee productivity, budgetary discipline, optimal staffing) is the



main justification of NPM interventions such as privatization, contracting out, and new personnel appraisal systems.

By and large, universities and research institutions have significantly contributed to developing a new universe of research and education based on openness, freedom, democracy, and DEG. In this way, the Neoliberal University has created the conditions of its own downfall. Drawing on these trends, we developed the Open Model of the digital university (Peters and Jandrić, forthcoming, 2018b), which is philosophically oriented to understanding the emergence of a different kind of institution and its possibilities within the epoch of digital reason. Against neoliberalism and the cult of generic management, the Open Model of the digital university examines the significance of peer governance, review and collaboration as a basis for open institutions and open management philosophies. Expressive and aesthetic labour, popularly known as 'creative labour', demands institutional structures for developing 'knowledge cultures' as 'flat hierarchies' that permit reciprocal academic exchanges as a new basis for public institutions. This model is based on:

1. User-centred and open-innovation public knowledge ecosystems.
2. A shared ethos underlying 'co-production', 'co-creation', 'co-design' and 'co-responsibility'.
3. New platforms to utilize collective intelligence and commons-based peer production.
4. A focus on the links between openness and creativity, design and responsibility, and DEG.
5. Radical openness, interconnectivity and interactivity – a shift from industrial broadcast media (one-to-many) to new social media (many-to-many).

In the forthcoming paper, 'Peer Production and Collective Intelligence as the Basis for the Public Digital University' (Peters and Jandrić, forthcoming, 2018b), we analyze major public and private universities of today. We conclude that the Open Model of the digital university has not arrived yet; however, worldwide, many institutions are taking steps in this direction. While we readily admit that our theoretical model is bound to change when it arrives in practice, we do believe that it provides a plausible 'educated guess'

concerning the possible transformations of the Neoliberal University in the near future.

## **The Rise and Fall of the Neoliberal University**

By and large, the Public University circa 1960–80 is no longer; the Neoliberal University is beyond its peak; and the Open Model of the digital university is in its infancy. These models are mere idealizations; they are never completely faithful to reality. However, a consideration of the evolution of these models identifies two principal opposing forces shaping the contemporary university. The first force is political economy. The ascendancy of neoliberalism, and the related New Management Policies, have brought about a thorough commodification of knowledge production and dissemination – despite the rising importance of Digital Era Governance, these forces are directly opposed to open science and research. The second force is epistemology. Technological developments have brought about the new logic of peer-production and collective intelligences, thus fostering the development of open epistemologies – and these epistemologies are directly opposed to the political economy of neoliberalism.

In the university, political economy is inextricably linked to epistemology. The Open Model of the digital university comprises egalitarian open epistemologies dialectically intertwined with open digital economies; the Neoliberal University consists of New Public Management approaches dialectically intertwined with various forms of hierarchical, closed, pre-digital approaches to knowledge creation and dissemination. The shift from the Public University circa 1960–80 to the Neoliberal University was mostly driven by political economy (top-down); the transition beyond the Neoliberal University is strongly driven by epistemology (bottom-up). It is in this struggle between the top-down political economy of the Neoliberal University and the bottom-up epistemology of the Open Model of the digital university that the present and future of today's university is being shaped.

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## Note

1. Some of the major reviewed sources include Parker and Jary (1995), Barry (2004), Charlton (2002), Etzkowitz (2004), Liesner (2006, 2007), Newfield (2008), Shore (2008), Coccia (2009), Donoghue (2009), Gill (2010) and Radder (2010).

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# **42 Neoliberalism, the Knowledge-Based Economy and the Entrepreneur as Metaphor**

**Tomas Marttila**

## **Introduction<sup>1</sup>**

Even though neoliberalism is frequently described as an ideology that validates economic liberalization, unbound competition and the minimization of state power, it is inappropriate to reduce it to an economic doctrine (cf. Chopra, 2003; Foucault, 2008; Peters, 2001). Chopra (2003: 422) attributes the undisputable political success of neoliberalism 'to the fact that ... neoliberalism has managed to establish itself as a credible vision, at once universal and foundational, for describing social reality itself'. In other words, neoliberalism is not a strictly economic but rather a cultural phenomenon because it touches upon and transforms all social relations and identities without exception. Chopra (2003: 424) understands the pervasiveness of the neoliberal 'vision of the social world' as having depended on the fact 'that it does not privilege any one point of view but merely presents the truth about things as they are'. While this monolithic conception of neoliberalism as an inherently coherent and consistent belief system has indisputable merits, it nonetheless disregards the numerous disparate and subtle processes underlying today's cultural hegemony of neoliberalism. Several recent studies in cultural sociology, conducted by, among others, Du Gay (1996), Marttila (2013a, 2013b) and Reckwitz (2006a), deny that neoliberalism can be conceived in terms of a consistent ideology because it partakes in (admittedly parasitic) interactions with other cultural formations, whose codes it interpenetrates, combines with and condenses to build hybrid and heterogeneous concepts and 'codes of different cultural origin' (Reckwitz, 2006a: 19).

Perspectives that emphasize heterogeneity and hybridity and focus on

historical processes of cultural emergence do not enquire into the essential logics of neoliberalism – a question that has been answered often enough – but rather investigate origins and trajectories of variants of neoliberalism in different, socio-historically specific contexts. Gordon (1991: 42) understands the ‘diffusion’ of the ‘enterprise form’ as having been one such historical process responsible for today's cultural hegemony of neoliberalism. In a similar vein, Peters (2001: 15) observes that the neoliberal redefinition of the social has depended on the attribution of ‘rationality, individuality, and self-interest’ characteristic of economic agents to all social subjects. According to Marttila (2013b, 2017), the ‘economization’ of the social world observed by Gordon and Peters has been facilitated by the promulgation of the values and virtues of the neoliberal ‘enterprise culture’ (Greene et al., 2008; Heelas and Morris, 1992). This process, which Marttila describes as the ‘entrepreneurialization of society’, has resulted in an elevation of the entrepreneur as the model of subjectivity in various social lifeworlds (cf. Marttila, 2013b). This chapter examines how this transformation of the entrepreneur into a role model of innovative and creative behavior in the context of the knowledge-based economy has facilitated the diffusion of neoliberal ‘enterprise culture’ as a new societal common sense.

## **The Knowledge-Based Economy and the Entrepreneurialization of the Society**

Marttila (2013a, 2013b, 2017) identifies the ‘entrepreneurialization of the society’ as one of the historical processes responsible for the society-wide dissemination of neoliberal concepts, ideas and rationalities. The entrepreneurialization of society resonates with the neoliberal conviction that individual and collective actors are not capable of unleashing their potential unless they adopt qualities and competences characteristic of entrepreneurs (Du Gay, 1996: 56; Rose, 1999: 145). O'Rourke (2014: 248) therefore concludes that ‘[t]he entrepreneur is the model of subjectivity in neoliberalism’. In contrast to descriptive analyses of the narratives that attribute unprecedented significance to entrepreneurial behavior (e.g., Hjorth and Steyaert, 2004), so-called Foucauldian governmentality studies have explored how social subjects are disciplined and subjectivized to adopt entrepreneurial mindsets, preferences and actions (Marttila, 2017).



Institutions such as schools (e.g., Dahlstedt and Hertzberg, 2012; Marttila, 2017; Smyth, 2004), universities (e.g., Grit, 1997) and state bureaucracies (cf. Bröckling, 2007; Pongratz, 2008; Rose and Miller, 1992) have not only become entrepreneurial actors in their own right, but they have also been endowed with the task of transforming subjects into ‘entrepreneurs of themselves’ (Marttila, 2013a: 1; cf. Miller and Rose, 2008: 195).

Arguably, then, entrepreneurialization cannot be reduced to a strictly economic process restricted to the system of economic production, but denotes a wider process of cultural transformation geared towards the propagation of entrepreneurial ideals, norms and values throughout society. As a result of entrepreneurialization, the entrepreneur becomes ‘the role model for the conduct of states, organizations and enterprises’ (Marttila, 2013b: 294). According to Du Gay (1996: 56), entrepreneurialization has taken place when ‘enterprising qualities – such as self-reliance, personal responsibility, boldness and willingness to take risks in the pursuit of goals’ – have become an imperative that applies to more or less every individual and collective actor. Recent critical research on neoliberalism has sought to counter the thesis of an entrepreneurialization of society by disclosing ‘ideational systems, institutions and belief systems producing and shaping the pattern of entrepreneurship in contemporary society’ (Ogbor, 2000: 630). Critics have also reconstructed entire ‘regimes of domination’ involved in the fashioning of individual subjects as entrepreneurial agents (Jones and Spicer, 2009: 18).

All the same, two oversights can be identified in recent critical scholarship on neoliberalism in general and the entrepreneurialization of society in particular, which this chapter aims to redress. First, while scholars on entrepreneurship have critiqued the conceptual ambiguity of the entrepreneur (e.g., Jones and Spicer, 2005, 2009; Kenny and Scriver, 2012; Pongratz, 2008), they have failed to relate that ambiguity to the semantic metamorphoses – or *metaphorization* – that the concept of entrepreneur has undergone as a result of its development towards a general ‘model for ... innovative thinking’ and acting (Steyaert and Katz, 2004: 182). Second, instead of referring the entrepreneur to an ‘empty’ (Kenny and Scriver, 2012: 617) and ‘essentially indefinable’ (Jones and Spicer, 2009: 37) concept, Marttila (2013a, 2013b, 2017) draws on Jessop's (e.g., 2002, 2004, 2008)

research on post-Fordist accumulation regimes to suggest that the conceptual ambiguity of the entrepreneur bears witness to its transition from a particular type of economic actor to its status as a general role model of creative behavior in the knowledge-based economy (KBE). According to Jessop (2004: 168), the KBE has 'become a master economic narrative in many accumulation strategies, state projects and hegemonic visions ... through the 1990s'. More interesting still, Jessop (2008: 17) observes that 'the promotion of entrepreneurialism and an entrepreneurial culture' was '[a] key element' in the hegemonic vision of the KBE. Here, it is not only a few, select economic leaders, but the entire population which is expected to possess 'capacities to engage in permanent innovation' (Jessop, 2002: 121).

Addressing these two aporias in the literature, this chapter has a twofold aim. The first theoretical aim is to decipher the processes resulting in the metaphorical transformation of the entrepreneur from its status as an economic actor to that of generic subject of creativity. By following Axel Honneth's (2000) guidelines for 'unmasking critique', this theoretical discussion will 'disclose' the general historical contingency and discursive mechanisms resulting in the current mythification and heroization of the entrepreneur in the context of the KBE. By doing so, the chapter seeks to offer a critical counterpoint for resisting and critiquing the cultural hegemony of neoliberalism that has, among other things, advanced in the form of society's general entrepreneurialization. By revealing how the entrepreneur has become the model of the creative subject, the initial theoretical discussion 'disturb[s] our self-understanding and our social practices' (Kompridis, 1994: 30) and hence facilitates the identification of 'radically new conception[s]' of the world (Honneth, 2000: 123). The second aim is to draw on the theoretically deduced mechanisms involved in the metaphorization of the entrepreneur to display the 'semiosis' – the historical processes of 'intersubjective meaning-making' (Jessop and Sum, 2010: 96) – which, in the context of Swedish political discourse, resulted in an heroization of the entrepreneur as a society-wide model for the social subject's self-conception and conduct of the self.

This chapter critically engages with recent research on entrepreneurship and problematizes its incapacity to take into account and make sense of the semantic metamorphoses of the entrepreneur, which has co-occurred with the

overall entrepreneurialization of society. The following two sections constitute the theoretical backbone of the chapter and elucidate the role of the metaphor as a discursive logic for the construction of cultural hegemonies. The concluding section provides an empirical case study on the entrepreneurialization of society as it has taken place in Sweden since the mid-1990s. This case study seeks to demonstrate how the discourse of the knowledge-based economy (KBE) that emerged in Sweden in the mid-1990s constituted a ‘space of interdiscursivity’ (Diaz-Bone, 2010), within which previous discourses on the knowledge society, the welfare state and entrepreneurship could be assessed as a configuration of naturally conjoined concepts, practices, institutions and subjectivities (see [Figure 42.2](#) below).

## **De-Differentiation and Universalization of the Entrepreneur**

Most scholarships on the subject of entrepreneurship trace the origins of neoliberal enterprise culture and the resulting entrepreneurialization of society to the early 1980s (cf. O'Rourke, 2014: 249f.). In particular, the neoliberal economic doctrines of the Reagan government in the US and the Thatcher government in the UK are held responsible for the elevation of the entrepreneur as the savior of economic growth, full-employment and social welfare (Benner, 1997; Bröckling, 2007; Considine, 2001; Greene et al., 2008; Jessop, 2002; Jones and Spicer, 2005, 2009; Rose, 1999). Several scholars have observed that the figure of the entrepreneur has lost much of the specificity highlighted in the classical texts of Kirzner (1973), Schumpeter (1961), Sombart (1913) and Weber (2006) (e.g., Jones and Spicer, 2005, 2009; Marttila, 2013b; O'Rourke, 2014; Reckwitz, 2006a; Steyaert and Katz, 2004; Thomas and Mueller, 2000). The growing conceptual vagueness of the figure of the entrepreneur has caused concern among scholars in the field. Casson (1990: IIIX) – one of the leading specialists in entrepreneurship – observes that the relevant literature offers ‘extremely diffuse’ conceptualizations of the entrepreneur. The entrepreneur has not always been shrouded in ambiguity; rather, its present ambiguity is the result of its more recent metaphorization as the generic subject of creativity which has emerged in the context of the KBE. A closer look at some classical texts on entrepreneurship will help to demonstrate the

historical nature of this conceptual ambiguity.

In their classic texts on entrepreneurship, Casson (1990), Kirzner (1973), Schumpeter (1950, 1961), Sombart (1913) and Weber (2006) endow the entrepreneur with a distinctive economic function within the economic system of production. The ascription of solely economic functions (e.g., generation of innovations, destruction of market equilibrium, opening of new markets) to entrepreneurs makes them meaningfully active only ‘within the economic system’ (Elliott, 1980: 46). In *Reinventing Government: How the Entrepreneurial Spirit is Transforming the Public Sector* (1993) – a source of inspiration for neoliberally-minded reforms of the entire state apparatus – Osborne and Gaebler released the figure of the entrepreneur from its traditional location in the economic system of production and argued that ‘[t]he true meaning of the word [of the entrepreneur] is broader ... than was known before’ (1993: xix). Osborne and Gaebler could describe ‘school superintendents’, ‘principals’, ‘airport managers’, ‘welfare commissioners’ and ‘labor secretaries’ as entrepreneurial actors only by ignoring the way that the particular logics and rationalities of their actions could differ from those within the economic system. In their book *Grassroot Leaders for New Economy: How Civic Entrepreneurs are Building Prosperous Communities* (1997), Henton et al. dissolved the distinction between economic actors, the economic system of production and economic rationalities, on the one hand, and civic society, on the other, to conclude that civic society actors learn from entrepreneurs how best to optimize their efforts for the benefit of maximal societal development.

The blurring of the difference between the economic and non-economic realms of action, as it is described in the aforementioned two texts, is far from accidental. Several contributions to the Foucauldian governmentality literature have observed that the promulgation of neoliberal ideas and rationalities could take place only after having dissolved the prevailing distinctions between economic and non-economic rationalities and realms of activity. Foucault (2008: 243) argued that the economic rationality offered by American neoliberal economic theory could be disseminated beyond the boundaries of the economic system only once the ‘economic form of the market’ had been constituted as a general form of social action that applied to every social subject and practice without exception. By the same token,

Gordon (1991: 45) stated that entrepreneurial ideas and practices originating in neoliberal enterprise culture could be adopted throughout society only as a result of the 'progressive enlargement of the territory of economic theory by a series of re-definitions of its object'. Foucault and Gordon's observations make clear that the entrepreneurialization of society became possible as a result of two closely related historical processes. First, it was as a result of de-differentiation – the blurring of the distinction between economic and non-economic realms of action – that the key concepts of the neoliberal enterprise culture could be applied to a range of new social contexts, such as civic society, the public sector, schools, states, universities, working-life, and so on. Second, while the above-mentioned de-differentiation emancipated the entrepreneur from its previous exclusive association with the economic system of production, its significance also had to be universalized – that is, expanded and generalized – before it could embrace new institutions and practices and include new groups of actors.

The concept of de-differentiation is a familiar one in the context of cultural studies. The 'failure to draw a distinction', which Williams (1973: 161) identifies to be the *differentia specifica* of cultural de-differentiation, implies that social subjects cease to sustain established demarcations between things (concepts, ideas, objects, subjects) of different kinds. Abandoning the differences that separate things into mutually incommensurable categories and classifications is the key to the creation of a 'common culture' embracing society as a whole (Williams, 1989: 36). Stäheli (2007) describes how equity trading could develop from a professional practice reserved for a select few qualified and certified experts into a popular spectacle only once the controlling authorities had ceased to sustain the distinction between economic professionals and the lay public. A similar type of de-differentiation enables the aforementioned entrepreneurialization of society. It was only when economic experts, political authorities and cultural elites had ceased to distinguish between economic and non-economic realms of action that the entrepreneur could be made into a role model relevant to social settings, institutions, actors and practices outside the economic system of production.

While de-differentiation means that concepts lose much of their previous distinctiveness and hence become increasingly ambiguous, the second process of universalization implies that these increasingly ambiguous

concepts are extended to embrace and refer to new objects. With regard to the hegemonization of neoliberal enterprise culture, such universalization implies that the entrepreneur acquires social values and functions beyond the economic system. Steyaert and Katz (2004: 182) observe that the universalization of the entrepreneur was made possible by its evolution from a particular position within the economic system of production into a general 'model for introducing innovative thinking ... beyond ... simple commerce and economic drive'. Other studies note how the promulgation of the ideas and practices associated with enterprise culture in the context of the state (Considine, 2001), education (Grit, 1997; Marttila, 2017; Smyth, 2004), civic society (Henton et al., 1997) and working life (Pongratz, 2008) have transformed the entrepreneur from a distinctive economic agent into the generic creative subject. It is only by adopting entrepreneurial mindsets that state officials, teachers, researchers, civic society actors, among others, become capable of solving problems, taking initiatives, optimizing performance and advancing societal development in general. The universalization of enterprise culture in general and the entrepreneur in particular becomes tangible on the semantic level of social action. It implies that 'entrepreneurial' competences of 'creativity', 'self-responsibility', 'readiness to take risks' and having a 'spirit of innovation' are crucial for the enterprise culture and are now 'considered subject ideals covering the entire society' (Marttila, 2015a: 186). Jones and Spicer (2005: 179) assume that the universalization of the entrepreneur has made it possible for entrepreneurial competences, values and standards to have 'stained nearly every aspect of public life'.

The aforementioned processes of de-differentiation and universalization give rise to heterogeneous and hybrid cultural formations characterized by 'syncretic overlapping and combination of various elements' from vastly different cultural systems (Reckwitz, 2006a: 18). In other words, as a result of their wide promulgation and hegemonization, concepts peculiar to enterprise culture are not only liberated from their unambiguous association with the system of economic production, but they are also imbued with new connotations when they enter the realms of state bureaucracy, school, family, and the like. Accordingly, the hegemonization of enterprise culture leads inevitably to the 'catachresis' of the entrepreneur: that is 'the forced extension of the meaning of words' applied in the construction of the

entrepreneur's social meaningfulness (Ricoeur, 1979: 53). To be more specific, Kenny and Scriber (2012) and Marttila (2017), among others, have observed that the entrepreneur has, as a result of its catachresis, developed into a metaphoric concept that does not contain much meaning of its own, but constitutes a nodal point bringing together and organizing a semantic field of previously unrelated concepts (cf. Torfing, 1999: 98). Before moving on to my empirical case study on the entrepreneurialization of the society in the context of the KBE, the following section will further elucidate the logic of the metaphor and the part it plays in the processes of cultural hegemonization.

## **Metaphor, Discourse and Cultural Hegemony**

The preceding section suggested that the entrepreneur has evolved from a concept denoting a particular economic agent into a metaphoric concept that brings together and organizes an emergent field of concepts that traverses and annuls the distinction between economic and non-economic social domains. More specifically, the entrepreneur occupies an interstitial position between a semantic field of concepts (e.g., enterprise, investment, production, profit, growth) rooted traditionally in the economic system of production and another field of concepts associated with other social domains. According to Miller (2004: 220), (synecdochic) metaphors do not simply enhance the connectivity of previously unrelated concepts, the meanings of which are left untouched. By creating the image of their natural mutual compatibility and similarity, metaphors generate an unprecedented resemblance between things. In other words, metaphors are not 'instrument[s] in service of reality...', but they transform our conceptions of reality and hence pave the way for unprecedented ways of thinking and acting (DeLuca, 1999: 342). Above all, constructivist social and cultural theories have highlighted the fact that practices of language use actually determine our conceptions of reality (Reckwitz, 2002; Rouse, 2006; Schatzki, 2006).

Without delving too deeply into semiotics – the science of linguistic forms and functions – metaphors are of crucial importance for cultural hegemonization because they open up an opportunity for symbolizing the presence of (supposedly) self-evidential and natural commonalities between different areas of social action. Wilden (1987: 198) argues, among others,

that metaphors are capable of making the dissimilar similar and unfamiliar familiar because metaphors 'bring together in a single word or phrase ... the image of two or more things or relationships'. Similarly, Eco and Paci (1983: 228) argue that metaphors enable us to 'see certain resemblance between different things' that was not initially self-evident. Also, Derrida (1982: 218) locates the contribution of metaphors to cultural and social change in their capacity to 'equat[e] things of different [cultural] orders'. Cornelissen (2004: 705) argues that metaphors do not make the already 'familiar more familiar' but, instead, create unprecedented 'family resemblances' between previously unrelated concepts. For Eco and Paci (1983: 250), the metaphorical expression 'she was a rose' does not render visibility to prevailing properties of a woman (or a girl) because the subject that initially associates a woman with a rose detects properties that were not there in the first place. Andriessen and Gubbins (2009: 848, *italics added*) argue that:

the process of metaphor application is not just the transfer of selected meaning from *source* to *target*. The process is a two-way process in which the *target* and the *source* concepts are aligned, and correspondence is constructed and created rather than deciphered.

Cornelissen (2004: 709) conceptualizes the capacity of metaphoric concepts to generate unprecedented meanings by describing how the metaphoric expression 'organization is theatre' does not sustain the prevailing meaning of the 'organization' and the 'theatre', but gives rise to an unprecedented conceptual blending, in which the meaning of the 'target concept' (*organization*) is redefined in terms of the 'vehicle concept' (*theatre*). This conceptual blending changes the conventional conception of the organization because it brings forth:

an image of organizational life (in terms of how actions are carried out and ordered) as essentially a creative and artistic affair in which organizational members 'enact' roles, interpret 'scripts', work in 'scenes' and 'act' towards 'plots', use dramaturgical and rhetorical styles, and address an 'audience'. (Cornelissen, 2004: 715)



A common feature of the metaphoric expressions 'she was a rose' and 'organization is theatre' is that they result in the asymmetrical interpenetration of two previously unrelated domains of concepts (cf. Annamma et al., 2009: 39; Tsoukas, 1993: 336). The 'vehicle concepts' of 'rose' and 'theatre' make it possible for us to recognize how the 'target concepts' of 'she' and 'organization' possess new phenomenal properties and thereby transform our conventional conceptions of reality. Similarly, the entrepreneurialization of society can be assumed to originate from a process of metaphorization, in which (vehicle) concepts of 'entrepreneur', 'entrepreneurship', 'creativity' and 'innovation' that are typical of the neoliberal enterprise culture are connected and blended with sets of 'target concepts', such as 'public sector', 'welfare state' and 'working life', whose previous meanings they displaced, overdetermined and superimposed (Marttila, 2015a: 86).

To conclude: the asymmetrical interpenetration of different cultural formations facilitated by metaphoric concepts constitutes the fundamental logic of cultural hegemonization (cf. Žižek, 2006: 560). More precisely, metaphoric concepts are essential for processes of cultural hegemonization in two different regards. First, the selected metaphoric concept symbolizes the 'generic space' (Annamma et al., 2009: 40) that identifies the 'striking likeness' shared by the blend of subsumed concepts (Derrida, 1982: 237). However, the designation of metaphoric concepts is neither objectively necessary, nor equally open for everybody, but reflects an asymmetrical distribution of symbolic social power. Second, it is not only metaphoric concepts that fall short of any objective necessity, but also the blend of included concepts. The new blend of concepts cannot be deduced from the essence of the metaphoric concept because a concept must be emptied of any specific meaning in order to function as a metaphor – a 'figure of complementarity and correspondence' (De Man, 1978: 20; cf. Annamma et al., 2009: 41). Indeed, while semiotic theories of language can explain what metaphors are and how they propel cultural change, they are less apt to explain the aspect of power underlying the selection and utilization of metaphoric concepts. More crucially still, semiotic theories cannot answer the question as to how images of the social order created by metaphors – despite their objective groundlessness – become accepted to provide 'largely taken-for-granted horizon[s] of intelligibility' (Marttila, 2015b: 8). Arguably, then,

a more complete understanding of the role played by metaphors in the construction of cultural hegemonies requires a recourse to a more substantial social theory. In this regard, post-foundational discourse analysis (PDA) emanating from post-Marxist hegemony theory (Ernesto Laclau et al.) allows us to grasp the role that metaphors play in discourses, enabling the creation and reproduction of rationalities and identities.

PDA begins with the assumption that language and linguistic forms, among them metaphors, do 'not merely mirror the world, but [they are] instead partially constitutive of it' (Norval, 2000: 314). Denying the existence of any natural – historically, transcendently or materially determined – meanings, Marttila and Gengnagel (2015: 55) conclude that all meanings and identities can only originate from discourses that render objects of knowledge intelligible. Moreover, PDA adapts Saussure's (1959: 117) structuralist theory of language, which considers meanings to be 'purely differential and defined not by their positive content but negatively by their relations with the other terms of the system'. As such, Cederström and Spicer (2014: 187) argue, 'it is the relationship between various elements which produces meaning, rather than the social elements themselves being the bearers of meaning'. PDA appeals to the structuralist (relational) theory of meaning and defines discourse to 'refer[s] to any particular relational configuration of meaning-conveying objects (i.e., signifiers), in which objects appear and are related to each other, and which constitutes the meaning (i.e., signifieds) of these objects' (Marttila and Gengnagel, 2015: 55; cf. Laclau and Mouffe, 2001: 106).

Moreover, PDA endorses the critique of the objective ontological necessity of any social meaning, value, norm or truth also established in post-foundational philosophy (e.g., Hans-Georg Gadamer, Martin Heidegger, Jacques Lacan, Jacques Rancière, Ludwig Wittgenstein). In his critical reflection on the societal consequences of post-foundational philosophy, Koch (1993: 343) concludes that since 'the validity of norms, values, and morals reside in popular will, as opposed to transcendental notions of truth and justice, then dominant norms become both ontologically and epistemologically indefensible'. However, in PDA, the postulated absence of objective foundations of discourse does not result in 'the total absence of all grounds' (Marchart, 2007: 2) but implies, instead, that discourses must posit their own

necessities. The self-referential grounding of discourse takes place through the placement of so-called ‘nodal points’ that, in their quality as *metaphors*, figure as “‘point[s] of reference” that symbolize[s] the overarching identity of a discourse and, by doing so, makes it possible to conceive of the logic of a commonality that binds [particular objects] ... together’ (Marttila, 2015a: 49; cf. Laclau and Mouffe, 2001: 139). In other words, it is their shared relationship to the nodal points symbolizing their identities that condenses a number of social objects into ‘an integrated whole’ of a discourse (Cederström and Spicer, 2014: 189). Nodal points have the semiotic function of metaphors because they establish images of ‘complementarity and correspondence’ between otherwise unrelated objects (De Man, 1978: 19). Torfing (1999: 225f.) describes how the nodal point of ‘welfare state’ symbolizes the overarching identity and ostensibly self-evidential logic of commonality shared by different ‘political strategies, institutional forms and power networks...’ and, hence, makes these otherwise unrelated objects appear as natural constituents of the welfare state (cf. Laclau, 2008: 69). In other words, nodal points ‘normalize and naturalize’ discourses and discursive relations by representing them as emanating from the objective essence of nodal points (Torfing, 1999: 70). Since neither nodal points nor discursive elements tied together by them possess any a priori determined meanings independent of their articulation in a discourse, ‘nodal points structure meaning in a retroactive fashion’ (Cederström and Spicer, 2014: 190). By assuming particular objects to be natural, integral parts of the social order symbolized by the nodal point, social subjects fall prey to ‘the illusion that it [i.e., discourse] was already there, i.e., that it was not placed there by us’ (Žižek, 1995: 95).

However, the relationship between the ‘representative’ of the discursive identity – nodal points – and the ‘represented’ – the relational ensemble of objects constituting a discourse – is not one-directional but rather reciprocal. A nodal point can play the role of a metaphoric incarnation of the ideal social order only if it is sufficiently empty of any particular meaning. The logical consequence of nodal points’ conceptual emptiness is that they ‘can be ... filled in a variety of ways’ (Laclau, 1996: 59). Marttila (2015b: 26) argues, therefore, that ‘while a nodal point acts as a representative that symbolizes and “embodies” the ostensibly intrinsic essence of the “represented” discursive elements, the represented discursive elements substantiate the

nodal point representing their common identity'. The obvious question arising in this context is why social subjects accept and identify themselves without discourses, although neither the naming of nodal points representing the overarching identity of a discourse nor the selection of the objects tied together into a discourse are objectively necessary. While a more thorough unraveling of the pre-symbolic affective foundation of discourse must take place in more appropriate contexts (cf. Cederström and Spicer, 2014; Glynos, 2001; Marchart, 2007; Žižek, 1995), it suffices to say that social subjects misrecognize the radically contingent, objectively non-necessary and inevitably self-referential logic of the constitution of discourses because they presuppose discourses to epitomize an image of the perfect society: 'a state without disturbances, out of reach of human depravity' (Žižek, 1999: 150). Social subjects' identification with a nodal point and their acceptance of the discourse which it symbolizes, depends on the extent to which they see a nodal point as incarnating a particularly enticing, desirable and attractive social order (Reckwitz, 2006b: 343). Naturally, a new discourse can achieve this hegemonic status only if the prevailing social order is subject to 'organic crises' (Gramsci, 1971: 176f.); the withering away of trust in its functionality and validity.

Let us now bundle up the theoretical leads relating to the cultural hegemonization of the neoliberal culture of enterprise in general and the entrepreneurialization of society in particular. First, cultural hegemony refers to a situation in which a particular discourse has organized around a set of nodal points through interlinked concepts and is accepted as the symbolic representation of the ideal and natural social order. A hegemonic discourse offers social subjects commonsensical conceptions about the ideal state of society and about their identities, functions, roles and responsibilities in that society. Second, hegemonic discourses are not stable social structures; rather, their degree of social hegemony can increase and decrease over time. From a 'dynamic' point of view, hegemonization means that a particular discourse is accepted as defining the meaning of social institutions, subjects and practices, which were earlier located beyond the reach of the hegemonic discourse. The hegemonization of neoliberal enterprise culture takes place when its 'space of representation' – the number of discursive elements interlinked by its nodal points – 'is extended to further elements that are then subsumed as elements of a new discourse' (Marttila, 2015a: 190). However, as we have learned,

cultural hegemonization is a matter of asymmetrical interpenetration, the ‘coupling and combination’ of different concepts with different cultural origins (Reckwitz, 2006b: 19). This means that the metaphorization of the entrepreneur facilitated the interpenetration of other social and cultural domains by neoliberal enterprise culture. Reflecting the general discursive logics of cultural hegemonization, the following case study will briefly consider the order of discourse within which entrepreneur was de-differentiated and universalized to symbolize a society-wide recognized and appreciated creative subject in Swedish political discourse after the early 1990s.<sup>2</sup>

## **Knowledge-Based Economy and the Entrepreneurialization of Society: A Case Study**

Swedish post-war political economy has often been referred to as ‘capitalism without capitalists’ (Marttila, 2017), because the importance of private economic endeavors and activities for economic development was overshadowed by state-controlled and corporatively organized Keynesian macroeconomic regulation. Spurred on by the general neoliberal turn in Swedish political economy, representatives of Swedish business life and Swedish employers’ associations launched an offensive in the mid-1980s to improve entrepreneurs’ general societal status and increase appreciation of their contribution to economic development (Blyth, 2001; Marttila, 2013a, 2013b). Reflecting the historically unprecedented appreciation of entrepreneurship, the liberal-conservative government elected in 1990, headed by Premier Carl Bildt, followed the suite of Thatcherite prescriptions arising from the United Kingdom in postulating that

[o]f most crucial importance for Sweden's economic development in the 1990s is the renaissance of small enterprises and new entrepreneurship. It is in these enterprises that new occupations are located. New entrepreneurship must become the *spearhead of economy* towards the future. (Government Bill 1991/92, No. 51; added italics)<sup>3</sup>

While the traditional Keynesian macroeconomic policy regime was deemed

to disturb economic processes, undermine economic productivity and decrease incentives to invest capital in profitable economic sectors, it was assumed that 'only the individual entrepreneur and his employees ... through their efforts may realize a growing Sweden' (Government Bill 1993/94, No. 40). Similar to Schumpeter (e.g., 1950, 1961), the Bildt government divided society into (economically) productive and non-productive actors depending on whether or not they were active in the (private) economic sector. In this manner, the liberal-conservative government sustained the functional differentiation of the entrepreneur by locating its practices and utilities within the economic system of production. Moreover, the liberal-conservative government also departed from the objectivist ontology of the entrepreneur because it assumed a group of economic elites possessing a natural entrepreneurial talent (Marttila, 2013b: 313). It was taken for granted that a sufficient number of subjects would be active as entrepreneurs in so far as the government succeeded in establishing a 'beneficial climate for enterprises and entrepreneurship', characterized, among other things, by transparent and liberal competition law, access to risk capital, deregulation of markets, privatization of the public sector, and so forth.

The de-differentiation and universalization of the figure of the entrepreneur – its shift from economic actor to generic creative actor – went hand in hand with a rising sense that the transition from an industrial economy to a knowledge-based economy (KBE) was unstoppable. Since 1993, the ruling social democratic government has taken at face-value the forecasts made by national economic experts and the OECD suggesting that over 50% of the labor force would work in knowledge-intensive sectors by 2010 (Government Bill 1997/98, No. 62: 150). The conviction that society needed to be adjusted to the functional prerequisites of the KBE rested on the assumption that the traditional welfare economy – characterized by full-employment, high wage levels, equalization of life chances and universal entitlements to social security – could be sustained only by continuous improvement in economic productivity. Reflecting the neoliberal economic doctrine propagated by the OECD and leading Swedish economists, general economic productivity could be augmented only by extending the share of knowledge-based enterprises and knowledge-intensive production in the national economy. Bolstering productivity in this manner was, in turn, considered necessary to enable international economic competitiveness to be combined with an extensive

and universalistic welfare state (Government Communication 1996/97, No. 112: 16). It was with this assumption in mind that the social democratic government began to actively encourage social subjects to refashion themselves as entrepreneurs. It was assumed that the imminent transition towards an internationally competitive KBE could only occur if the spirit of entrepreneurship were disseminated throughout society.

The conceived reciprocal relation between the KBE and the developed culture of enterprise was by no means specific to Sweden. Jessop (2004: 168) describes how the KBE has assumed the role of 'a master economic narrative' in other contexts, instructing societal actors in the need to sustain economic competitiveness by ensuring a constant supply of entrepreneurial subjects. The dominant discourse on the KBE – propagated, for instance, by the European Union (2005), the OECD (1996) and the World Bank (2003) – leaves no doubt about the fact that economic competitiveness in the KBE is largely dependent on the 'promotion of entrepreneurialism and an entrepreneurial culture' across the entire society (Jessop, 2008: 17; see also Birch et al., Chapter 44 in this volume). In Swedish political discourse, a society imbued with the spirit of entrepreneurship was conceptualized in terms of a 'knowledge society' (Government Bill 2001/02, No. 2). The passage from a society characterized by Keynesian macroeconomic regulation and corporatism to a knowledge society required not only that economic actors possessed the capacity for 'critical and creative thinking' and 'adjustment to new situations and problems', but *every* social subject (Government Bill 1995/96, No. 206).

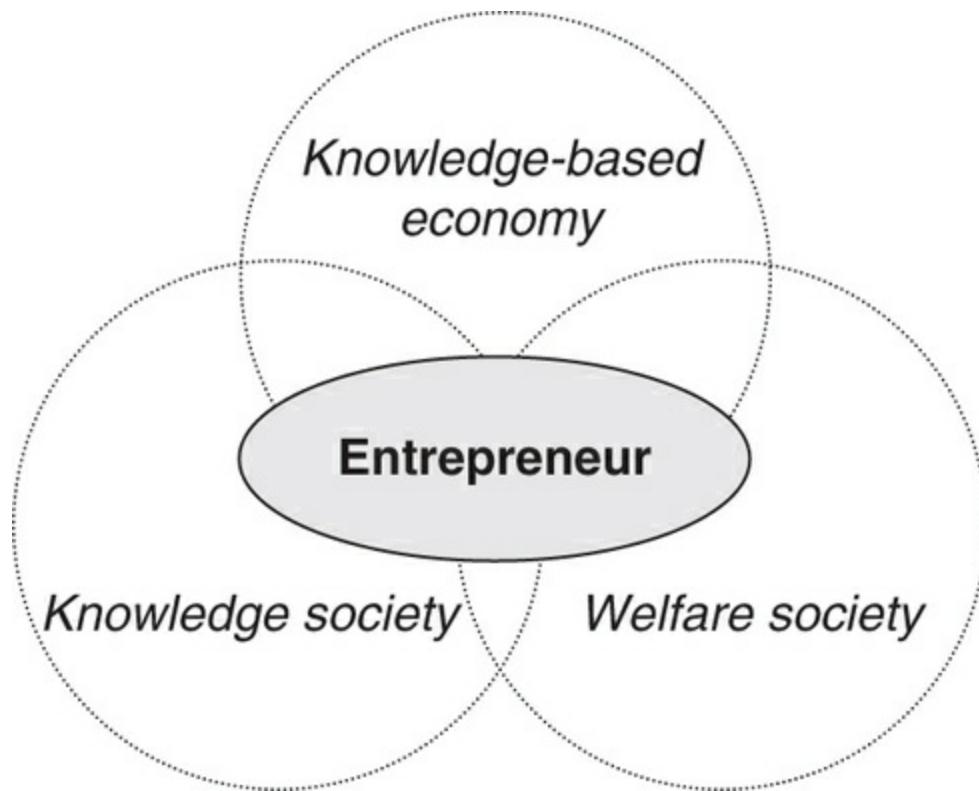
In social democratic political discourse, the concepts of 'welfare society', 'KBE' and 'knowledge society' assumed the discursive function of nodal points that symbolized different phenomenal aspects of the ideal model of society. Reflecting their function of metaphors, these concepts tied ensembles of particular concepts into discourses. While the welfare society assumed a logic of commonality between 'full-employment', 'high wage levels', 'equal life chances' and 'universal entitlement to social security', the concept of KBE embraced the concepts of 'innovative business life', 'knowledge-intensive entrepreneurship', 'innovative public sector', 'capacity to take initiatives' and 'economic utilization of personal competence'. The knowledge society denoted a population characterized by a general 'spirit of

entrepreneurship', 'capacity to innovation', 'readiness to take risks' and 'willingness to solve problems' (cf. Government Bill 2004/05, No. 1). Even though discourses on 'welfare society', 'KBE' and 'knowledge society' consisted of mutually distinctive and separate ensembles of concepts, they were also mutually constitutive with regard to their symbolization of different phenomenal aspects of the ideal society in as much as they constituted each other's condition of possibility. While the viability of the welfare society was made conditional on the economy's transformation into a KBE, the desired KBE was, in turn, contingent on society's transformation into a knowledge society characterized by a widespread spirit of entrepreneurship (Department Report 2004, No. 36: 1). Ultimately, the idealized model of society was made dependent on the general entrepreneurialization of the entire society.

As [Figure 42.1](#) shows, this entrepreneurialization of society was promulgated in the space of interdiscursivity composed of the discourses on welfare society, KBE and the knowledge society. The reconceptualization of the entrepreneur as a figure standing at the interface between different, relatively distinct discourses endowed the concept with unprecedented values, functions and meanings from each of these three discourses. In this manner, 'entrepreneur' was transformed into a metaphor, whose previous linkages to the economic concepts of 'start-up of enterprises', 'generation of above average profits', 'break into new markets' and 'innovativeness' were duplicated by reference to non-economic concepts (Marttila, 2013b: 311ff.).

**Figure 42.1** The space of interdiscursivity for the entrepreneurialization of society





It was in this interdiscursive space that the Schumpeterian entrepreneur became *de-differentiated* and *universalized* to symbolize the creative subject (Department Report 2004, No. 36: 13). As NUTEK (2003: 6) – the former public agency for technological development and economic growth – postulated, entrepreneurs could be ‘found everywhere in society...’ because being an entrepreneur referred to ‘[d]ealing with problems actively and finding solutions, turning ideas into actions or being entrepreneurial in general...’. In other words, while the concept was universalized in the sense that it became a universal symbol for a proactively behaving subject ‘who just does’, it was simultaneously de-differentiated because entrepreneurs could now be located:

at school, on construction sites, in health care, at university or anywhere else. Some start businesses. Others mobilize their entrepreneurial potential at work as employees. Others develop ideas on improvements and innovations. They all contribute to welfare and growth. (NUTEK 2003: 6, own translation)

The following two sub-sections will closely examine two societal contexts of crucial importance for the project of entrepreneurializing society. While the first section focuses on the role of entrepreneurial subjects in the context of regional clusters of innovation, the second explains the underlying reasons for the introduction of a national program for entrepreneurship in Swedish schools.

## **Regional Clusters of Innovation**

Similar to other OECD countries, political and economic elites in Sweden conceived of regional clusters of innovation as constituting the most natural and functional way of organizing the future KBE. In accordance with the Lisbon Strategy – the program for social and economic reform launched by the European Union in 2000 – the social democratic government concluded its Government Bill (1997/98, No. 62) *Regional Growth for Employment and Welfare* with the observation that, in contrast to the traditional nationally organized industrial system of production, the future KBE should be subdivided into relatively autonomous regional clusters of innovation based upon the comparative advantage of each region (Government Bills 2001/02, Nos. 4 and 7).

Inspired by ‘endogenous growth theory’, which had been adapted by the Clinton administration in the US, the Swedish social democratic government assumed that economic productivity and the rate of economic growth were not primarily determined by enterprises’ access to physical factors of production (e.g., risk capital, machines, labor force) and institutional setting (e.g., legislation), but depended on the general level of cultural and creative capital. Among other things, cultural or creative capital was supposed to consist of subjects’ human capital, readiness to cooperate in regional public-private partnerships, willingness to create regional developmental strategies, and so forth. If they were to make a contribution to the economic competitiveness of regional clusters of innovation, regional actors would have to adapt and develop mindsets, cognitive skills and competences that characterized entrepreneurs (Department Report 1999, No. 32).

The reciprocal relation between economic competitiveness and a society-wide spirit of entrepreneurship reflects the conviction, deduced from

endogenous growth theory, that economic productivity is primarily determined by social subjects' willingness to take initiatives, solve problems and generate social, organizational and technological innovations. Government Bill (2001/02, No. 2: 6) accordingly postulated that 'increasing *entrepreneurship* and *creative environments* ... would ensure that possibilities for growth and cooperation are especially explicit, ensure that *good ideas* may grow and ... new occupations and new enterprises' are created (italics added). However, in the context of regional clusters of innovation, the relational analogy between entrepreneur and creative subject appeared in two distinct forms. First, the entrepreneur referred to the generally preferred subject form in regional clusters of innovation, as competences characteristic of entrepreneurs were 'required for developing an activity within an enterprise or organization...' (Department Report 1997, No. 78: 16). The self-fashioning of social subjects as entrepreneurs was supposed to 'make things happen' in regional clusters of innovation (NUTEK, 2003: 6). Second, the entrepreneur was also presented as the role model for the regional elite of 'network entrepreneurs' and 'grass-root leaders'. It was taken for granted that entrepreneurial competences would endow regional elites with charismatic leadership qualities, which again increased their capacity to identify a common vision for the regional clusters of innovation, encourage diverse groups of regional actors to accept and adhere to these visions and, hence, ensure that all actors 'cooperate and act in the same direction' (Department Report 2000, No. 7: 2).

## **Projectification of Human Capital Development**

One reason for the de-differentiation and universalization of the entrepreneur can be found in the changing organization of working life in the KBE. It was expected that the flexible, customized and 'just-in-time' logic of production, which is characteristic of the KBE, would take place in flexibly structured and non-hierarchical organizations. In these so-called 'learning organizations', not only would work be organized in the form of team-based projects necessitating a heightened degree of self-reliance, self-responsibility and personal initiative on the part of employees, but the latter would also have to take responsibility for the continuous upgrading of their human capital. A key tenet of Swedish political discourse was the assumption that, in the post-Fordist economy, working tasks organized in the form of temporal

‘projects’ would necessitate a corresponding ‘projectification’ of human capital development (Marttila, 2017). In order to conceive and conduct themselves as ‘project subjects’ (Kalff, 2014: 200), all employees would need to develop the capacity to ‘obtain comprehensive views’, ‘take responsibility for planning and perform various tasks’, engage in self-reliant ‘government of the self’ and demonstrate ‘development-mindedness’, a propensity to ‘creativity’ and a skill for ‘problem solving’ (Swedish Government Official Report 2000, No. 28: 45). Moreover, projectification of working life also implied that every working subject must have the capacity to participate in ‘lifelong learning’ and hence, on his/her own account, be capable of acquiring the skills and competences required in their current project (Marttila, 2017).

Drawing on an official research report written by three leading researchers on entrepreneurship – Daniel Hjorth, Bengt Johannisson and Torsten Madsen (Department Report 1997, No. 3) – the social democratic government identified the entrepreneur as the model of the ‘project subject’ (Kalff, 2014). The relational analogy between the entrepreneur and the project subject was derived from the fact that the government program of ‘National Education in Entrepreneurship’, introduced in 2000, was considered an appropriate way of fashioning the entire population as a pool of potential project subjects (Dahlstedt and Hertzberg, 2012: 247). The entrepreneur was identified as the paradigm of the ‘project subject’ because entrepreneurial mindsets, incentives and skills constituted the human capital that students were deemed to require in their working life in the future KBE (Government Bill 1995/96, No. 206: Chapter 4.2). Having drawn an analogy between entrepreneur and project subject, the social democratic government decided to ‘direct the education programs of the secondary school towards entrepreneurship’ (Government Communication 1996/97, No. 112: 70). As part of this initiative, it was necessary for society to be:

characterized by positive attitudes towards entrepreneurship in all its facets far more than today. More entrepreneurial individuals who see a chance to contribute to societal development will be needed to fuel regional [economic] development. It [entrepreneurship] includes ... among other things the mobilization of the supplied opportunities for

innovation, development and marketing of new products and services, processes and common solutions. (Government Bill 2001/02, No. 4: 187)

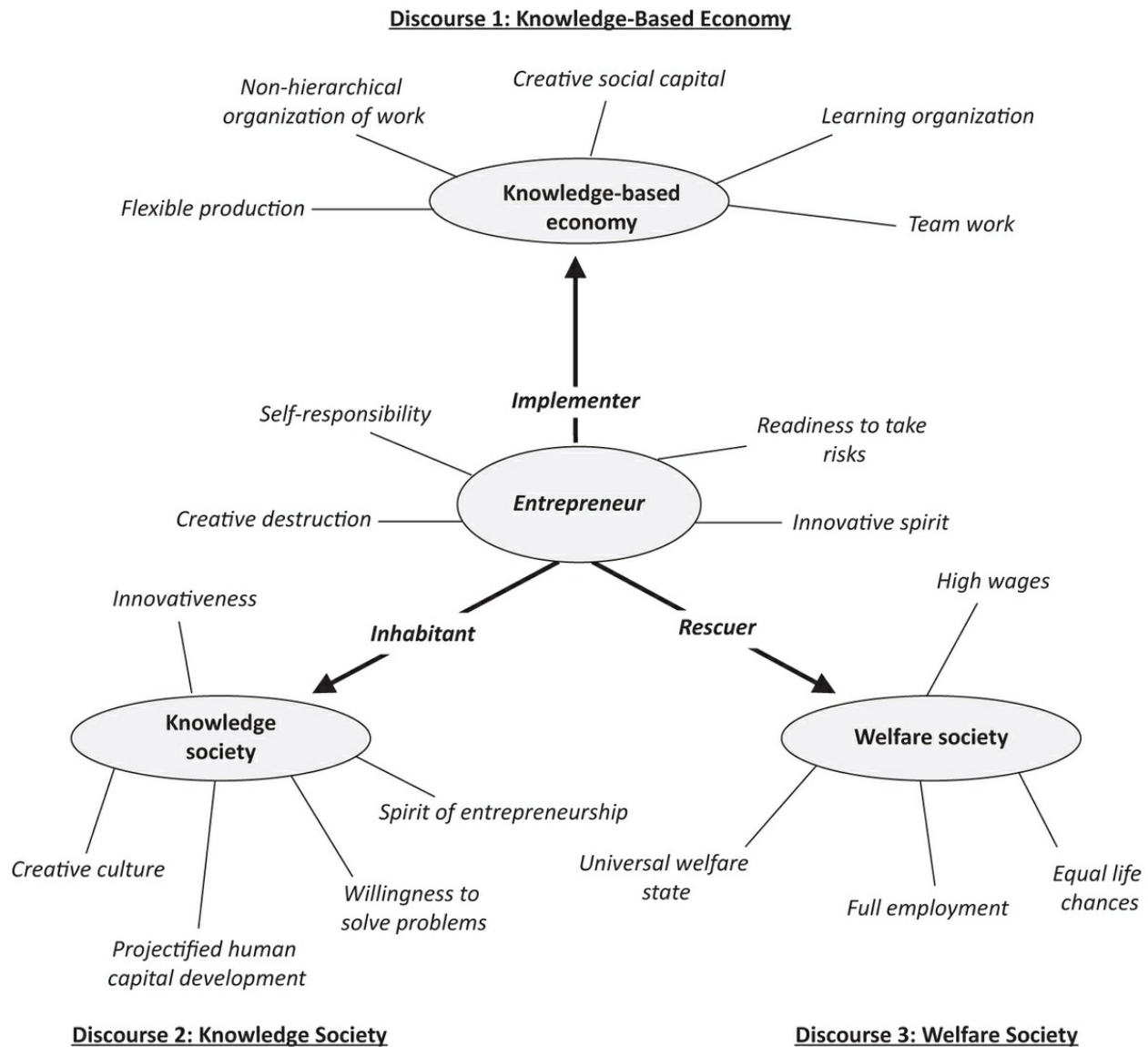
Following the recommendations made by leading Swedish economic experts on entrepreneurship (e.g., Johannisson et al., 2000), the introduction of a nationwide compulsory education program in entrepreneurship was seen as the most efficient way to ensure that students were trained to become entrepreneurially-minded project subjects. Reflecting the de-differentiation and universalization of the entrepreneur, education in entrepreneurship did not aim to provide the specific skills and know-how required in management and start-up of enterprises, but to ensure that ‘everybody is given the sense and understanding of what entrepreneurship may be in order to experience the driving force of entrepreneurship in the *knowledge society*’ (NUTEK, 2003: 51, italics added). Moreover, the idea that education in entrepreneurship should not provide practical skills but, rather, develop attitudes and mindsets of crucial relevance for the capacity of students to adopt creative and innovative behavior, fostered the restructuring of school education as a whole towards entrepreneurship. This meant that education in entrepreneurship cut through all areas and subjects of school education (Swedish Government Official Report 1997, No. 40: 90). It was, therefore, ineluctable that ‘every [education] program in the secondary school shall develop the creative capacity and spirit of entrepreneurship’. Even students’ participation in ‘school enterprises and school cooperatives’ would focus on providing students with a general ‘capacity to creativity’ rather than teaching them how to start and manage their own enterprises (cf. Government Bill 2001/02, No. 2; Johannisson et al., 2000). Education in entrepreneurship initiated by leading economic experts (e.g., Department Report 1997, No. 3) in 1997 and institutionalized in the form of a national program for entrepreneurship in 2000 was the primary strategy adopted.

## **Unmasking the Entrepreneur**

The aim of this contribution has been to explore and describe the diachronic processes underpinning the general entrepreneurialization of society in Sweden. By rendering visible the historically contingent and discursive

construction of the entrepreneur as a metaphor for the creative subject, this contribution has sought to unmask the supposedly objective need to transform every social subject into an entrepreneur. In this respect, the chapter shares a wider impulse within critical research on entrepreneurship to reveal the regimes of domination established in the name of the entrepreneur (e.g., Jones and Spicer, 2009; Ogbor, 2000). However, the chapter has also attempted to move beyond the limits of previous research because it has provided a theoretical conceptualization and empirical visualization of the role that diachronic processes of cultural de-differentiation and universalization have played in the entrepreneur's transformation from an economic actor into a society-wide role model of creative subjectivity. [Figure 42.2](#) visualizes the general organization of discourses which this study has identified as motivating the entrepreneurialization of society in Sweden.

**Figure 42.2** Discourse on entrepreneur as a creative subject



An essential feature of the structure of discourse outlined above is that the de-differentiation and universalization of the entrepreneur as the metaphor of creativity took place in the 'interdiscursive' interface between three discourses: the 'KBE', the 'knowledge society' and the 'welfare society'. As was demonstrated in empirical terms above, these discourses are not equally powerful because the imperative to entrepreneurialize society derived from the postulate that the Swedish economic system could not be transformed into a post-Fordist KBE unless every subject possessed entrepreneurial mindsets, skills and competences. In accordance with the previous discussion of the general characteristics of cultural hegemonization, the entrepreneurialization of society was not motivated by a singular discourse. Reflecting the idea that

hegemonization is organized in the form of interdiscursive overlapping and through a combination of different discourses, the entrepreneur was ascribed different roles and utilities *vis-à-vis* the KBE, knowledge society and welfare society.

In more specific terms, the entrepreneur first figured as a ‘rescuer’ of the welfare society because it was only the refashioning of subjects as entrepreneurs that could ensure the establishment of an internationally competitive KBE, which would again guarantee conditions of full-employment and high wages characteristic of a welfare society. Second, the entrepreneur figured as a paradigmatic subject form – an ‘inhabitant’ – of the knowledge society because the adaption of society to future working life made it necessary for subjects to be refashioned as project subjects who habitually developed and upgraded their human capital. The idealized knowledge society could come into being only if the spirit of entrepreneurship permeated the entire population. Third, and most importantly, the entrepreneur figured as an ‘implementer’ of the KBE because internationally competitive knowledge-intensive production came into being as a result of the aspirations of entrepreneurial subjects to bring about economic innovations. As a result of its location in the ‘space of interdiscursivity’ between discourses on KBE, the knowledge society and the welfare state (cf. Diaz-Bone, 2010), the concept of the entrepreneur became a metaphor that conjoined a range of different, previously unrelated societal roles, meanings and functions. In contrast to previous research on entrepreneurship (e.g., Cederström and Spicer, 2014; Kenny and Scliver, 2012; Jones and Spicer, 2005, 2009), the entrepreneur did not become an empty concept devoid of any particular meaning. Instead, the concept evolved into a metaphor for the creative subject as such – one *who just does* – which, due to the conceptual openness characteristic of any metaphor, could be linked with numerous new meanings.

## Notes

1. This chapter is part of a more extensive research project on the hegemonization of the neoliberal enterprise culture in Sweden. Empirical findings from the project have been previously published in Marttila (2013a, 2013b, 2015a, 2017).



2. This study presents the structure of discourse recurring and sustained in 20 key texts on Swedish political discourse that motivated the entrepreneurialization of society. Primary texts consulted and analyzed in this case study can be found in Marttila (2013a).

3. In this chapter contained primary documents are listed in Marttila (2013a).

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# 43 The Emotional Logic of Neoliberalism: Reflexivity and Instrumentality in Three Theoretical Traditions

Sam Binkley

## Introduction

Theories of modernity typically depict a relation between economy and emotional life that is highly detrimental to the latter (Scott, 2013). Of the many maladies economy imposes upon emotions, it is those associated with the cold rationality of industrial capitalism that are perhaps best known. While for Marx (1975), capitalist labor processes alienate workers from their intrinsic social capacities, for Weber (1930) economic rationalization consigns subjects to the loneliness of the iron cage, and for the Frankfurt critics capitalism's instrumental orientation dissolves the seriousness of critical thought into the false happiness of mass amusement (Adorno and Horkheimer, 1997). In other words, capitalism (at least in its Fordist and pre-Fordist mode) is thought to operate through the logic of a certain suppression: meaning, social life and emotions are taken away from workers and subjects, who are left depleted of feeling and affect (Hardt 1996, 1999; Lazzarato, 1997). But when it comes to those more contemporary forms of post-Fordist capitalism, in particular those associated with economic neoliberalism, this Manichaeian narrative begins to break down, partly owing to the uniquely *anti*-Fordist objectives of neoliberalism itself (Harvey, 2005). As a combined economic, political and cultural force, neoliberalism sets out to reverse or invert the cold disciplinary logics of its industrial predecessor, enacting what it pictures as a kinder, gentler economy, a capitalism-with-a-human-face. Against Fordism's cold and remote logic of emotional repression, the emotional program of neoliberalism is productive, intimate and multidimensional: it gives rather than takes emotion, as it incentivizes rather than coerces the subject into new patterns of work, leisure, intimacy and sociability (Barry, Osborne and Rose, 1996; Dean, 1999).

Indeed, there is an important sense in which neoliberalism aims at the inversion or reversal of that very social-industrial-governmental compact driving industrial capitalism's depletion of emotional life: against the numbing effects of economic concentration, hierarchical work regimes, state regulation and the administrative ordering of human affairs through the unfeeling bureaucracy of the welfare state, neoliberal economies, and the institutions that maintain them, go to great lengths to impress upon us the extent to which they care about us personally, share our feelings and respond to our opinions and emotional needs. That economic, moral and cultural constellation, which Jeremy Rifkin called the 'empathic civilization', is one in which the profit imperatives of capitalism are mediated by the compulsion to feel and to share the feelings of others (Rifkin, 2009). For therein lies neoliberalism's constitutive power: through this care for our feelings, neoliberal institutions induce us to care for and take responsibility for own emotions, freeing us but also empowering us to feel in new ways, and to produce within ourselves new emotional and affective states, albeit according to a certain script.

In what follows, the logic of a certain emotional productivity will be traced to neoliberalism's encompassing emotional imperative, which can be described in terms of its basic reflexivity and instrumentality. Neoliberal emotionality is reflexive because it gets us to look at and think about our emotions and ourselves as never before, making emotions appear as events and phenomenon to be known, studied and modified for certain ends. Of course, emotional reflexivity is not unique to neoliberal forms of rule, but what is new in this case is the extent to which emotions are stripped of all existential, psychological or hermeneutic significance. Where emotion's traditional role as a portal into self-authenticity has shaped modern subjectivities since the time of the Romantics, neoliberalism's emotional reflexivity proceeds through an opportunistic and economizing framework, in which emotions are measured and maximized as resources for exploitation by a pragmatic and self-interested actor (Binkley, 2014). Similarly, in the case of neoliberalism's instrumentalization of emotional life: where a confrontation with emotion might once have inaugurated a voyage of self-discovery that might at times run against broader institutional imperatives, neoliberalism's emotions, denuded as they are of any specific value of self-understanding, is a relation that allows the individual to produce happiness, love, remorse, and gratitude

as a technical exercise well in line with other organizational logics. Neoliberalism's founding imperative, to reverse and undo the rationalizing effects of industrial capitalism and the welfarist social compact upon which it is founded, is one that invokes the plasticity of emotional life itself as subjective zone of a freedom, or a personal autonomy. In this way, neoliberal emotionality is the analogue of market rationality itself.

Toward this end, the present discussion will begin with a general account of the productivist logic of the emotional program of neoliberalism. How does neoliberalism compel us to produce emotions, and in this way, how does neoliberalism make subjects? The productivist logic of neoliberalism is one that induces emotionality through the rendering of emotional life as a medium of self-reflection and instrumental action. Talk about emotion allows us to produce ourselves as certain kinds of subjects, while at the same time inducing us to employ emotions toward the attainment of instrumental outcomes. Following this elaboration, this point will be developed through an engagement with three critical-theoretical framings of neoliberalism and its emotional logic. These include: (1) a sociological view of modernity itself as a fundamentally reflexive process; (2) a theory of the corporeal, affective logic of neoliberalism as one that attaches itself to the body itself; and (3) an account of the implicit governmental logics of neoliberalism as productive of emotionally enterprising subjects. By way of a conclusion, a new theoretical model of the neoliberal program of emotional government will be proposed.

## **Neoliberalism's Productivist Logic**

How is it possible to claim that neoliberalism imposes an emotional logic that is fundamentally productive, in place of an older logic of emotional suppression? This logic can be traced to the most basic operations of neoliberalism's political and economic strategies. Through the minimization of any plausible collectivist alternative to market autonomy, the subject of neoliberalism is one that is induced to take up a certain instrumental relation to her own capacities and aptitudes, to produce on her own accord those qualities of self that will enable her to compete successfully in a social world reimagined in the image of a market (Miller and Rose, 1990). This brings dramatic consequences for how we feel: emotions are not diminished *per se*, but are reconceived as resources and instruments for the advancement of a

personal, entrepreneurial agenda (Binkley, 2014). Thus, a specifically productive process of emotional reflexivization and instrumentalization, undergirded by a general logic of productivity and maximization, defines the emotional ethos of neoliberalism. Emotions are not crushed or suppressed: they are made, produced and modified for the wider purposes of competitive self-advancement in a world of personal strategies and opportunities.

To put this differently, through a neoliberal frame, the social world is reimagined as a market, replete with opportunities for the extraction of value from zones of personal and social life that were inaccessible under previous regimes of capital. Within this frame, the self and its emotions are regarded through a uniquely opportunistic lens, as a set of resources to be developed and exploited, values to be extrapolated and accumulated (Campbell, 2010). While in the past all capital wanted from us was the brute force of our muscles, and the bare calculative capacities of some small part of our minds, now it is (in addition to those things) our feelings and our expressions that we must count as commodities on a labor market. Emotions compose one element of this subjective landscape: the effective pursuit of self-interest implies the successful development of emotional states and capacities, either for the purposes of self-motivation, communication with others or for broader purposes of identification and social positioning (Ahmed, 2004, 2010). As an effective economic actor, but also as a satisfied and self-realized individual, the neoliberal subject is compelled to feel, to emote, to radiate, to experience and to make others experience, though this compulsion is one that disseminates culturally, not through the work regimes of any given site of production, but through multiple and diffuse points and sources woven into the fabric of civil society and personal life.

Examples of this tendency come with the popularity surrounding ‘emotional intelligence’ as a professional competency that has come to dominate the business and management literature – an idea popularized by such works as Daniel Goleman's bestseller *Emotional Intelligence: Why it Can Matter More than IQ* (Goleman, 1996) and David Ryback's *Putting Emotional Intelligence to Work: Successful Leadership is More than IQ* (Ryback, 1997). Under the distinctly amoral regimes imposed by such soft skills as the capacity to read the emotional states of others and share with others one's own feelings, one is responsible for one's own emotional well-being for the instrumental rewards

they bring. Goleman writes:

What *can* we change that will help our children fare better in life? What factors are at play, for example, when people of high IQ flounder and those of modest IQ do surprisingly well? I would argue that the difference quite often lies in the abilities called *emotional intelligence*, which include self-control, zeal and persistence, and the ability to motivate oneself. And these skills, as we shall see, can be taught to children, giving them a better chance to use whatever intellectual potential the genetic lottery may have given them. (Goleman, 1996: xi–xii)

The possession of emotional intelligence, Goleman argues, will allow one to do better in life: one should be empathic and loving because such people reap the rewards of stable relationships and an extensive social network, one should be envious or greedy because this provides motivation, and one should be expressive, excited and enthusiastic because such qualities make one more effective in all life's endeavors. And further, if one lacks these qualities, one should set about the work of generating them through the use of a set of generally available lifestyle techniques (self-help, spirituality, physical exercise, popular psychologies, etc.). To neglect the development of one's emotional life is a failure for which no one else is responsible (Rose, 1992, 1999a, 1999b; Cruikshank, 1999). In other words, emotions are no longer simply experiences or static states, much less traces of deeper subjective characters and truths: they are dynamic, plastic resources. They are means, never ends, and certainly not ends one strives for through relations of responsible emotional reciprocity with others, or through any deep hermeneutic of the self.

To consider the intersection of neoliberalism and emotional life, therefore, is not to speculate about any one particular emotion, or to attempt to grasp the dominant emotional zeitgeist as an 'age of... excitement, sorrow, anxiety', etc. It is to consider how any of a range of emotional states are produced through techniques embedded in an emerging reflexivity and instrumentality. Moreover, what is unique about this process is the degree to which it enables a colonization of all domains of life with a uniquely productivist logic.

Neoliberalism, unlike its industrial predecessor, does not stop at the capacity for regulated work within a rationalized labor process: it suffuses all of life's rational *and* irrational capacities, giving us the resources and techniques we need to be happy, empathic, jubilant, resilient, loving, spiritual and human in all realms of existence. On one level, this form of incorporation serves to insulate neoliberalism's market fundamentalism from any critique that might develop from emotional life: it is no longer possible to demand an authentic emotional life, meaningful associations, etc., against capitalism's cold, dehumanizing logic. Capitalism already brings these things, in abundance, for those willing to take them. But on a more profound level, the invocation of emotion also serves the broader purpose of the capitalist penetration of economic subjectivity itself. Where the cultivation of labor power for industrial and administrative work demanded a clear head and a regular body, the multifarious circuits of neoliberal capital incorporate our irrational sides as well, accomplishing a more penetrating and complete process of the subsumption of life under the logics of capital (Rose, 1996a, 1996b; Hardt and Negri, 2000).

But 'subsumed', in this context, does not mean simply collapsed into capitalism's broader logic. Instead, emotions are maintained in the status of a necessary and generative externality with regard to capitalist rationality: emotions, as the place where capitalism can't go, acquire an important function as that part of ourselves that capitalism gives back to us, that remains autonomous to capitalism itself, even as this autonomy is structured for us along the very lines of capitalist rationality itself. Thus, neoliberalism's effect is not so much the suppression of emotional life under the anonymous work regimes of serialized production, but is instead the incorporation of emotion as an operational externality implicit within capital's reshaping of public and private life. Emotions become a place where we feel ourselves to be outside capital, though it is an outside in which we carry on capital's work on the most intimate level, always on capital's terms (Türken et al., 2015).

In what follows, the productivist paradigm, which neoliberalism brings to emotional life, will be surveyed in three critical discussions. The first comes with a broad set of engagements with the problematic of what has come to be called late, or reflexive, modernity, where broad structural processes are assessed for their impact on the production of new, emotional subjectivities



(Giddens, 1991; Beck, Giddens and Lash, 1994; Dawson, 2010). A second approach comes with a consideration of emotions addressed more specifically in terms of corporeality, sensation and affect, one rooted more in the materiality of the body itself and its affective responses than in calculative and rational outlooks of a general theory of social modernity (Massumi, 1995, 2002; Thrift, 2004; Clough, 2007, 2008). A third perspective comes with the emerging interest in novel governmental practices that extend to the level of the individual (Burchell, Gordon and Miller, 1991; Foucault, 1991; Donzelot, 2008). Where a theory of reflexive modernity outlined processes of objectification and knowledge production rooted in social structure, and a theory of affect considered corporeality itself, a theory of neoliberal governmentality describes the ways in which governmental techniques specific to neoliberal contexts render emotions a problem of direct instrumental intervention. From this third perspective, a new critical proposal on the nature of neoliberalism and its emotional logics may be developed.

## **Emotions and the Reflexive Project of the Self**

It is possible to argue that neoliberalism's signature features – which include heightened levels of discontinuity and fluidity in social and personal life, increased individual autonomy and the weakening of social bonds more generally – are not distinct effects of an underlying economic transformation, but come part and parcel with a set of far broader societal and structural transformations that have long been gestating in realms beyond the economic itself (Ong, 2007). Indeed, a plausible case can be made that the appearance of the neoliberal subject, as an entrepreneurial and enterprising figure capable of negotiating societal and existential uncertainty and sustaining itself in the unsure terrain of a market society, is merely the economic corollary, or perhaps a certain radicalization of a set of fundamental social logics operative within the trajectory of social modernity itself (Beck, Bonss and Lau, 2003). To apprehend this point requires a short review of the broader theory of reflexive modernity.

The cultural and societal conditions associated with reflexive modernity bring about a set of disembedding effects, which inscribe higher levels of personal self-awareness, or reflexivity, deep into the fabrics of personal and social life (Giddens, 1991; Beck, 1992; Beck, Giddens and Lash, 1994). This contrasts

with the conditions of an earlier phase of social modernity, in which worldviews remained relatively intact and stable, social networks comparatively undisturbed and the demands on the individual for autonomous choice relatively diminished. As a consequence, levels of self-reflexivity, or the cognitive attention one devotes to oneself, one's emotional condition and to the implicit social conventions within which one experiences emotional states, remained embedded within social structures, and thus were sustained at moderate levels. Under these conditions, symbol systems were fixed in traditional and cosmological orders with diminished opportunities for varied interpretations; the need for independent choice remained low, life trajectories were largely mediated by the rhythms of custom and habit or directed by traditional authorities, and emotions remained peripheral to one's larger sense of oneself and to one's place in the world (Giddens, 1994). In the language of this theoretical field, these are the conditions of traditional society, in which individuals remained well embedded within the structures and social fabrics of their respective societies. But with the onset of the first significant phase of capitalist modernity, these conditions were weakened, and a process of disembeddedness dislodged the individual from these constraints, and imposed the need to think and act upon oneself in a reflexive capacity.

Cosmopolitanization, the pluralization of worldviews and the increasing open-endedness of personal relations implied new levels of uncertainty, but also a heightening of levels of reflexive self-awareness. Urbanization, industrialization and the new concentration of capital in the eighteenth and nineteenth centuries confronted individuals with a new societal and personal openness, bereft of mediating authorities. With the emergence of market economies and the traumas of industrialization, the boundaries of social hierarchy that gave a sense of belonging and moral coherence to personal and collective life begin to fray. Increasingly, individuals, disembedded from social relations, were called upon to choose their own lives, and to take responsibility for their own choices, even as those processes instituted new categories of membership in the form of the industrial class system. Indeed, the erosion of traditional relations buttressed by religion and the Feudal order, as Marx noted, is compensated by new identifications developing from within the labor process itself. Where the existential comfort of religion, and the ordered cosmology it made possible, was dissolved under the forces of

innovation, social class offered new categories of subjectivity and experience, within the framework of the secular institutions of a new civil society. Thus, for the subject of industrial modernity, new formations of identity and emotional life took shape around stable class structures, consolidated through the active intervention of the welfare state, and the sustaining support of trade unions and other organs of a new social compact between labor and capital characteristic of Fordist society (Harvey, 1989; Sennett, 1998).

But the conditions identified with this phase of Fordist modernity proved transitional, and from the middle of the twentieth century on, a new set of societal effects brought about a broader transformation in the conditions of personal and emotional life. With the collapse of the Fordist economic and societal compact in the later part of the twentieth century, with the fragmentation of class structures organized around a consolidated economic base, the symbolic saturation of culture through advanced media and consumer culture, and with the transition to a post-industrial, postmodern, consumer capitalist society, the reference points through which important life decisions could be made and identities formed were increasingly diminished. The individual is 'disembedded from social structure', faced with, as Anthony Giddens has written, 'no choice but to choose' (Giddens, 1991: 81). Moreover, the supplanting of a traditional cosmology, founded on taken-for-granted and unexamined beliefs, was gradually replaced under conditions of reflexive modernity by worldviews structured by science and forms of knowledge that were always subject to revision. Thus, reflexivity itself becomes central to social and personal forms, although it is a reflexivity that makes existential commitments impossible, and demands of the individual high levels of risk tolerance and an acceptance of the role of doubt and uncertainty into her general worldview. Following modernity's unrelenting logic of differentiation, democratization and individualization, subjects of late or reflexive modernity are increasingly required to make choices between life options in a state of general autonomy, without external direction or criteria beyond their own personal preferences or inclinations. For this reason, the subjective contents of the self emerge as a principal resource in the negotiation of complex social, economic and institutional landscapes (Lash, 1990). Unsure of what to do and who to be, the subject of late modernity is increasingly directed to do 'what feels right for you,' and for this reason to direct ever more attention to the interpretation and experience of emotional

life.

On the face of it, it may appear that theories of reflexive modernity describe these processes exclusively in terms of their cognitive, calculating and institutional aspects. The debasement of knowledge by science, the demand to choose and act, to assess risk and to predict the future, seem to describe a theory of modernity that places undue emphasis on the rational dimensions of human action, at the expense of the unique emotional and existential repercussions for the subject of reflexive modernity. If there is any unique emotional quality to be drawn from these insights, it would be the sense of permanent anxiety and insecurity that emerges with the erosion of moral authorities and in the face of unanswerable questions of life direction. This lack of certainty is only partially resolved through an enriched and intensified attention to the self, and gives way ultimately to a generalized sense of fear, anxiety and existential disorientation, which we can call characteristically modern (Bauman, 2000, 2001). Indeed, the compulsion to make choices, without the benefit of any overarching framework within which such choices might be read as meaningful or necessary, deepens a reflexive concern with the content and authenticity of emotional existence.

But there are other reasons to consider the emotional logic of reflexive modernity, not just in terms of the generalized anxiety it imposes, but in terms of the broader imperative of emotional production mentioned earlier. For example, Giddens has described how a sense of ‘ontological insecurity’ becomes a determining problem in the sphere of intimate relations, and of sexuality more generally, one that is partially resolved through the investment in, and production of, new emotional states. Feeling, in other words, enables a foundation for the self and allows an escape from the anxieties that accompany an indeterminate existence. Nowhere is this need for the production of feeling felt more urgently than in the case of intimacy (Binkley, 2012). Where, under conditions of traditional society, intimacy followed the pattern imposed upon it by the rules of kinship, gender hierarchies and the laws of property inheritance, modern relationships sustain because of the unique emotional logics of mutuality and compatibility – a consideration which draws intimates increasingly into the project of emotional reflexivity (Giddens, 1993). The sustaining of intimate relationship, in other words, places a burden of emotional productivity that is unprecedented in the history

of emotional life. In the ‘pure relationship’ (a relationship stripped of institutional supports beyond the immediate emotional rewards offered to either partner), love becomes an emotion that must be produced, but also one that must be understood and communicated, negotiated and sustained over time – the object of a reflexive undertaking that is made possible by a range of instruments made available to intimates themselves in the form of advice literature, marriage therapy, and so on.

A second important consideration of the thesis on reflexive modernity that dovetails with theories of neoliberalism comes with the dissemination of societal uncertainty, or the diminishment of institutional forms of the shared assumption of risk. That neoliberalism, by creating conditions that link generalized opportunity with insecurity, might bring about a unique mood of anxiety and fear is a notion implied by a critical social theory concerned with the distribution of societal risks (Beck, 1992). Indeed, a ‘risk society’ is one that develops a specific relationship with the insecurities that define modern life: while in traditional societies threats to human and social security were a general occurrence, with the onset of industrial modernity and with the emergence of a host of new control mechanisms, risks became the object of scientific measurement and assessment, subject to regimes of causality and formal calculative rationality. A series of functions centered on the assessment of risk were developed along with a host of elites in industry, labor, government, and civil society – planners tasked with calculating and containing uncertainties that might engulf the lives of others (Beck, 1992: 45; Beck and Beck-Gernsheim, 1995). This was the assessment of risk as a collective enterprise: unemployment, poor housing, health, etc. all described risks posed to the well-being of populations, addressed through the actions of a set of institutional leaders. But with the arrival of a later stage of reflexive modernity, the authority of such elites is today challenged by an expanding market economy that distributes the burdens of risk from collective institutions (such as organized labor and other agencies of civil society) to individuals themselves. With a rapid growth of multiple and conflicting means for risk assessment and calculation, the credibility of any single body of risk experts has been increasingly drawn into question. This is accompanied by the reduced influence, amid an ever-expanding market economy, of those institutions of civil society that might impose policies of risk reduction.

François Ewald, for example, has shown how the rise of insurantal agencies in the nineteenth century served to render the vagaries and uncertainties of fate in the calculable form of a set of monetary equivalencies (Ewald, 1991; Dean, 1999: 183–88). Indeed, the institution of insurance constitutes an important element of social life under the conditions of what Mitchell Dean, has described as the new prudentialism: ‘the multiple responsabilization of individuals, families, households and communities for their own risks – of physical and mental ill-health, of unemployment, of poverty in old age, of poor educational performance, of becoming victims of crime’ (Dean, 1999: 166; see also O'Malley, 1996). Those corporate bodies that, under industrial modernity, might have collectivized risks, or contained their effects within certain limits (wars, geographical frontiers, epidemics etc. are all examples of risks confined to boundaries of space and time) are, under reflexive modernity, radically limited in their credibility and effectiveness. Risk, and the anxiety of uncertainty, is everywhere and nowhere, built into a system of flexible labor and mobile relationships, something everyone must learn to confront and manage in one's own emotional disposition. Thus, the responsibility for coping with risk has been transferred from collective institutions to private individuals themselves, who are directed to cultivate appropriate emotional qualities capable of sustaining high levels of risk. Optimism, resolve and emotional resilience are among those qualities cultivated as affective assets of the risk society. Moreover, this process feeds into a wider infusion of private or emotional life as an explanatory component of the self: if risk is general and nonspecific, the sources of uncertainty are projected into the depths of selfhood itself. Or as Ulrich Beck puts it: ‘The result is that social problems are increasingly perceived in terms of psychological dispositions: as personal inadequacies, guilt feelings, anxieties, conflicts and neuroses’ (Beck, 1992: 100; Lupton, 1999).

A third background consideration framing the broader question of emotional life under conditions of reflexive modernity is the collapsing differentiation of social, personal and economic life, and the overcoming of what was once a relatively clear designation of the sphere of production from that of leisure and private existence (Lash and Urry, 1987, 1994; Lash, 1994). Work and leisure, it is often argued, are increasingly de-differentiated in the context of late capitalist development, collapsed into each other in a new cultural or symbolic economy where instrumental and expressive rationalities blend into

each other (Featherstone, 1991). Moreover, this space between production and consumption is increasingly mediated by a new professional cohort of 'cultural intermediaries', specialists in lifestyle and personal well-being, who traffic between work and leisure, and indirectly bring the emotions under the sway of a new set of productivist and economic logics. With the de-spatialization and de-temporalization of home and work, spheres of personal and professional life are subject to a process of cross-colonization, as the once instrumental-rational conducts of work increasingly adopt expressive and affective characteristics once consigned to leisure, and the private realms of domestic, emotional and personal life are increasingly approached with the instrumental attitude once assigned to work. In other words, while our 'excitement' for our professional callings is deemed a key occupational asset, we 'go to work' on our relationships by learning to share our feelings more authentically – emotional works that are, in either case, mobilized against the impending risk of unemployment or divorce. For the subject of reflexive modernity, a set of skills must be cultivated for the transposition of a set of practical and ethical logics from one realm onto another, and back again. The subject of neoliberalism, therefore, is one who must learn to be professional, instrumental and rational about his emotional life, but also to be personal and expressive about his work, bringing themes of self-authenticity into public identities as never before. Along these lines, Brad Evans and Julian Reid have considered the broadly dispensed imperative to emotional resilience across a range of policy and public conversations in terms of the general logic of neoliberalism's demand that we confront (and prevail over) life's uncertainties individually, without recourse to any collective solutions (Evans and Reid, 2014). For Evans and Reid, capitalism's tolerance of risk as a precondition for capital accumulation is radicalized under neoliberalism, and transposed into a specific emotional capacity that is viewed not just as a necessary measure to counteract trauma, but as a condition for the development of personal capacities and vitalities.

While work on reflexive modernization has typically centered on the cognitive dimensions of modern transformations dealing with worldviews, institutions and decision-making, and has only indirectly established the foundations for a specific investigation of the emotional contents of these transformations, more recent work on reflexivity and emotionalization has explored the specifically affective dimension of this process (Holmes, 2010;

Burkitt, 2012). Margaret Archer, for example, has argued against the notion of reflexivity as the adoption of a rational, cognitive distance on our emotions, by considering instead the ways in which reflexivity is embedded within processes of societal judgment and sanction. In other words, reflexivity should not be confined to how we think about ourselves through the lens of special knowledge, but how we feel about ourselves as a consequence of how others feel about us. Shame, pride, remorse and so on compose those ‘subject referring’ emotions (Archer, 2000: 216) through which reflexivity assumes a uniquely emotional form. As neoliberalism assumes a specifically extra-institutional mode of sociability, blurring economy, civil society and private life, such subject referring emotions play significantly in conferring those modalities through which we become emotional objects to ourselves.

In sum, three aspects of reflexive modernity – the disembedding of personal life, the individualization of risk and the de-differentiation of rational and expressive life – have shaped conditions in which the production of emotional qualities, dispositions and competencies are compelled, both as media for self-reflexivity and as modes of instrumental action. This is an argument that understands neoliberalism as a process implicit within a broader pattern of societal and structural transformation implied by social modernity itself. Another perspective, that of neoliberal governmentality, concentrates on those specific formal techniques and practices by which neoliberal subjects are governed.

## **Affect, Emotion and Economy**

Theories of reflexive modernity, views of neoliberalism as governmentality, have been criticized for over-emphasizing the discursive and cognitive character of social processes, and for retaining a view of emotions that reproduces the dichotomies of mind and feeling, thought and body, that social constructivist arguments have long sought to overcome (Holmes, 2010; Burkitt, 2012). These concerns are partly addressed in a new critical focus on emotion, interpreted less as an outward expression of inwardly held states, than of an affective condition or response that emerges on what Patricia Clough has termed the ‘pre-individual’ level (Clough, 2008). While emotions are constrained by their social, communicative function, and by their



presumed expressive capacity as the outward release of an inwardly developed state, affects are understood as sensations that course through the body, passing from body to body, integrating bodies into combined relations but also opening new opportunities and windows for the projection of new social forms (Clough, 2008: 3; Papoulias and Callard, 2010). By this token, affect theory, in relation to neoliberalism and the question of its emotional logic, provides a far more dynamic and generative account of the specific content of emotional life than that provided by theories of reflexive modernity, which variously consider emotions as essentially problems of a cognitive and instrumentalist disposition (Leys, 2011).

In a general sense, the term 'affect' has lent itself to a varied range of uses in recent critical scholarship; it is used to designate mood, bodily sensation, emotion, shared atmosphere and the transmission of these conditions through non-discursive, extra-representational means (Massumi, 2002; Thrift, 2004; Hemmings, 2005; Shouse, 2005). Within this literature, an affect is not an emotion, if emotions are understood as the visible and external manifestation of an interior state, but neither are affects to be confused with drives, where a drive designates a force that wells up from within, pressing us to certain behavior or emotional displays (Angel, 2005). Affects are sensations or bodily intensities that call into question dichotomies of inner experience and outer expression, just as they undermine traditional categories of subjectivity and identity that allocate sensations to the possessive interiors of solitary subjects themselves (Brennan, 2004). In two influential early theoretical works on affect, one by Brian Massumi (1995) and the other by Eve Kosofsky Sedgwick and Adam Frank (1995), affects are understood as radically autonomous to the constraints of narrative, representation and discourse that arrest affect's dynamic movement and capture its relentlessly generative movement.

Affects are intensities of experience that operate externally to (some say prior to) discursive, linguistic, social and symbolic structures that identify them, arrest their dynamism and control their movement. This dynamic and emancipatory picture of affect derives from the field's varied intellectual sources, which extend from the monist philosophy of Baruch Spinoza and Gilles Deleuze's account of the body as the site of vital and dynamic forces to Silvan Tomkins' physiological psychology, which corporealizes emotion and

sensations in varied and mobile bodily sites and processes, typically in the skin and the face (Deleuze, 1988; Tomkins, 2008). Affects are thereby understood as not localized in any particular psychic realm, nor even within single bodies, but instead as developing in the interwoven relations between bodies and bodies, bodies and things, and through the relational character of bodily and sensory experiences in general. An affect is not a self-contained state of feeling, but a response that combines the capacity to be acted upon with action itself, as illustrated by the case of the contagious yawn that spreads from individual to individual (Tomkins, 1995). Indeed, such transmissions break down the distinction that separates the agent and recipient of an emotional expression: like a yawn that spreads, affects transform those affected by them into agents themselves, who become active in the production of new affects even as they are touched by the affects of others. The fluidity of the term in part derives from the specific transposability attributed to affect itself: affects emerge spontaneously and adhere to anything, directing the body in surprising and unexpected ways, although it is when affects become captured in the discourse of emotion, of subjectivity, biography and socially validated individual experience that their openness is diminished and their dynamism is subsumed under the categories of a dominant culture (Deleuze and Guattari, 1987; Massumi and Zournazi, 2002).

For Massumi, affect is defined by an ambivalent relation not just to the representational, but to sociability itself: 'Intensity', writes Massumi, 'is asocial, but not presocial – it includes social elements, but it mixes them with elements belonging to other levels of functioning and combines them according to a different logic' (Massumi, 1995: 91). Affects are not self-contained resonances, like emotions, but develop in relations between entities, environments and bodies, constituting a circuitry of affective transmission among mutually imbricated elements not comprehensible through any representational frame. In a sense, affect describes a certain integrating and coordinating field of response: crowds, herds, communities and other assemblies of bodies owe their ordering to their capacity to transmit and share affective states (Venn, 2010). For Massumi, affect is 'self-continuity across the gaps. Impersonal affect is the connecting thread of experience. It is the invisible glue that holds the world together. In event. The world-glue of event of an autonomy of event-connection continuing across its

own serialized capture in context. (Massumi, 2002: 217).

How, then, might we relate a discussion of affect to an account of the emotional logic of neoliberalism? Ben Anderson takes up the question of greed as an example of a mode of affect specific to neoliberal capitalism: as an affective state, greed is a sensation or mood that overtakes workers and capitalists alike, one that passes among and between actors in ways that elude any specific manifestation in discourse or narrative (Anderson, 2014). One can become greedy as a result of one's immersion in a greedy environment, but (like a contagious yawn) one is also induced, through affect, into the production of an affect that makes others greedy in a way that bridges the distinction between being affected and affecting others. And, most importantly, greed binds individuals together into durable relations and institutions. Greed is at once infra-structural and super-structural, both a subjective experience but also a formal, structuring element of a broader economic system (Anderson, 2014: 11). Similarly, Lauren Berlant has provided an account of the role of what she terms 'cruel optimism' in keeping people connected to an economic system that forecloses guarantees of a good life assumed by previous generations, while sustaining one's existence in a present characterized by flux and instability (Berlant, 2011). Cruel optimism, which enables a 'relation of attachment to compromised conditions of possibility' (Berlant, 2011: 24), sustains its optimism from its unrelentingly positive view of the possibility of attaining a life of flourishing and well-being, while it derives its cruelty through the stubbornness with which it simultaneously denies the subject any meaningful participation in this life.

Co-extensive with the turn to affect has been a broadening of considerations of economic value, particularly pertaining to labor processes, to include affective conditions and relations (Lazzarato, 1997; Hardt, 1999; Bell, 1973; Dean, 2005). Developing from the efforts of Italian Marxists to account for the uniquely post-Fordist dimensions of exploitation and work, Hardt and Negri expanded a critique of capitalism from those formal relations already accounted for within traditional economic processes, to affective and emotional realms not normally considered labor itself (Hardt and Virno, 1996; Hardt and Negri, 2000, 2004). These include those dimensions of 'immaterial labor' characteristic of the service, communicational and informational economies, but also relational and cooperative capacities that

enable individuals to work together in complex and informal organizations, and transmitting affective states to others in the course of carrying out one's work (Dowling, Nunes and Trott, 2007). As such, affective labor represents a new category of labor value, one that is not reducible to the cognitive and technical emphasis of reflexive modernity and governmentality approaches, yet is produced and harnessed through regimes of discipline unique to the purposes of neoliberal capital accumulation.

Such a broadening of the category of labor to include emotional and affective states owes much to the work of feminist sociologist and economists, most notably Arlie Hochschild, whose investigations of emotional labor, and the personal consequences of alienation resulting from the working conditions of the service economy, opened a new scholarly focus on the changing character of work under neoliberalism (Hochschild, 1983). Studies of affective labor have taken in a spectrum of activities, or 'invisible labor', that had previously eluded the categories of economics and social theory, most obviously marketing, caring and service professions, but also domestic labor. Hochschild's study of the emotional labor of airline stewardesses reveals the ways in which the performance of emotional engagement, conducted under heavily scripted corporate protocols, produces an estrangement from emotional life, one that extends across a range of professional and non-professional contexts.

In their influential critical works, *Empire* and *Multitude*, Hardt and Negri describe the increasing significance attributed to affective labor, which has become hegemonic under the conditions of advanced, or late capitalism (Hardt and Negri, 2000, 2004). Like Hochschild, Hardt and Negri argue the significance of affective labor as a feature of contemporary (neoliberal) economies, although their analysis emphasizes, not just the context-bound performance of specific emotional states and responses, but the infusion of affective states through economic and social processes. For Hardt and Negri, whose view of affect is closer to Massumi's in its depiction of affect's affirmative and emancipatory potential, affective labor is not only a source of value for exploitation, it is a medium through which collectivities are formed and new social and political horizons are enacted. Affective labor is biopolitical in the sense that it produces life – the life of bodies and the life of collectivities, the shared life of the multitude (Clough et al., 2007). Yet the

relationship of affect and neoliberalism is a dynamic one: as much as neoliberal capitalism mobilizes affect, it also submits it to regimes of control and capture. Patricia Clough and her co-authors have applied a theory of affective labor to such a rethinking of a labor theory of value, suggesting that a shift from the 'body as organism', of the traditional industrial worker (a fundamentally thermo-dynamic theory of the enclosed agency that discharges itself through the process of industrial production), to the more relationally conceived body of the affective worker, is necessary if we are to take account of the general potentiality of the labor process itself (Clough, 2008: 5).

Studies of affective labor have expanded into a dynamic subfield of research, bringing together political economy with cultural sociology to uncover the ways in which the capacity to emit feeling, to read feeling and to capitalize on these capacities have infused the productive circuits of neoliberal capitalism itself. Following Hochschild's work, inquiries into such fields as advertising, professional modeling, fast-food sales and waitressing have identified processes by which the production of affect is incorporated into various kinds of work. Elizabeth Wissinger, for example, has described the contemporary field of professional modeling as one that incorporates not only the capacities of the affective laborer, but the uniquely entrepreneurial imperative of self invention attributed to the neoliberal subject. Wissinger's models draw an intriguing contrast with Hochschild's flight attendants: where the latter generate emotional responses for specific customers according to highly regulated scripts and in the confined spaces of the airline cabin, Wissinger's models operate in a far wider and less bounded domain, in which digital imaging technologies and cosmetic techniques open up a whole range of creative, entrepreneurial possibilities (Wissinger, 2015).

## **Neoliberal Governmentality and the Subject of Enterprise**

The third thread of discussion I would like to introduce is one that derives from a set of debates and an emergent field of critical theory, centered on the ways in which government is undertaken through reflexive practices of self-formation and optimization (Rose, O'Malley and Valverde, 2006). In many ways closer to a theory of reflexivity than to one of affect, studies of

neoliberal governmentality emphasize the rational aspects of the government of emotions, although placing greater emphasis on the concrete mechanisms of the government of emotion than on the more general social structural processes described by theories of reflexive modernity. Toward this end, Michel Foucault developed the term 'governmentality' to describe the many disparate and diffuse ways in which technologies for the government of populations infuse the fabrics and practicalities of individual conduct, shaping new relations of self-to-self (Foucault, 1991). To speak of neoliberal governmentality is to consider these practices of government through a lens that cuts across traditional boundaries separating ideology and policy (Rose, 1992; Brown, 2006). It is to describe those political rationalities that circulate within institutional and non-institutional life for the ways in which they imprint themselves onto practices of self-government, or onto the ways individuals adopt specific relations to themselves as potentials to be developed, or projects to be implemented (Larner, 2000; Binkley, 2014). This has particular relevance to the emergence of political and economic neoliberalism: where the autonomy of the economic and political subject defines the inner principle of new arts of government, subjects begin to understand and govern themselves in terms of their freedom from tyranny and control, to cultivate within themselves capacities and resources for the conduct of autonomous, free lives (Gill, 2008; Holmer Nadesan, 2008).

What makes neoliberal governmentality a useful and provocative concept is the attention it devotes to the uniquely constructed character of economic conduct itself. In this way, neoliberal governmentalities are distinct from their classical liberal forbearers: where earlier regimes of liberal government endorsed a naturalistic view of market conduct, and in the name of this presumed economic nature sought to enable subjects to extract themselves from despotic chauvinisms and backwardness in order that they might manifest their natural inclination to 'barter, truck and trade', neoliberalism's governmental objective assumes the specifically socially constructed character of market behavior itself. This is a project that extends not just to the shaping of calculative and cognitive capacities for successful market behavior, but also the emotional capacities, which include desire and enthusiasm, confidence, optimism and a capacity for mutuality and empathy. Moreover, neoliberal governmentalities are distinct in their unique methods of government. Producing, through specific strategies of government, the

kinds of subjects demanded of a market society is done indirectly, not through direct manipulation or control, but through the diminishment and minimization any collectivist alternatives to private and self-interested conduct. The failure to manifest such freedom of enterprise is, from the perspective of neoliberalism, the pathological offshoot, not of traditional despotism, but of social welfarism, and the Fordist compact of shared risk minimization and social embeddedness that is the effect of social government itself (Donzelot, 1988; Lemke, 2002, 2007).

In short, neoliberalism seeks to produce the subject of economy, not by emancipating him from the fetters of imposed authority, but by inducing in this subject an environmental awareness of the world as competition and opportunity. The agentive, entrepreneurial, and enterprising disposition neoliberalism seeks to induce is one that is suppressed by the heavy, statist and collectivizing imperatives of the welfare state, and for that reason requires the intervention of a set of policies operating under the garb of the liberties of the individual, although this approach is itself a rationality that is uniquely minimal in its method. Preferring not to act on subjects directly, neoliberal government brings about specific changes in its subjects through the very limitation that the apparatus of government imposes on itself. In contrast to its social predecessor, neoliberal governmentality seeks to govern minimally, transforming the very background conditions for individual conduct from a collective (how can society help me) to an entrepreneurial (how can I help myself) outlook. Neoliberalism, by governing 'at a distance,' reinvents the social world in the image of a market, rich with opportunities for private gain and competitive advantage, realizable through enterprises of calculation and investment (Rose, 1996a). Incentivization, responsabilization, privatization, marketization, and the managed break up of social cohesion, all testify to a rationality of government that seeks to 'empower' subjects by suppressing the very horizons of collective or shared life, casting the social itself as the problem, an obstruction to enterprise, as the element to be expunged or 'rolled back', through a program of incentivized opportunity (Rose, 1992, 1996b).

In short, neoliberal governmentality is a productive power: it produces a subject by inducing individuals to regard their social relations as opportunities, and their own subjectivities as instruments, assets, resources to

be deployed for strategic advantage in a tumultuous social world rewritten as market. Practices of neoliberal governmentality extend these interventionist strategies into the social field, but also into the very domain of subjectivity itself, where, as Graham Burchell has put it: 'Neo-liberalism seeks in its own ways the integration of the self conduct of the governed into the practices of their government and the promotion of correspondingly appropriate forms of techniques of the self' (Burchell, 1996: 29–30).

By this token, the emotional logic of neoliberalism as a technology of government is developed in part through a view of the human capacity for work taken from the Chicago School economist Gary Becker (Becker, 1964). In an influential series of lectures translated into English as *The Birth of Biopolitics*, Michel Foucault considered Becker's theory of human capital, which sought to reinterpret the relationship between individual and economy, redeeming what he took to be the agentive and self-responsible actor at the center of political economy through a thoroughgoing reconsideration of the problem of labor itself (Foucault, 2008). For Becker and others, it was the Marxian concept of the abstract value of labor as a commodity, measured in time and compensated for with a wage, taken up and codified in our contemporary economic policies, that has limited our comprehension of the worker as an enterprising actor. Labor, Becker argued, understood in the abstract, does not address the specific activity of the worker as a creative actor, who acts strategically to win the best return on his exchange of work for compensation (Foucault, 2008: 221). Human capital points out the unique forms of economic behavior through which workers position themselves and their capacities strategically in those markets in which they find themselves. The sale of labor happens not through the abstraction of a labor-commodity, but as labor is shaped by the worker herself within a field of competition, in which one's own human capital is strategically developed and differentiated from that of others. Such a worker understands the importance of developing not just the value of her own labor, but also those personal and perceptual skills that might allow her to effectively seek out strategic opportunities in a world viewed through the lens of opportunity (Read, 2009). Human capital, therefore, provides the framework through which the neoliberal subject sets about the project of their own development and optimization, which is at the same time an operation centered on diminishing social dependence and a progressive disembeddedness of the self from social structures more



generally.

Under such conditions, a variety of new discourses have emerged for the reflexive cultivation of human capital, particularly in the form of emotional life (Hook, 2007). Principal among these new discourses is the field of psychology, and particularly its various popular applications, such as life coaching, positive psychology and emotional intelligence, as well as a new biologization of emotional life that draws from within neuroscience, neurobiology and brain imaging and evolutionary psychology (Sugarman, 2015). Like neoliberalism itself, neoliberal psychologies impose a break between an old socially-oriented depth psychology, embedded in a hierarchical professional culture and centered on the resolution of anxieties, and emotional deficits deriving from one's relations with others. A new popular psychology, aimed at the cultivation of feelings of confidence and well-being that is capable of seeing the subject through life's specific and pragmatic goals, is one that stresses the production of self-esteem as a primary objective. Where an antiquated clinical and therapeutic methodology rendered subjects passive through its efforts to correct a psychological pathology anchored in a deep interior, and traceable (with the aid of a qualified specialist) to a distant biographical origin (such as one's relations with parents and siblings), today many popular applications of psychology limit themselves to conscious thought processes, which can be manipulated at will to produce specific emotional states. Studies of emotion through popular psychologies employing the lens of neoliberal governmentality have shed valuable light on the productive and instrumental relationship one adopts with emotional life. Particularly within discourses of positive psychology and related self-help literatures, emotional well-being is completely instrumentalized as an asset of the entrepreneurial self, extracted from the complex of social relations to which it had been consigned by psychoanalytically-based psychological traditions, and considered, through the lens of cognitively-based psychology of emotions, as the project of an autonomous, enterprising endeavor.

On the face of it, it may seem that theories of reflexive modernity, affect and governmentality overlap in significant ways. This is true: the first provides a general account of transformations on the level of social structure resulting from logics implicit within the structure of modernity itself, the second from

the increasing capitalization of affective states in late capitalist labor processes, and the third emphasizes the growing prevalence of technologies for the production of a certain kind of enterprising economic subject. All three share a view of a new form of individuality, replete with new emotional capacities. However, these approaches are also separated by important differences. The case of reflexive modernity, as Nikolas Rose puts it, attributes modifications in the form of the self to “‘more fundamental’ changes elsewhere – in the conditions of production, in the family forms, in ‘culture’”, while governmentality studies examine those ‘programmes for the government of others and the practical means accorded to human beings to understand and act upon themselves’ (Rose, 1996c: 298–99).

## **Summary: Neoliberal Emotionality as Exception to the Exception**

The preceding argument can be summarized: neoliberalism, as a broad and inclusive economic, political, cultural and ethical constellation, imposes a certain logic on emotional life. Its valorization of market principles, which it holds up against the rationalizing objectives of its industrial-social predecessor, leads it to celebrate the emotional content of personal life as a necessary antidote to the cold organizational and administrative methods of Fordist life. As such, neoliberalism embraces a productivist logic: to be neoliberal is to learn to make oneself feel, to produce oneself as the emotional subject of neoliberalism. This thesis has been explored through three contemporary critical-theoretical perspectives, which variously describe the reflexive and instrumental dimensions of neoliberal emotionality. A theory of reflexive modernity is one that uncovers the cognitive and calculative dimensions of an economic and governmental imperative that seeks to subject emotions to unique modes of self-understanding and self-knowledge. A theory of affect takes up the specific somatic content and experiential quality of emotions as they are subjected to new technologies of knowing and transforming in economies of emotion and affect, and a theory of neoliberal governmentality is one that concentrates on the dissemination of ever more subtle techniques and governmental formations that increasingly direct individuals to intervene instrumentally in the production and regulation of their emotional lives.

By way of a conclusion to this discussion, I would like to present a framework that may prove serviceable for further reflection on the relation of neoliberalism to emotionality, and specifically the mechanism by which neoliberal emotional subjectivity is shaped. More precisely, having jettisoned, as we did at the start of this discussion, any recourse to a repressive view of emotions in relation to capitalism, and having adopted instead a productive account of the ways in which circuits of capital induce, maximize and inscribe, rather than reducing or suppressing emotional life, what sort of critical vocabulary might still be possible? How might we, as the reluctant emotional subjects of neoliberalism, find a language for a critique that acknowledges the productive character of neoliberal emotionality? The answer I offer to this question would be ostensibly closer to the problem of governmentality, as it identifies emotion with a technical function within neoliberal government. But it is a question that not only seeks to open the way to new research directions on emotions and capitalism, but new oppositional strategies on emotions as a critical resource in the mobilization against neoliberalism itself. Only some tentative steps in this direction will be offered below.

From a governmentality standpoint, and in a way that is clearly in line with Foucault's view of power, emotions can be seen to occupy a very specific location and function within the wider regimes of neoliberal rule. Emotions constitute a regime of emotionality that, like the sexual life in his studies of the deployment of sexuality (Foucault, 1976) or madness in his critique of the juridico-psychiatric complex (Foucault, 2006), operates as a radical and constitutive limit, an outside that reproduces and legitimates the apparatus built up around its regulation, interpretation and control (Foucault, 2003). Emotions are discussed, appealed to and cared for through an institutional logic that is by necessity directly incompatible with emotionality itself, and as such gains credit for having surpassed its own restrictions in acknowledging emotions themselves (Pedwell, 2014, 2016).

The incompatibility of emotional and institutional rationalities is one that fits perfectly with certain imperatives of neoliberal rule. The mandate to governmental self-limitation that defines neoliberalism is coextensive with that of limited government, which aims to keep government in its place and out of the affairs of society and economy – a function that marks a zone of

personal autonomy surrounding the governed subject that neoliberalism willfully imposes on itself. Beyond a certain point, neoliberal rule possesses no license to intrude. Indeed, the placing of limits to its own governmental jurisdiction is a defining feature of neoliberal governmentality, which, as Foucault argues, sets out to 'not govern too much' (Foucault, 2008: 13). Renouncing the broad mandate of the old regime of social government, which (according to neoliberal ideologists) far surpassed the legitimate limits of its rule in its efforts to restructure social life from the inside, neoliberal government embraces the limit it imposes on itself, fully aware of the constitutive effect of this limit on the subjects of its rule. Indeed, the rationality behind this limit is as much epistemic as it is practical: it is a problem of not being able to know those subjects owing to natural and fundamental differences between states and human societies. The prohibition on excessive government originates not in the moral self-restraint of neoliberal regimes, but in a full recognition of the fundamentally unknowable character of its object of rule: where states govern rationally, society is fundamentally irrational, a matter of the heart and the spirit, held together by social bonds of family and fraternity that are unknowable by the state owing to their irreducibly emotional character.

Foucault describes the prohibition on neoliberal government's extension into the realms of economy and society in these words:

You must not. But why must he not? You must not because you cannot. And you cannot in the sense that 'you are powerless.' And why are you powerless, why can't you? You cannot because you do not know, and you do not know because you cannot know. (Foucault, 2008: 283)

In other words, at the heart of liberalism is a belief in 'a level of reality, a field of intervention', the precise character and dynamics of which will remain permanently beyond the pale of governmental rule (Foucault, 1991: 93). In this way, liberal government puts in place a set of internal restrictions on any use of its own power that might over-extend the powers of its knowledge, and threaten the irreducible irrationality of that which it governs. Emotions, which are fundamentally unknowable to the rational mind, mark that limit, and can only be grasped through an epistemology that is

supplemental and exceptional: the empathic intuition, for which we as the emotional subjects of neoliberalism are boundlessly grateful, and whose terms we tend to accept unquestioningly. This is the coercive element of neoliberal emotionality, what I have elsewhere referred to as a hinge of power, whose operation across a divide, or a gap, is only intensified in its power to shape us as personal subjects. Emotions reveal to us ‘the precise manner in which the logics of power are transmitted to living subjects through a mechanism that functions as a hinge, one that mediates or articulates an interval or a gap’ (Binkley, 2014: 174).

The incompatibility between the cold institution and the warm emotional subject is one that operates in much the same way as the ‘exception’ described by Giorgio Agamben. Agamben describes the exception, imposed by the sovereign authority, in the relation between what he terms the juridical (law governed life) and bare life, or the life that precedes law, the animal body of violence and biology. Bare life is excluded from the life of the law, just as one must renounce one's corporeal being to become civilized. This is an exclusion that is not a mere banishment or exile, but one that sustains what is excluded as a necessarily constitutive outside, one that invigorates and consolidates the inside through its exclusion. ‘What properly characterizes an exception’, Agamben writes, ‘is that what is excluded in it is not, for this reason, simply without relation to the rule. The rule applies to the exception in no longer applying, in withdrawing from it’ (Agamben, 2000: 161–2). Within the emotional logic of neoliberalism, emotions are regarded as such a necessary exception: they are outside the protocols of corporate and professional life, outside the formal regimes of civil society and inaccessible to the cold rationalities by which organizations operate. Yet in spite of this necessary exclusion, such regimes summon the resources to respect, acknowledge and care for emotions as part of their daily operation. Institutions transcend their own rational imperatives by engaging a second, supplemental way of knowing: an emotional knowing that supplements and extends their governmental rationality. Thus, emotion is subjected to a double exception: rendered incompatible with institutional life, emotions are nonetheless redeemed from their exclusion through a special, supplemental gesture of the organization that cares, that empathizes, that surpasses its own institutional logic by recognizing that which it is not typically required to recognize.

Empathy, on the part of institutions, is supplemental to the way institutions ordinarily operate. It is a technology that extends a technology (Binkley, 2016). It is thus experienced as a bonus, an exception to the exception, that we as emotional subjects experience as a gesture of recognition, an earnest insight into our authentic selves. Indeed, so glad are we, as emotional subjects, to be readmitted to the realm of organizational life through that organization's great act of empathy, that we assume ourselves to be precisely that subject of emotions, one who is glad to be given permission to feel, emotive and share in the context of an institution that understands us. The supplemental gift of the caring institution is one that brings a subjectifying effect: we become the subject of emotions as we absorb the supplement of organizational empathy.

Exposing the logic of neoliberal emotionality in this way, as an effect of subjectification, and laying bare the mechanism by which people are made up as neoliberal subjects of emotional enterprise, points the way to certain alternative strategies of conduct, particularly when faced with the supplemental bonus of an empathic institution. We do not necessarily have to agree to become that particular subject of emotion toward which these institutions extend such gestures of empathy. It is possible to remain, or to become emotional, while declining that particular emotionality, in that way, at that cost (Foucault, 1991: 29).

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# 44 From Neoliberalizing Research to Researching Neoliberalism: STS, *Rentiership* and the Emergence of Commons 2.0

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## Introduction

Scientific research and innovation are increasingly tasked with kick-starting the moribund economy, and underpin new techno-economic paradigms such as the European Union's flagship initiative *Innovation Union*, part of the *Horizon 2020* strategy.<sup>1</sup> At the same time, research and innovation are expected to tackle multiple, overlapping global challenges such as climate change through the promotion of low-carbon systems transitions (e.g., Tyfield, 2014; Birch, 2015). But the cultural and political role of science and the political economy of its funding and commercialization are currently in a state of unprecedented upheaval.

Understanding these policy and political changes and their repercussions, however, is all the more difficult since what research and innovation can and do contribute to social progress, economic growth and global challenges are not clearly understood – despite protestations otherwise. Conversely, it is clear that the current, dominant neoliberal policy understanding of these relations is inadequate on at least four levels.

First, the so-called *linear model* of innovation persists as the basis of most policy understandings. As Godin (2006) notes, 'The model postulates that innovation starts with basic research, then adds applied research and development, and ends with production and diffusion'. However, despite its

popularity, the linear model has been comprehensively dismantled by social and economic studies of research and innovation (Felt, 2007; Tyfield, 2012a). Nevertheless, fiscal austerity following the 2007–2008 global financial crisis has merely reinforced this linear policy agenda in the public funding of research and innovation, especially as it relates to the cementing of intellectual property (IP) rules (e.g., Trans-Pacific Partnership).

Second, against the current national focus of research and innovation policy, the globalization of research and innovation proceeds apace with the growth of global innovation networks, international science collaborations, and mass, distributed innovation – a trend bolstered by the emergence of *open science* (Hope, 2008).

Third, the inadequacy of current policy understandings of the changing political economy of research and innovation is especially evident with regards to global challenges since these are *wicked problems* that defy linear definitions, let alone simple techno-scientific fixes that these policies generally presume (Hulme, 2009).

Finally, and most importantly for this chapter, the changing relations between research and innovation and political economy are a key site of investigation of the emerging futures of science, technology, and society more generally. But these relations are indeed changing profoundly, even as they are generally taken as given and go unexamined (Birch, 2017a). In particular, the commercialization and/or privatization of science have been one of the key pillars of the dominant, *neoliberal* policy understandings of research and innovation. Neoliberalism, as a complex cultural and political-economic assemblage based on the epistemic fundamentalism of markets as optimal decision-making mechanisms (Mirowski, 2011, 2013), is intimately intertwined with the recent (and ongoing) transformations of research and innovation – including their practices, institutions, agendas and productivity.

Yet, with financialized capitalism stagnating and deepening an ongoing crisis of legitimacy, the dominance of neoliberalism remains profoundly in question. Moreover, various trends highlighted above (e.g., open science) also potentially challenge the global, IP-intensive model of research and innovation that has dominated in recent years. Indeed, while there are striking moves in business towards repudiating the commercialization and

privatization of science as self-defeating (Heller, 2008), policy agendas and strategies in the Global North continue at an undiminished, if not accelerated, pace to neoliberalize research and innovation.

In this chapter, we focus on the specific and interactive dynamics of both research and innovation *and* neoliberalism in order to understand the reproduction of neoliberalism as a political-economic system, and its potential disruption via new, emergent socio-technical systems. In order to do so, we start by briefly illustrating how science and technology studies (STS) itself and political economy are co-produced, such that STS has often sat comfortably within neoliberal analytical paradigms; we then examine the emerging debates on the neoliberalization of research and innovation in STS and cognate fields in order to illustrate how technoscience underpins neoliberalism; next, we offer the example of *rentiership* in the life sciences to show how neoliberalism undermines its own systemic dependence on research and innovation; finally, we turn to one renovation of research and innovation in the form of open science, before critiquing its potential to institute a socio-technical system transformation.

## **STS and Political Economy: Passing Ships, Missed Boats?**

Until recently, most STS scholars rarely engaged in rigorous ways with contemporary political economy, by which we mean examining how different political-economic processes, practices, institutions, and knowledges inform, shape or co-produce science, technology, and innovation (Tyfield, 2012a, 2012b). A prime example of this deficit for us is the treatment of *neoliberalism* in STS. Prior to the 2007–2008 global financial crisis, STS scholars largely ignored the concept of neoliberalism, in whatever analytical form (Birch, 2013, 2015). There are, obviously, exceptions to this claim, but it can be illustrated by a simple search for ‘neoliberal’ in the main STS journals:

- *Social Studies of Science*: 48 articles etc., but only six before 2008.
- *Science, Technology and Human Values*: 64, but 15 before 2008.
- *Public Understanding of Science*: 15, but only one before 2008.

- *Science as Culture*: 43, but 18 before 2008.

As crude as this search might seem – especially considering that it captures references to ‘neoliberal’ in bibliographical titles – it is only meant to show how STS signally failed to engage with an analytical concept as it came to prominence in the social sciences more widely; for example, *Progress in Human Geography*, the premier geographical journal, has 557 articles etc. referring to ‘neoliberal’.

While there has been a growing STS interest in neoliberalism (e.g., Birch, 2006; Cooper, 2008; Lave et al., 2010; Abraham and Ballinger, 2011; Biddle, 2011; Mirowski, 2011, 2013; Moore et al., 2011; Pellizzoni and Ylönen, 2012; Tyfield, 2012a; Berman, 2014; Birch et al., 2016), from our perspective, the earlier analytical failure to engage with the concept on the part of STS scholars, and the STS community more broadly, might result from the fact that at least two of the dominant STS approaches of the last 30 years or so fit very comfortably within neoliberal epistemic principles: actor-network theory (ANT) and organizational network analysis (ONA).

First, Chris McClellan (1996), Steve Fuller (2001), Philip Mirowski (2011) and David Hess (2013) have all noted that ANT is ‘inflected’ – to use Hess’s phrasing – by neoliberal ideas. In particular, the idea that agency is an effect of human and non-human networks, which underpins ANT, is characteristic of Friedrich Hayek’s ontology of markets as systemic processors of information from diverse and distributed individual actors (see Mirowski, 2013; Dardot and Laval, 2014). Moreover, as McClellan (1996) notes, ANT appropriates the language and the political legitimation of an agent-centred perspective from economics. McClellan goes on to argue that ANT mirrors economic assumptions that ‘social structure is the result of individuals pursuing personal interest by linking up with others in a reciprocal exploitation of each other’s activity for the satisfaction of the personal interest of each agent involved’ (McClellan, 1996: 199). The consequence of this, according to others, such as Mirowski (2011: 66), is that in an ANT framework science is transformed into a ‘marketplace of ideas’ reflecting the fact that ‘neoliberalism had taken root in the most avant-garde precincts of science studies [i.e., ANT], gussied up with the seemingly non-economic terminology of actants, rhizomes, and parliaments of things’. A final point

made by Hess (2013: 188) is that the ‘elective affinities of this antisociology [i.e., ANT] with rational-actor theory’ are more than evident in the case of ANT, suggesting that STS needs to take political economy seriously (Tyfield, 2012a).

Second, a similar set of issues arises in the work of people like Walter Powell and collaborators who established a major research agenda around organizational network analysis (ONA) (e.g., Powell, 1990; Powell et al., 1996). Embedded in broader economic debates about transaction costs, the lineage of their research flows from economists like Ronald Coase (1937), whose work has proved particularly important in the (neoliberal) field of law and economics (Davies, 2010). In their discussion of STS and neoliberalism, Lave et al. (2010: 663) describe Powell and collaborators as ‘Economic Whigs’ who seek to promote the benefits of technology transfer and industry–university relationships. Here, however, we want to highlight that ONA is based on the theoretical assumption that *market* transactions represent the ‘universal’ – and ‘ideal’ – transaction type, whereas hierarchies or networks merely reflect market transactions in an organizational or collaboration form. As such, ONA repeats the neoliberal notion that all social life can be reduced to markets and individual (bounded or otherwise) rational action.

Our point in this section is not to condemn ANT or ONA for their presumably unintentional adoption of neoliberal principles, but rather to highlight that STS scholarship – by which we mean knowledge of science, technology and innovation – is, itself, co-produced with political economy as both the knowledge of the ‘economy’ and the set of practices of ‘economic’ actors. Consequently, in the past when these dominant STS approaches have sought to understand political economy as an object of study, they have not challenged dominant political-economic understandings of the world (e.g., individual rational action), but have rather sought to analyse the social role and social benefits of technoscience in this configuration. What this means is that there is a need to analyse both the implications of neoliberalism for research and innovation as well as how to research neoliberalism from a perspective that is not compromised by such ‘elective affinities’.

## **Neoliberalizing Research and Innovation**

Today, research and innovation have a social, political, economic, and even cultural centrality and importance as never before. As mentioned, this is in part a matter of the multiple, overlapping, complex and wicked problems facing the world at the turbulent beginning of a new century. It is also no less a matter of the intense dependence of the dominant, neoliberal system of the day upon research and innovation and the socio-technical novelty they generate or enclose. In both respects, regarding the external challenges of the moment (e.g., climate change) or internal and political challenges of the reproduction of neoliberalism as a specific political-economic system, the leading question for research and innovation concerns its contribution to a broader renovation of socio-technical system integrity. In focusing on the latter issue in this chapter, we in no way want to treat the former as secondary in importance or causal impact. Our interest, however, is in the internal system dynamics of the interactions between contemporary research and innovation and the reproduction and/or transformation of neoliberalism as a political-economic system. Our focus is particularly important because of the general need for system renovation, if not full-blown transition, and the exceptional and heightened dependence of system renovation on research and innovation specifically, and the continuing failure of such renovation actually to emerge, all of which are inseparable from the particular dynamics of neoliberalism and its crises.

We define neoliberalism as a political-economic system built on epistemic market fundamentalism. Here the market is conceptualized as not only the best of all possible mechanisms for economic allocation, but, far more radically, as the best of all possible mechanisms for decision-making and, hence, knowledge production (Mirowski, 2011, 2013; Tyfield, 2012b). In this sense, one is unable in principle to argue rationally against actual market outcomes; this assumption underpins the development of a global regime of accumulation premised upon the limitlessness of the market form and of its expansion by way of (supposedly) entrepreneurial and consumerist activity in pursuit of maximum individual gain (Birch, 2017b). In the next section, we problematize the very idea that neoliberalism is underpinned by entrepreneurship – and, in fact, suggest the opposite, that it is underpinned by *rentiership* – but for now it is important to note how central it is conceptually to neoliberalism (see Moore et al., 2011). This point notwithstanding, neoliberalism leads to the systemic intensification and acceleration of

competitive business and corporate activity in pursuit of corporate earnings, within a regulatory framework determined by market-like principles.

In this sense, neoliberalizing research and innovation has not only entailed the commercialization and/or privatization of science, it is necessarily bound up with the re-conceptualization of ‘science’, ‘knowledge’ and ‘information’. In particular, work in the post-war Chicago School and beyond on the economics of science provided the basis for conceiving the market as an information processor and knowledge as a commodity like any other (Mirowski, 2011; Tyfield, 2012b). Moreover, this work in economics goes beyond its analytical purpose, representing a key knowledge-power technology in the legitimation of neoliberalism (Tyfield, 2016). For one, it provides key arguments for reshaping regulatory regimes, innovation policies, and whole industries. As noted already, neoliberalism is dependent on – or co-produced with – a high-tech and IP-intensive model of research and innovation in which there is an expectation that new, ‘disruptive’ technologies are the wellspring of economic growth and social progress. As such, it privileges innovation that:

- leads to private *knowledge monopolies* through the intensification and extension of IP rights;
- promises high, short-term *economic rents* that can be capitalized as financial(izable) assets (e.g., stocks and shares);
- focuses on (new) products, services, and assets for business or individual consumers, rather than publics or government;
- supports the *private* enclosure, regulation, and monetization of knowledge, culture, social relations, etc., maximizing private monopoly control of (intellectual, social, cultural, ecological) life; and,
- ignores the limits and risks underlying these changes (Tyfield, 2016; Birch, 2017c).

To the extent that such a regime of accumulation – and associated moral economy (Amable, 2011) – generates proliferating systemic risks, these are not a problem *per se*, but come to represent the precise opportunities for future ‘entrepreneurial’ agency and revenue imagined in the neoliberal mindset. And this, of course, exacerbates the challenges of expanding a political-economic system which is intrinsically dismissive of limits within a



socio-natural world that is indeed limited, as well as thereby heightening neoliberalism's own demands for system-renovating innovation (Cooper, 2008). We can thus identify quite directly from the nature of neoliberalism as a system its tendency to systemic crisis and permanent, and likely deepening, need for wholesale system renovation – that is, the re-setting of the socio-technical system such that it can accommodate (politically, culturally, ecologically) yet more, greater and faster (supposed) entrepreneurship.

The central place of entrepreneurship in neoliberal imaginaries, however, introduces an unprecedented dependence upon research and innovation – that is, the creation of new products, services, markets, processes capacities, etc. in line with Schumpeterian dynamics (Cantwell, 2002). As competition has increasingly centred directly on innovation, however, the reach of commercialization processes goes deeper into knowledge production processes on which it draws in complex loops, including by way of an increasingly scientifically-literate labour force and consumer base. Innovation, as a result, becomes more hi-tech, which in turn draws on increasingly cutting-edge research, such that the research and/or scientific intensity of contemporary innovation processes grow. Not only is neoliberalism dependent upon continual system renovation, then, but such renovation is, in turn, increasingly dependent on professionalized forms of expertise manifest in research and innovation *and* new socio-technical configurations that enable the capture or enclosure of knowledge, expertise, research, etc. As a result, neoliberalism places increasingly onerous systemic demands upon processes of research and innovation for the continual renovation of opportunities for monopoly and quasi-monopoly rents (Zeller, 2008), upon which the neoliberal system depends, and for the continual development of new power/knowledge technologies affording neoliberal forms of government.

Yet, the deepening demands of neoliberalism are also increasingly insupportable; as neoliberalism deepens, it engenders a generalized internal incapacity to renew itself. The growing and accelerating demands upon research and innovation ends up in a destructive feedback loop because neoliberalism simultaneously transforms the processes, institutions and relations of research and innovation in ways that systemically reduce their fecundity for system renovation (e.g., enclosing knowledge behind IP rights

that limit its use). Neoliberalism cements the system relations that are precisely what must change for system renovation to happen. In order to illustrate our arguments, we next turn to an example of research and innovation characterized by these neoliberal principles, namely, the life sciences.

## **Researching Neoliberalism: Limits of the Neoliberal Innovation Model in the Life Sciences**

Since the late 1970s, biotechnology and the life sciences – or what is increasingly being defined as the ‘bio-economy’ (Mittra, 2016) – have been heralded as a new paradigm or technological cycle. Examples abound of governments around the world touting biotechnology as the next big thing, a solution, depending on the era, to global challenges like energy crises (early 1980s), economic crises (late 1980s), pharmaceutical productivity crises (1990s), and healthcare crises (2000s) (Nightingale and Martin, 2004; Pisano, 2006; Hopkins et al., 2007, 2013; Styhre, 2015; Mittra, 2016). It is interesting to note, however, that something like the UK government's 1980 *Spinks Report* does not seem that out of place in today's policy discourse centred on the promises of life science research and innovation – despite a 35-year wait, we have yet to enter the ‘biotech age’. For our purposes in this chapter, the life sciences sector is a useful case study because it has been specifically associated with neoliberalism by a number of STS scholars (e.g., Birch, 2006; Cooper, 2008; Sunder Rajan, 2012). Of primary concern to us is that while the life sciences have been touted as the solution *par excellence* for multiple societal challenges, the sector has not lived up to its expectations on several fronts.

First, Gary Pisano (2006) argues that the life sciences have been underpinned by the monetization of knowledge as intellectual property (IP), rather than the introduction of new products, processes, etc. While Pisano does not refer to neoliberalism, his work illustrates the emergence of a neoliberal innovation model based on the increasing privatization and commercialization of research. Second, monetized knowledge in the form of IP is turned into an asset that can be capitalized in specific (financial) organizational forms, such as the ‘dedicated biotech firm’ (Mirowski, 2012; Birch and Tyfield, 2013;

Birch, 2017d). Here, it is the firm that is capitalized, rather than knowledge, as a financial instrument for rent-seeking via the ownership of IP assets. The importance of the organizational form can be demonstrated by the differences between market capitalization (over US\$1 trillion in 2014) and revenues and profit in the global biotech industry (Birch, 2017d). Finally, the intensification and extension of IP has been blamed for a range of problems in the development of new products, especially pharmaceutical drugs (Heller, 2008; Hope, 2008; Tyfield, 2008). In particular, declining business investment in basic or 'pre-competitive' research – labelled as such because it does not lead directly to new products – has been identified by governments and business alike as a major concern and an important reason for things like the FDA's *Critical Path Initiative* or the EU's *Innovative Medicines Initiative*. We come back to these concerns below when we discuss open science.

The reasons for these problems (and more) are not some technical conundrum, easily resolved by more or better investment in research and innovation; rather, it is directly related to the characteristics of neoliberalism as a political-economic system, which we outlined above. On the one hand, the life sciences sector is frequently characterized as a hi-tech, high-risk, and high-return sector, attracting entrepreneurs and venture capitalists interested in the potential on offer from groundbreaking products and blockbuster profits. On the other hand, it is emblematic of a sector in which (regulated) monopolies – e.g., orphan drug status, patent rights, market exclusivity – tends to trump new product development, evident in expansion of 'me-too' drugs and the rising importance of 'commercial reasons' for drug development *failures* (Birch, 2006). It is our contention that the neoliberal prioritization of forms of innovation that yield monopoly super- or quasi-rents (Zeller, 2008) tends, thereby, to be both the acceleration and stagnation of innovation across the life sciences sector (which is applicable to other domains as well). These twinned processes are evident in the growth of IP *and* its increasing strategic use in enclosing, reaching-through, or threatening innovation (Pagano and Rossi, 2009). Neoliberalism's self-destructive effects extend into research at this point. As STS scholars and others have noted for some time (e.g., Felt, 2007), (basic) research is unquestionably not the *source* of innovation, as the discredited linear model posits, yet it remains vital to innovation, including radical and potentially system-altering innovation. Neoliberalism has, however, transformed research in ways that have

significantly harmed its potential to contribute in this way, creating ‘gridlock’ (Heller, 2008) and other negative implications (Pagano and Rossi, 2009).

And yet here is the rub. None of these problems impacts on the growth and expansion of the life sciences sector as it currently exists – the global biotech industry had a market capitalization of over US\$1 trillion in 2014 (Ernst and Young, 2015). In fact, neoliberalism has fostered a financialized innovation model in which biological (plus other) research and innovation are premised and organized on specific forms of valuation; namely, high, short-term, *and* secure returns that can only be achieved via the generation of economic rents from knowledge monopolies (Zeller, 2008). In turn, valuation is secured, first, through specific financial practices for valuing firms and their IP assets (Andersson et al., 2010), and, second, through the active financial intervention of life science businesses in buttressing their market capitalization through share buy-backs and suchlike (Lazonick and Tulum, 2011). Consequently, we want to stress that neoliberalism is better characterized as a shift towards *rentiership* rather than entrepreneurship, in that the life sciences – the epitome of an imagined hi-tech future – is not driven by the (risky) development of new products and processes, but rather by the (ongoing and far less risky) reconfiguration of property rights and ownership to turn knowledge into an asset (Zeller, 2008; Birch and Tyfield, 2013; Birch, 2017c, 2017d). As one of this book's editors suggested to us, it is almost as if the real innovation occurring in the life sciences is in the development of new legal definitions, property regimes, ownership rights, asset monetization techniques, taxation, and so on.

In identifying this neoliberal innovation model, we therefore seek to problematize the notion that entrepreneurship – and even innovation itself – underpins neoliberalism as a political-economic system, despite claims otherwise (e.g., Moore et al., 2011; Dardot and Laval, 2014). Rather, we stress the preponderance towards *rentiership* in which the *creation* of value (for business, for customers, for investors) is better thought of as its extraction (from research, culture, social relations, beliefs, etc.) and enclosure behind IP ownership. For us, *rentiership* is characterized by the following:

- Knowledge is not a thing, a commodity as imagined in neoliberal theory, but rather a social process of knowing – as conceived in social

epistemology. Knowledge is not, in this sense, atomistic or individual; it is our ‘habits of life’ in Veblen's (1908) terms, or ‘general intellect’ in Marx's.

- Knowledge, as social process, can be turned into an asset with the right socio-technical configuration of *ownership rights and monetization tools* (e.g., personal data are being turned into valuable assets). Often, this involves limiting access to it, rather than a productive step (Fuller, 2013).
- Turning knowledge into an asset involves the *assetization* rather than commodification of knowledge (Birch, 2017d), entailing rent-seeking rather than profit-making (Zeller, 2008).
- Rent-seeking is not inherent to assets, but necessitates new forms of political-economic knowledge and practice, involving new forms of and innovation in *valuation and capitalization* (Nitzan and Bichler, 2009; Muniesa, 2012; Chiappello, 2015). Such valuation is often temporal in that investment in the life sciences flows through a relay-like chain (Andersson et al., 2010), in which value need not accrue to the ‘original’ creators.
- Consequently, rentiership entails certain forms of *social organization and governance*, namely the private business enterprise and corporate governance that enable the extraction and capitalization of rents (Birch, 2017d).

As should be evident from this brief outline, the concept of rentiership requires a different approach to understanding the life sciences (and other hi-tech sectors) from that which currently exists in neoclassical or STS accounts. For example, while something like open science, which we discuss next, appears to represent a new innovation model based on the strengthening of a public commons, there is the real possibility that it does nothing of the sort, but rather it could reinforce neoliberalism and all the problems it currently causes. Whether open science is a threat to the neoliberal model, is then an apposite question to ask.

## **Open Science as Commons 2.0: A New Innovation Model?**

As we have noted, neoliberalism faces increasing challenges from several quarters. When it comes to research and innovation, it seems to be from the *open science* movement, especially in the life sciences sector (Hope, 2008). The increasingly data-accelerated, interdisciplinary, and socially-engaged nature of scientific research and innovation, combined with the often-prohibitive costs – due to IP rights – required to access databases, journals, materials, etc., has seemingly catalysed a move away from neoliberal research models towards commons-like alternatives. As we have noted already, the current research and innovation model is seen as hindering new developments by inhibiting access to data and information, raising transaction costs by limiting who performs, contributes to, and benefits from research and its byproducts, and restricting who owns its incidental commodities (Mirowski, 2011). The consequent shift towards more open models in the last decade has essentially been a move intended to facilitate collaboration between diverse groups of public and private actors across the research and development spectrum, and expand the aforementioned access, production, and ownership beyond financialized businesses (Andersson et al., 2010; Lazonick and Tulum, 2011). It is, essentially, a blending of public and private actors, knowledges, localities and methodologies, and a means of mitigating the prohibitive costs of the neoliberal innovation model.

Open science comes from earlier movements around *open source* software, which emerged nearly three decades ago in the field of computer science and information technology (Deibel, 2014). Open source software development stood in contrast to the traditional, hierarchical, proprietary method of working, wherein technological information (such as source code) became available *only* following software releases, and was restricted to exclusive groups of developers (Feldman and Nelson, 2008; Hope, 2008). Within the open model, code was meant to be freely accessed (*free* in terms of constraints and not costs), adapted, and shared; barriers to entry were lowered; decision-making was relatively autonomous; resources were self-controlled; and participation was voluntary (Hope, 2008). In the case of scientific research, *open science* ‘means that data from [a] project is released rapidly into the public domain, subject to certain conditions, including a requirement that data users not exercise their intellectual property rights in a way that would preclude other users’ access to the basic data’ (Gitter, 2013: 623).

One important example of open science is exemplified by *open access* (OA) journals; they offer one solution to navigating around the traditionally costly and prohibitive subscription fees of academic journals (Wellen, 2013). In theory, OA journals ensure that access to published information and data is freely available. The ‘gold’ route to open access, for instance, involves simply paying to publish in an OA format. Conversely, the ‘green’ route involves publishing one's work in a non-OA format and self-archiving in an OA archive (Harnad et al., 2008).

Another important example in the world of biotechnology, particularly in the case of bioinformatics, is open source software and open approaches to licensing, which have become increasingly salient as the sharing of data and information is paramount. In terms of navigating around issues of knowledge ownership (i.e., IP rights), non-proprietary licensing arrangements such as *Creative Commons*, copyleft, or *GNU Public Licenses* (GPL) ensure that users may freely use, modify and distribute data or information on the condition that its derivatives are bound by the same conditions (Rhoten and Powell, 2007; Hope, 2008).

More abstractly, *open science initiatives* refer not to specific technologies but rather ‘tend to involve collaborative projects that pool the work of many participants and make advances available to a broad community’, ensuring that research and innovation remain non-proprietary (Feldman and Nelson, 2008: 25). Moreover, open science initiatives have allowed non-profit researchers who ‘may not have the financial capacity to navigate the maze of patent rights and licensing’ to undertake less commercially oriented projects (ibid.). Initiatives such as the International HapMap Project, the Structural Genomics Consortium, and the Human Genome Project are examples of multidisciplinary cross-country endeavours, funded both publicly and privately. In each of these cases, participation extends beyond a single lab, institution, or research contract, commercial barriers to entry are low, and participation is not limited by proprietary restrictions. In the context of life sciences research, open science refers to the release of reusable scientific data into the public domain, in addition to methodological transparency and interdisciplinary collaboration (Gitter, 2013). The model is characterized by voluntary participation and voluntary task selection – a freedom made possible by ‘transparency, exploitation of peer review and feedback loops,

low cost and ease of engagement, and a mixture of formal and informal governance mechanisms built around a shared set of technical goals' (ibid.: 623).

While the neoliberal model of research and innovation tends to protect existing hierarchical monopolies – in that key business and corporate actors maintain dominant control over IP rights, funding, participation, etc. – open science models seek to navigate through this environment by exploiting technology through non-proprietary mechanisms, expanding participation in research and innovation, and employing unconventional forms of IP management. However, a critical analysis suggests that while open science models may potentially offer a solution to the previously discussed limitations of neoliberal approaches to research and innovation, they do not necessarily offer a panacea to all these neoliberal ills.

Specifically, while open science models represent a means of navigating through potential IP bottlenecks or costly and prohibitive restrictions on data and information, science is nonetheless conceived as a hub of prosperity while *value* remains qualified in terms of *returns on investment*. As Chiapello (2015: 16) highlights in her discussion of *financialized valuation*, certain things (intangible or tangible) have value not because value is 'intrinsic to the object' but because it is 'produced in the relationship between the object and the person who considers it valuable'. Moreover, she notes that valuation 'as a process of worth attribution involves various operations: identifying and selecting which objects should be paid attention..., qualifying what is valuable, i.e., the viewpoint from which objects are praised, estimating their "worth" within the chosen framework', and so forth (ibid.). Valuation is therefore a process of attributing worth. For our purposes, worth attribution occurs at all stages of research and innovation, whether proprietary or open. Consequently, research and its byproducts, as well as the linkages and relationships between actors, knowledges, and institutions, can all be continually evaluated in terms of financialized or monetized reasoning, informing the configuration of the social technologies needed for continuing rentiership.

We can therefore problematize the claim that open science is leading to 'Commons 2.0' (Tyfield, 2013), especially if this is based on the idea that we



are moving away from a neoliberal model of research and innovation. Rather, we argue that the emergence and growth of open science has not necessarily or fundamentally altered the dynamic of the political economy of research and innovation, primarily because this shift away from private property rights has not displaced the political-economic valuation of research in terms of returns on investment (derived from monopoly rents). Although open models provide a means for exploiting research and innovation through non-proprietary mechanisms, expanding participation in generating and accessing data and information and the employment of unconventional forms of IP management, knowledge is nonetheless produced such that it is applicable primarily to the generation of assets, as well as products and services, that service market demands of corporate/individual consumers.

Moreover, ‘post-neoliberal’ research and innovation continues to present new opportunities for ongoing rentiership. For example, open access publishing has done little to change existing practices. It can be argued that ‘gold’ OA publishing has not altered the underlying political economy of research or innovation (Wellen, 2013); rather than charging readers traditionally costly user fees to access journal publications, OA journals instead charge authors or their parent institutions a publication fee that subsequently allows publications to make material ‘freely’ available (Harnad et al., 2008). Although OA publishing is intended to provide free/unrestricted access to knowledge, it nonetheless entails familiar financial arrangements and freely given labour is similarly exploited as a means of extracting rent (Tyfield, 2012b). Another example is ‘open licensing’ (e.g., *copyleft*); licensees may still charge fees and works licensed under an open licence may still be engaged in commercial transactions, yet valuation of research and innovation within open models is nonetheless determined along financial lines (primarily in terms of returns on investment) (Chiapello, 2015). What distinguishes *openness* from its proprietary counterpart is not its worth but rather its low entry cost and transparency. Research and innovation remains market-based in this sense. Thus, we argue that while open science and innovation offer some solutions to navigating through the costly and prohibitive property rights, contracts, and technical arrangements inherent in the neoliberal model of research and innovation, open models in their current incarnation continue to offer opportunities for commercially exploiting technoscience through forms of rentiership.

## Conclusion

Our starting point in this chapter was the idea that research and innovation are shaped by neoliberalism and shape neoliberalism in turn. We started by outlining how we thought current understandings of research and innovation are inadequate in a number of ways – e.g., too linear, too national-centric, too simplistic, and too unreflexive in the political economic settlement they presume. While these issues have led to a counter-movement to the increasing commercialization and privatization of science emblematic of neoliberal science policy, exemplified by *open science*, our aim was to examine critically the potential of open science as a means of system renovation or system transition.

In undertaking this analysis, we had to start by going back to the dominant STS approaches of the last few decades, especially actor-network theory (ANT) and organizational network analysis (ONA). We wanted to show that both ANT and ONA sit comfortably within neoliberal principles and are, therefore, inadequate for a wholesale examination of the changing political economy of research and innovation. In attempting this examination ourselves, we sought to highlight how research and innovation have been neoliberalized, what this means for addressing global challenges (e.g., climate change), and whether our current system can adapt or change in much-needed ways (e.g., socio-technical transitions). However, we argued that the internal contradictions of neoliberalized research and innovation mean that it is unlikely to lead to new societal formations, systems, and so on, needed to address these global challenges.

In turning to the reasons for this failure of neoliberalism to provide the answers we need as a species, we sought to unpack the inherent problems with and failures of the neoliberal model of research and innovation. Although we focused on the life sciences in this chapter, our argument is applicable to other socio-technical domains (e.g., information technology, environmental sciences, etc.). Our main claim is that neoliberalism is underpinned by *rentiership* as opposed to entrepreneurship, by which we mean the search for knowledge monopolies that ensure high, even if short-term, economic rents that can be capitalized as assets; and even as entrepreneurship is held up as the very acme of neoliberalism more generally.

The upshot of rentiership is that knowledge is increasingly enclosed behind IP rights which foreclose the free and open access to knowledge. Recently, this has led to a counter-movement based on the idea of *open science* initiatives, licensing, property mechanisms, and so on. While there are laudable goals behind this attempt to create Commons 2.0, we suggest that caution is needed because open science does nothing to alter the neoliberal system of valuation of research and innovation.

## Note

1. European Commission, [http://ec.europa.eu/research/innovation-union/index\\_en.cfm](http://ec.europa.eu/research/innovation-union/index_en.cfm) (accessed August 2016).

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## **Part VII Neoliberalism and Beyond**

# **45 Resistance to Neoliberalism Before and Since the Global Financial Crisis**

**Owen Worth**

## **Introduction**

The end of the cold war saw a rush of pronouncements from dignitaries claiming that market capitalism had finally triumphed over its competitors. George Bush Senior was quick to demonstrate this when he announced the arrival of 'New World Order', while academics such as Francis Fukuyama proclaimed the 'end of history' had arrived. Yet, this global Eldorado never materialised, even in a diluted manner. Instead, what we understand as the globalisation of the neoliberal model of capitalism has produced an environment of instability that has resulted in a whole new collection of dissent and types of resistance. Unlike previous eras, however, such resistance has not produced a single ideological challenge in the manner that socialism had intended to in the twentieth century. Instead we have seen a set of challenges that have emerged through different spatial and strategic forms, which have all sought to demonstrate the weaknesses in the hegemonic neoliberal project.

At the same time, one can also suggest that the lack of any uniform response has weakened any meaningful wholesale challenge to the free market world order. The spatial fluidity and social re-orientation that globalisation has brought has led to a similar change in the way resistance is organised. As Barry Gills stated in the introduction to one of the first collections looking at the nature of resistance in the neoliberal era, the process of globalisation has led to the possibility of greater forms of resistance, but also made it increasingly difficult to sustain unity for these forms to develop (Gills, 2000: 3).

So while the diversity of response provides evidence that this new world order has attracted a significant amount of resistance, it has also arguably

reduced the potential for building an alternative. This can be seen as both a positive development and a troubling one. For no matter how diverse the models of twentieth-century socialism appeared, they were all geared towards wealth redistribution through the apparatus of the state. As a result, beyond rhetoric there was no real move towards creating strategies at a global level. In the same way, movements that emerged from 'below' the state and contained gendered, ethnic and culturally diverse dimensions were also undermined.

The digital and technological revolution that accompanied the rise of the neoliberal polity further 'activated' the forces of resistance and allowed for numerous alternatives to develop (Castells, 1997). As the information age has radicalised the way ideas are spread and organised, the diversity of resistance strategies or 'counter-hegemonic' alternatives have grown. As a result, the diverse ways we understand and theorise forms of resistance to neoliberalism have often produced a wide array of insights. The financial crisis has ushered in a new wave of critical reflection on resistance as the principles of neoliberalism have come increasingly under question. Yet, the aftermath of the crisis has also seen the neoliberal project take a different course as the politics of austerity have provided a basis which has allowed it to resurface and reinvent itself (Worth, 2013). As a result, there is now a considerable amount of reflection as to why such forms of resistance have not led to any substantial challenge to the wider neoliberal system. As recent developments have shown, the discontent with the fabric of neoliberalism can be seen not just at the civil and the political level, but also within the confines of 'everyday' life (Leitner, Peck and Sheppard, 2007), with such dissent genuinely global in its reach. Yet, such resistance has not provided any impetus for substantial change.

This chapter looks to review the ways in which we can understand resistance in the neoliberal era and then looks at what sort of positions and movements have emerged to offer such resistance. It shows that resistance has emerged from what we can broadly understand as the 'left' or 'global/internationalist left'; from the reactionary or nationalist 'right', which has its origins in the advanced economies (Europe/North America/Australasia); and a religious position that has often emerged from the developing world or global south. It will finish by looking at the relevance of the post-crisis left, especially in

light of the election of Trump and the recent resurgence of the 'alternative right'.

## Understanding Resistance

A useful way of analysing resistance to neoliberalism can be found in the typology mapped out by Christine Chin and James Mittelman in 1997. Here Chin and Mittelman suggested that resistance could be understood in (a) a Gramscian sense, as a form of 'counter-hegemony', (b) as an expression of a 'counter-movement', in relation to the observations of Karl Polanyi, or as (c) a form of 'infra politics', a term put forward by the anthropologist James Scott (1990) in his studies of the peasantry during the colonial era in South East Asia.

The notion of counter-hegemony follows Gramsci's understanding that any challenge to a contemporary order must be forged through what he calls the wars of 'position' and 'movement'. Of these, it is the first that takes on a greater significance. A war of position involves challenging the core ideas and beliefs that the contemporary order rests on. Therefore, resistance movements need to construct a coherent set of strategies that are capable of challenging prevailing ideas and replacing them with an alternative (Chin and Mittelman, 1997). Gramsci himself did not discuss this in terms of a 'counter' hegemony, as his own objectives were towards constructing a hegemonic society based on socialist principals. Yet, a growing number of studies have used the concept 'counter-hegemony' to refer to resistance groups that look to undermine the hegemonic character of neoliberalism through civil society movements (see, for example, Smith and Johnston, 2002; Eschle and Maiguashca, 2005; Coleman and Tucker, 2012; Buckley, 2013).

Karl Polanyi's understanding of the self-regulated market and of the 'counter-movement' has also been used to understand the emergence of resistance in the contemporary era. In Polanyi's study of nineteenth-century British liberalism, a counter-movement was an inevitable occurrence within a self-regulated market system that, in this case, was to plant the seeds of its own destruction (Polanyi, 1944). Polanyi observed that even in the *laissez-faire* days of Victorian liberalism, the self-regulated market could not function

without the state providing some form of protection from its potentially harmful effects. As a result, banking regulations were brought in which, although intended to allow the market to flourish, nevertheless placed restrictions on its capacity to act as a solely determining mechanism. For Polanyi, this set in motion the process whereby the state would continue to regulate economic and social processes until it was met by a collection of larger movements that wanted greater regulation in the latter part of the century. The final destruction of the gold standard, the rise of Fascism and the subsequent move towards the planned economy were all indicative of the unravelling of the nineteenth-century market system.

Those who have borrowed the idea to understand resistance against twenty-first-century forms of neoliberalism (Birchfield and Freyberg-Inan, 2004; Hann and Hart, 2011) can point to both protest movements and interventions by the state, such as the bank bailouts at the height of the financial crisis, as being indicative of a wider counter-movement. While protest movements have been explicit in their condemnation of neoliberalism, the responses of the state to ensure the continued functioning of the market system might ultimately prove more significant in as much as they demonstrate the contradictions of upholding such a system in the face of crisis. As Polanyi himself stressed, it was when the state looked to contain and protect its citizens from the abuses of the market that the slippery slope to wider market collapse began, as other movements looked to de-rail the wider market system (Polanyi, 1944; Dale, 2010). As the international economy maintains its commitment to a market-based system, wider counter-movements may be expected to arise.

In James Scott's work, the subaltern is often contrasted with the more systematic understandings suggested by Gramsci and Polanyi. Scott argues that rather than conforming to the methods of the ruling elites, resistance is often expressed in a manner that is more subtle in both form and content (Scott, 1985, 1990, 2012). In this way, rather than requiring a grand ideological narrative, contestation is more effective through protests carried out at the local level or within the practices of 'everyday life'. Part of the appeal of Scott's work to the contemporary era is his observation that traditional peasantry responds best to patron–client relationships and have traditionally reacted to any market-based transformation of these

relationships (Scott, 1985). The globalisation of the neoliberal project thus inevitably attracts resistance when building new class relations. Yet, perhaps even more appealing to students of resistance is the fact that Scott provides avenues of understanding how protest at the local level can facilitate change, without necessarily leading to a wider political transformation. By resisting certain aspects of a particular order, protest can work to facilitate change. While wider systemic change might be impossible to achieve, significant change can occur through issue-based positions of resistance. In this way, Scott's work provides a more 'bottom-up' approach for explaining how contestation is articulated.

Building on Scott, we can also see how Foucauldian analyses of resistance can be applied. A central theme in Foucault's work on power is the observation that resistance is an integral component of all forms of power relations. A key argument here is that as power is dispensed and distributed through distinct discourses there are no unified causes or universal expressions of resistance but rather a 'plurality of resistances, each of them (resembling) a special case' (Foucault, 1979/1998: 96). These have subsequently been understood as 'critical social movements' (Walker, 1994). Here, groups across society look to challenge forms of dominant power relations and seek to forge alternative outcomes at their respective level of resistance. As with Scott, Foucault's understanding of contestation allows us to examine resistance in a manner where we can imagine change without structural transformation. These perspectives also allow us to account for contrasting articulations of discontent and for how these forms of discontent are challenged and, as such, can provide us with endless empirical studies of specific sites of resistance.

The importance of local resistance has also proved to be central to some Marxist positions. The autonomous Marxist tradition, which has recently been popularised through the publication of Michael Hardt and Antonio Negri's work on the reconstruction of international society in the twenty-first century (2000, 2005, 2009), has been highly influential in this regard. Hardt and Negri's work argues that the world of national states is at an end and has been replaced by a complex embodiment of power relations which serve to maintain the political and economic order. As the governance of this order includes a collection of international organisations, multinational



corporations and regional bodies, then resistance against it requires a form of a 'post-national constellation' (Hardt and Negri, 2000, 2005, 2009).

Yet, despite questions over whether resistance actually requires a grand anti-systemic narrative in order to succeed, the first example of resistance to the post-cold war order was arguably one which appeared both as a form of 'local' resistance and as a wider counter-hegemonic attack against the fabric of neoliberalism. The Zapatistas uprising in the Chiapas region of Mexico was instigated in the immediate aftermath of the NAFTA agreement coming into force in 1994. The NAFTA opened up Mexican indigenous land for commodification, thus revoking rights that had been enshrined within the 1910 national constitution and, as a result, demonstrated a very specific form of dispute. Yet, the subsequent condemnation of neoliberalism which the Zapatistas articulated also had distinctly global connotations. John Holloway's account of the objectives of the Zapatistas has also provided us with a useful counter-argument for how we should approach resistance (Holloway, 2002; Dinerstein, 2005). He suggests that the actions of the group were such that objectives could be achieved in the modern era without transforming policy or defeating the government at the centre. As the Zapatistas managed to protect their own land from commercial gain during the insurrection, they ultimately went some way towards meeting their objectives. This was achieved without a change to the economic governance of the North American Free Trade Agreement (NAFTA) or to the government of the Mexican state. For Holloway, then, resistance has moved from a position whereby control of the state is pivotal in any attempt at transformation to one where other local forms of protests and contestation can be equally effective. Recent accounts of resistance certainly show that this position is growing in its appeal (Huke, Clua-Losada and Bailey, 2015).

As we have seen, therefore, a diversity of perspectives on the nature of resistance to neoliberalism has been evident in recent years. Such diversity is evident when looking at types of resistance that have developed in response to neoliberalism itself. We will now consider this question in more depth.

## **Resistance before the Global Financial Crisis**

As suggested in the introduction, the euphoric period where liberal capitalism

was deemed to have won the ideological battle quickly receded as market reforms started to develop with the fall of Communism and the rise of the global economy. Institutional bodies, such as the World Bank and the World Trade Organisation, and the emergence of regional forms of governance all looked to enshrine neoliberal ideas and assumptions within their general governing framework (Gill, 1995). It was this development that provided the impetus for the beginnings of the 'anti-globalisation' or 'global justice' movement. While many instances had preceded it throughout the 1990s, the first 'global' demonstration that was seen to symbolically start the resistance against global capitalism took place at the World Trade Organisation's Ministerial Conference in Seattle in 1999. The subsequent media attention that it attracted led to the first significant questioning of the central features of neoliberalism – greater freedom of capital, deregulation of finance, wholesale reform of labour standards and greater concentration of free trade agreements. The aftermath of Seattle saw similar demonstrations at the G8 meetings in Genoa, the FTAA (Free Trade Area of the Americas) meeting at Quebec, May Day protests in London, World Bank/International Monetary Fund protests in Washington DC and at the European Council in Gothenburg, among others. The demonstrations were marked by their ideological contestation and by their commitment towards global change (Della Porta, 2006). Also noteworthy was the fact they had emerged from civil society and from various 'outsider' groups that were external to the political process.

As the various demonstrations appeared to be formulated at the civil level, many of the criticisms that were levelled against these movements were based upon the question of representation. For example, criticisms were voiced that the anti-globalisation movement was not representative of the public, who expressed democratic action via mainstream representation through the ballot box, and had very little support from the developing world they claimed to be campaigning for (Shipman, 2002; Bhagwati, 2004). In addition, many economists, who were critical of the ways in which market liberalisation and economic growth was being forged in the 1990s, were nevertheless highly dismissive of the protest culture against the ideas of free trade and globalism (Krugman, 1999; Stiglitz, 2002). Indeed, some NGOs dismissed the notion of 'anti-globalisation' as such and looked to replace it with the idea of global equality and fairness by explicitly attacking the dogma of neoliberalism (hence the term 'global justice movement' (Klein, 2002)).

After the events of September 11, 2001, these debates become less significant as the anti-war movement began to add another dimension to the wider 'global' protest movement and thus saw global protest movements enter a new phase of development (Worth, 2013: 25–26).

## **The World Social Forum**

If anything was to symbolise the idea of civil opposition to neoliberalism it was the creation of the World Social Forum (WSF) and its regional counterparts (such as the European, American and the Asian Social Forums). Set up to provide an alternative to the World Economic Forum (WEF) in Davos, the WSF sought to forge a set of proposals that would provide an opposition to neoliberal hegemony based upon the principles of 'open space'. This principle is placed within the Forum's charter, where it is argued that alternatives cannot rely upon concrete mandates, but instead need to rely upon a 'series of exchanges in order to forge greater links and mutual recognition between globally diverse groups and individuals' (WSF, 2007). Thus, by bringing together a series of NGOs, campaigners, academics, activists and civil groups from across the spectrum of global civil society, possibilities of dialogue can be opened up.

While the WSF was seen as a social global response to the governance of the global economy, especially in light of the anti-globalisation protests, it had its origins within the local political movements of the Partido dos Trabalhadores (PT), or Brazilian Workers' Party. The first events at Porto Alegre were the result of action taken by the municipal government of the city, which the PT controlled in the early years of the twenty-first century. As a result, it was heavily influenced by the civil radicalism that was indicative within Brazil at the time. As the Forum developed, it moved to locations such as Mumbai (in 2004), Nairobi (2007), Dakar (2011), Tunis (2013 and 2015), before moving for the first time to the developed world with Montreal in 2016. The most successful event was the Polycentric Forum (2006) in Bamako, Caracas and Karachi, which attracted the highest number by holding three interlinking events at different locations. It was also here, through the Bamako Appeal, that the WSF got as close as it could to building an actual mandate. The Bamako Appeal laid the foundations for the WSF to foster the building of a new world based upon anti-Imperialism and socialism, which would reject

national-specific forms of politics and instead promote an alternative based upon the construction of global networks (World Social Forum, 2006).

The World Social Forum has declined in its prominence in recent years, despite very convincing arguments to the contrary (Teivainen, 2016). It has certainly fallen away in terms of coverage and participation,<sup>1</sup> yet has still provided a space where neoliberalism is critiqued and challenged. It has also ceased to be merely a South American phenomenon. Indeed, with the relative decline of the much reported 'left-turn' (see below) in Latin America and the shift of focus towards North Africa, especially in light of the Arab Spring, the WSF has succeeded in casting its remit wider than before. That said, there have been a number of criticisms levelled against it that are paramount when considering it as a stimulus for change. First, the most obvious charge against the WSF has been that it has not looked towards constructing any firm alternative to neoliberalism. Ideas and arguments are put forward which tend to suggest that a counter-hegemonic project could emerge from the activities of the Forum (Fisher and Ponniah, 2003). Yet, as others have suggested, for this to be realised in a Gramscian sense, the WSF would have to show that it has a firm set of proposals that are capable of challenging the neoliberal system, and the principles of 'open space' have not provided this (Worth and Buckley, 2009).

Second, many have pointed to the elitist nature of the WSF (Biagiotti, 2004). A large percentage of the participants in the various organising committees are either academics or NGO representatives, leading some to point out that it has been this privileged elite rather than any organic movement from below that has tended to speak for the purpose of the WSF (Sousa Santos, 2006). Likewise, the Forum has also provided a useful platform for political leaders to use for their own political gains. For example, all the main Latin American leaders on the left appeared at the WSF when it was hosted on that continent, but did not necessarily get involved in the wider process. When the WSF took place in Nairobi, the Brazilian President Lula, who religiously attended the Forum when hosted in Brazil, was absent and instead played a significant part in that year's WEF. Such moves certainly suggested that the Forum was being used as a political vehicle, rather than a democratic form of participation.

## Political Resistance from the Left

Civil resistance has certainly been a favoured area of study for many students of resistance, especially those who have focused upon forms of protest that have emerged outside the formal political process (see the first section). However, prior to the financial crisis, the political left also made certain gains, although perhaps not in ways that might have adequately challenged the wider neoliberal processes. The 'third way' rhetoric that was to dominate the centre-left during a decade from the mid-1990s was, it has to be stressed, intended to challenge the market rhetoric of the Thatcher–Reagan years (Giddens, 1998). Yet, its central assumption that the private sector and the market were the best generators of economic growth not only retained a central assumption of neoliberalism, but aided its consolidation and minimised opposition on the left (Hall, 1998). The opposition which did emerge on the left in Europe was in the form of left fringe groups that either retained much of the rhetoric of 'nation-state leftist' that was inherent within the post-war era or were 'internationalist' but rather ambiguous in their strategic political objectives (Dunphy, 2004). Examples here can be seen in the Nordic Green Left Group in Europe (GUE/NGL), which has oscillated between traditional forms of national-social democracy and a more internationalist idea of socialism.

As hinted above, one region where the left was successful was Latin America. Initially, Latin America appeared to be following developments in Europe. The neoliberal reforms associated with the World Bank's structural adjustment programmes, which were a result of the accumulation of debt incurred by developing states during the 1970s and 1980s, led to the unpopularity of neoliberalism within the region. Yet, Fernando Cardoso's period as Brazilian President (1995–2003) saw a sustained move to a form of politics ideologically similar to those of the 'third way' centre-left in Europe. This seemed to be influential, particularly in the Southern Cone Countries (Chile, Argentina and Uruguay), but the Argentinean financial crisis at the end of the century, coupled with US intervention in the failed 2002 coup against Hugo Chavez, had a knock-on effect which saw the PT triumph in the Brazilian Presidential elections and coincided with victories for Morales in Bolivia, Correa in Ecuador, Lugo in Paraguay and Vazquez in Uruguay. These events provided a critical regional mass that seemed capable of

resisting the very essence of neoliberal development (Silva, 2009).

The success of this left turn has been mixed. The poverty reduction initiatives have gained notable praise from onlookers, yet the regional coherence between the various national parties has not been as clear as might have been intended. In particular, the more Bolivarian form of regional socialism that was espoused by Chavez and the creation of ALBA2 differed from the more internationalist visions of Lula and the Southern Cone States (Castaneda, 2006). The actual content of an alternative regional 'post neoliberal' political system and the question of how it would contribute to the wider global contestation of neoliberalism remain uncertain. At the time of writing, the longevity of this radical left turn is also in doubt, with the success of the centre-right in parts of the region in the last few years. Yet, despite this, the Latin American region has certainly been the most politically significant in terms of resistance to neoliberal ideology, particularly prior to the global financial crisis (Chodor, 2015).

## **Resistance from the Political Right**

Perhaps the most significant political response from the countries of the advanced economies initially came not from the left but from the far right. The ambiguity of such resistance towards the essence of neoliberalism is evident in the post-cold war development of the far right. For example, while far-right political movements have been quick to condemn multiculturalism, globalisation and migration, its positioning on market economics has been less clear (Mudde, 2007). The far right of the first part of the twentieth century was certainly linked to protectionist and nationalist economics, and some of the 'Patriot' movements in the US that grew up as a response to NAFTA and to what was perceived as a 'globalised' threat to the American way of life were rooted in the pursuit of national protectionism (Rupert, 2000). At the same time, political parties such as the Front National (FN) in France have embraced protectionism as a logical national response to the instabilities of neoliberal globalisation (Bastow, 1997). More extremist political groups that might be more explicitly associated with neo-Fascism, such as the DVU (Deutsche Volksunion) in Germany or the notorious Golden Dawn in Greece, have followed this trend with similar calls for national protection.

The success of what has been dubbed as the ‘radical right’ in Europe has been one of the significant recent developments in terms of party political change on the continent (Ford and Goodwin, 2014). Yet, those who have commented on the radical right are at odds as to whether they have a clear position with regards to the economy. For example, while the FN and others, such as the British National Party (BNP), were quick to stress the importance of protectionism and to condemn the ideology of neoliberalism, others have been more supportive to the idea of the free market. Moves towards reducing state interference in the economy and in public spending are seen as being a useful tonic for the ‘welfare chauvinism’ of some radical right parties (Ignazi, 2003). While such welfare chauvinism has often been directed towards the influx of immigration – in terms of opposition to the rights and access that such immigrants should have to such welfare – much of the far right has tapped into a wider populism on welfare spending. Indeed, such populism was a feature of the initial wave of neoliberalism, as espoused by Thatcher and Reagan. Political parties such as the Swiss SVP (Schweizerische Volkspartei), the Freedom Party of Austria (FPO) and, more recently, the British European sceptic UK Independence Party (UKIP) have combined radical right outlooks with a commitment to mainstream neoliberal economic principles. As a result, movements that have originated in the far-right oppositional fringes of politics have often being ambiguous in their wider resistance to neoliberalism (Worth, 2014).

## **Resistance from ‘Above’**

The post 9-11 world has also been marked by the insurgence of religious groups that have been explicit in their condemnation of the un-Godly nature of neoliberal capitalism. Ever since the Iranian Revolution in 1979, an alternative form of governance based upon the interpretation of the scriptures, rather than on the rule of law, has provided a form of opposition to Western liberalism (Keddie, 2003). With the end of the state socialist alternative and the fall of the Soviet Union, the idea of a religious opposition to global capitalism became more appealing to societies within weaker states in the developing world. While most attention is geared towards forms of Islamic fundamentalism, other forms of Christian, Hindu or Buddhist fundamentalism also have the potential to challenge the fabric of the neoliberal world order (Castells, 1997; Berglund, 2011; Worth, 2013: 105–

111). However, with political constructions such as the Taliban and ISIL/ISIS alongside Salafist transnational networks such Al-Qaeda and Boko Haram, radical Islam has found itself to be the most effective.

The idea of radical global political Islam as a vehicle of resistance is one that has been developed by several in recent years (Barber, 1996; Butko, 2004; Mandaville, 2007; Evans, 2011). As a form of resistance, it has certainly looked to contest Western-inspired forms of civilisation both through setting up alternative forms of states and by waging Jihad, with the ongoing objective to force a global religious war against non-believers. It can also provide ways in which capitalism can be contested, as, like the Zapatistas, they look to occupy and protect their own 'space' from potential corporate control (albeit in a much more extreme and reactionary way).

Yet, Islamic radicalism of this kind has very definite shortcomings in terms of its potential to threaten the fabric of the neoliberalism system. First, the appeal of this form of radical Islam is just too limited in its appeal and too extreme in its objectives to sustain any serious attack on the global capitalist system. Second, it does not look to contest the economic and social principles of neoliberalism head on, but uses specific interpretations of religious scriptures to justify (violent) change. As a result, while religious, and in particular Islamic, radicalism has been a central feature of the post-cold war environment, it is highly unlikely that it will ever provide or lead to any sustained attack upon the central tenets of neoliberalism. Yet, it is one aspect of resistance that certainly requires close attention in the current climate.

## **After the Global Financial Crisis**

The main criticisms of neoliberalism before the global financial crisis were that it rested upon its promise of economic growth, which created inequality and insecurity even while it yielded statistically significant economic results. The global financial crisis, however, rendered much of these advantages null and void. Yet, as we know, neoliberalism has reinvented itself since the crisis, maintaining its prominence as the dominant practice within the global political economy. The pursuit of austerity and the belief that the economy can pick up without a change to the overall financial system has, quite logically, led to growing resistance. This, however, has not led to a change or



a coherent challenge to the ongoing neoliberal process, but has instead seen neoliberalism rise like the phoenix from the crisis and strengthen its overall position. Through the bank bail-outs and the subsequent austerity packages, which served to reduce public spending, neoliberalism has managed to legitimate itself during periods of crisis (Crouch, 2011; Mirowski, 2013).

If the governing principles and practices of neoliberalism have not been seriously threatened, in what ways has resistance developed since the financial crisis? While firm alternatives to the current management of the global economy have not emerged within either advanced states or within regional arrangements, we have seen a marked increase in the amount of protest that has been levelled at the new austerity politics. In addition, as we shall see, a new form of politics appears to be slowly emerging that is looking to provide such an alternative, although its actual form remains rather unclear at present.

## Occupy

The Occupy movement attracted great interest as a movement that had all the hallmarks of one that could be positively understood by Foucauldians, autonomous Marxists and those influenced by the work of Scott. It could also be seen to be rooted within the traditions of both anarchism and situationism. The Occupy movement, which reached its zenith in the last months of 2011, sought to use public spaces to protest against the structure and appearance of global capitalism. As a result, protest sites or 'camps' were set up in public areas outside financial companies in key urban areas. The strategy follows those used by the Situationist International in France in the 1960s, which has long been a feature of the anti-globalisation movement (Barnard, 2004; Worth and Kuhling, 2004). Occupy looked to attract greater attention to the inequalities of global capitalism by protesting near areas that are popularly used by consumers, businesses and tourists, yet which cannot be considered as 'private' land or land that legally could be used for potential private gain. The movement was to become synonymous with the 'we are the 99%' slogan, which became a useful communicative buzzword for protest and was used to demonstrate how a large proportion of the world's wealth is controlled by a small elite. As a movement, by the end of 2011 it successfully managed to set up camps in parts of Africa and across Asia as well as in the

more advanced states of Europe and the Americas. Along with the WSF, it went some way towards dispelling the myth that resistance to neoliberal economics rarely reaches beyond Western-centric environments (Shipman, 2002). Like the WSF, in setting up camps in places such as Mongolia, Pakistan, Nigeria, the Philippines as well as across Latin America, Occupy had significant impact in the developing world.

To a degree, the Occupy movement built upon the civil movements that had previously existed prior to the global financial crisis, but centralised the importance of resisting austerity alongside the need for a reformed international financial system. Occupy has tentatively joined calls for campaigns such as a meaningful financial transaction tax (or ‘Robin Hood’ tax) that could go some way towards providing more stability and equality in the international economic system – and subsequently lead to wider transformation. However, Occupy did not look to formally generate firm economic reconstruction, but instead looked to open up new possibilities for contesting the various levels of the neoliberal constellation (Graeber, 2013). It also provided a useful moment for continuity in the sense that it maintained the civil resistance that emerged from the anti-globalisation/global justice movement and provided a launching pad for other forms of political opposition, some of which would surface in the more formal political setting (Halvorsen, 2012).

## **A New Left**

The influx of anti-austerity protest has filtered through to a number of fresh political projects which have provided the latest move towards confronting the legitimacy of neoliberalism. Politically, this recent development has arguably provided the best opportunity for an alternative opposition project. Spurred on by the sovereign debt crisis in the periphery of the Euro Zone, new anti-austerity political parties have emerged and presented themselves as a new type of left party. First and foremost, they have looked to contest the stringent economic measures that the troika<sup>3</sup> have demanded in light of the Euro crisis. In Greece, the success of Syriza set this into motion, while in Spain, the rise of Podemos has continued the trend. Likewise, recent developments in Portugal have seen the emergence of a left bloc that has also pledged to contest the austerity demands that have been put down by the

troika. While Syriza has struggled in its negotiations with the troika, their emergence alongside Podemos has nevertheless been a significant development in terms of the potential to mount a sustained political alternative to neoliberalism on the left (Stavrakakis and Katsambekis, 2014; Hartleb, 2015).

Certainly, the rapid emergence of Podemos and Syriza seemed to suggest that some form of new left might be emerging. Both have been inspired from the civil protests that were influenced by the anti-globalisation/global justice movements and appear to mark a significant shift away from the traditional social democratic left of the post-war era, which were often nationally-specific entities. By engaging with factors such as globalisation and global governance – and as a consequence the wider ideology of neoliberalism – both appear to stress the need for international coordination and the requirement to move beyond the national model (nationalism, corporatism, etc.) to fashion viable alternatives for action. The momentum of such a move became ever more evident when, in 2015, Jeremy Corbyn became leader of the UK Labour Party. Corbyn, a fervent critic of New Labour and the ‘third way’ approach of the Blair/Brown governments, took well over 59% of the election vote and stood on an anti-austerity platform that included nuclear disarmament and a reversal in the decline of welfare spending (he was also re-elected in the aftermath of Brexit and then subsequently made considerable ground at the snap 2017 General Election). At the same time, the Bernie Sanders campaign in the US also provided new impetus in this regard. Sanders ran a campaign that certainly drew on the emerging anti-austerity paradigm and questioned the overriding fabric of neoliberalism (Sanders, 2016).

What, then, is the real significance of this move? Certainly, for Gramscian readings of resistance, a coherent political programme goes some way to fulfil the necessary content for a war of position (Worth, 2013). To take this further, the reaction against these developments from centrist and established political parties, the media and the business community illustrates how difficult will be to mount a viable challenge to dominant neoliberal ideas. The failure of parties like Syriza to move beyond their initial promise illustrates these difficulties further. Yet, in the same light, one can also suggest that at least such a challenge does seem to be emerging, one which seems self-

reflexive enough to realise the past problems of fracturation and dogmatism which plagued the left in the twentieth century (Prichard and Worth, 2016).

Yet, the main concern for the left in recent years remains the resurgence of the right, particularly in the aftermath of the Brexit campaigns, the inauguration of Donald Trump and the resurgence of far-right electoral success around Europe. As a result, the right has found more recent success in exploiting much of the social consequences of neoliberal globalisation – multiculturalism, immigration etc. – to their own gain. This has led to questions (see above) over whether the wider neoliberal order is under serious threat from a counter-hegemonic movement from the reactionary right, or whether it is re-articulating itself in a different form (Worth, 2014; Davison and Saull, 2016).

## Conclusion

Resistance to neoliberalism has been ongoing in some form or another since it emerged as the dominant ideology in the post-cold world order. The different forms it has taken have led to an extensive rethinking of the way political and economic society is formulated in the contemporary era and how (if indeed at all) it can be transformed to create 'another world'. While twentieth-century forms of resistance, from both the right and the left, centred on gaining governing control of a state in order to stimulate change both at the national and (if influential enough) at the international level, the globalised protest movements that emerged in the mid-1990s followed the trends of civil protest that had been evident from the emergence of new social movements in the 1960s.

As we have seen, resistance has emerged from a number of different positions. Many of these have not explicitly attacked the fabric of neoliberalism *per se*, but have targeted other cultural and social elements that have emerged from the 'globalisation' of the neoliberal world order. We have also seen that some of these, particularly the far-right narratives, actually defend its free market rhetoric and focus upon areas such as multiculturalism and immigration, which are seen as separate from economic governance. As we know from Polanyi's account of a double- or counter-movement in market societies, such forms of protest do have considerable effects on the nature of

the economy (Polanyi, 1944). From the left, the gradual emergence of a new political left demonstrates that a greater oppositional force might emerge to complement the radical protests that have been emerging at the level of civil society.

Yet, there is still much debate over how such an oppositional bloc might be levelled at the neoliberal order. The many accounts from autonomous Marxists to post-National and post-hegemonic frameworks for understanding resistance have certainly provided fresh understandings of the way in which resistance can be understood. This brings us back to the first and most crucial question, with which we started and with which we will finish. This is whether an opposition requires a coherent alternative in order to contest the general principles of neoliberalism, or whether forms of resistance can be utilised that can contest and simultaneously alter its workings at different spatial levels. It is this question which remains central when looking at the nature of resistance to neoliberalism.

## Notes

1. Estimates put the registration of the 2015 Forum at around 45,000, compared to the regular 150,000 or so at the Forums a decade earlier. The less successful Nairobi Forum in 2007 still managed 65,000–75,000.
2. The Bolivarian Alliance for the Peoples of Our America, which was set up to challenge neoliberalism and US Imperialism through a regional construction. It includes Venezuela, Correa's Ecuador, Morales' Bolivia and Ortega's Nicaragua as well as a number of Caribbean Island states (including Cuba).
3. The combination of the International Monetary Fund, the European Central Bank and the European Commission. Together they have organised the management of the austerity programmes that have arisen from the sovereign debt crisis.

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# 46 No More Room in Hell: Neoliberalism as Living Dead<sup>1</sup>

**Simon Springer**

When there is no more room in hell, the dead will walk the earth. (*Dawn of the Dead*, 1978)

## Introduction

Neoliberalism is a frightening proposition. It is a violent ideology made flesh as a cruel and vengeful material practice (Springer, 2015). The virulence of neoliberalism is, perhaps, even more pronounced in its ‘post’ form, where we think we have a handle on its death, while it simultaneously continues to terrorize our social and political landscapes. The implication is that postneoliberalism is akin to a zombie apocalypse, where the horror we are exposed to is characterized by the mutations, deformity, and insatiable hunger of a living dead idea. In the final months of 2008, when the United States’ mortgage industry imploded – thereby causing several large insurance houses to go bankrupt, the failure of major investment banks, and undermining the credibility of the Security and Exchange Commission and numerous credit rating agencies – we entered a new phase in the unfolding of capitalism's terror. Although the American taxpayer's pocketbook footed the bill for a \$700 billion corporate bailout organized by the outgoing Bush Administration, the crisis was hardly a national one. The effects of what began as an American ‘sub-prime mortgage crisis’ cut much deeper as the financial system itself, and hence the crisis it spawned, were necessarily global in scope. For some, it seemed that in every corner of the globe, the free-market project was being called into question (Peck et al., 2010). There had never been such an overt calling to account of neoliberalism's culpability. Both the mainstream media and the blogosphere were abuzz with commentators declaring that the Wall Street meltdown was the final curtain

call for neoliberalism (see Klein, 2008; Stiglitz, 2008; Wallerstein, 2008). We could have anticipated such a response from the political Left, as questioning the imperial structure of the world economy and its underlying gender and class hierarchies are now commonplace. Yet, it was perhaps a little surprising that all sides of the intellectual and political spectrum became so vociferous, where in the United States, in particular, critiques of neoliberalism arose from the unlikely source of the libertarian Right and were aligned with its promotion of racist agendas (see Campo-Flores, 2010; Coulter, 2008). Even at the upper echelons of political and economic power, some elites began referring to ‘neoliberalism’ as a catchphrase for the errors arising from the recent crisis, albeit without really questioning existing power relations or the role of capital, competitiveness, and economic growth in the general malaise (Brand and Sekler, 2009b). In the wake of this meltdown, the social forces of a reactionary white supremacy in response to neoliberalism's disastrous effects have since been consolidated, culminating in the election of Donald Trump as President of the United States and the vote in favor of Brexit in the United Kingdom.

My focus here is not on the social forces that have sprung up in response to neoliberalism, calling for its death from either the Left or the Right. Instead, I want to focus on the frightening continuity of the idea itself, and how the evocation of ‘postneoliberalism’ should not console our fears or anxieties. Neoliberalism is more than a state form or particular set of policies, and this is precisely why I have elsewhere argued that it is politically important to consider neoliberalism as a discourse through which a political economic form of power-knowledge is constructed (Springer, 2016). For this reason, this chapter does not offer an analysis of the changing policies that might be associated with postneoliberalism. Instead, I want to focus on how such terminology is problematic insofar as it attempts to draw a discursive separation from a neoliberal moment (Springer, 2012) that continues to have devastating, resonant effects. Following this introduction, I begin by interrogating the notion that neoliberalism has ended, a discourse that became commonplace in the aftermath of the 2008 financial crisis. I view the assumption that neoliberalism has ended as ultimately incorrect, where what we are witnessing, instead, is a dawn of the dead: a zombification of neoliberalism that should give us considerable reason to continue to fight. There is some room for optimism in this regard, as I contend that what has

materialized through the organized corporate bailouts is a weakening of the appeal of Marxian arguments and Keynesian arrangements by those engaged in protests against neoliberalism. My hope is that these developments do not compound the power of capitalism and the arguments of the political Right but, instead, open a critical space for deeper consideration of the politics and practices of resisting neoliberalism as is being evidenced by anarchist movements like the Occupy protests. Next, I perform a postmortem examination of neoliberalism by unpacking the ‘post’ in the various postneoliberalism arguments to indicate that despite the desire to transcend neoliberal constraints, there is an undeniable endurance to neoliberalism that must be understood if we ever hope to terminate this rancorous version of capitalism. In the conclusion, I offer some thoughts on the disturbing nature of the current moment, where neoliberalism's continuing salience no longer rests on its intellectual project, but on its crisis-driven approach to governance.

## **Dawn of the Dead: The Many Crises of Neoliberalism**

Since the onset of the financial crisis in late 2008, the intellectual left has had a great deal to say about the future of neoliberalism, with some calling for an indictment of Wall Street (Klein, 2008), while others have suggested that we must begin by re-reading our economic landscapes to understand that it is only owing to non-commodified practices that people have actually been able to cope in these difficult times (White and Williams, 2012). A general ‘end of neoliberalism’ discourse has picked up steam (Stiglitz, 2008), as many G20 countries now openly discuss the idea of a return to Keynesian-styled arrangements, stressing increased government oversight. Indeed, the bulk of the debate has centered on how the practices and ideologies of free-market capitalism have been discredited, and the need for restraining market forces through regulatory reform and state intervention (see Altvater, 2009; Davidson, 2009; Skidelsky, 2010; Taylor, 2011; Wallerstein, 2008). However, such accounts are problematic insofar as they are concerned with long-run geoeconomic and geopolitical dynamics, thus presuming that it is a singular inherited regulatory system that is supposedly in crisis and will precipitate systemic collapse (Brenner et al., 2010). In other words, they treat

neoliberalism as a monolithic entity, and fail to recognize its particularities as a political project, its hybridities as an institutional matrix, and its mutations as an ideological construct.

The idea that neoliberalism *itself* is 'in crisis' presupposes an understanding of neoliberalism in the sense of a *noun*. That is, the designation of 'ism' leads us to a dead-end inasmuch as it represents a theoretical abstraction that is disconnected from actual experience. Neoliberalism is a pure, paradigmatic, and static construct of universal, monolithic, and exogenous processes that transforms places from somewhere 'outside', resulting always and everywhere in the same homogeneous and singular outcome as the sequencing is predefined. Such a conceptualization of neoliberalism might, indeed, be vulnerable to a scenario of systemic failure and crisis (Kotz, 2009). Neoliberalization alters this slightly by recognizing contextual specificities and neoliberalism's necessary articulations with existing geopolitical, socioeconomic, and juridico-institutional frameworks that result in hybridization and a plurality of forms (Ward and England, 2007; Willis et al., 2008). Yet, the implication, based on its retained status as a *noun*, is that perhaps eventually the unperfected process will be completed, which still problematically alludes to an ideal blueprint toward which individual neoliberalizations will eventually evolve. Indeed, it is this juxtaposition between paradigm and particularities that has led to a questioning of whether neoliberalism even exists at all (see Barnett, 2005; Castree, 2006).

However, if we are to approach neoliberalism/neoliberalization through highlighting practices and procedures as they unfold in everyday contexts, where they can be pointed to, named, challenged, examined from different angles, and be shown to contain inconsistencies (Le Heron, 2009), new spaces are opened that encourage a different interpretation of crises. In this sense, neoliberalism is to be read as a *verb*, and understood in a processual, unfolding, and action-oriented sense, even if and when our language and writing hasn't caught up with our thinking and we retain its 'ism' and 'ization' usages. Neoliberalizing practices are, thus, understood as necessarily and always overdetermined, contingent, polymorphic, open to intervention, reconstituted, continually negotiated, impure, subject to counter-tendencies, and in a perpetual process of becoming. In utilizing this dynamic conception of neoliberalism-as-a-*verb* over static notions of neoliberalism-as-a-*noun*, we



arrive at the conclusion that while particular social spaces, regulatory networks, sectoral fields, local formations, and so forth will frequently be hampered by crises, this does not necessarily imply that they will resonate throughout an entire aggregation of neoliberalism. In other words, because 'neoliberalism', indeed, does not exist as a coherent and fixed edifice, as an equilibrial complex, or as a finite end-state, it is consequently unlikely to *fail* in a totalizing moment of collapse (Peck et al., 2010). So, rather than its ultimate death, what we are perhaps witnessing instead is a horrific reanimation.

It is important to remember that neoliberalism's transformation from a marginalized intellectual perspective into a hegemonic ideology began with economic crisis as the ideas and institutions of post-war 'Keynesianism' began to unravel. As neoliberalism mutated into a series of unique and hybridized state projects, regulatory failures and recurrent crises would continue to distinguish, if not energize, the uneven dispersion of neoliberalizing practices across the globe. James Crotty and Gary Dymksi (1999: 2) were already asking questions concerning neoliberalism's relationship to crisis in the wake of the Asian Financial Crisis of the late-1990s, suggesting that it had 'arisen due to long-term contradictions embedded in the structures and policies of the global neoliberal regime, political and economic contradictions internal to affected Asian nations, and the destructive short-term dynamics of liberalized global financial markets'. In fact, recognition for the crisis-prone nature of capitalism and its creative destruction dates back to at least the time of Karl Marx's (1867/1976) first volume of *Capital*. Expectedly, then, the Asian Crisis was itself preceded by several major, but localized 'neoliberal' financial crises, such as Mexico in 1994, Turkey in 1990, and the Latin American Crisis of the early 1980s. Each of these crises can be interpreted as having resulted from the regulatory struggles and institutional frameworks instituted via the 'development' agenda and its ideological adherence to promoting markets, which was established during the 'roll-back' phase of neoliberalism in the wake of the Keynesian crisis (Peck, 2001; Peck and Tickell, 2002).

The incessant series of 'shocks' (Klein, 2007) and crises of neoliberalism's own making, including increasing environmental ruination (Heynen et al., 2007; McCarthy and Prudham, 2004), deepening social exclusion (Gough,

2002; Kingfisher, 2007), heightened ethno-nationalism and Orientalism (Desai, 2006; Goldberg, 2009), amplified authoritarianism (Canterbury, 2005; Giroux, 2004; Springer, 2010), and escalating violence (Auyero, 2000; Goldstein, 2005; Springer, 2009), have accordingly shaped the ongoing reconstruction and 'roll-out' of neoliberalization. While such internal crises may be managed, at least temporarily, through a trenchant security regime and its revanchist practices of surveillance (Coleman, 2004; Monahan, 2006), policing (Herbert, 2001; Samara, 2010), penalization (Peck, 2003; Wacquant, 2001), border controls (Gilbert, 2007; Sparke, 2006), and a global 'war on terror' (Dalby, 2007; Lafer, 2004), they cannot be resolved within the context of neoliberalism itself owing to its violent systemic logic (Springer, 2015). This results in a series of escalations where each subsequent crisis surpasses its predecessor in terms of severity (Duménil and Lévy, 2011), consigning the whole regime to permanent volatility (Rapley, 2004). This series of growing instabilities culminates in a chronic crisis of capitalist overaccumulation (Glassman, 2006; Harvey, 2003), which has long been recognized as a cyclical tendency (Kropotkin, 1891/2005; Marx, 1867/1976) and, in this sense, neoliberalization and crisis can be understood as mutually constitutive phenomena.

Given the relationship between neoliberalism and crises, moments of crisis do not prefigure an impending collapse of the neoliberal project. Instead, crises actually represent a continuation that offers a window on the character of neoliberalism as an adaptive regime of socioeconomic governance (Peck et al., 2010). The corporate bailouts were not reflective of a terminal moment for neoliberalism, but instead represented a continuation of the class project (Harvey, 2009), reconfigured under a *modus operandi* that explicitly returned its accumulative practices to the basis of taxation. I use the idea of 'return' here to remind readers that, notwithstanding the evolutionary, divine rights, and social contract theories – all of which have been largely discredited by the archeological record – anthropologists widely recognize that most governments were originally born through violent coercion (see Barclay, 1982/1996; Carneiro, 1970; Clastres, 1989/2007; Fletcher, 1997; Rojas, 2001; Yoffee, 2005), where the forced extraction of production 'surpluses' from producers, or 'tax', was instituted by elites ostensibly to provide insurance to the subjugated such that they would be protected from other bullies. Renowned Russian novelist and philosopher Leo Tolstoy (1900/2004:

31) argued that, along with a lack of land, taxes are the equivalent of enslavement as they drive people into a compulsory wage labour, where 'history shows that taxes never were instituted by common consent, but, on the contrary always only in consequence of the fact that some people having obtained power by conquest ... imposed tribute not for public needs, but for themselves. And the same thing is still going on.' In other words, taxes were and continue to be taken by those who have the means of violence to enforce such tribute. Later, tax evolved to include notions of social service provision, the height of which was Keynesianism, but even as portions of such tribute became used for 'public aims', taxes were still designed for purposes that were more harmful than useful to the majority. As Henry David Thoreau (1849/2010: 21) proclaimed, refusing to pay taxes 'would not be a violent and bloody measure, as it would be to pay them, and enable the State to commit violence and shed innocent blood'.

Of course, we know that the ostensibly 'gentler' model of Keynesian taxation was disassembled under neoliberalization, which saw taxes return to their more violent originary purpose. The difference now is that while social welfare is almost universally in shambles as states funnel tax money either into debt repayment or their respective security apparatuses and military pursuits, taxpayers who have been stripped of their own social safety nets are presently being coerced to play savior to those very corporate and elite interests that have been slowly pulling the rug out from under them since the 1970s. Taxation, as a result, has become a public anathema of sorts, which ultimately weakens the popular appeal of Keynesian ideas while increasing the temptation of ultra-rightist libertarianism, evidenced by the meteoric rise of the Tea Party movement in the United States. However, far from rendering leftist politics obsolete, the 'anti-capitalist movement' has been also galvanized by the crisis, particularly those elements espousing a decidedly anarchist position (see A Committee of Outside Agitators, 2008; Anarcho, 2008; CrimethInc., 2009; Workers Solidarity Movement, 2009). The rise of polarized positions is of significant concern with respect to the latent potential for violence that exists as diametrically opposed viewpoints increasingly come into conflict, but what the recent crisis, at least, potentially precipitated is the weakening of neoliberalism's political legitimacy. People are now openly asking questions as to why the general population should shoulder the responsibility of those who got us all into this mess by

effectively paying for the financial misappropriation of a small group of wealthy elites.

The financial bailouts have accordingly tied tax policy more explicitly to exploitation, which has thereby exposed taxation and bailouts as capital accumulation via a compounding of state and class power rather than the product of just one or the other. This is where an anarchist critique supersedes Marxian analyses, as it allows for a more comprehensive view of the multiple intersections of domination as opposed to a singular focus on class exploitation, and is consequently able to recognize the current conjuncture as a new method of extracting surplus (Springer, 2014).

Ultimately, the latest crisis has threatened to overwhelm the discursive hold of neoliberalism on our political-economic imagination, as markets themselves have also come under more intensive scrutiny and suspicion as the gap between rich and poor becomes evermore glaring. As the Occupy Movement amply demonstrated, the ensuing discontent has ultimately stoked the fire for a deeper, anarchistic, and more emancipatory struggle engaged via nonviolent means. The inherent inequality and 'othering' of neoliberalism is now being openly challenged by slogans like 'we are the 99%', which has come to signify a united global movement of oppositional struggle against market fundamentalism. On the other hand, neoliberalism has also galvanized reactionary forces on the Right, where Hilary Clinton's loss to Donald Trump, much like the Brexit vote, can be read as the neoliberal crisis, and its inherently racist and sexist agenda, coming home to roost. The multiple crises of neoliberalism have produced fertile soils for the cultivation of populism, which the political Right has seized upon, not to undo the general thrust of neoliberalism and define a new economic trajectory, but rather to advance its own divisive political agenda by exploiting reactionary sentiments.

## **Between Neoliberalism Postmortem and Mortem Postneoliberalism**

Even before the 2008 crisis hit, scholars were already beginning to posit what 'postneoliberal' statutory and policy frameworks might look like. Wendy Larner and David Craig (2005) questioned whether emergent partnership programmes and social governance strategies to strengthen local

communities in Aotearoa/New Zealand were indicative of a 'postneoliberal' political environment and institutional landscape, where revamped territorial accountabilities and social outcomes might become possible. Edward Challies and Warwick Murray (2008: 241) took a slightly different approach by comparing the transitional policy and regulatory 'roll-outs' of Aotearoa/New Zealand with that of Chile and, despite noting multiple similarities, differences and continuities in both projects, they highlight the emergent potential that 'the growing body of theory offers in forging post-neoliberal alternatives'. The intention of these preliminary assessments of a 'postneoliberal' conjuncture was to envision possible transformations that might enable developments beyond what was considered a neoliberal impasse (see also Craig and Porter, 2006; Hart, 2002).

More recently, a special issue of *Development Dialogue* (Brand and Sekler, 2009a), published after the financial meltdown, came at the idea of 'postneoliberalism' from a rather different perspective, specifically examining diverse responses to the deleterious impacts of neoliberalism and the political economic orthodoxy's mounting failures *vis-à-vis* contradictions and crises. The focus here, then, is not on the question of whether a new, postneoliberal era in general has begun, or what criteria might support or negate such an assessment. Rather, Ulrich Brand and Nicola Sekler (2009b: 6) consider postneoliberalism as,

a perspective on social, political and/or economic transformations, on shifting terrains of social struggles and compromises, taking place on different scales, in various contexts and by different actors. All postneoliberal approaches have in common that they break with some specific aspect of 'neoliberalism' and embrace different aspects of a possible postneoliberalism, but these approaches vary in depth, complexity and scope, as well as everyday practices and comprehensive concepts.

Understood in this sense, neoliberalism might be considered as invariably already 'postneoliberal', or beyond itself, precisely because, as we have seen, neoliberalism is never actually a *noun* but is, instead, always a *verb*. In other words, when we consider neoliberalism as an 'actually existing' assemblage

of practices (Brenner and Theodore, 2002) that function as mutable and 'mobile technologies' (Ong, 2007), there is a necessary deviation from the abstraction of neoliberalism as an archetypical, generic and obstinate economic theory. Postneoliberalism here is really an acknowledgement of the path dependency, difference, and unevenness of neoliberalization, and the multiple, variegated, and unique mutations that arise through articulation with existing political economic contexts and geoinstitutional configurations.

In light of this apparent continuity between neoliberalism and postneoliberalism, it would be beneficial at this point to work through some of the connotations of what the 'post' in postneoliberalism might perhaps mean. It seems appropriate to frame this discussion in terms of the different theorizations surrounding postcolonialism, and to draw some potential parallels therein. This particular comparison is useful because discussions surrounding postcolonialism have clearly shown that any prefix of 'post' is inextricably bound to its signifier which, in turn, calls the 'post' itself into question (Sharp, 2008). In this regard, James Sidaway (2000) identifies three shared uses of the term 'postcolonialism', or 'post-colonialism', in his exploratory essay. The first of these relates to successor states, or those societal formations that arose following formal independence from a colonial occupier. The second sense refers to those colonizing forces that ascended after official colonialism. This could be either internal colonizing forms of rule by particular ethnic, identity or class groups against a presumed 'Other', or it could refer to the colonizing discourses that arose after colonialism proper but retained a colonial character. These first two senses are typically considered 'post-colonial' (with a hyphen) in that they are thought to operate 'after' colonialism. The hyphen, then, serves to acknowledge some form of separation or rupture to suggest that colonialism exists in the past. The third, and final, sense of the term is written 'postcolonialism' (without a hyphen) to signify a continuation, as it is meant to suggest that while colonialism in its formal sense has ended, it still has innumerable reverberating effects in the present. This third sense is the deconstructing critique of colonial discourses and their persistent unfolding of aesthetic, theoretical and political legacies. The best example of this sort of critique and, indeed, one that is widely considered as responsible for establishing postcolonialism as a theoretical perspective, is Edward Said's (1978/2003) account of Orientalism. The notion of Orientalism can be understood as both a discursive formation and a

‘corporate institution’ that materializes its constellation of power/knowledge as ‘a distribution of geopolitical awareness into aesthetic, scholarly, economic, sociological, historical, and philological texts’ for the production and domination of presumed ‘Others’ (Said, 1978/2003: 3, 12), which in turn, constitutes a key discursive resource in the anatomy of neoliberal power.

Bringing the discussion back to postneoliberalism, it is difficult to draw a direct comparison to the first sense of post-colonialism identified above. Neoliberalism is not a condition from which states can easily achieve formal ‘independence’ by declaring a complete qualitative break from the past. Institutional legacies die hard and, as such, to speak of a ‘post-neoliberal’ successor state, while perhaps conceivable, seems a little premature. Even as some studies are keen to highlight the nationalization of companies, progressive social policies, and the proclamation of new constitutions following elections in various Latin American countries – including the promised ‘new socialism for the 21st century’ of Hugo Chavez's victory in Venezuela in 1998, the rise of the Socialist Party and Ricardo Lagos in Chile in 2000, Lula de Silva's Worker Party victory in Brazil in 2002, and indigenous socialist leader Evo Morales entering office on an anti-neoliberal platform in 2005 (see Ceceña, 2009; Macdonald and Ruckert, 2009) – others are quick to underline the endurance of neoliberalism's regulatory structures and the sidelining of emancipatory experiences as the emergent neodevelopmentalism, predicated on lower interest rates and devalued exchange rates, closes spaces for alternatives in countries like South Africa and Argentina (see Bond, 2009; Gago and Sztulwark, 2009). Similarly, difficulties arise when we try to draw a line of equivalence to the second sense of post-colonialism, as neoliberalization is always an intramural process driven by particular local actors and, unlike colonizing practices arising after colonialism where we might find colonial-like expressions of domination exerted by one group over another, neoliberalizing forces of dominance arising internally from a particular class-based group represent the heart of the neoliberal project itself (Carroll and Carson, 2006; Harvey, 2005; Sparke, 2004). This points us back to the discussion above, where we are not able to properly differentiate between postneoliberalism and neoliberalism.

Yet, perhaps such continuity should be read as the overarching and most fundamental point, which moves us into the third sense of postcolonial in its

unhyphenated form. Here ‘postneoliberalism’ collapses its prefix into its signifier and is to be understood not as a condition arising after neoliberalism. Rather, it constitutes a critical theoretical standpoint where we can position ourselves to recognize the banality of neoliberal discursive formations (Springer, 2016) and, perhaps, begin to successfully strip away its capacity as a ‘corporate institution’ and the corresponding commonsense presentation of neoliberalism as monolithic, impenetrable and beyond reproach. Thus, by mounting deconstructive criticisms of neoliberalism's power/knowledge matrix and its uneven distribution across various geohistorical, political economic, and sociocultural fields, critical scholars have adopted a postneoliberal position from the very moment they began to identify neoliberalism as an ideological hegemonic project (see Duménil and Lévy, 2004; Harvey, 2005; Peet, 2002; Plehwe et al., 2006) or, alternatively, as a complex of governmentality (see Barry et al., 1996; Ferguson and Gupta, 2002; Larner, 2003; Lemke, 2001). Such engagements can be read as a reification of neoliberalism à la J.K. Gibson-Graham's (1996) assessment of capitalism but, like Pierre Bourdieu and Loïc Wacquant (2001), I remain convinced that such challenges are preferable to accepting neoliberalism's euphemizing vocabulary and, at the very least, potentially more enabling than silence. If philosophers like Michel Foucault, Gilles Deleuze, and Jacques Derrida have taught us anything, it is that critique is at once the seed of resistance and the impetus of transformation and, thus, its potential to dismantle neoliberalism's exigent and disciplinary logics (Gill, 1995) cannot be overstated. If the point is to change the world, where do we begin to initiate such a process but from sharing our imaginings of and desires for alternatives? Neoliberalism itself, lest we forget, began as a marginalized discourse, an ideological ideal on the fringes of right-wing political thought (Mirowski and Plehwe, 2009; Peck, 2008).

## Conclusion

The ambiguity that surrounds postneoliberalism compels us to acknowledge such fractures from neoliberalism without overlooking the continuities that persist (Brand and Sekler, 2009b). This is precisely why the current moment is so terrifying, because a new hyphenated post-neoliberal moment has not arrived and we may, instead, be witnessing the emergence of a novel, consolidated version of neoliberalism that substantively expands its content



(Hendrikse and Sidaway, 2010). The very idea of crisis resides, Antonio Gramsci (1930/1996: 32–33) once claimed, 'precisely in the fact that the old is dying and the new cannot be born: in this interregnum, morbid phenomena of the most varied kind come to pass'. So, perhaps 'neoliberalism is dead' inasmuch as it can no longer claim political viability, but Neil Smith (2008: 2) reminds us that 'it would be a mistake to underestimate its remnant power ... neoliberalism, however dead, remains dominant', precisely because 'the left has not responded with good and powerful ideas'. Presumably Smith's assessment includes an introspective examination of the current state of critical academic scholarship, which should admit at least some fault in the perceived futility of the left as it continues to cling to what some activists regard as the same 'boring' political ideals of the last three decades (C. Nadia, 200?). While Marxism no longer appeals to those on the street (arguably so long before the recent crisis), this frontline location of struggle in the contestation and denial of neoliberalism clearly demonstrates signs of a renewal of radical leftist politics (see Day, 2005; Ferrell, 2001; Gordon, 2009; Graeber, 2002; Springer et al., 2012; see also Worth, Chapter 45 in this volume). Both the anti-war and anti-capitalist protests that have become increasingly common and diffuse in recent years signal the arrival of new forms of emancipatory politics, breaking with Marxian notions of class, yet simultaneously refusing conservative rationalities and parochial notions of identity politics (Ackelsberg, 2009; Newman, 2007; Springer, 2013).

Identity, of course, continues to matter, and we have seen it consolidated in problematic ways, such as the new form of white supremacy being advocated by the so-called 'alt-right'. On the left we are seeing the opposite, where an embrace of agonism (Springer, 2011) and the creation of 'convergence spaces' (Routledge, 2003) have compelled interest groups to engage in multi-scalar political action, to celebrate their irreducible plurality, and to build general alliances around the shared cause of social justice (Featherstone, 2005; Wills, 2002). So, while social struggles are mobilized around issues and concerns that are relationally connected across space – namely, neoliberalizing practices and the various wars through which they have been articulated (Harvey, 2003; Lafer, 2004) – protesters are nonetheless comprised of heterogeneous groups that defy universal subjectivation to the proletariat identity, break down the binary between 'Self' and 'Other', and are clearly not interested in formulating strategies that replicate traditional

representative structures (Pickerill and Chatterton, 2006). This goes some way toward explaining why it was so difficult for municipal authorities and media commentators to understand exactly what the Occupy Movement represented and who represented it. In Denver, a frustrated Mayor Michael Hancock insisted that Occupy Denver choose leadership to deal with city and state officials, while protesters responded by electing Shelby, a three-year-old border collie (Pous, 2011). The anarchistic refusal of Occupy Denver to define its 'leadership' in the terms of the state is indicative of a political climate on the Left that no longer believes in the authority of either government officials or a vanguard party. Although himself a Marxist, Smith (2008: 2) appeared to implicitly recognize the limits of Marxian proposals that continue to function within the confines of the state, noting how the recent fate of various Latin American governments suggests that 'the parliamentary road to socialism is not necessarily inimical to neoliberalism, indeed, a certain "liberal neoliberalism", neoliberalism with a smiling face, now seems to be an ascendant alternative to its harder edged, revanchist inflection'. This version of neoliberalism, however, may be a calm before the storm, an interregnum, where morbid phenomena simply gestate as an even more regressive and dominating form of capitalism is (re)animated.

With such a macabre realization, we might ask 'which way the tide is *actually* going, when financial risk is being socialized at an incredible rate, and when the rationalities of Wall Street and Washington have become sutured together as never before?' (Peck, 2010: 109, original emphasis). Is this really a nightmare on Wall Street, or simply the nightmare before Christmas, where financial elites will wake up tomorrow with even more 'gifts' piled around their hearth? Only time will tell, but it is hard not to suspect that the bailouts have simply allowed politicians to play Santa Claus to the wealthiest of the wealthy, while the poorest of the poor are left, as they always are, to clean up the cookie crumbs and spilt milk. In the face of intensifying police brutality and violence against a largely peaceful anti-capitalist movement, it becomes clear that while neoliberalism may be essentially dead as an intellectual project, as a mode of crisis-driven governance, its dominance remains 'animated by technocratic forms of muscle memory, deep instincts of self-preservation, and spasmodic bursts of social violence' (Peck et al., 2010: 105). Wars, famine, racism, poverty, environmental destruction, forced eviction, alienation, social exclusion,

homelessness, inequality, violence, and recurrent economic crises are the footprints of neoliberalism's evermore capricious gait, a path of devastation that could mark the emergence of its 'zombie' phase (Fine, 2010; Peck, 2010), 'dead when it comes to achieving human goals and responding to human feelings, but capable of sudden spurts of activity that cause chaos all around' (Harman, 2009: 12). This makes a critical decentering of neoliberalism's capitalist project all the more necessary and urgent. Zombies, after all, feed on human flesh.

## Note

1. An earlier version of the argument was presented in: Springer, S. 2015. Postneoliberalism? *Review of Radical Political Economics*. 47(1): 5–17.

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# 47 Neoliberalism and the Left: Before and After the Crisis

David J. Bailey

## Introduction

How has neoliberalism been experienced from the perspective of the left? What has been the relationship between neoliberalism and the left? Asking such questions suggests that the relationship between neoliberalism and the left is an external one. But for many, neoliberalism and the (decline of) the left are internally related. That is, a central aspect of neoliberalism is the systematic defeat, decline and disarticulation of the left (Harvey, 2007; Motta, 2008). While this is, of course, the case on one level, it would perhaps be better to consider neoliberalism as constituted by *changing* patterns of left politics and the emergence of alternative forms of egalitarian and progressive politics. That is, the left has changed during the period of neoliberalism, but not been definitively defeated (Bailey et al., 2017). It is these changes, therefore, that we turn to consider in the present chapter, in an attempt to outline the changing relationship between neoliberalism and the left.

## Neoliberalism as the Defeat of the Left?

Discussions of the meaning of neoliberalism abound (Venugopal, 2015). These include those who view it as a set of policy ideas favouring and promoting the extended incorporation of the market mechanism into policymaking (Hay, 2004) or, similarly, the ‘extension of competitive markets into all areas of life, including the economy, politics, and society’ (Springer et al., 2016). Others view neoliberalism more in terms of being akin to an ‘ideological atmosphere’ (Peck, 2010: xi). In contrast, those adopting a more materialist position tend to view neoliberalism as a class project aiming to shore up the wider socio-economic relations of exploitation and domination that constitute capitalism, especially through the commodification

of forms of social life that have previously been uncommodified (Harvey, 2005). Similarly, from a Gramscian perspective, neoliberalism is considered an alignment of social interests and organised social forces coalescing around a consensus (or hegemonic) view within the contemporary historical bloc (Saul, 2012; Worth, 2016).

The conception of neoliberalism adopted in this chapter considers neoliberalism to be an historical period in capitalism, beginning roughly around 1980, as a political and class project that saw dominant actors attempt to silence and exclude what they considered to be the most problematic elements of the pre-neoliberal period. Thus, in his *Brief History of Neoliberalism*, Harvey highlights how the onset of neoliberalism in the UK was marked by the election of Thatcher, and her view,

that Keynesianism had to be abandoned and that monetarist ‘supply-side’ solutions were essential to cure the stagflation that had characterized the British economy during the 1970s. ... this meant nothing short of a revolution in fiscal and social policies, and immediately signalled a fierce determination to have done with the institutions and political ways of the social democratic state that had been consolidated in Britain in 1945. (Harvey, 2005: 22–23)

This meant, among other things, a commitment to a recession-inducing tightening of monetary policy that would increase unemployment and thereby weaken the power of employed labour through a swelling of the reserve army of labour. In addition, Thatcher entered into a set-piece industrial dispute with the miners in which she displayed an absolute unwillingness to compromise, in pursuit of the longer-term destruction of industrial organised labour (Harvey, 2005: 58–59). While similar developments can be charted in other contexts – Chile and the military coup that overturned the Allende Government, Reagan and the consolidation of Volcker's shock therapy, and the manufacturing of the 1982 Mexican debt crisis and subsequent IMF structural adjustment programmes – common to each of these cases is the attempt to limit and diminish the influence of the institutions, organisation and ideas of those left actors advancing the collective interests and identities of subordinate classes, and who proved resistant to commodification,

exploitation and domination (Harvey, 2005).

However, rather than conceptualising neoliberalism as the *defeat* of the left and other agents of solidaristic, oppositional, or progressive politics, it might be better to consider neoliberalism as a process of change for the left. As Linebaugh and Rediker (2000) have convincingly argued, resistance has a tendency to be ‘many-headed’, in that attempts to suppress it in one form result in its reappearance in another. In particular, while the neoliberal period has witnessed a dwindling of the power resources of organised labour, and ideological decline within social democratic parties, it has also seen the emergence of new protest movements and associated political developments. We shall attempt to trace these developments below, focusing on both left parties and protest movements.

Before we consider the left and neoliberalism, however, we also need to set out how we intend to conceptualise ‘the left’. For the purposes of this chapter, we can consider left actors – both left parties and left protest movements – in terms set out by Norberto Bobbio. As Bobbio (1996) shows, the terms ‘left’ and ‘right’ have each been employed consistently since they were adopted during the French revolution. This consistency, moreover, suggests that the distinction between left and right is grounded in a genuine political and ideological difference, albeit one that has proven difficult to pin down. Bobbio describes the way in which some scholars, such as Cofrancesco (1990), Laponce (1981) and Revelli (n.d.), have each tried to distinguish the terms, left and right, by contrasting extremism with moderatism, innovation with tradition, secularism with religion, and/or positive with negative assessments of humanity. Yet each of these distinctions fails to convince, as each of them has been associated with both left and right positions. We can think, for instance, of leftist traditionalists (such as anti-globalisation campaigners who want to stop the use of information technology from undermining minority cultures), ‘extremists’ on both the left and the right, and religious leftists (such as the seventeenth-century Diggers).

Instead, for Bobbio, it is equality (and inequality) that underpins the real distinction between left and right (for a similar view, see Noël and Thérien, 2008). Those on the left are distinguished from those on the right by their greater concern for equality, and how it might be realised. The more that one

considers access to resources (be they wealth, status, public services, or authority) to be *properly* allocated in an unequal way – be it on the basis of merit, birthright, ethnicity, gender, or effort – the more one can be located on the ‘right’. And likewise, the more one seeks the absence of unequal allocation – that is, a removal of inequality – the more one is on the ‘left’. As a result, those on the left are more likely to view rights and entitlements as being applicable to a broader group of people, and, moreover, view those inequalities that do exist as being both socially constructed and unjust. Those on the right, in contrast, view rights and entitlements as more narrowly applicable, and existing inequalities as reflective of some type of ‘natural’ order. Thus, the extreme left seeks the absolute abandonment of uneven allocation – ‘full communism’ – while those on the extreme right tend to see a natural order in which certain people are entitled to greater access to certain resources than others.

## **Pre-2008: The Rise of Neoliberalism and Decline of the Established Left**

Neoliberalism is often considered a direct response by the right to a wave of industrial disputes and the rising strength of organised labour that was witnessed during the late 1960s and early 1970s (Glyn, 2006). In many (especially West European) countries, strike activity rose throughout the 1960s, peaking in the late-1960s or early-1970s (Screpanti, 1987). As Dubois shows, this rise in industrial conflict was largely prompted by increased grievances among workers, who faced a new wave of wage repression and/or a productivity drive arising out of the need on the part of firms to be more competitive. The effect of this heightened conflict, moreover, was in most cases a further rise in wages during the 1970s (Dubois, 1978: 15–16). As a result, firms increasingly faced declining profit margins, in part due to the increased ability of workers to demand wage increases above the rate of productivity growth (Bengtsson, 2015). The period from 1968 to 1973 thus witnessed serious instances of industrial conflict across Western Europe. The strike wave that hit France in May–June 1968 was the largest post-war mobilisation to affect Western Europe since 1945. In Italy, the ‘hot autumn’ of 1969 witnessed mainly factory-level strikes, but with broader demands including those related to housing and transport policy. The UK witnessed

political strikes against the Industrial Relations Bill (1970 and 1971), mass protests and a near-general strike in opposition to the imprisonment of the Pentonville Five, and strike action against the attempt by the Heath Government to freeze wages and thereby tackle inflation through its incomes policy in 1973. This strengthened position of labour posed a considerable threat to capitalism and especially its capacity to secure profitability, and therefore growth, with many talking of a 'profit squeeze' as a problem created by excessively rising wages in direct response to the strength of organised labour (for more on the role of industrial conflict in prompting the turn to neoliberalism, see Bailey et al. (2017); on the role of the profit squeeze in explaining the transition to neoliberalism, see Glyn (2006) and Glyn and Sutcliffe (1972)).

In response, government leaders, officials and policymakers, and firms, each sought to adopt measures that would tackle this growing strength of organised labour, as well as that of other left actors deemed to be associated with this period of militancy. In particular, two processes can be noted, each of which had an important impact upon the left. First, policies were put in place that sought to render the traditional project of the left untenable. This included both trade agreements and the creation of international organisations that would encourage a liberalisation of trade and financial flows without a corresponding liberalisation of labour migration. In turn, this created a socio-economic context in which attempts to adopt fiscally redistributive measures (and the progressive policies that might be funded by them) could (genuinely) be criticised on the grounds that they would risk doing more harm than good, primarily as a result of the deleterious economic effects that they would have upon domestic economies. In addition, it also meant the adoption of anti-trade union legislation that would prevent (or render more difficult) those policies of the left that required a coordinated response from organised labour. This included, for instance, the creation of the World Trade Organisation in pursuit of trade liberalisation, the role of the International Monetary Fund (IMF) in promoting capital account liberalisation (Chwieroth, 2007) as well as neoliberal hegemony more broadly (Mueller, 2011), the structural adjustment lending programmes of the World Bank and IMF (Babb, 2005), and the integration programmes of supranational institutions such as the European Union and North American Free Trade Agreement (NAFTA) (Gill, 2002, 2003).

Second, having constructed an increasingly hostile environment within which left actors would have to operate, neoliberal agents sought to highlight those problems in an attempt to depict the policies typically associated with left actors as untenable, unrealistic and (therefore) potentially dangerous. Most infamously, Thatcher's TINA declaration – 'there is no alternative' – was confirmed by experiments with non-neoliberal policymaking which were undermined by liberalised markets; events which were subsequently held up as evidence that such policies were no longer feasible. The occurrence of the Mitterrand U-turn in 1983, in which a left-leaning government was forced to undo many of its worker-friendly policies in order to appease market speculation against the national currency, is perhaps the most exemplary of these instances (Hall, 1986). This, therefore, represented an attempt to ensure that left actors would be ideologically associated with negative societal consequences, creating a sense that workers, voters and left organisations each faced a choice between either market orthodoxy or hardship arising from economic heterodoxy.

As Robinson (2008) notes, similar developments can be observed in the Global South, and specifically in Latin America. Thus, between the 1960s and 1980s many Latin American economies witnessed an abandonment of a relatively more inclusive model of economic growth, which had typically included a strategy of import-substitution industrialisation, which was largely associated with and promoted by 'broad-ranging populist movements', and which tended to generate surpluses that were 'redistributed through diverse populist programs, ranging from packets of social wages (social service spending, subsidised consumption, etc.), expanding employment opportunities, and rising real wages'. However, these national models of economic growth came under increasing pressure and strain, in large part due to rising costs of capital imports from the Global North. In response to the ensuing social unrest that these pressures generated, Latin America witnessed 'military takeovers in most of the region – Brazil in 1964, Argentina in 1966 and again in 1976, Peru in 1968, Chile in 1973, Uruguay in 1973 – and authoritarian control of one form or another almost everywhere'. This was followed during the 1980s by a widespread attempt to reintegrate national economies within global capitalism, witnessing the adoption of neoliberal measures in an attempt to secure a return to growth. For instance, in terms of trade liberalisation, 'the average level of tariffs in Latin America dropped

from 42% in 1985 to 14% in 1995, and nontariff restrictions that affected 38% of imports in the pre-neoliberal period were only affecting 6% of imports by the 1990s' (Robinson, 2008: 52–54). It was this reasoning that also led to the emergence during the mid-1990s of what came to be known as the Washington Consensus, representing a neoliberal approach to development policies.

## **Social Democratic Parties and the Move to the 'Third Way'**

It is within this post-1980 neoliberal context, and the changed fortunes for the left, that we can understand the move by many mainstream social democratic parties during the 1990s to a so-called 'Third Way' position. The social democratic party family has historically defined itself in terms of its commitment to adaptation to context (Pierson, 2001). Indeed, this was arguably central to the definition of parties as 'social democratic' (rather than more radical, Marxist, or communist) following the split in the Second International in 1919 between the rival Socialist and Communist Internationals (Sassoon, 1996). As such, it is perhaps unsurprising that social democratic parties in most countries (and to varying degrees) over time tended to respond to the changing global socio-economic context described above – i.e., one that was increasingly hostile to their traditional policies and programmes – by revising and adapting those policies in order that they might re-acquire a reputation as electable and viable parties of government.

This move to a so-called 'Third Way' position is perhaps most explicitly associated with the position adopted by Tony Blair and the British Labour Party. But it could also be seen globally. For instance, in 1998, Blair co-authored with German SPD leader, Gerhard Schroeder, the *Third Way/Neue Mitte* document, in which they argued for a more pro-business stance to be adopted by European social democratic parties, claiming that:

we need to apply our politics within a new economic framework, modernised for today, where government does all it can to support enterprise but never believes it is a substitute for enterprise. The

essential function of markets must be complemented and improved by political action, not hampered by it. (Blair and Schroeder, 1998: 2)

This represented an attempt to recognise that welfare expansion could not be advocated unconditionally, and that the industrial policies of social democratic governments needed to be aware of the need for productivity in order for economic growth to be achieved. This is what Huo (2009) refers to as a move from solidarity and egalitarianism as key pillars in social democratic politics, to a new commitment to ‘productivist solidarity’ (in which solidarity is a permissible goal, provided that it simultaneously contributes to improved productivity) and ‘prioritarian egalitarianism’ (in which equality is sought for certain key, *deserving* groups, such as working families).

In addition, as part of this transition, social democratic parties increasingly paid lip service to a purported attempt to promote some of their more traditional aims, through what were claimed to be more amenable channels within supranational institutions, and especially the European Union. This, however, flew in the face of the actual policies emanating from those institutions, which at the same time were typically constructing and consolidating the very conditions which were rendering traditional social democratic goals unachievable. In the UK, for instance, trade unions and the left of the party came to view European integration as a means through which to challenge Thatcher and Thatcherism following the transformation of British industrial relations during the 1980s, especially following the initiative taken by European Commission President Jacques Delors to address the national Trades Union Congress in 1988 (George and Rosamond, 1992). Likewise, the French *Parti Socialiste* (PS) openly sought to promote a stronger European social model and create a more substantive European ‘economic government’ following President Mitterrand's infamous policy U-turn in 1983 (Dyson and Featherstone, 1999: chapter 2; Clift, 2006). The Swedish social democratic party, the SAP, in government in 1990, announced that it would be applying for membership of the European Community, representing an end to its opposition to membership, which it had adopted up until that point on the grounds that membership might threaten the social democratic consensus in Sweden (Bieler, 2000). By 2002, therefore, the



observation was increasingly made that ‘Social Democratic Parties have shifted in favour of European integration during the past 15 years’ (Hooghe et al., 2002: 975).

The reason for Third Way social democratic parties’ declared (and somewhat contradictory) pursuit of Social Europe was that it enabled a partial reconciliation of a number of potentially incompatible outcomes. First, social democratic parties could signal their acceptance of the necessity for a move away from the ‘traditional’ goals of social democracy (which were increasingly perceived as either programmatically impracticable or electorally unappealing), on the grounds that ‘globalisation’ had rendered those longer-standing ambitions unachievable at the national level. Second, they could simultaneously appeal to their traditional supporters (and especially those whose support was dwindling following the abandonment of many of the traditional party goals) by declaring that some of the key traditional social democratic goals could, after all, be achieved at some point in the unspecified future through a coordinated process of supranational cooperation with other European social democratic parties and party actors within the European Union. Third, this purported pursuit of Social Europe was rendered somewhat ‘safe’ (in neoliberal terms) by the fact that EU-level institutional constraints could be relied upon to constrain and obstruct any moves towards more substantive redistributive policies. It could thereby simultaneously ensure that the operation of the single European market would be free from political (or politicised) intervention (and consequently remain compatible with the general tenets of global neoliberal capitalism), and provide an institutional target to be blamed by social democratic party actors for the subsequent (and entirely predictable) non-realisation of the declared goals of Social Europe. In this sense, the goal of Social Europe represented an empty, yet important (precisely because it was empty), ambition that acted to sustain European social democracy by papering over its inherent contradictions (Bailey, 2009, 2016a).

For many, the year 2000 marked the culmination of this process of adaptation. As was at the time routinely and frequently noted, 13 out of 15 of the member states of the European Union were either led by social democratic parties or had social democratic parties within their coalition government. This, it was widely believed, resulted in large part from the

transition to 'new' or 'Third Way' social democratic policies that had occurred throughout the 1990s in many European social democratic parties. As we shall see, however, this move was not entirely without negative consequence for those parties.

## **Radical Left Parties: from Marginalisation to Moderation?**

While most social democratic parties underwent a 'Third Way' adaptation to this neoliberal context, more radical left parties tended to find themselves facing a more restrictive experience of marginalisation. Communist parties, especially, were marginalised as a result of both the changing socio-economic context and due to the end of the Cold War, with the large communist parties of Italy and France, for instance, seeing their electoral support significantly dwindle. In the case of the Italian Communists (PCI), this resulted in a transformation of the party along social democratic lines, first becoming the Party of the Democratic Left (PDS), then the Democrats of the Left (DS), before eventually combining with a number of smaller Christian Democratic parties to become the centrist Democratic Party (PD), with only a smaller breakaway party – *Rifondazione Comunista* – retaining their commitment to the more longstanding (Eurocommunist) principles of the PCI (Bordandini et al., 2008).

Those radical left parties that continued to rival social democratic parties tended to move towards the adoption of Keynesian, pro-welfare state, demand management positions at a point on the political spectrum that had been vacated as a result of social democratic parties moving towards the Third Way centre. This process has been referred to by some commentators as a 'vacuum thesis', according to which left parties have moved to occupy the space created by social democratic parties occupying a centrist position (Patton, 2006). This can perhaps be most clearly seen in the case of Germany, where a new left party (PDS, more latterly *Die Linke*) emerged to offer to German voters what was essentially a traditional social democratic party programme. Thus, the PDS (which was the successor party for the East German communist party, the SED), moved rightwards in 2003, as it 'introduced the social market economy in its 2003 programme and

dissociated itself from the former SED [East German Communist Party] and its communism', as well as distancing itself from revolution, and acknowledging entrepreneurialism and profit as necessary for growth, in an attempt to adopt an electorally viable programme. In this sense, the formation of *Die Linke* represented a further move to the right for the PDS as it merged with the WASG (a splinter party that had left the SPD following the latter's move to a more Third Way/neoliberal position which saw it advocating stricter welfare conditionality and reduced welfare generosity as part of the so-called Hartz IV reforms in 2002) (Coffe and Plassa, 2010).

In addition to these trends within the Global North, radical left parties became increasingly prominent in the Global South, especially in Latin America where a so-called 'Pink Tide' of radical social democratic parties emerged, oftentimes on the back of a wave of popular protest and dissent associated with the grievances of those suffering as a result of neoliberal economic hardship or the onset of neoliberal economic crisis (Lievesley and Ludlam, 2009). As we shall see, in some ways this sequence of neoliberal recession/hardship, popular unrest, followed by experiments in populist/radical social democratic politics, was to be repeated in the Global North following the global economic crisis of 2008. Perhaps the most well-known of these instances in Latin America is the success of the so-called Bolivarian Revolution, led by Hugo Chavez with his election as President of Venezuela in 1998. Chavez's success can be explained in part in terms of the way in which he successfully represented a break with the domination of party politics by the two mainstream parties – AD and COPEI – which together had been in power in Venezuela since 1958 (operating as a *de facto* single party regime, and which was regularly referred to as the *Punto Fijo* democracy). In response to rising prices and an increasingly unaffordable cost of living, along with growing resentment towards a political regime with all the appearances of being self-serving and unaccountable, a wave of social unrest erupted in Venezuela during the late-1980s and early-1990s, with the week-long rioting and protests in 1989 being the most well-known instance of these events (and which have come to be collectively referred to as the *Caracazo*). In 1992, Chavez led a coup that sought (unsuccessfully) to overturn the government. However, following his release from prison, he went on to stand for the Presidential elections, successfully winning election to office in 1998 on an explicitly populist 'anti-party' and 'political outsider'

platform. While Chavez's programme began with a greater focus on constitutional reform, it subsequently moved onto a more specifically anti-neoliberal, pro-poor, new economic model that posed more of a challenge to private property and included an expansion of welfare programmes and public services, as well as promoting innovative grassroots democracy initiatives. Following his re-election in 2006, Chavez's programme became more radical still, naming the programme '21st century socialism', and including a commitment to a consolidated socialist agenda, nationalisation, further constitutional reform, decentralisation and expropriations (Buxton, 2009; Ellner, 2013).

Alongside Chavez's left populist programme, Latin America also saw the election of a wave of left parties, with more or less substantively left programmes. Castañeda (2006) has famously labelled these the 'good [moderate] left', which included Lula, elected President of Brazil in 2003, and Bachelet, President of Chile between 2006 and 2010, and then again from 2014 until 2018; and the 'bad [radical] left', which included Chavez, Nestor Kirchner, elected President of Argentina on the back of a wave of radical uprisings prompted by the 2001–02 economic crisis, Evo Morales, who was elected President of Bolivia in 2006, again with the backing of a well-mobilised indigenous and anti-neoliberal social movement, and Raphael Correa, who was elected President of Ecuador in 2007.

Radical left parties in both the Global North and the Global South, therefore, developed particular positions in response to the advent of neoliberalism. In the North, we see radical left parties often adopting a somewhat niche position that sought to fill the vacuum emptied by social democratic parties' move to the Third Way centre. In contrast, in the Global South, or at least in the Latin American 'Pink Tide', we see a bifurcation between more moderate and more radical responses, both of which proved successful, the latter especially so when accompanied by a vibrant protest and social movement.

## **Left Protest Movements**

Perhaps one of the more interesting (and commonly noted) responses by the left to the onset of neoliberalism was the corresponding emergence of an international movement of anti-neoliberalism, typically referred to

(interchangeably) as the anti-globalisation movement, alter-globalisation movement, or the global justice movement. This anti-globalisation movement was inspired in part by the defiance shown by the Zapatista uprising in Chiapas, Mexico, which erupted in 1994 and explicitly rejected the notion both that anti-capitalists necessarily have clear-cut solutions to the problems that the global left faced, and a rejection of the idea that this absence of solutions meant that we should accept as given the declaration that this represented 'the end of history'. Indeed, many of the narratives that tell the story of the emergence of the anti-globalisation movement begin that story with both the initial Zapatista uprising, but also the international solidarity network (one of the first to be facilitated by the Internet) that emerged to support the Zapatistas (Juris, 2008). This reflected a growing global sentiment that viewed the proclaimed global neoliberal hegemony that had been created with both the fall of the Soviet bloc and the electoral successes of neoliberal parties (especially in the UK and United States), alongside the dominance of international financial institutions, and the range of international treaties such as the NAFTA and Maastricht Treaty that were agreed, as somehow unjust, unreasonable, undemocratic and/or undesirable. Indeed, as Steger and Wilson (2012) show, what brought the anti-globalisation movement together was a shared conviction that there was a need for change, that this should be built upon principles of participatory democracy, and that it should focus on core goals of social justice, redistribution, solidarity and environmental sustainability, with neoliberal globalisation identified as the specific reason for the current absence of each of those principles.

Despite its roots in the Zapatista uprising, the official 'birth' of the anti-globalisation movement is normally traced back to the so-called Battle of Seattle in 1999. This saw an estimated 50,000 protesters, combining more traditional or 'standard' demonstrations and marches by trade unions, representatives of the interest of the Global South, and civil rights organisations, with more militant civil disobedience techniques (both violent and non-violent) staged by looser and more informal groups. These acted to bring to a halt the WTO summit that was due to take place on 30 November 1999. The event also launched a series of anti-summit protests that subsequently took place throughout much of the first decade of the 2000s, including in Nice in 2000 against the European Union, Quebec in 2001

against the Free Trade Area of the Americas FTAA, Barcelona in 2002 against the European Union, Cancun in 2003 against the WTO, and Gleneagles, Scotland, in 2005 against the G8 summit (Juris, 2008). Notions of horizontalism, prefigurative politics, and a 'movement of movements', all came to characterise much of what the anti-globalisation movement stood for, and which therefore informed much of the culture of protest on the extra-parliamentary left during the era of neoliberalism. Besides the Seattle protests, however, it was the Genoa protests against the G8 summit in June 2001 that represented the next major flash-point in the development of the anti-globalisation movement. Genoa saw 80,000 protesters descend on the city, witnessing major police repression, convictions of unlawful beatings for the police responsible for the acts of violence, and one protester, Carlo Giuliani, killed. This level of police repression was unprecedented, but also (especially once the subsequent 9/11 attacks served to legitimate such repression) was successful in beginning the demobilisation of the anti-globalisation movement.

## **Post-2008: Neoliberalism-in-Crisis**

The global economic crisis, which is typically considered to have begun around 2008 with the collapse of Lehman Brothers, marked a significant turning-point for neoliberalism. Indeed, it might well be considered the point at which neoliberalism entered into crisis, as most analyses see the events of 2008 as having been caused by excessive financialisation, liberalisation and deregulation – each of which is a key tenet of neoliberal capitalism (Montgomerie and Williams, 2009). As such, the initial post-2008 period was at the time considered by many to have created an opportunity for those on the left who sought to reverse or challenge the neoliberal consensus that had been consolidated since 1980 (Bailey and Bates, 2012: 195–196). While the post-2008 period has, however, seen considerable change to the positions adopted by the different groups of left actors covered in this chapter, it is not the case that each of these groups benefited from or adapted to the crisis era of neoliberalism in the way that many at the time of the initial onset of the crisis had anticipated or hoped for.

## **Social Democratic Parties: Prevarication,**

## **Continuation and/or a Faltering Return to Redistribution?**

Of all of the left groups discussed in this chapter, it is perhaps the social democratic party family that has found it most difficult to respond to the post-2008 context of neoliberalism-in-crisis. Given that most social democratic parties spent much of the 1980–2008 period seeking to embrace elements of neoliberal principles, and persuading their natural constituency that such an embrace was both necessary and beneficial in terms of the economic growth that it would secure, it is perhaps not surprising that they have fared badly following the onset of a crisis that is widely blamed on those very same principles (Ryner, 2014). Indeed, social democratic parties found themselves in a contradictory position following 2008. While they routinely argued that it would be unfair for any response to the crisis to lead to a shouldering of the blame by the more vulnerable socio-economic groups who would be harmed by austerity measures (Party of European Socialists, 2009), at the same time, their claims rang somewhat hollow as they were unable to produce a plausible argument for why this should be the case (given that they had themselves spent twenty years embracing neoliberal doctrines), and because in many instances they found themselves, by necessity, imposing the same austerity measures which they otherwise had sought to condemn (Bailey, 2016b).

This can be seen, almost without fail, in the response of social democratic parties in office during the post-2008 period. It can also explain the dismal electoral performance of those parties following their imposition of austerity measures. Perhaps the clearest example is that of PASOK, the social democratic party of Greece, who having overseen and agreed to the imposition of troika-imposed austerity measures while in office between 2009 and 2011, and then having supported the pro-austerity governments of Papademos and Samaras between 2012 and 2015, subsequently saw their electoral support plummet to 4.7% in the first 2015 general election (compared with 43.9% in 2009). Likewise, in Spain the PSOE oversaw austerity measures, under strong pressure from the European Council, European Commission and European Central Bank, especially between 2010 and 2011, after which it was voted out of office (Pavolini et al., 2015: 66–

68). In Italy, the coming to office of Matteo Renzi in 2014 brought with it hope that social democratic parties had turned the corner and managed to identify an electorally successful social democratic programme that would survive the test of the post-2008 crisis period. This was not to prove the case, however, with Renzi adopting what came to be termed a 'Jobs Act', which sought to weaken employment protection legislation, prompting hostility and protest from trade unions and leading to a decline in electoral support that was eventually blamed for the failure to win popular approval for Renzi's constitutional reforms, and which subsequently led to his resignation (Picot and Tassinari, 2015; Mugnai, 2016). We can see similar developments in France, where Hollande was elected President in 2012 on a relatively left-leaning platform that included a promise to impose 75% tax on those earning over 1 million and which moved the party 'in a more radical, maximalist direction in the three important areas of financial and bank regulation, redistributive taxation and revitalising industrial policy' (Clift, 2013: 108). Once in office, however, Hollande's record has been notably different, eventually resulted in him imposing labour market reforms in 2016 that sparked widespread dismay and opposition by his left supporters, and eventually leading to a split in the party between the left (who remained within the Socialist Party and eventually elected Hamon as party leader) and the right, with Macron leaving the party to present a centrist package to voters, outside the Socialist Party (Michael-Matsas, 2017; Willsher, 2017).

We might sum up the 'standard' social democratic response to the crisis, therefore, as one of prevarication and/or continuation. That is, prevarication in the sense that social democratic parties have found it difficult to identify a clear and consistent approach to the global economic crisis that they have felt confident about being able to promote to the electorate. And, continuation, in that social democratic parties have found themselves in many instances adopting the types of neoliberal policies and approaches which were adopted prior to the crisis, in part presumably due to the failure to develop a coherent alternative.

Alongside this position of prevarication and/or continuation, we have also seen some tentative moves to adopt programmes that stand out more clearly as alternatives to the neoliberal consensus. This can perhaps be most clearly seen in the case of the British Labour Party's election of Jeremy Corbyn as



party leader. Here, however, the return to a more ‘traditional’ pursuit of redistributive measures has been somewhat faltering. While the explanations for this move are relatively easy to discern – discomfort at the inability of social democratic parties to successfully challenge neoliberalism despite it being in crisis, alongside a growing anti-austerity social movement (see below) – it nevertheless remains unclear whether there has been sufficient consideration on the part of the Corbyn leadership, of the degree to which the policies and promises of ‘traditional’ social democracy will face considerably greater (especially, but not only, electoral) obstacles than they did in the pre-1980, pre-neoliberal period (Bailey, forthcoming).

## **The Global Wave of Anti-Austerity Protest**

The post-2008 period also witnessed the emergence of a new global wave of anti-austerity protest. While much of this protest movement had its roots in, or was partially connected with, the pre-2008 anti-globalisation movement (Flesher Fominaya, 2015), it nevertheless also displayed a number of distinguishing characteristics. These included a focus on more clearly concrete and material concerns relating to poverty, low pay, austerity, housing, welfare provision, and education, as well as the impact that the financial crisis and subsequent series of bank rescues had upon public finances. This movement, moreover, represented a partial continuation of the pre-2008 anti-globalisation movement in that many of the key activists had links to that earlier period, but also because they sought to use the principles that had characterised that earlier movement – especially horizontalism, a commitment to direct democracy, and a notion that progressive politics should be prefigurative politics – to inform their attempts to take up more concrete material goals, and in so doing connect with those members of the left's natural constituency who were otherwise becoming disaffected with the (declining, but more standard) avenues for voicing dissent, such as social democratic parties and trade unions (Bailey et al., 2016, 2017). It was this somewhat pragmatic turn to prefigurative politics, moreover, that also created the conditions necessary to re-fuel the power resources of newer populist left parties, especially parties such as Syriza and Podemos (as we shall see below), as well as contributing to the election of atypical left candidate, Jeremy Corbyn, as leader of the Labour Party (as seen above).

This global wave of protest that erupted in 2011 was initially launched by what has come to be termed the Arab Spring, before witnessing similar developments – especially a recurring strategy of prolonged occupations of public squares – which spread across much of the Global North (Tejerina et al., 2013). The Arab Spring infamously began in Tunisia with the self-immolation of Tunisian street vendor, Mohamed Bouazizi, on 17 December 2010 in Sidi Bouzid. One of the notable aspects of the response that followed was the inability of the government to obstruct the news spreading of this event, and the subsequent protests that developed in response to it. The government's failure to contain this outburst of dissent was largely put down to the widespread use of social media, a phenomenon which would also become important in understanding much of the subsequent global wave of protest witnessed throughout 2011. The initial protests were backed by the local chapter of the Tunisian General Labour Union (UGTT), itself surprising given that the trade union had been closely aligned nationally to Tunisia's ruling class and, in turn, acted to escalate the opposition movement. President Ben Ali proved unable to control the wave of protests that emerged, despite attempts at coercion which saw protesters killed, and attempts to portray himself as a 'caring' leader following his photographed visit to Bouazizi's hospital bedside (which prompted accusations that the event was staged and suspicions arose that Bouazizi had even died at the time the photograph was taken). On 14 January 2011, it became clear that the situation was out of hand, and the Army forced Ben Ali to leave the country, eventually resulting in elections in October 2011. These events in Tunisia acted to encourage other groups across the Middle East and North Africa region to oppose their own unelected or authoritarian leaders, who were also routinely blamed for the experiences of hardship that their citizens were suffering. This was perhaps most notably the case in Egypt, where protests began on 25 January 2011, followed by what was billed as a 'Friday of rage' (28 January) and 'March of millions' (1 February). These protest events were each coordinated mainly through Facebook, as well as being later supported by the Muslim Brotherhood, and focused especially on a sustained occupation of Tahrir Square. As happened in the case of Tunisia, moreover, on 11 February President Mubarak resigned, although it should be noted that what followed amounted to the success of a counter-revolution, eventually witnessing the electoral confirmation in office of General Abdel Fattah El-Sisi in 2014 (Flesher Fominaya, 2014: chapter 7).

One of the lasting effects of the events in Egypt was the inspiration that it provided for a further wave of public square occupations across the Global North. Indeed, this was the form of protest that came to characterise both the *indignados* and the Occupy Movement, both of which were explicitly focused on the fallout from the global economic crisis and the wave of austerity measures which began to follow it from 2010 onwards. In the case of the *indignados* movement in Spain, the austerity measures, mass unemployment and wave of housing evictions that marked the crisis were met in 2011 with a call for protest, initially scheduled for 15 May 2011, around the slogan 'Real Democracy Now'. This resulted in the prolonged occupation of the Plaza del Sol, in which a prefigurative direct democracy movement emerged to demand an alternative to elite-imposed austerity (Flesher Fominaya, 2015). Likewise, in September 2011, the radical group, Adbusters, called for the first event of what would become the Occupy Movement, in which Zuccotti Park was occupied ahead of a wave of hundreds of similar events across the cities of the Global North. The tweet that called for these protests, moreover, explicitly sought to make a connection with the tactics of the Arab Spring, asking 'Are you ready for a Tahrir moment?'. The Occupy Movement also saw the widespread use of the prefigurative principles that had grown in popularity within the anti-globalisation movement, although in this case focusing more specifically on issues of class and inequality, around the slogan 'We are the 99%' (Flesher Fominaya, 2014: chapter 7).

While 2011 represented a high point in terms of the frequency of austerity-era protest events, and despite a brief lull in 2012, protests have continued to mark the post-2008 period, oftentimes displaying the same commitment to pragmatically prefigurative forms of disruptive subjectivity (Carothers and Youngs, 2015; Bailey, 2016c; Bailey et al., 2017). This can be seen, for instance, with the wave of protests witnessed in 2013 around Gezi Park in Turkey, and in response to a rise in public transport fees in Brazil in the same year. It can also be seen with the emergence of the Black Lives Matter movement in response to police killings of black people in the United States. Likewise, Hollande's neoliberal labour market reforms prompted a wave of protests that included the #NuitDebout movement, echoing the use of horizontalist occupations of public spaces as a means by which to voice dissent. This commitment to horizontalist principles could also be seen in the move by Kurds within the Syrian civil war to create a community built upon

syndicalist and feminist principles in Rojava (Knapp et al., 2016). It can also be seen in the wave of protest – under the broad umbrella slogan, Resist Trump – that met the inauguration of Donald Trump as US President in 2017 (Boone et al., 2017).

## **The Rise of the Radical Left?**

As noted, the post-2008 period has also witnessed something of a resurgence for radical left parties, although this has been limited in both scope (largely confined to Greece and Spain) and also scale (radical left parties remained, in 2016, restricted to an average of 10% of the vote share in Europe despite the potential opportunities created by the economic grievances associated with the experience of economic crisis) (March, 2016). As noted, this resurgence partly represented a move back towards the institutions by social movements that had earlier been built upon an explicit rejection of the parliamentary route (Bailey, 2015). Yet, the obstacles experienced by radical left parties that have entered, or sought to enter, office – similar to those obstacles which had historically been faced by social democratic parties in an earlier period, regarding whether to moderate the party programme in order to gain access to office, and/or to reconcile a radical party programme with the demands of office-seeking and governing – have arguably already imposed considerable constraints on what those parties have been able to achieve. The experience of the Syriza Government throughout 2015 perhaps illustrates these dilemmas most clearly. Thus, the Greek *indignados* movement began in summer 2011 and included a series of general strikes and a prolonged occupation of Syntagma Square (outside the Greek parliament) (Simiti, 2014). In managing to channel this public dissent through the electoral institutions of the Greek state, however, the radical left party, Syriza, was able to replace PASOK as the main party of the left, being elected to office in 2015 on an explicitly anti-austerity agenda. Yet, upon entering office, Syriza faced intransigence from the so-called ‘Troika’, which continued to insist on austerity measures while threatening to otherwise cease financial support for the Greek state, thereby threatening to prompt the bankruptcy of the Greek government. In an attempt to increase its leverage in the negotiations, the Syriza Government held a referendum in July 2015, in which it called on Greek citizens to vote ‘no’ to the proposed austerity measures. The result of the referendum went the way that Syriza had sought, but nevertheless shortly afterwards the government

itself announced its capitulation to the demands of the Troika after all, on the grounds that to do otherwise would put in jeopardy the stability of the entire Greek economy. In this sense, therefore, the Syriza experiment failed, although it did at least highlight the scale and depth of public opposition to neoliberalism in Greece (Sheehan, 2016).

## Conclusion

The era of neoliberalism has co-existed with significant changes to the institutions and expressions of left politics. While the onset of neoliberalism was associated with a series of major defeats for the institutional representatives of the left, in their place we have seen the emergence of a range of social movements committed to prefigurative, horizontalist and directly democratic principles that have consistently highlighted the existence of widespread opposition to, and dissatisfaction with, neoliberal hegemony, as well as illustrating the possibility and actuality of alternatives (see also Motta, 2017). Since the onset of global neoliberal crisis in 2008, moreover, we have seen serious challenges to neoliberal hegemony, both in the form of a vibrant and a more pragmatically prefigurative anti-austerity movement. There has, however, been a tendency to evaluate these newer left movements as being inadequate for the task of seriously threatening neoliberal hegemony. Yet, this is perhaps only the case if we equate left 'success' with electoral success (Huke et al., 2015). But electoral politics is a terrain on which it is increasingly difficult for the left to succeed, and has arguably become increasingly so following the crisis of neoliberalism. This perhaps explains the almost total inability of social democratic parties to adjust to the post-2008 context. In contrast, radical left parties have at times been able to build upon the outflow of popular opposition that emerged in 2011, in an attempt to re-channel this back within institutions of power and authority. However, this has represented a contradictory relationship with movements drawn together by the slogan, 'Real Democracy Now!', while also producing (perhaps predictable) tensions as the more conservative pressures associated with the institutions of representative democracy have clashed with the more radical demands of popular movements and their populist left representatives. It is for this reason, perhaps, that the populist right has found the institutional environment of representative democracy more amenable, as a means by which to transform public dissent into a nativist and xenophobic anti-

establishment electoral movement. Yet neoliberalism remains in stagnation and frequently met by popular opposition; as such, we should expect it to continue to be destabilised by ongoing expressions of dissent, which are sometimes channelled along institutional lines (with a tendency for these to take a right-wing form) and other times adopt a more 'autonomous', and therefore hopeful, direction.

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# 48 Neoliberalism, Development and Resilience

Julian Reid

## Introduction

Theories and analyses of the biopolitics of development have long since established and revealed the ways in which development has functioned historically as a technique of liberal governance. Not only has it functioned to constitute a globally racialized and militarized division between 'developed' and underdeveloped' populations (Duffield, 2008: 16), so it has also functioned to reduce the life of the 'under-developed' to an economized form by viewing their development as an issue of their economic improvement (Shani, 2012). Over the last ten years, however, new doctrines of development have emerged which have sought to contest this classically liberal, economized and deeply Eurocentric way of conceiving development itself through the articulation of 'human development' as well as 'sustainable development'.

Proponents of human development have sought to free the life of human populations from economic imperatives to increase their incomes in order to promote a wider account of human well-being (Sen, 1999). Development has effectively been taken out of a macro socio-economic context by proponents of human development and seen alternatively as a question of individual inclusion and choice-making capabilities (Chandler and Reid, 2016: 78). As the first annual *United Nations Human Development Report* (UNDP, 1990) declared, human development is about more than GNP growth, more than income and wealth, and more than producing commodities and accumulating capital. A person's access to income may be one of the *choices*, but it is not the sum total of human endeavour.

Human development is a process of enlarging people's *choices*. The most critical of these wide-ranging *choices* are to live a long and healthy life, to be



educated and to have access to resources needed for a decent standard of living (UNDP, 1990: 1).

Interwoven with the development of this new doctrine of human development has been the emergence and growing influence, also, of sustainable development. Significantly, and relatedly, the argument of proponents of this latter doctrine is that traditional models of development, in so far as they have privileged macro-economic growth, have also served to harm the environments on which human beings rely in order to 'live well'. In this sense, proponents of 'sustainable development' have been concerned with the problematic of shifting the focus of development not simply from the economy to a wider understanding of human well-being, but from the development of *human life* to the non-human '*life-support systems*' on which peoples are said to depend in order to live well and prosper (Barbier and Markandya, 1990; Folke and Kautsky, 1989; Gladwin et al., 1995; Khagram et al., 2003). In this sense, the life at stake in the practice of governing doctrines of development has changed significantly over the last two decades. The classical biopolitical critique of development, that it functions to subject peoples to a liberal model of society and subjectivity, one that economizes the life of the subject and its society, is harder to sustain, in the context of these profound shifts in thinking concerning the nature of the life at stake for both 'human development' and 'sustainable development'. In a certain sense, one might even venture to say that through the elaboration of these different regimes of development life itself is being offered as a kind of obstacle to economy. Theorists and practitioners of sustainable development are arguing that we must privilege the well-being of the life of the biosphere over and against the traditional imperative to develop the economies of human populations. Likewise, theorists and practitioners of human development are arguing that the life of the human subject consists of much more than the improvement of its capacities to make money and that human development must aim at enabling human beings to realize 'their full potential to have a reasonable chance of leading productive and creative lives in accord with their needs and interests' (UNDP, 1990: 1). Life in both cases is being reconceptualized, either as a property of the non-human biosphere or as encompassing a wider understanding of human subjectivity, such that it can be deployed as the foundation for a critique of economy-centred models of development.

My argument is that both these alternative and new models of development were always going to be vulnerable to appropriation by the economic rationalities of liberalism because of the interface between its 'alternative' rationality of security and that of specifically neoliberal doctrines of economy. While sustainable development deploys ecological reason to argue for the need to secure the life of the biosphere, neoliberalism prescribes economy as the very means of that security. Economic reason is conceived within neoliberalism as a servant of ecological reason, claiming paradoxically to secure life from economy through a promotion of the capacities of life for economy. This is the paradoxical foundation on which neoliberalism constructs its appropriation of sustainable development. Sustainable development and neoliberalism are not the same, nor is the former simply a proxy of the latter, but they do come into contact powerfully on the terrains of their rationalities of security. This surface of contact ought to make for a tense and political field of contestation, but has instead made largely for a strategically manipulable relation between the two doctrines.

In recent years, we can see, at the very least, how vulnerable the ecological reasoning that underpins sustainable development has been to the economic reasoning of neoliberalism. Indeed, I argue that the ongoing disarticulation of the concept of security in development doctrine and correlate emergence of the concept of resilience is an expression of this. Neoliberalism is able to appropriate the doctrine of sustainable development on account of its claims not to the 'security' but 'resilience' of specifically neoliberal institutions (significantly markets), systems of governance and conditions of subjectivity. Resilience is defined by the United Nations as 'the capacity of a system, community or society potentially exposed to hazard to adapt by resisting or changing in order to reach and maintain an acceptable level of functioning and structure' (United Nations, 2004: Chapter 1, S.1: 17). Academics concerned with correlating the promotion of 'sustainable development' with that of resilience define it as 'the capacity to buffer change, learn and develop – as a framework for understanding how to sustain and enhance adaptive capacity in a complex world of rapid transformations' (Folke et al., 2002: 437). The concept of resilience arose not as a direct product of neoliberal doctrines but as an element of the critique of neoliberalism which sustainable development itself purported to be at its origin. This shouldn't surprise us. Neoliberalism is not a homogeneous doctrine, nor are its particular forms of

dogmatism homeostatic. Its powers of persuasion and discursive prosperity depends on its own capacity to adapt to the hazards of critique. It is, you might well say, a paragon of the resilience that sustainable development demands of its subjects. The current prosperity of the doctrine of sustainable development is also a vexed expression of the resilience of neoliberalism. It is on account of this power to absorb and align itself with the very sources of its critique that what I call the 'sustainable–development–resilience nexus' is becoming to twenty-first-century liberal governance what the development–security nexus was to its earlier post-Cold War forms. If 'security' has functioned during the first two decades of post-Cold War international relations as a rationality for the subjection of development to Western states, their governance practices, institutions and conditions for subjectivity, then the rationality which governs that subjection is increasingly going to be 'resilience'. Voices from within International Relations calling for the dismantling of the sign of security because it is 'the supreme concept of bourgeois society and the fundamental thematic of liberalism' (Neocleous, 2008: 186) miss the point. Calling for a new politics to take us 'beyond security' does little to solve the problem; indeed, it obfuscates the very nature of the problem, which is that liberalism itself is outgrowing its long-standing correlation with security, and locating new discursive foundations; principally that of resilience.

Beyond showing how the discourse of resilience legitimates neoliberal systems of governance and institutions, it is also necessary to attend to the forms of subjectivity it attempts to bring into being. The account of the world envisaged and constituted by development agencies concerned with building resilient subjects is one that presupposes the disastrousness of the world, and likewise one which interpellates a subject that is permanently called upon to endure the disaster; a subject for whom enduring the disaster is a required practice without which he or she cannot grow and prosper in the world. This may be what is most at stake politically in the discourse of resilience. The resilient subject is a subject which must permanently struggle to accommodate itself to the world. Not a subject which can conceive of changing the world, its structure and conditions of possibility. But a subject which accepts the disastrousness of the world it lives in as a condition for partaking of that world and which accepts the necessity of the injunction to change itself in correspondence with threats and dangers now presupposed as

endemic. Building resilient subjects involves the deliberate disabling of the political habits, tendencies and capacities of peoples and replacing them with adaptive ones. Resilient subjects are subjects that have accepted the imperative not to resist or secure themselves from the difficulties they are faced with, but instead adapt to its enabling conditions via the embrace of neoliberalism. Resisting neoliberalism in the present may thus require rejecting the seductive claims to ‘alternative futures’ offered by seemingly contrary doctrines of sustainable development and their political promises of resilience. A reinvestment in an account of political subjectivity is needed, and a rearticulation of the more classical concept of security may be useful for such a purpose.

## **The Political Genealogy of Sustainable Development**

The ideas that shaped the doctrine of ‘sustainable development’ became influential in the 1970s but they only took concrete form with the 1987 publication of the Brundtland Commission report *Our Common Future* (World Commission on Environment and Development, 1987). On the surface of things, sustainable development appeared to operate as the foundation for a powerful indictment of hitherto dominant theories and practices of development. Development policies were classically aimed at increasing the production, consumption and wealth of societies. What ‘sustainable development’ did was to pose the problem of the implications of such economy-centred policies for the ‘life support systems’ on which societies otherwise depend for their welfare (Khagram et al., 2003: 296–297). The doctrine of sustainable development that emerged from *Our Common Future*, and which culminated in the 2002 World Summit on Sustainable Development in Johannesburg, was based upon the seemingly contrary axiom that economic development had to be subordinated to the need to ensure the sustainable use of natural resources, healthy environments, ecosystems and biodiversity. Here, the utility and value of ‘life’ in all its complexities were offered by the doctrine of sustainable development as an obstacle to economy. Committed to securing life from the dangers posed by unfettered economic reason, the doctrine of sustainable development appeared to emerge in direct conflict with the governmental doctrine of neoliberalism

which, during the 1980s, had become increasingly hegemonic, and which would have the opportunity to go global with the end of the Cold War in 1989. The kinds of 'pure liberalism' championed by Thatcherites and Reaganites, said to reify the economy at all costs as both means and ends of development, was subject to an apparently new line of questioning, not on account of its equally questionable implications for the economic welfare of peoples, but on account of the threats it posed to something outside the order of economy: life. Proponents of sustainable development did not claim to question the value of economic development in and of itself, but they did aspire to offer a framework for the re-regulation of the economy in alignment with the needs and interests of the biosphere. And, indeed, its effects were palpable during the 1990s, a decade in which a Senior Vice President of the World Bank, Joseph Stiglitz, was to be heard making savage indictments of the implications of liberal policy prescriptions, and in which the advice of environmentalists was increasingly taken into account by governments and international economic institutions (O'Brien et al., 2000: 109–158).

But the relationship between the emergence of sustainable development and the crisis in liberal reason which began to trouble governments in the 1980s and 1990s is highly complex. Mark Duffield has shown how the shift from strategies of development preaching modernization to sustainable development owed much to a specifically neoliberal framing of the problematic of development (Duffield, 2008: 67–70). As Duffield argues, sustainable development emerged as part of a neoliberal counter-critique of modernization strategies of development which, rather than undermining the authority of liberal reason, gave it a new and even more powerful footing. While recognizing the function of ecological reason in shaping the doctrine of sustainable development and its critique of modernization strategies, Duffield draws attention to the neoliberal rationalities which have nevertheless defined it. For one, the strength of its challenge to traditional models of development owed much to its alignment with the neoliberal critique of the state (Duffield, 2008: 67). Preaching that sustainable development would only follow once people gave up on state-led modernization strategies and learnt to practise the virtue of 'community-based self-reliance', so sustainable development reflected a neoliberal political agenda that shifts the burden of security from states to people (Duffield, 2008: 69). Sustainable development functions in extension of

neoliberal principles of economy, Duffield argues, by disciplining poor and underdeveloped peoples to give up on states as sources for the protection and improvement of their well-being, and instead to practise the virtue of securing themselves. Thus does sustainable development engage in the active promotion of a neoliberal model of society and subjectivity in which everyone is expected to 'prove themselves by bettering their individual and collective self reliance' (Duffield, 2008: 69). In African states such as Mozambique, for example, it has provided 'a virtually free social security system offering the possibilities of adaptation and strengthening in order to manage the risks of market integration' (Duffield, 2008: 93).

Revealing the convergences between sustainable development and the neoliberal critique of the state, the model of society and subjectivity it proposes as solutions to the problem of the state, and the economic pay-offs that follow, Duffield offers a powerful riposte to those narrative accounts of sustainable development as arising simply from the empowerment of ecological over economic reason. But how then should we understand the nature of the relation between sustainable development and neoliberalism? Is ecological reason just a proxy of the neoliberal rationalities which Duffield argues has shaped the agenda of sustainable development? If we understand sustainable development as a servant of neoliberalism, then what should we make of those voices arising from environmental movements, and the many other ways in which ecological reason has been mobilized, to critique economy-based strategies of development in the interests of sustaining life? Answering these questions requires grappling further with the fundamental and complex correlations of economy, politics and security with life in neoliberal doctrine; what Duffield rightly names its biopolitics (2008: 4–8). Neoliberalism is widely understood as a 'theory of political economic practices proposing that human well-being can best be advanced by the maximization of entrepreneurial freedoms within an institutional framework characterized by private property rights, individual liberty, unencumbered markets, and free trade' (Harvey, 2007: 22). Less understood, however, is how its claims to be able to increase wealth and freedom are correlated with ways to increase the prosperity and security of life itself. Its capacities to correlate practices for the increase of economic profit and prosperity with those dedicated to increasing the profitability and prosperity of the biosphere are precisely why the doctrine of sustainable development is so compatible

with it.

In the first instance, this is a problem of the neglect of the complexities of economic doctrines *per se*. If we examine the origins of economics, we find that it was from its earliest usage conceptualized as a domain of knowledge concerned with the prosperity not just of human communities, families and subjects, but a knowledge which seeks to increase that prosperity in alignment with the needs of nature in its entirety. For Aristotle, economics, it was said, 'must conform to nature ... in as much as nature has already distributed roles and duties within the species themselves' (Mondzain, 2005: 19). 'Implicit', therefore, 'within the economy is the notion of an organic objective and functional harmony ... a providential and natural order to be respected while acting in the service of the greatest cohesion of utility and well-being' (Mondzain, 2005: 19). As Michel Foucault's historical analyses have shown, with the birth of the modern discipline of political economy so 'nature' lost its status as the major correlate of economy and thus did 'life' begin to play that role (Foucault, 1997). For political economists of the modern age, however, the life which economy had to respect was specifically that of the human species; the question of the prosperity and security of human populations became conceived as limiting conditions for the exercise of economic reason and practices. Neoliberalism breaks from earlier liberalisms and traditions of political economy in so far as its legitimacy rests on its capacities to correlate practices for the increase of economic profitability and prosperity not just with practices for the securing of the human species, but with the life of the biosphere. These correlations of economy, well-being, freedom, security and biospheric life in and among neoliberal regimes of practice and representation comprise some of the foundations of what have been named its biopolitics (Cooper, 2008; Duffield, 2008). And if there is anything 'fundamental' to liberalism, then it is this: one cannot understand how liberalism functions, most especially how it has gained the global hegemony that it has, without addressing how systematically the category of life has organized the correlation of its various practices of governance, as well as how important the shift in the very understanding of life, from the human to the biospheric, has been for changes in those practices.

Examining neoliberalism biopolitically means we can understand better how

it is that ecological reasoning has enabled the growth of strategies for the promotion of market-based entrepreneurial capitalism in and among developing societies. Of particular importance here are the ways in which the very account of security deployed by neoliberal states and their development agencies has begun to alter through its correlation with ecological reason. Crucial to this story is the relatively recent emergence of the discourse of resilience. When neoliberals preach the necessity of peoples becoming 'resilient', they are, as I will show, arguing in effect for the entrepreneurial practices of self and subjectivity, which Duffield calls 'self reliance'. 'Resilient' peoples do not look to states or other entities to secure and improve their well-being because they have been disciplined into believing in the necessity to secure and improve it for themselves. Indeed, so convinced are they are of the worth of such capabilities that they proclaim it to be a fundamental 'freedom' (UNEP, 2004). But the emergence of this discourse of resilience within the doctrine of neoliberalism owes massively, I argue, to the power of ecological reason in shaping the very rationality of security which otherwise defines it. In other words, comprehending how a neoliberal rationality of security functions in shaping the agenda of sustainable development requires us to examine the constitutive function of ecological reason in shaping both. Far from being a proxy of the neoliberal rationalities shaping sustainable development, ecological reason has been formative of them.

## **From Security to Resilience**

The strategic function of sustainable development in the global expansion of neoliberalism has been to naturalize neoliberal frameworks of governance; the institutions, practices and forms of subjectivity which it demands are brought into being on account of the desire for an increase of the economic profitability and prosperity of human communities. But how is it that neoliberal ways of governing came to be conceived as an answer to the problem of sustainability? Some of the answers to this question can be found by looking closely at the emergence and discursive expansion of the concept of 'resilience'. Because that is the concept against which all such institutions, practices and subjectivities are increasingly legitimized. It is no accident that the concept of resilience derives directly from ecology, referring to the 'buffer capacities' of living systems: their ability to 'absorb perturbations' or



the 'magnitude of disturbance that can be absorbed before a living system changes its structure by changing the variables and processes that control behaviour' (Adger, 2000: 349; see also Walker and Cooper, 2011). Living systems are said by ecologists to develop not on account of their ability to secure themselves prophylactically from threats, but through their adaptation to them. Exposure to threats is a constitutive process in the development of living systems, and thus the problem for them is never simply how to secure themselves but how to adapt to them. Such capacities for adaptation to threats are precisely what ecologists argue determines the 'resilience' of any living system. Sustainable development started out by preaching that the economic development of societies must be regulated so that it contributes not just to the security of states and their human populations, but so that it increases the resilience of all living systems, shifting the object of concern from that of human life to that of the biosphere, incorporating every known species, as well as habitats of all kinds, vulnerable to the destructions wrought by economic development. Life, not economy, it said, must provide the rationalities according to which peoples are entitled to increase their prosperity. The emergence of such a doctrine had to have significant implications for the ways in which not only the problem but the very nature of security was conceived in developmental circles. Once the referent object of development became the life of the biosphere rather than simply states and their human populations, so the account of security to which development is allied was compelled to transform. Security, with its connotations of state and governmental reason, territoriality, military capacities, economic prosperity, human resources and population assets became less fashionable and gradually gave way to the new concept and value of 'resilience'. Resilience is a useful concept, the proponents of sustainable development argued, precisely because it is not a capacity of states, nor merely of human populations and their various political, social and economic practices, but a capacity of life itself. Thus did resilience emerge within the doctrine of sustainable development as a way of positing a different kind of policy problematic from those formulated in the security doctrines of neoliberal states and their more conventional development agencies, one which would privilege the life of the biosphere in all its dimensions over and against the human focus which shaped the 'development–security nexus'. If one aspect of the subordination of rationalities of economy to rationalities of life in developmental discourse has been the shift from doctrines of economic development to sustainable

development, then a correlate shift has been that from security to resilience.

Allied to this shift, then, the doctrine of sustainable development brought into being a new guiding axiom, one which created a surface of friction with the rationalities of economic development pursued by Western states and development agencies up until the 1980s. And this in turn, during the 1990s, gradually brought into being a 'sustainable development–resilience nexus' to rival the development–security nexus woven by previous regimes. By the time of the 2002 World Summit on Sustainable Development in Johannesburg, however, a summit which is widely recognized as the coming of age party of 'sustainable development', new ways of thinking about resilience were coming into view. A major report prepared on behalf of the Environmental Advisory Council to the Swedish Government as an input to the process of the World Summit described how resilience is a property associated not just with the diversity 'of species', but also 'of human opportunity', and especially 'of economic options – that maintain and encourage both adaptation and learning' among human populations (Folke et al., 2002: 438). In an adroit reformulation of the problematic, neoliberal economic development, in which the function of markets as generators of economic diversity is basic, became itself a core constituent of the resilience which sustainable development had to be aimed at increasing. Thus it was that, post-Johannesburg, the correlation of sustainable development with resilience started to produce explicitly neoliberal prescriptions for institutional reform. 'Ecological ignorance' began to be conceptualized as a threat, not just to the resilience of the biosphere, but to humanity (Folke et al., 2002: 438). Resilience began to be conceived not simply as an inherent property of the biosphere, in need of protection from the economic development of humanity, but a property within human populations which now needed promoting through the increase of their 'economic options'. Just as remarkably, the biosphere itself began to be conceived not as an extra-economic domain, distinct from and vulnerable to the economic practices of human populations, but an economy of 'services' which 'humanity receives' (Folke et al., 2002: 437).

There is a double and correlated shift at work, then, in the elaboration of the sustainable–development–resilience nexus post-Johannesburg. In one move, 'resilience' has shifted from being a property of the biosphere to being a

property of humanity, while in a second move 'service' has shifted from being an element of economy to being a capacity of the biosphere. Crucified on the cross that this double shift carves are 'the poor'. For they are the segment of population of which resilience is now demanded and simultaneously the population said to threaten the degradation of 'ecosystem services'. Increasing the 'resiliency' of the poor has become a defining goal, for example, of the United Nations Environment Programme (UNEP) in the years post-Johannesburg (UNEP, 2004: 39). Alleviating threats to the biosphere requires improving the resilience of the poor, especially, because it is precisely the poor that are most 'ecologically ignorant' and thus most prone to using 'ecosystem services' in non-sustainable ways. Thus, ensuring the resilience of the biosphere require making the poor into more resilient kinds of subjects, and making the poor into more resilient subjects requires relieving them of their ecological ignorance, and the means to that removal is said to reside in building neoliberal frameworks of economy, governance and subjectivity. Developing the resilience of the poor is said to require, for example, a social context of 'flexible and open institutions and multi-level governance systems' (Folke et al., 2002: 439). 'The absence of markets and price signals' in ecological services is a major threat to resilience, UNEP argues, because it means that 'changes in their conditions have gone unnoticed' (UNEP, 2004: 13). Property rights regimes have to be extended so that they incorporate ecosystem services and so that markets can function in them (UNEP, 2004: 15). 'Markets', it is argued, 'have proven to be among the most resilient institutions, being able to recover quickly and to function in the absence of government' (Pingali et al., 2005: S18). When and where the market fails to recover, development policies for increasing resilience have to be aimed at 'ensuring access to markets' (Pingali et al., 2005: 518). Ensuring the resilience of the poor also requires the building of neoliberal systems of governance which will monitor their use of ecological services to ensure they are sustainably managed (UNEP, 2004: 39). The poor, in order to be the agents of their own change, have to be subjectivized so that they are 'able to make sustainable management decisions that respect natural resources and enable the achievement of a sustainable income stream' (UNEP, 2004: 5). 'Over-harvesting, over-use, misuse or excessive conversion of ecosystems into human or artificial systems damages the regulation service which in turn reduces the flow of the provisioning service provided by ecosystems' (UNEP, 2004: 20). Within the category of 'the poor' itself, women are the principal

target population. 'I will transform my lifestyle in the way I farm and think' has become the mantra that poor women farmers in the Caribbean region are required to repeat like Orwellian farm animals, for example, in order to receive European Union funding (Tandon, 2007: 12–14).

This double shift is integral, I argue, to the strategy by which neoliberalism has absorbed the critique of sustainable development. Whereas resilience was originally conceived by proponents of sustainable development as a property that distinguishes the extra-economic 'life-support systems' which humans require to live well, it has become reconceived post-Johannesburg as a property which humanity intrinsically possesses, is capable of developing further, and which it can never have too much of. As a property of human populations, it is dependent, moreover, on their interpellation within markets, their diversity as economic subjects, and their subjection to systems of governance able to ensure that they continue to use natural resources in sustainable ways. Thus, a doctrine which started out as a critique of neoliberal policy prescriptions for development transformed into a doctrine which legitimates a neoliberal model of development based upon the constitution of markets and the interpellation of subjects within markets.

## **The Disastrous and Politically Debased Subject of Resilience**

Having established how sustainable development, via its propagation of the concept of resilience, naturalizes neoliberal systems of governance and institutions, I want to consider how it functions to constitute subjects amenable to neoliberal governance. Every regime of governance invokes its own particular subject of governance. Producing subjects the liberal way has long since been a game of producing self-securing subjects. Subjects that are capable of securing themselves are less of a threat to themselves and in being so are not a threat to the governance capacities of their states nor to the governance of the global order either. And in this sense the correlation of development with security feeds upon the political imaginary of liberalism predicated as it became upon the belief that a global order of self-securing subjects would in turn deliver a more secure form of world order (Rosenau, 1992, 2002, 2008). What, then, does the shift in the correlation of

development with security to resilience tell us about the nature of the subject which development is now aimed at producing? What differences are entailed in being a resilient subject as opposed to a merely secure subject? Is the emergence of this new object of development just an extension of the liberal rationalities of governance that feed upon what is otherwise described as the development–security nexus?

There is, in fact, a considerable shift here. The major condition of possibility for the subject of sustainable development is that it sacrifices its capacity and desire for security. Security, here, is less that which liberalism demands of its subjects than what it forbids them. The resilient subject of sustainable development is, by definition, not a secure but an adaptive subject; adaptive in so far as it is capable of making those adjustments to itself which enable it to survive the hazards encountered in its exposure to the world. In this sense, the resilient subject is a subject which must permanently struggle to accommodate itself to the world. Not a political subject which can conceive of changing the world, its structure and conditions of possibility, with a view to securing itself from the world. But a subject which accepts the disastrousness of the world it lives in as a condition for partaking of that world and which accepts the necessity of the injunction to change itself in correspondence with the threats and dangers now presupposed as endemic. One can see readily how this plays out in relation to debates, for example, over climate change. One enthusiast for resilience as an answer to the problem writes:

What is vital to understand is not the degree of climate change that we should expect, nor necessarily the impact that we might anticipate on water resource management, coastal defence, food security, species survival, etc. What is important to grasp is that we do have the abilities to adapt and adjust to the changes that climate change will bring.  
(Tandon, 2007: 12)

Sustainable development is no longer conceived, thus, as a state of being on account of which a human is capable of securing itself from the world, and via which he or she becomes a subject in the world. Once development is said to follow ecological laws of change and transformation, and thus once

exposure to hazard becomes a condition of possibility for development, so the question which sustainable development poses for the communities and individuals subject to it is: can you survive in the world without securing yourself from the world?

This is precisely why resilience has become so intimately tied in the policy, practice and theory of sustainable development, not just to neoliberalism but to disaster management. Indeed, the latter is also crucial in legitimating the former. The ability to manage exposure to hazard in and among developing societies is dependent, the UN claims, on their maintenance of a healthy and diverse ecological system that is productive and life-sustaining, but it also demands a healthy and diverse economy that adapts to change and recognizes social and ecological limits (UN, 2004: Chapter 1, S.2: 18). It requires ‘capturing opportunities for social change during the “window of opportunity” following disasters, for example by utilizing the skills of women and men equally during reconstruction’ (UN, 2004: Chapter 1, S.2: 20). As fundamentally, it requires making societies ‘aware of the importance of disaster reduction for their own well-being’ (UN, 2004: Chapter 3, S.4: 1), because ‘it is crucial for people to understand that they have a responsibility towards their own survival and not simply wait for governments to find and provide solutions’ (2004: Chapter 3, S.4: 20). Disasters, thus construed, are not threats to the development of human beings from which they might aspire to secure themselves. They are events of profound ‘opportunity’ for societies to transform themselves economically and politically. They are events which do not merely expose communities to dangers from which they must be saved in order that they might be set back onto the path of development. But, rather, where communities, in their exposure, are able to undergo novel processes of developmental change in reconstitution of themselves as neoliberal societies. Exposure to disaster, in this context, is conceptualized in positive terms as constitutive of the possibility for the development of neoliberal systems of governance. But the working of this rationality depends on a subject that will submit to it. Sustainable development requires subjects, the UN report insists in a remarkable passage, to understand the ‘nature’ of hazards. The passage of societies to such knowledge must in turn involve, it states,

a consideration of almost every physical phenomenon on the planet. The

slow movements in the earth's mantle – the convection cells that drive the movement of continents and the manufacture of ocean floors – are the starting and also the sticking point. They lift mountains and shape landscapes. They also build volcanoes and trigger potentially catastrophic earthquakes. Like those other invisible movements that take place on a vast scale through the atmospheric medium – the carbon cycle and the water cycle and the nitrogen cycle – volcanoes and earthquakes, along with technological advancements, provide the bedrock of strong nations, rich industries and great cities. They do, of course, also have the potential to destroy them. (UN, 2004: Chapter 2, S.1: 4)

The account of the world envisaged and constituted by development agencies concerned with building resilient societies is one that presupposes the disastrousness of the world, and likewise one which interpellates a subject that is permanently called upon to bear the disaster. A subject for whom bearing the disaster is a required practice without which he or she cannot grow and prosper in the world. This is precisely what is at stake in the discourse of resilience. The resilient subject is a subject which must permanently struggle to accommodate itself to the world. Not a subject which can conceive of changing the world, its structure and conditions of possibility. But a subject which accepts the disastrousness of the world it lives in as a condition for partaking of that world, which will not question the reasons why he or she suffers, but which accepts the necessity of the injunction to change itself in correspondence with the suffering now presupposed as endemic.

The human here is conceived as resilient in so far as it adapts to rather than resists the conditions of its suffering in the world. To be resilient is to forego the very power of resistance. 'The imperative of adaptation rather than resistance to change will increase inexorably' two ideologues of sustainable development claim (Handmer and Dovers, 1996). In their enthusiasm for the 'inexorable increase' of this 'imperative', theorists of sustainable development engage in some vivid discursive representations of the human. 'As a species, humanity is immensely adaptable – a weed species. We are also capable of considerable adaptability as individuals, and also as

households (variously defined) – the latter being the perennial and universal human social unit’ (Handmer and Dovers, 1996: 506). The combination of the imperative of humanity to adapt with the representation of humanity as a ‘weed species’ recalls the discursive currency of similar combinations within the concentration camps of Nazi Germany during the Second World War. Those camps were, as Barrington Moore has demonstrated in a still brilliant and wide-ranging historical study, sites for the constitution of precisely such resilient subjects and the honing of precisely such adaptive capacities. The inhabitants of such extreme spaces of suffering often failed to exhibit any sign of resistance, seeking to survive through the development of complex and ultimately failed strategies of ‘adaptation’ to the conditions of their suffering (Moore, 1978: 66). The ‘conquest’ of the perception of inevitability and necessity of circumstances is ‘essential’, Moore argues, on the other hand, ‘to the development of politically effective moral outrage’ (1978: 459). The making of resilient subjects and societies fit for neoliberalism by agencies of sustainable development is based upon a degradation of the political capacities of human beings far more subtle than that achieved in Auschwitz and Buchenwald. But the enthusiasm with which ideologues of sustainable development are turning resilience into an ‘imperative’ is nevertheless comparable with that of the SS guards who also aimed ‘to speed up the processes of adaptive learning’ among those Jews and other populations in their charge by convincing them of the futility of resistance (Moore, 1978: 66).

## **Development Contra Neoliberalism?**

Can the doctrine of sustainable development be retrieved from the grip which neoliberalism seems to have on it? My intention here has not been to argue against claims as to the necessity of concern for the state of the biosphere, but to raise the problem of the surface of contact between such an ecological mode of reasoning and a mode of economic reason complicit with the degradation of the biosphere. While sustainable development deploys ecological reason to argue for the need to secure the life of the biosphere, neoliberalism prescribes economy as the very means of that security. Economic reason is conceived within neoliberalism as a servant of ecological reason, claiming paradoxically to secure life from economy through a promotion of the capacities of life for economy. If, then, sustainable



development is to escape its appropriation, it would seem imperative that it contest the nexus of relations on which claims as to the necessity of neoliberal frameworks for the sustainability of life are based. For a start, this has to mean rethinking the ways in which it engages with the concept of resilience. The problem here is less the demands to improve the resilience of ecosystems, which distinguished the agenda of sustainable development in its early years, than it is the post-Johannesburg shift to propagating resilience as a fundamental property and capacity of the human. The ecological imaginary is colonizing the social and political imaginaries of theorists and practitioners of development in ways that are providing fertile ground for the application of neoliberalism as a solution to the problem of sustainability. Understanding how that is possible requires understanding the biopolitics of neoliberalism; how its claims to be able to increase wealth and freedom are correlated with ways to increase the prosperity and security of life itself. For its capacities to correlate practices for the increase of economic profit and prosperity with those dedicated to increasing the profitability and prosperity of the biosphere are precisely why the doctrine of sustainable development is so compatible with it.

What is needed is a policy and practice of sustainable development reflexive enough to provide space for a contestation of the forms of neoliberalism that are currently being presented by Western states and international organizations as answers to the problem of sustainability. A policy and practice that will cut the poor and underdeveloped some slack when it comes to issues of environmental degradation, climate change, and struggles for and over natural resources. A policy and practice that will, while taking into account the grave nature of these problems, take seriously the degradations of capacities for the development of political subjectivity that occur when adaptation rather than resistance to the conditions of worldly suffering becomes a governing imperative. We have enough voices, now, calling within the chorus of development for the saving of the planet. But where are the voices that will call for the saving of the political? For sustainable development to reinvent itself it needs to master the ecological reason from which it emerged and forge newly political paradigms of thought and practice. Why is it that the conception of ecology at work in sustainable development is so limited that it permits neoliberalism to proliferate, like a poison species, taking over entire states and societies in the wake of their

disasters, utilizing their suffering, as conditions for its spread, installing markets, commodifying anything it can lay its hands on, monetizing the value of everything, driving peoples from countryside into cities, generating displacement, homelessness, and deprivation? Isn't this an ecological problematique? Why is this death- and suffering-producing machine tolerated in the name of sustainability? It is not only living species and habitats that are today threatened with extinction, and for which we ought to mobilize our care, but the words and gestures of human solidarity on which resistance to such biopolitical regimes of governance depends (Guattari, 1995). A sense of responsibility for the survival of the life of the biosphere is not a sufficient condition for the development of a political subject capable of speaking back to neoliberalism. Nor a sense of responsibility for the life of humanity. What is required is a subject responsible for securing incorporeal species, chiefly that of the political, currently threatened with extinction, on account of the overwrought fascination with life that has colonized the developmental as well as every other biopoliticized imaginary of the modern age.

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