

## UNEXPECTED AND UNAVOIDABLE: THE MANY FACES OF NEOLIBERALISM

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### Introduction

Neoliberalism was born at the *Colloque Walter Lippmann* that took place in Paris in August 1938. It is in the records of this meeting, which brought together some of what would be first generation neoliberals to discuss a book by the American journalist Walter Lippmann that decried the decline of liberalism and the rise of its antagonists that we find the term neoliberalism for the first time as a label that the participants claimed for a shared political-intellectual agenda. But despite the immense productivity of neoliberal thinkers from the Austrian Friedrich August von Hayek to the American Milton Friedman and the German ordoliberal Wilhelm Röpke and Walther Eucken to name just some of them, neoliberalism remained little more than an intellectual pipe dream for decades to come. The neoliberals vehemently criticized what they called totalitarian collectivism and warned that the hegemonic Keynesianism of the post-war era would prove to be the first step on a slippery slope towards a system of central planning but their shrill critiques largely remained a fringe phenomenon until the onset of the 1970s. That decade witnessed economic crises all over the OECD world and with the economic came the epistemological crisis of Keynesianism triggered by the latter's difficulties in accounting for the phenomenon at the heart of the economic problems, i.e. stagflation, the combination of stagnant growth and high levels of inflation. This crisis created a strategic opening for neoliberalism;<sup>1</sup> be it the more monetarist version in Thatcher's Britain or its deregulatory supply-side variety in the form of Reaganomics. To be sure, the world of 'actually existing neoliberalism' often strayed as far from its theoretical counterpart as actually existing socialism diverged from Marx but it would be a mistake to dissociate neoliberal practices from theory, because this suggests that the respective policies and governing rationalities emerged out of thin air when, in fact, at least some of them can be clearly traced back to the intellectual precursors: Austerity and the infamous debt brakes of today, to name just one example, are prefigured in ordoliberal thought and are an explicit demand put forward not only by Friedman but also his Chicago/Virginia School compatriot James Buchanan ever since the mid-1970s.

It is commonly assumed that neoliberalism began its global ascent in the mid-1970s and became hegemonic in the 1990s. However, so the conventional story goes, this unassailable position was challenged and neoliberal hegemony shattered with the financial crisis of 2008. Intellectuals like Joe Stiglitz or Jürgen Habermas foretold the decline of neoliberalism in the wake of the disaster that unleashed markets in combination with a rapidly expanding financial sector had produced. When it became clear that neoliberalism's 'stagflationary moment'; i.e. the moment of potentially fatal crisis, had passed without any major change aside from cosmetic corrections in the governance of the financial sector, commentators began to refer to a 'zombie neoliberalism' that was allegedly 'dead, but dominant'.<sup>2</sup> The faint hope expressed in this formulation that the world was witnessing neoliberalism's last stand which would inevitably end with its fall turned out to be mistaken as

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<sup>1</sup> As Milton Friedman famously put it: „Only a crisis – actual or perceived – produces change. When that crisis occurs, the actions that are taken depend on the ideas that are lying around. That, I believe, is our basic function: to develop alternatives to existing policies, to keep them alive and available until the politically impossible becomes politically inevitable.” Milton Friedman (2002 [1962]): *Capitalism and Freedom*. Chicago: University of Chicago Press.

<sup>2</sup> See Neil Smith (2010): The Revolutionary Imperative, in: *Antipode* 41, no. s1, pp. 50-65.

neoliberalism, if anything, appeared to be more entrenched than ever before. However, in the recent past new diagnoses have been put forward that portray a resurgent nation state and the trend towards more authoritarian and/or populist forms of governing as the silver bullet that one may not particularly like but at least it might kill undead neoliberalism for good. So is the 'era of neoliberalism' finally about to end? While it is doubtful whether we should use such sweeping terms such as the 'age' or 'era' of neoliberalism because the latter always exists in a field of contestation with other projects be they conservative, etatist or even socialist, the answer to the substantive question is undoubtedly 'no' if we consult some of the most recent assessments coming from well-established analysts and critics of neoliberalism, namely Nancy Fraser, William Davies and Ian Bruff. All three assume that there is a shift within neoliberalism, the symptoms of which range from European austerity to Brexit and 'Trumpism' but none of them suggest that the end of this transformed neoliberalism is in sight. Fraser describes the current conjuncture as the shift from progressive to reactionary neoliberalism. She argues that while the neoliberalism of the 1990s was one that made use of the vocabulary of progressivism from 'empowerment' to 'diversity' and even – at times – inadvertently and selectively furthered some progressive causes, the recent past shows that this mix of “truncated ideals of emancipation and lethal forms of financialization” has been rejected by voters who now tend towards a neoliberalism that is infused with sexism, racism and xenophobia as both Trump's election and the Brexit vote prove.<sup>3</sup>

The second assessment comes from William Davies, who also sees a departure from the ideal typical neoliberalism of the 1980s (“combative neoliberalism”) and the 1990s (“normative neoliberalism”) in the wake of the financial and especially the European sovereign debt crisis. Davies detects a shift towards a “punitive neoliberalism” that is “organized around an ethos of punishment”<sup>4</sup> that is heavily moralized, bordering on the irrational and is particularly directed at vulnerable populations from (collective) debtors to the recipient of social transfers: the message of this regime is that debtors in particular are not only economically delinquent (see Greece or Portugal) but also normatively deficient. To borrow a famous formulation from Max Weber one could say that neoliberalism was a silk cape that the men and women of the 1990s chose to wear lured by promises of individual freedom and self-realization but in our contemporary world it has turned into an iron cage of ever intensified competition. This analysis has some overlaps with the last of these recent assessments on the state of neoliberalism that Ian Bruff has developed and that comes closest to my own view in many respects. For Bruff the shift that began in the wake of the financial crisis is one towards 'authoritarian neoliberalism' with strong states and an emphasis on internal and external security. These 'strong states' are also capable of doling out the punitive neoliberalism Davies describes but Bruff not only looks at the policy output but also the structural dimension of the state and its apparatuses as well as the democratic control of them and comes to the conclusion that there is a clearly detectable authoritarian turn.<sup>5</sup> All of these diagnoses contain important insights but especially those of Davies and Bruff benefit from a clear-sighted conceptualization of what neoliberalism represents and what it doesn't and in this regard I share their view to a significant degree. The reason why anyone could think that the rise of authoritarianism and a resurgent nation state could

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<sup>3</sup> Nancy Fraser (2017): The End of Progressive Neoliberalism, in: Dissent. Available online at [https://www.dissentmagazine.org/online\\_articles/progressive-neoliberalism-reactionary-populism-nancy-fraser](https://www.dissentmagazine.org/online_articles/progressive-neoliberalism-reactionary-populism-nancy-fraser)

<sup>4</sup> William Davies (2016): The New Neoliberalism, in: *New Left Review* 101, pp. 121-134, 124.

<sup>5</sup> See Ian Bruff (2014): The Rise of Authoritarian Neoliberalism, in: *Rethinking Marxism* 26, pp. 113-129.

signal the imminent decline of neoliberalism is a particular and widely held understanding of what the latter stands for. If it is portrayed as market fundamentalism or the doctrine of self-regulating markets this may be a plausible hypothesis but it is informed by severely impoverished interpretation of neoliberalism – both in theory and in practice. Neoliberalism is often described as a wholly economistic body of thought that is solely focused on markets and economies as if they existed in a vacuum. However, if one actually consults the works of a Hayek, Buchanan, Eucken or even Friedman it turns out that this is far from accurate as the neoliberals devote almost as much time and space to the infrastructure of markets as to those markets themselves. The reason for this is what I call the neoliberal problematic that constitutes the smallest common denominator of neoliberal thought. The crucial question underlying this problematic is the following: What are the preconditions for functioning markets? And for the neoliberals it is quite clear that the answer ‘laissez-faire!’ is far too simplistic and no longer presents a viable option. This means that neoliberalism is not economistic but should be understood as a body of thought in *political economy*. In other words, there is something like a genuinely political dimension to neoliberal thought. It is certainly a market-centered way of thinking but it is precisely the relation between the economic and the non-economic (be it social or political) that preoccupies the neoliberals. The questions that need to be addressed among others are: what are the positive functions of the state and what must it be prevented from doing in order to maintain functioning markets? How is this task complicated by the fact that it may be a democratic state? How must democracy be reformed or do we even have to look beyond democratic rule if functioning markets are to be safeguarded? The chapters of this book focus on this political dimension of neoliberalism in both, theory and practice.

The first chapter of this volume is devoted to the issue of democracy and what the neoliberals have to say about it. In my view three varieties of neoliberal thought with regard to democracy can be distinguished analytically: The first variety seeks to restrict democracy through procedural rules like the debt brake or the rule of law more generally. This is the only way from keeping democracies from sliding either into a chaotic pluralism or even some form of totalitarian rule, as Hayek and the ordoliberalists suggest. The second argues for a replacement of democratic institutions and procedures through markets wherever possible, contending that the marketplace is a superior coordination mechanism when compared to representative democracy. The final variety offers the most counterintuitive position as it calls for a complementation of representative democracy through more direct democratic measures, which would make it possible to bypass a political class that is portrayed as self-serving and status-quo oriented. My point in this chapter is to give a comprehensive and also nuanced analysis of the various positions and sharpen our understanding of the respective arguments not the least because the criticisms of democracy put forward by neoliberals are often plausible and could be shared by many across the political spectrum. It is the remedies recommended that are problematic as the cure for democracy’s ills often turn out to be worse than the disease.

The second chapter is devoted to the neoliberal state and begins with an assessment of its significance for both neoliberal theory and neoliberal practice. As already hinted at above, the state inhabits a rather crucial if highly ambivalent place in neoliberal thinking because while it poses the most severe threat to any number of neoliberal projects, it simultaneously could prove to be the most potent instruments in furthering these projects if only set up and used in the right way. Markets may be at the center of neoliberalism but the state is its neuralgic point because of the complex interrelations between the state and those markets. The neoliberals thus face a conundrum

because functioning markets are threatened by states but they are also maintained by them; neoliberalism and the state are, as it were, 'frenemies'. In actually existing neoliberalism we see the state performing different functions during different phases of neoliberalism but also on different scales. The remainder of the first chapter is devoted to an analysis of its role in these various contexts on the basis of a survey of some of the more recent literature.

The final chapter presents a succinct argument for a particular interpretation of the reforms that have reshaped the European Union and especially the Eurozone over the last six years. The starting point is a reconstruction of the ordoliberal view on state, democracy and science as it can be found in the works of Röpke, Eucken or Alexander Rüstow. In my reading the ordoliberals tend towards an authoritarian understanding of the state and by the same token they view democracy rather skeptically. Their concern is that in a 'pluralist' democracy the state is besieged by interest groups and has to do their bidding thus making it impossible for state actors to pursue a sober market-enabling socio-economic policy. The remedy is a shielding of the state against undue societal influence either through lobbying or official democratic channels, which is to result in an independent and autonomous 'strong state' that is unified to the point of being almost monolithic. The policies of this strong state are then to be informed and guided by scientific expertise with the disciplines of economics and law being of particular importance for a rational market-enabling politics. In my view the restructured economic governance institutions of the European Union more and more come to resemble this view of politics as semi-authoritarian technocracy. The European Commission has been strengthened by the various 'Pacts' of the last years and it is in charge of overseeing various procedures that can ultimately lead to sanctions against states that have either excessive deficits or macroeconomic imbalances. The European Commission is well insulated against popular democratic pressures and its detailed country reports and recommendations for all kinds of structural reforms are all based on the seemingly depoliticized knowledge of economic experts. So, to put it pointedly, we witness the ordoliberalization of Europe – or at least this is what I contend in this chapter.

In my view, a critique of neoliberalism's theory and practice must not solely focus on economic issues but also has to problematize its political dimension. The chapters in this volume aim to make a contribution to this task.