The Neoliberal Challenge

What is Neoliberalism?

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To the reader:

This paper is a revised version of the article “Kva er nyliberalisme?” / “What is Neoliberalism?” – which was written and published in Norwegian in 2007. The English version has since been circulated as a working paper in several different versions. It is my intention to use this paper for two different purposes. Firstly, it will become part of my doctoral thesis, which is scheduled for completion and submission in July 2010. Secondly, I plan to publish it as a separate article in English. The text contains a few cross-references to the rest of my forthcoming doctoral thesis. These cross-references should be ignored at this occasion. All kinds of comments are welcome at this still early stage.

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**Introduction**

The word ‘neoliberalism’ has, during the past twenty to thirty years, become a quite widespread exhortation in many political and academic debates. Several authors have even suggested that neoliberalism is ‘the dominant ideology shaping our world today’, and that we live in an ‘age of neoliberalism’. This has especially been the case among authors who uses the concept pejoratively, and one could frequently suspect that they use the word as a catch-all term of abuse. The word describes what many perceive of as the lamentable spread of capitalism and consumerism, as well as the equally deplorable demolition of the proactive welfare state (Bourdieu 1998; 1998a; 2001; Chomsky 1999; Touraine 2001; Harvey 2005; Hermansen 2005; Saad-Filho and Johnston 2005; Hagen 2006; Plehwe et al. 2006).

The immense importance accorded by some to the phenomenon of neoliberalism does not signify, however, that the word represents a clearly defined concept. It is, also, relatively uncommon to use the word in a positive sense, or as a form of self-identification (cf. though Moslet 1984; Fogh Rasmussen 1993; Norberg and Bejke 1994; cf. also Norberg 2001). I believe, however, that it is a useful concept which might be used to describe some recent demands for market deregulation, as well as public sector reforms which aim to make government agencies more similar to private companies, even if it is not particularly clear how and in what sense the concept describes a trend which is both ‘new’ and ‘liberal’ (cf. Garbo 2008).

The concept suggests its own definition: ‘Neoliberalism’ must surely be some sort of revival of ‘liberalism’. This rather intuitive definition suggests that the ideology of liberalism has been absent from political discussions and policy-making for a period of time, but that it has now re-emerged in a rejuvenated form. It suggests, in other words, that liberalism has undergone a process of initial growth, intermediary decline, and finally a recent renewal. Alternatively, neoliberalism might be perceived of as a distinct ideology, descending from, but not identical to ‘liberalism proper’. Under this interpretation, neoliberalism would share some historical roots and some of the basic vocabulary with liberalism in general. This makes neoliberalism analogous to ‘neoconservatism’, which is a ‘political persuasion’ similar to and yet markedly different from conventional conservative thought, and often hardly recognisable as a genuinely conservative ideology, with its often enthusiastic support for expedited changes – at least abroad (Kristol 1983; Wolfson 2004, Fukuyama 2006).

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1 An earlier version of this paper has previously been published, in Norwegian and with Amund Lie as co-author, under the title “Kva er nyliberalisme?” in the book Nyliberalisme – ideer og politisk virkelighet (Thorsen and Lie 2007).
An initial mystery facing anyone who wants to study neoliberal ideology in more detail is that there hardly seems to be anyone who has written about neoliberalism from a sympathetic or even neutral point of view. Practically everyone who writes about neoliberalism does so as part of a critique of neoliberal ideology. Neoliberalism is in this ‘critical literature’ customarily thought of as the return and spread of one specific aspect of the liberal tradition, namely economic liberalism. Economic liberalism is, basically, the belief that states ought to abstain from intervening in the economy, and instead leave as much as possible up to individuals participating in institutions which are supposed to be free and self-regulating markets.

Economic liberalism and neoliberalism should, in my view, be held separate from liberalism in general, which I understand, along with the Oxford English Dictionary (1989), rather broadly as a political ideology which is “[f]avourable to constitutional changes and legal or administrative reforms tending in the direction of freedom or democracy”. The same dictionary describes neoliberalism also, which is said to be “a modified or revived form of traditional liberalism, [especially] one based on belief in free market capitalism and the rights of the individual” (Oxford English Dictionary 1989a). While these definitions are somewhat illuminating, they do need further elaboration. It is especially obscure how, and in what sense, neoliberalism is a descendant of – or offshoot from – liberalism in general.

I suggest in this article that while the concept itself has become an imprecise exhortation in much of the literature, often describing any tendency deemed to be undesirable, it might still be given a more precise definition. If this is done, then the concept could become a useful analytical device in order to describe some recent economic and political trends. In the second part of this article, I set out to describe the concept of liberalism. This analysis of liberalism in general will serve as a background to the third part, which will attempt to sort out the concept of neoliberalism. At the end of this section, I will propose a definition of neoliberalism. The fourth part will discuss whether or not ‘neoliberalism’ is a useful concept for political analysis. The final section will ask how important neoliberal ideology actually is, and to what degree it is the kind of governing force in the world today, as many of the ‘critical’ authors would have it. This section will contain more questions than clear answers. This final section will also ask whether, or to what degree, neoliberalism is a ‘new’ phenomenon, and if it is fruitful to describe neoliberal ideology as ‘liberal’ in any straight-forward sense of the word. These final comments will set the stage for further discussions in the next two chapters.
Liberalism

The intuitive definition of neoliberalism in the introduction above suggests a particular account of the development of liberal thought. It suggests that liberalism was at one point in time an influential political ideology, but that it at some point lost some of its significance, only to revive itself in more recent times in a new and perhaps more intransigent form. As it turns out, however, liberalism has dominated normative political thought as well as practical politics in the West for the past sixty years, up to the point in which it has become a shared inheritance among political theorists, professional politicians, and nearly all significant political movements in its native countries. This is attested by the fact that hardly anyone speaks out anymore against freedom or democracy, which are the primary values of liberalism according to the dictionary definition quoted above. Neoliberalism could therefore scarcely be understood as the recovery of a lost tradition.

The word ‘liberal’ took on a specifically political meaning with the establishment of liberal parliamentary caucuses, first in Sweden and Spain, and then all over Europe, in the beginning of the nineteenth century (Gray 1995). When these embryonic political parties coined the term ‘liberal’, they wanted to signal their favourable assessment of the emerging democratic systems in Britain and the United States, as opposed to their conservative opponents, who wanted to return to pre-revolutionary forms of government (cf. Sartori 1987:367f). The epithet is usually, however, held to describe a considerably older ideology, dating at least back to the political theories of John Locke, and his philosophical and theological defence of property rights and religious toleration at the end of the seventeenth century (Laski [1936] 1997; Ryan 1993; Gray 1995). Because of its long history, liberalism has become a rather nebulous concept, and usage has varied quite considerably over time, and in accordance with different regional experiences. The opening sentences of an entry in a reference book should suffice to describe the lexicographer’s headache:

“Anyone trying to give a brief account of liberalism is immediately faced with an embarrassing question: are we dealing with liberalism or liberalisms? It is easy to list famous liberals; it is harder to say what they have in common. John Locke, Adam Smith, Montesquieu, Thomas Jefferson, John Stuart Mill, Lord Acton, T. H. Green, John Dewey and contemporaries such as Isaiah Berlin and John Rawls are certainly liberals – but they do not agree about the boundaries of toleration, the legitimacy of the welfare state, and the virtues of democracy, to take three rather central political issues” (Ryan 1993:291).
The matter is not helped, either, by the fact that many have used ‘liberalism’ as a generic term “of praise or obloquy in the political struggle”, with many liberals themselves attempting to “define liberalism in such a way that only the very deluded or the very wicked could fail to be liberals” (Ryan 1993:292). In addition, different liberal parties, politicians, and political philosophers have often put forward differing opinions of what the ‘original’ or ‘true’ meaning of liberalism actually is. This is often what happens when adherents of economic liberalism clash with more left-leaning adherents of ‘social liberalism’ on such basic political questions as what, and with how much, the state ought to concern itself.

One could more easily identify, however, some of the more common varieties of liberalism and liberal thought. One frequently encountered distinction is the separation between ‘classical’ and ‘modern’ types of liberalism (Ryan 1993:293-296).

**Classical** liberalism is, under Ryan’s understanding, associated with earlier liberals such as the already mentioned John Locke and Adam Smith. In addition, he names Alexis de Tocqueville and Friedrich von Hayek as more recent representatives of classical liberalism. Classical liberalism is often associated with the belief that the state ought to be *minimal*, which means that practically everything except armed forces, law enforcement and other ‘non-excludable goods’ ought to be left to the unregulated dealings of its citizens, and the organisations and corporations they spontaneously choose to establish and take part in. This kind of state is sometimes described as a ‘night-watchman state’, as the sole purpose of the minimal state is to uphold the most fundamental aspects of public order. Classical liberalism has thus much common ground with what I described above as ‘economic liberalism’. And it is often the case that classical liberals are, with their tendency to favour *laissez-faire* economic policies, portrayed as leading proponents of ‘neoliberalism’, commonly placed on the right wing of the political spectrum.

**Modern** liberalism is, on the other hand, characterised by a greater willingness to let the state become an active participant in the economy. This has often issued in a pronounced tendency to regulate the marketplace, and to have the state supply essential goods and services to everyone. Modern liberalism is therefore, for all intents and purposes, a profound revision of liberalism, especially of the economic policies traditionally associated with it. Whereas ‘classical’ or ‘economic’ liberals favour *laissez-faire* economic policies because it is thought that they lead to more freedom or real democracy, modern liberals tend to claim that this analysis is inadequate and misleading, and that the state must play a significant role in the economy, if the most basic liberal goals and purposes are to be made into reality.
Such ‘modern’ views could be associated with nineteenth-century theorists such as Benjamin Constant and John Stuart Mill. More recently, John Dewey, William Beveridge, and John Rawls have articulated similar ideas, but they have still chosen to hold on to the name of liberalism as a heading on their political thought, in spite of the fact that their policy recommendations often coincide or overlap with those of many democratic socialists. Modern liberalism could generally be thought of as being situated politically to the left of classical liberalism, in the centre of the political spectrum, because of its willingness to employ the state as an instrument for redistribution of wealth and power – in order to create a society deemed to be more decent or equitable (cf. Beveridge 1944; 1945; Rawls 1993).

An overlapping fault line conflict within liberal thought which Ryan describes is the more recent conflict between ‘liberalism’ or ‘liberal egalitarianism’ on one hand, and ‘libertarianism’ on the other (Ryan 1993:296-297; cf. also Kymlicka 2002:53-165). This dimension is to a certain degree similar to the division between classical and modern liberalism, but not entirely so. One might perhaps perceive of libertarianism as a radicalised version of classical liberalism, at least as this position has been expressed by for instance Robert Nozick (1974) and Murray Rothbard ([1962/1970] 2004), and liberal egalitarianism as a more philosophically rigorous restatement of modern liberalism (cf. especially Rawls 1971; Ackerman 1980).

Libertarianism is, as its name suggests, an uncompromising concern for individual and commercial liberty above everything else, coupled with a corresponding de-emphasis of other traditional liberal goals such as democracy and distributive justice. This sets libertarians apart from many earlier classical liberals such as Smith and Tocqueville who, while they vigorously advocated quite extensive freedom of action in the economic sphere, also acknowledge the validity and legitimacy of other concerns. Later classical liberals such as Hayek are however hardly distinguishable from the libertarians. Even if he and other economists of the ‘Austrian school’ insists on describing themselves as classical liberals, they accuse at the same time mainstream liberals of advocating “a program that only in details differs from the totalitarianism of the socialists” (Mises 1962:v; cf. Hayek 1973; 1976, 1979). Liberal egalitarians, meanwhile, generally share the traditionally liberal view that legitimate goals and ideals are many, and that commercial autonomy is merely one of these goals. The name, liberal egalitarianism, indicates that liberal egalitarians would like to see equality as well as liberty, which places them alongside other modern liberals, politically to the left of classical liberals and libertarians alike.
Surveying the history and recent developments of liberal thought, one could quite easily come to agree with Ryan (1993), that it would be difficult to pinpoint exactly which political ideals, goals, and beliefs liberals have in common. There have, however, been made several attempts to make a reunified definition of what sort of ideology liberalism actually is. John Gray’s solution is to emphasise what he believes most liberals have in common. He identifies four basic elements of a highly abstract conception of man and society which he believes liberals of all quarters adhere to, and which sets them apart from non-liberals:

“Common to all variants of the liberal tradition is a definite conception, distinctively modern in character, of man and society. What are the elements of this conception? It is individualist, in that it asserts the moral primacy of the person against the claims of any social collectivity: egalitarian, inasmuch as it confers on all men the same moral status and denies the relevance to legal or political order of differences in moral worth among human beings; universalist, affirming the moral unity of the human species and according a secondary importance to specific historic associations and cultural forms; and meliorist in its affirmation of the corrigibility and improvability of all social institutions and political arrangements. It is this conception of man and society which gives liberalism a definite identity which transcends its vast internal variety and complexity.” (Gray 1995:xii, author’s own emphases).

Ryan’s introductory essay on liberalism also contains an elaboration of some core tenets of liberalism, in the form of three ‘liberal antipathies’, and three ‘liberal prescriptions’. The liberal antipathy for political absolutism, theocracy and unrestricted capitalism are common to all liberals from Locke to our day, according to Ryan (1993). Of these, it is the last which is a bit surprising, given the emphasis put on mercantile autonomy by the classical liberals. As Ryan shows, however, there are marked differences between the favourable assessment of the market economy given by classical liberals such as Smith, and the uncompromising support of the market economy displayed by many libertarians, which Ryan implicitly places outside of ‘liberalism proper’. The prescriptions he alludes to are more familiar. Liberalism is, he says, a set of political theories which emphasise first of all that individuals ought to be free to choose between different options in life-defining decisions. Secondly, liberalism includes the view that society ought to be subjected to the rule of law and to democratic governance. Finally, Ryan hooks up liberalism with the idea that state power ought to be exercised with caution and within constitutional limits, for instance within a system based on the separation of powers, as suggested by earlier liberals such as Locke and Montesquieu.
‘Liberalism’ is, undoubtedly, a rather vague and often highly contested concept. It usually describes a disposition towards individual liberty and democracy which might be present in a person’s political point of view, or ingrained in the political culture of a country, rather than a well-defined and clearly demarcated set of political beliefs (cf. Sartori 1987; Waldron 1987; Shklar 1989; Walzer 1990; Larmore 1990; Rawls 1993; Galston 1995; Kekes 1997; Gray 2000). This means that liberalism is less of a ‘partisan’ ideology, and more like a shared heritage between those that are committed to goals and ideals such as democracy and freedom. It seems, however, that liberalism has become, in effect, an ‘essentially contested concept’ (Freeden 1986; 1996; Abbey 2005; cf. Gallie 1956).

Neoliberalism: conceptual history and definitions

The ‘critical’ literature

According to Saad-Filho and Johnston (2005:1), “we live in the age of neoliberalism”. Along with the other authors of the book, Neoliberalism – A Critical Reader, they share the quite common, but not necessarily factually accurate, view that power and wealth are, to an ever increasing degree, concentrated within transnational corporations and global elite groups. This alleged concentration of power comes as a result of the practical implementation of an economic and political ideology they identify as ‘neoliberalism’. On the volume’s back cover blurb, the publisher of the book goes even further, and describes neoliberalism as “the dominant ideology shaping our world today”. But in spite of its purportedly overshadowing importance, Saad-Filho and Johnston find it “impossible to define neoliberalism purely theoretically” (ibid.).

It is not, according to another contribution to the same volume, possible to date the emergence of neoliberalism precisely, but its foundations can be traced back to the classical liberalism advocated by Adam Smith, and to the specific conception of man and society on which he founds his economic theories (Clarke 2005). Neoliberalism is, according to this view, thought of as an entirely new ‘paradigm’ for economic theory and policy-making – the ideology behind the most recent stage in the development of capitalist society – and at the same time a revival of the economic theories of Smith and his intellectual heirs in the nineteenth century, especially David Ricardo and proponents of ‘Manchester liberalism’ such as Richard Cobden and John Bright.

This line of argument is continued by Palley (2005), who argues that a ‘great reversal’ has taken place, where neoliberalism has replaced the economic theories of centrist
liberals such as John Maynard Keynes and William Beveridge (Keynes 1936; Beveridge 1944; 1945). Keynesianism, as it came to be called, was the dominant theoretical framework in economics and economic policy-making in first few decades after World War II, but was then replaced by a more ‘monetarist’ approach inspired by the theories and research of Milton Friedman (1962; Friedman and Schwartz 1963). Since then, we are led to believe that ‘neoliberalism’, i.e. monetarism and related theories, has dominated macroeconomic policy-making, as indicated by the tendency towards less severe state regulations on the economy, and greater emphasis on stability in economic policy rather than goals made familiar by Keynes and Beveridge, such as full employment and the alleviation of abject poverty.

As maintained by Munck (2005), the possibility of a ‘self-regulating market’ is a core assumption in classical liberalism, and an important presumption among neoliberals as well. Efficient allocation of resources is the most important purpose of an economic system, and the most efficient way to allocate resources goes through market mechanisms, according to what Munck describes as ‘neoliberal economic theories’. Acts of intervention in the economy from government agencies are therefore almost always undesirable, because intervention can undermine the finely tuned logic of the marketplace, and thus reduce economic efficiency. As ‘the dominant ideology shaping our world today’, neoliberalism wields, according to Munck, great power over contemporary debates concerning international trade and reforms of the public sector. One is forced, basically, either to take up a position against neoliberal reforms, or else contribute to their diffusion and entrenchment.

The Critical Reader is in many ways a typical representative of a recent wave of ‘critical literature’ whose main goal it is to denounce a powerful tendency which goes under the name of ‘neoliberalism’ (cf. e.g. Blomgren 1997; Bourdieu 1998; 1998a; 2001; Giddens 1998; Chomsky 1999; Campbell and Pedersen 2001; Touraine 2001; Marsdal and Wold 2004; Rapley 2004; Harvey 2005; Hagen 2006; Plehwe et al. 2006; Mirowski and Plehwe 2009). Several of these works accord neoliberalism an overwhelming significance, while they at the same time seem quite happy to leave the concept of ‘neoliberalism’ completely undefined, claiming, along with Saad-Filho and Johnston, that it defies definition. One might therefore easily begin to suspect that the concept has become, in some quarters at least, a generic term of deprecation describing almost any economic and political development deemed to be undesirable.
Neoliberalism: A conceptual history

But even if the recent upsurge of critical literature suggests that neoliberalism is a new phenomenon, recorded usage of the term stretches back to the very end of the nineteenth century (Oxford English Dictionary 1989a), when it appeared in an article by the prominent French economist and central ideologue of the cooperative movement, Charles Gide (1898; cf. also Gide 1922). In his article, which is mainly a polemic against the so-called ‘neoliberal’ Italian economist Maffeo Pantaleoni (1898), Gide foreshadows later usage of the term. Neoliberalism is, according to Gide, a return to the classical liberal economic theories of Adam Smith and his attendants. After Gide, however, few make use of his concept, and usage is inconsistent, as different authors seem to emphasise different aspects of liberalism, when they describe more recent contributions to liberal theory as ‘neoliberal’ (cf. e.g. Barnes 1921; Burns 1930; Merriam 1938).

The first book-length work I have been able to discover, employing the term ‘neoliberalism’ in its title, is Jacques Cros’ doctoral thesis, “Le ‘néo-libéralisme’ et la révision du libéralisme” (Cros 1950). To Cros, neoliberalism is the political ideology which resulted from a few efforts at reinvigorating classical liberalism in the period immediately before and during World War II, by political theorists such as Walter Lippmann (1937), Wilhelm Röpke (1944; 1945), and Friedrich von Hayek (1944; Hayek et al. 1935). Cros’ main argument is, basically, that these ‘neoliberals’ have sought to redefine liberalism by reverting to a more right-wing or laissez-faire stance on economic policy issues, compared to the modern, egalitarian liberalism of Beveridge and Keynes. Cros generally applaud these ‘neoliberals’ for speaking out against totalitarianism at a time when only few people did so, especially among intellectuals. He remains sceptical, however, to their central thesis, common to most classical liberals, that individual liberty depends on there being an unregulated market economy, where the state has voluntarily given up its ability to control the economy for the good of society as a whole, or the interests of its own citizens.

After Cros, there are forty years in which the concept of ‘neoliberalism’ is used only infrequently, and then mainly to describe the situation in Germany, where it was occasionally used as an epithet for the ideology behind West Germany’s ‘social market economy’ (soziale Marktwirtschaft), for which in particular Röpke and other so-called ‘ordo-liberals’ served as central sources of inspiration (cf. Arndt 1954; Friedrich 1955). In particular, it is the German social theorist and Catholic theologian Edgar Nawroth (1961; 1962) who attempts, building in part on Cros, to concentrate his analyses of the political and economic developments of the Federal Republic around a concept of Neoliberalismus.
In Nawroth’s studies, it is the attempts made by the first two West German Chancellors, Konrad Adenauer and Ludwig Erhard, to combine a market economy with liberal democracy and some elements of ‘Catholic social teachings’ (*katholische Soziallehre*), which are described as ‘neoliberalism’, and as a ‘third way’ between fascism and communism. Nawroth himself, however, remains sceptical to this rather eclectic ideology, and he is especially concerned by his perception that the market economy inspires people to become acquisitive and self-centred, and thus hampering their moral development and weakening the internal solidarity of German society. In short, Nawroth’s highly conservative critique of West German ‘neoliberalism’ (and modernity in general) inaugurates a new tradition of using the term depreciatively, even if he uses it to describe an economic system which characteristically lacked the doctrinaire rigidity often associated with neoliberalism in the ‘critical literature’ of more recent times.

Cros and Nawroth’s concept of neoliberalism was slowly and gradually exported to the rest of the world, where it during the 1990’s gained the prevalence it now has. We can witness the early stages of this movement in an article by the Belgian-American philosopher Wilfried ver Eecke (1982), which implicitly is an attempt to export Cros and Nawroth’s concept of neoliberalism to the English-speaking world. Ver Eecke uses in his text the concept of neoliberalism to describe German ordo-liberalism as well as American monetarism, which according to ver Eecke share a strong preference for a state which reserves for itself the right to intervene in the market only in order to preserve the market economy as such, for instance with the institution of anti-trust legislation and monetary policies solely aimed at price stability.

In his article, we can therefore see the concept of neoliberalism in a more mature state, compared to the expositions given by Cros and Nawroth. Under ver Eecke’s understanding, neoliberalism is not a description of any kind of recent contributions to liberal theory, but rather a concept reserved for a particular *kind* of liberalism, which is marked by a deep-seated commitment to *laissez-faire* economic policies. Among the proponents of such policies one finds some of the more uncompromising classical liberals such as Mises and Hayek, monetarists and other economists bent on establishing and preserving what they perceive of as ‘free markets’ such as Friedman, and finally also those libertarians whose much-repeated insistence on individual liberty issues in a demand for a minimal or non-existent state, like Nozick and Rothbard.
Definitions of neoliberalism

In the recent ‘critical’ literature, David Harvey stands out as being one of the few who tries, in his *A Brief History of Neoliberalism*, to give the concept a wide-ranging definition, which in part harks back to the analyses given by Cros, Nawroth and ver Eecke (Harvey 2005). His definition does shed a ray of light on the issue of what kind of phenomenon neoliberalism is:

“Neoliberalism is in the first instance a theory of political economic practices that proposes that human well-being can best be advanced by liberating individual entrepreneurial freedoms and skills within an institutional framework characterized by strong private property rights, free markets and free trade. The role of the state is to create and preserve an institutional framework appropriate to such practices. The state has to guarantee, for example, the quality and integrity of money. It must also set up those military, defence, police and legal structures and functions required to secure private property rights and to guarantee, by force if need be, the proper functioning of markets. Furthermore, if markets do not exist (in areas such as land, water, education, health care, social security, or environmental pollution) then they must be created, by state action if necessary. But beyond these tasks the state should not venture. State interventions in markets (once created) must be kept to a bare minimum because, according to the theory, the state cannot possibly possess enough information to second-guess market signals (prices) and because powerful interest groups will inevitably distort and bias state interventions (particularly in democracies) for their own benefit” (Harvey 2005:2).

Harvey’s definition of neoliberalism is tightly knit to his overall analysis, which includes the firmly held belief that the world has experienced “an emphatic turn towards neoliberalism in political-economic practices and thinking since the 1970s” (ibid.). Harvey proposes with his definition to view neoliberalism, not as the rejuvenation of liberalism in general, but as a distinctive economic theory. It is also apparent that Harvey sees neoliberalism, not as a continuation of ‘liberalism proper’, but as something which lives independently of more traditional liberal values and policies.

In fact, it seems that some neoliberals are not liberals in any meaningful sense at all, as Harvey seats clearly anti-liberal autocrats such as Deng Xiaoping and Augusto Pinochet among the political vanguard of neoliberalism. Nevertheless, it seems that many neoliberals share a liberal identity. Among these, liberal political theorists and economists such as
Hayek and Friedman figure prominently alongside nominally conservative politicians such as Reagan and Thatcher in Harvey’s gallery of neoliberals. With his definition, which incorporates everything from Thatcherism to ‘socialism with Chinese characteristics’, Harvey emphasises, quite rightly, that neoliberalism is ‘a theory of political economic practices’ rather than a ‘complete’ political ideology. In fact it does not seem to be any sort of clear-cut connection between a favourable assessment of neoliberal economic practices and a commitment to ‘liberalism proper’ in Harvey’s analysis of economic policy.

Another attempt to study neoliberalism, but this time from the perspective of normative political theory comes from Anna-Maria Blomgren (1997). In a ‘critical analysis’ of the political thought of Friedman, Nozick and Hayek, she describes their respective political and economic theories as representative of ‘neoliberal political philosophy’. In addition, Blomgren (1997:14n5) mentions David Gauthier, Jan Narveson, Milton’s son David Friedman, Murray Rothbard, James Buchanan, and Ayn Rand as being other prominent neoliberal political philosophers. Blomgren’s basic definition of neoliberalism overlaps, also, to a considerable degree with Harvey’s definition, but emphasise more clearly the internal diversity of neoliberal thought:

“Neoliberalism is commonly thought of as a political philosophy giving priority to individual freedom and the right to private property. It is not, however, the simple and homogeneous philosophy it might appear to be. It ranges over a wide expanse in regard to ethical foundations as well as to normative conclusions. At the one end of the line is ‘anarcho-liberalism’, arguing for a complete laissez-faire, and the abolishment of all government. At the other end is ‘classical liberalism’, demanding a government with functions exceeding those of the so-called night-watchman state” (Blomgren 1997:224).

Under Blomgren’s view, Hayek, Friedman, and Nozick all give separate theoretical groundings to neoliberal evaluations and policies. Friedman is, for instance, on the surface a typical representative of consequentialist neoliberalism: He favours neoliberal policies such as deregulation, privatisation, and severe tax cuts because of the perceived positive consequences such courses of political action will have for the overall economic situation. When Blomgren delves deeper into the matter, however, she finds that his policy recommendations are actually ultimately based on a conception of natural law. This means that Friedman in the end wants to bring about the neoliberal ‘package’ of policies and
economic practices because human beings are by nature social, and that their social nature dictates a certain way of organising society which places a great emphasis on individuals being ‘free to choose’ in as many situations as possible (cf. Friedman 1962; 1980).

Hayek, on a similar note, comes across as a more conservative type of neoliberal, who, while approximating at places a utilitarian argument in favour of neoliberalism, also bases his political thought on an idea of natural law. Central to Hayek’s theory is the notion of a ‘spontaneous order’ of social life, which is better than any kind of artificially created order when it comes down to securing individual liberty and well-being. A proactive welfare state will inevitably, no matter how benevolent its intentions are, stifle economic growth and put an unjustifiable limit on individual liberty (cf. especially Hayek 1944; 1973).

Nozick is, finally, in his earlier works at least, a representative of a deontological kind of neoliberalism. He advocates much of the familiar neoliberal policies, but they are grounded in an idea that a set of immutable natural rights have been conferred to all human beings. These rights make it difficult to see that the state could have any legitimate role to play at all (Nozick 1974). Nevertheless, Nozick wants the state to rectify past injustices, even if this will mean much government intervention in the economy. Unlike Friedman and Hayek, Nozick does not allude to the purportedly good consequences of neoliberal policies when he argues in their favour, but believes instead that such policies are the right measures for creating a society in accordance with his conception of justice and natural rights.

These categorisations of different types of neoliberalism, which Blomgren makes in her book, are quite clearly not entirely unproblematic. A case could be made for other interpretations, in which for instance the political theories of Friedman and Hayek are given an indirectly utilitarian grounding, rather than the kind of foundation in natural law envisioned by Blomgren (Malnes 1998; Lundström 1998). What remains quite easy to recognise in her overall analysis, however, is her final question: Is it meaningful to view neoliberalism as a unified tradition of political thought, given the widely different theoretical justifications of the same set of policies in circulation?

Perhaps it is better, after all, to view neoliberalism not as one distinct political philosophy, but as a convenient description for an amorphous set of political theories instead. Such theories range from Rothbard’s ‘anarcho-capitalism’, which includes the belief that the state ought to be abolished altogether, to the ‘classical liberalism’ of Mises and Hayek, who firmly believes that a strong but largely inactive commonwealth is a necessary precondition for social life, as well as individual and commercial liberty. Frequently, these different political philosophies speak with one voice, advocating a sweeping ‘roll-back of the
state’ and the creation of a society principally governed by unregulated market mechanisms. But they are also dissimilar enough to warrant a more finely tuned criticism, which takes their internal differences seriously, rather than gathering them all under the banner of neoliberalism.

Neoliberalism defined

In light of the literature presented above, it is, in my view at least, possible to reach a fruitful definition of neoliberalism which builds on the more moderate voices in the vast body of ‘critical literature’. The definition proposed below is as I see it more to the point, and better able to function within the framework of a more disinterested analysis of the phenomena which are usually subsumed under the heading of neoliberalism.

Neoliberalism is, as I see it, a loosely demarcated set of political beliefs which most prominently and prototypically include the conviction that the only legitimate purpose of the state is to safeguard individual liberty, understood as a sort of mercantile liberty for individuals and corporations. This conviction usually issues, in turn, in a belief that the state ought to be minimal or at least drastically reduced in strength and size, and that any transgression by the state beyond its sole legitimate raison d’être is unacceptable (cf. especially Mises 1962; Nozick 1974; Hayek 1979).

As Blomgren has pointed out, one can find many different overarching moral theories which might lead someone to accept such a neoliberal view of what the state ought and ought not to do. In terms of practical policy, however, such theoretical disputes are often overshadowed by a united effort to abolish the so-called ‘nanny state’, and to put more responsibilities into the hands of individuals and private organisations operating in unregulated markets. It is, in essence, this practical desire to privatise and depoliticise decisions which sets neoliberals apart from others (Thorsen 2008).

This infatuation with the minimal state could apply to the international level as well, where it is thought that a system of unregulated markets and so-called ‘free trade’ ought to be implemented as well. The only acceptable reason for regulating international trade is to safeguard the same kinds of mercantile liberty and the same kinds of strong property rights, which in the first place ought to be realised on a national level (Norberg 2001; T. Friedman 2006). Neoliberal convictions often also includes the belief that market mechanisms is the optimal way of organising almost all exchanges of goods and services (Friedman 1962; 1980; Norberg 2001). Unregulated markets and international trade will, it is believed, set free the creative potential and the entrepreneurial spirit which is built into the spontaneous
order of any human society, and thereby lead to more individual liberty and well-being, a more efficient allocation of resources, and ultimately higher rates of economic growth and overall prosperity (Hayek 1973; Rothbard [1962/1970] 2004).

Neoliberalism could also include a perspective on moral virtue; the virtuous person is one who is able to access the relevant markets and function as a competent actor in these markets. He or she is willing to accept the risks associated with participating in free markets, and to adapt to rapid changes arising from such participation (Friedman 1980). Individuals are also seen as being solely responsible for the consequences of the choices and decisions they freely make. Inequality and glaring social injustice is under this perspective morally acceptable, at least to the degree in which such states of affairs could be seen as the result of long chains of freely made decisions by individuals (Nozick 1974; Hayek 1976). If a person demands that the state should regulate the market or make reparations to the unfortunate, who have been caught at the losing end of a freely initiated market transaction, this is viewed as an indication that the person in question is morally depraved and underdeveloped, and scarcely different from a proponent of a totalitarian state (Mises 1962).

Thus understood and defined, neoliberalism becomes a loose set of ideas of how the relationship between the state and its external environment ought to be organised, and not a complete political philosophy or ideology (Blomgren 1997; Malnes 1998). In fact, it is not understood as a theory about how political processes ought to be organised at all. Neoliberalism is for instance silent on the issue of whether or not the state ought to be run as a democracy or if there ought to be a free exchange of political ideas. This means, as Harvey (2005) indicates, that policies inspired by neoliberalism could be implemented under the auspices of autocrats as well as within liberal democracies. In fact, neoliberals merely claim, in effect, that as much as possible ought to be left to the market or other processes which individuals ‘freely’ choose to take part in, and consequently that as little as possible ought to be subjected to genuinely political processes. Proponents of neoliberalism are therefore often in the ‘critical literature’ portrayed as sceptics of democracy. If the democratic process slows down neoliberal reforms, or threatens individual and commercial liberty, which it sometimes does, then democracy ought to be sidestepped and replaced by the rule of experts or legal instruments designed for that purpose. The practical implementation of neoliberal policies will, therefore, in many cases lead to a relocation of power from political to market-economic processes, from the state to markets and individuals, and finally from the legislature and executive authorities to the judiciary (cf. Østerud et al. 2003; Trollstøl and Stensrud 2005; Tranøy 2006).
Neoliberalism – is it a useful concept?

On a more fundamental level, it seems pertinent, also, to ask a few questions about the scientific utility and fruitfulness of the concept. Does the concept of ‘neoliberalism’ help us to understand better what goes on in the world, or does it rather lead us astray? Will it make us overstate some trends and underestimate others, of which some will counteract and even neutralise public sector reforms and other developments inspired by neoliberal economic theories and ideology? Is the concept itself somehow tied up with a particular narrative found in the ‘critical literature’, in which the popularity of attitudes commonly associated with neoliberalism has been wildly exaggerated?

It seems to me that much of the ‘critical literature’ tends to mix several different currents of thought into a hodgepodge which they give the name neoliberalism. It is one thing to point to some rather intransigent political thinkers such as Friedman, Hayek, and Nozick, and try to discuss them together under the heading of neoliberalism, in the way that Blomgren does. It is an entirely different matter to combine their imaginative theories about the minimal state with more ideologically neutral ambitions to find more efficient and practical solutions to wasteful spending in the public sector, or the desire to see more effective and coordinated regimes for international trade, in the way the vast majority of authors in the critical literature do. It does seem to me, however, that the word neoliberalism describes, in the convenient way that only a single word can describe something, an influential set of attitudes, or at the very least some patterns of thought which for some time have been a significant force in policy-making around the world (Thorsen 2009).

In particular, attitudes resembling neoliberalism seems to have experienced a renewed popularity among business leaders, politicians, and to a lesser extent the general population during the last few decades, even if there are signs which suggest that this upsurge in popularity for neoliberal ideas has petered out in the new century. Used in a limited and cautious way, avoiding the temptation to use ‘neoliberalism’ as a shorthand for ‘everything I think is wrong and horrible’, as several authors seem to be doing, it can therefore potentially describe some important currents of thought in recent times.

A further argument against using the concept of ‘neoliberalism’ too prolifically in more systematic discussions is that the concept seems to unleash a surprising amount of emotion among many observers of current affairs. Because it is a concept used almost exclusively by critics of economic liberalism to describe their principal adversaries, many who actually tend to approach or even adopt neoliberal attitudes often shy away from
describing themselves as neoliberals. Frequently, people who want to ‘roll back the state’ and transfer decisions from public agencies to unregulated markets vehemently deny that they are supporters of neoliberalism. On a similar note, moderates who describe themselves as liberals tend also not to be proponents of neoliberal ideas and policies, at least as they have been described above. In a situation where the concept of ‘neoliberalism’ has become, it seems, a permanent part of political parlance around the world, there is therefore often a gulf between liberalism, which is frequently used as a name for the ideology of centrist and centre-right politicians and political parties, and neoliberalism – which is an ideology belonging more clearly on the extreme right wing of the political spectrum.

One author, Gunnar Garbo, who for good measure was the leader of Norway’s Liberal Party in the 1960’s, has even tried to construct a narrative in which neoliberalism is thought of as being ‘neither new nor liberal’ (Garbo 2008). In fact, he goes on to say that political theorists and politicians who advocate a roll-back of the modern welfare state are not liberals at all, and – perhaps more surprisingly – that ‘good liberals need to be good socialists just as much as good socialists need to be good liberals’. The whole concept of ‘neoliberalism’ is according to his perspective an instance of ‘political counterfeiting’, because it is an attempt to associate moderate, mainstream liberalism – described above by Alan Ryan as ‘modern liberalism’ – with the much more extreme policies put forward by many people who are often thought of as being representatives of neoliberalism. In that way, authors of the ‘critical literature’ have succeeded in conflating neoliberalism and the wider liberal tradition, so that people who call themselves liberal are automatically associated, in some circles at least, with the dismantling of the welfare state, and the advancement of unregulated market economies domestically as well as internationally. Neoliberalism is, however, according to Garbo at best a betrayal of the ideals and goals of Liberal authors such as Hobhouse, Keynes and Beveridge, who according to Garbo’s analysis were the primary architects of the modern welfare state.

The contrast between Garbo and another politician turned author, Denmark’s former Liberal Prime Minister Anders Fogh Rasmussen (1993), is almost too illustrating to be true. Fogh Rasmussen is actually one of the few, and to my knowledge the only prominent politician, who have stated that there is a need to formulate a ‘new liberalism’ which takes more seriously the threat which expansive and generous welfare states poses to individual liberty. His stated goal is a society in which each individual person has a direct responsibility for his or her own well-being. ‘The liberal agenda’ should be, according to Fogh Rasmussen, a practical political programme which will facilitate the move ‘from the welfare state to the
minimal state’. He is therefore an honest proponent of the attitudes defined above as the very core of neoliberalism.

Both Garbo and Fogh Rasmussen may be extreme examples of Liberal politicians who situate themselves at opposite ends of the economic policy spectrum. But even if they are extreme examples, their analyses are indicative of the tremendously wide variety of policies which could be described as part of the liberal intellectual tradition. Neoliberalism might be part of this tradition, but it is certainly not a revival of liberalism in general. It is, rather, a revival of a particularly extreme version of economic liberalism, which in the contemporary world amounts to a very sweeping – some would perhaps prefer to say sweepingly reactionary – political programme. In the following chapters, I will bear in mind that concepts such as liberalism and neoliberalism are very much contested concepts, and also make allowance for the fact that a lot of surprising emotions are sometimes tied up with the use or disuse of concepts.

**Do we live in ‘the age of neoliberalism’?**

In the preceding, we have seen that neoliberalism is not merely, as the concept itself might suggest, a recent revival of liberalism. Neoliberalism is perhaps best perceived of as a more radical descendant of liberalism ‘proper’, in which perhaps more traditional liberal demands for ‘equality of liberty’ and ‘equality in liberty’ have been bent out of shape into a demand for an almost total liberty for the talented and the ruthless, and their enterprises. In this, neoliberalism resembles the parallel phenomenon of ‘neoconservatism’ which is not, either, a new form or recent revival of traditional conservatism, but rather a new and unique, and decidedly more uncompromising, set of political ideas.

This chapter originated as a part of a larger research project called ‘Politics in the age of Neoliberalism’ (Claes et al. 2007). The name of the project suggests that a transition from a previous but unspecified stage in the world’s political and economic development to ‘the age of neoliberalism’ is underway, or is perhaps already completed. According to this analysis, which is related to the one found in for instance the Critical Reader and Harvey’s Brief History, one has moved away from a society marked by a large room for democratic governance and for exercising political authority, to a new type of society in which the ‘conditions for politics’ have been severely curtailed because of the onslaught of political reforms inspired by neoliberal thought and ideology.

There are a number of perhaps irreverent questions which naturally arise when one is confronted with the belief that we live in an age of neoliberalism. Is it really the case that
neoliberalism is ‘the dominant ideology shaping our world today’? Are we really on the move towards ‘the neoliberal society’, understood as a society governed by neoliberal ideology? Could we really in any meaningful sense think of ourselves as living in ‘the age of neoliberalism’? There are also other questions to be asked. If there is a trend towards reforms of the public sector, the economy, and international trade inspired by neoliberalism, is it a trend which is gathering speed? Or are there perhaps indications that the push for ‘neoliberal’ reforms might be slowing down or stalling altogether, especially after the financial crisis of the last few years?

But the question remains: Does it make sense to talk about people today living in the age of neoliberalism, or in a neoliberal society? Are the beliefs and attitudes contained in the attempted definitions above really that widespread and influential? It seems to me quite prudent to postpone giving a final answer to these questions. Maybe it is a bit boring as a solution, but perhaps truer and more accurate, to instead talk of an age of greater complexity, uncertainty, and volatility, rather than an age dominated by neoliberal ideology. And if that is the case, it seems that the concept of neoliberalism ought to be set aside as a description for a set of ideas which may in last few decades have had some political impact, but which still remain, when viewed as a whole, an exceedingly radical ideology.

It is therefore an open question whether or not neoliberalism is the prevailing trend in the world today, which much of the literature mentioned above suggest, or if it is better perceived of as a rather radical set of ideas which nevertheless have had a certain influence on society and politics in recent times. In any case, it remains that the purported trends towards neoliberal ways of organising society ought to be studied more closely. But we should also, at the same time, ask ourselves whether or not other concepts might describe recent trends in the world more accurately.

It might even be true that the recent, and quite violently negative trends in the world economy has reduced the relevance of neoliberal ideology for some time to come, and that we in some sense have slipped out of a strong trend leading in an ever increasingly neoliberal direction. But as the rather surprising revival of economic liberalism during the last quarter of twentieth century showed, these ideas have had a remarkable resilience and longevity, and a strange tendency to re-emerge whenever their past failures have passed from vivid memory to the bland pages of textbooks in economic history. A generation from now, it is therefore not entirely unlikely that one might start to discuss the onslaught of ‘neo-neoliberalism’ – most likely under a more elegant heading than the one supplied here.
Bibliography


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