

1. Introduction

The financial crisis of 2008 was followed by unprecedented government bail-outs of financial institutions which did not have to face the discipline of market forces. The total value of the renationalisation of banks and insurance companies in the US, the UK and Europe was equivalent to reversing about half of the total global privatisations of the past 30 years; the nationalisation of the insurance agency AIG was the equivalent in value terms of reversing all the privatisations in post-Communist Europe; in 2008, the UK government's liability for Northern Rock debts was greater than the combined total value of all private finance provided by European Union-wide private finance initiatives since 1991 (Hall 2008). This followed a period, dating back to the 1980s, in which free markets (allegedly) increasingly dominated the provision of goods and services in many societies, both in the developed world (especially the US and the UK), and to some degree in the European Union (EU), the former Communist countries and the developing world. The bail-outs in 2008 thus appeared to challenge this shift in a market-friendly direction, and thus some predicted the 'end of neoliberalism' (Stiglitz 2008). However, after 2008, and specifically from 2010, the financial crisis came to be redefined by some as a public sector crisis, thus reinvigorating arguments which called for reductions in government spending (Conservative Party 2010: 7–9). Further afield, the Tea Party in the US called for sharp cuts in government spending while in the EU a sovereign debt crisis from 2010 led to sharp austerity measures in parts of the union.

This seeming paradox – that a 'neoliberal crisis' actually strengthened neoliberalism – is not the only paradox that this book focuses on. In his book on the crisis in contemporary politics, Zygmunt Bauman (1999: 1) noted a commonly held belief in the western world, whereby people believe that they are freer than any period in history, and yet they simultaneously feel that there is no alternative to the kind of society in which they live. This judgement is not based on a normative assessment that this is how we should live, but rather the analytical assessment that there is no alternative, which begs the question of what these same respondents meant when they said they were free. We might go further: why, since the 1980s third wave of democratisation, in which increasing

numbers of countries have shifted to liberal democratic forms of government, has this same system entered a period of crisis, in which politicians and other public servants are so distrusted? Why, at the same time as the state has been subject to all forms of criticism and supposed 'rollback', has it become, in some respects, increasingly intrusive? Why, in the name of markets against bureaucracy, has the state in many respects expanded and become more bureaucratic, and the separation of public and private sector has actually become increasingly blurred. Not unrelated to this point, why has the neoliberal critique of planning led to the growth of all kinds of government experts and the so-called audit society? Also, how is it that in 2016, the (marginal) left-wing case for exit from the EU rested on the argument that the EU is an increasingly neoliberal institution, while at the same time at least one right-wing case for 'Brexit' was made on the basis that leaving the EU was necessary for the proper implementation of neoliberalism? How do we square these circles? Perhaps we have never been neoliberal? (Booth 2012; Birch 2015).

These real-world developments, and above all the fallout from the 2008 financial crisis, have led to a significant growth in the literature focusing on neoliberalism, analysing what the term means through historical analysis (Stedman-Jones 2011; Burgin 2012; Peck 2010), political theory (Plant 2011) and public policy (Crouch 2011). This book draws on this work, but does so in order to focus more explicitly on the question of how neoliberalism has successfully reinvented itself, through a consideration of tensions, paradoxes and renewal, a novel and distinctive approach that is increasingly being addressed in the literature (Mirowski 2013; Schmidt and Thatcher 2013; Davies 2014). The book asks questions addressed by others, namely: (1) what is neoliberalism and have we ever been neoliberal? (2) What are the tensions between neoliberal theory and practice? However, in addition it asks, what is the neoliberal paradox (and uses this question to address the 'end' of neoliberalism)?

The book addresses these issues by taking seriously neoliberalism as a distinctive body of thought and rejecting the all too easy approach which draws out differences between neoliberal theory and practice and in effect leaves it there (see Harvey 2005; Cahill 2014). The first two questions addressed above therefore are considered, but only explicitly at the end of the book. Instead the book addresses these questions after consideration of the history of neoliberal thought, the content of neoliberal thought, the history of neoliberal practice, and a detailed consideration of the tensions, paradoxes and contradictions, not only between theory and practice, but within neoliberal thought itself – and how these tensions have informed neoliberal practice. This is not to say that

everything about neoliberalism is reducible to its ideas but, equally, neoliberal ideas should not be reduced to an epiphenomenon of particular social forces or wider social change, as though ideas do not matter. Indeed, the book argues that it is the very flexibility of neoliberal ideas which helps renew neoliberal practice in changing circumstances, including what would seem to be a crisis of neoliberalism such as in 2008. This project therefore transcends two ways of approaching neoliberalism, one focused primarily on ideas, and the other on wider social and political forces. Ideas-based approaches focus on neoliberal theory: the Austrian School, *ordo-liberalism*, the Chicago School, public choice theory, plus some libertarian thought, and a number of excellent critical (see Plant 2011) and historical (Burgin 2012) accounts have been produced. More critical approaches examine neoliberalism in terms of governmentality (Foucault 2008; Dardot and Laval 2014; Davies 2014) and, very usefully, focus on how ideas influence particular ways or rationalities of governing. Political economy approaches focus on the reality of economic power and social relations, and how these might influence public policy and uneven processes of ‘neoliberalisation’ (Harvey 2005; Cahill 2014). Most literature on neoliberalism focuses on either ideas or public policy, and this project attempts to transcend this divide. While the focus on ideas is essential for understanding the meaning of neoliberalism, it can underestimate how these ideas exist in a particular context, and how neoliberal policies have unexpected consequences (though this point does not apply to those Foucauldian approaches identified above). On the other hand, public policy and political economy approaches tend to use the term neoliberalism too broadly, almost in complete isolation from the views of neoliberals themselves, so that any identification of something called neoliberalism is rendered meaningless – neoliberalism simply becomes capitalism, or a term of abuse that purports to explain everything and ends up explaining nothing. Ideas thus matter, but so too do their social context and location, and throughout, the project will focus on neoliberal theory and practice in terms of the paradoxes of neoliberalism.

In considering in depth both ideas and practices, the book identifies two further questions, the first of which is present throughout the book and the second of which becomes more prominent as the book unfolds. First, can we identify a series of paradoxes within neoliberalism, both in theory and in practice? Second, in what ways might these paradoxes be a source of strength for the renewal of neoliberal practice? In terms of the former, we might first identify the tensions within neoliberal thought, and between theory and practice. The 2008 crisis is far from unique in the history of neoliberalism, which has always been characterised by a series

of paradoxes. Margaret Thatcher (1993: 745), the most 'neo-liberal' of Prime Ministers, wanted to 'roll back the frontiers of the state', but state spending increased in real terms for every year but two of her premiership (IFS 2011). The 'neoliberal' Reagan administration in the US saw an unprecedented increase in the country's budget deficit from 1981 to 1988. Both Reagan and Thatcher were associated with the New Right, a coalition of political forces in the 1970s and 1980s that ostensibly combined 'libertarian' economic principles, with more traditional conservative principles, such as respect for the family and the importance of political obligation to the state (Kristol 1999), the latter of which (for some) sat uneasily with arguments which suggested that government intervention conflicts with individual 'negative' freedom (Friedman 2002; Hayek 2006). The tensions run deeper however: two detailed studies of regulation of a variety of economic sectors across the developed world concluded that the rate of creation of new state regulatory agencies increased once privatisation increased (Levi Faur 2005; Jordana et al. 2011). More generally, neoliberal governments have generally been happy to promote the privatisation of utilities but were more reluctant to do so in fields such as education and health, or to promote a legally recognised free market in drugs, security services or labour (most New Right politicians supported immigration controls and very few – in the developed world at least – have been prepared to argue for the removal of government restrictions on child labour).

These tensions and ambiguities have also been apparent in 'neoliberal practice' in the developing world. Following the Latin American debt crisis of 1982, the International Monetary Fund (IMF) played a central role in regulating the debt crisis and ensuring that western financial institutions received a substantial return on their investments. Loans often came with 'neoliberal' conditions, such as cuts in government spending, trade liberalisation and privatisation. Neoliberal advocates suggested that 'rolling back the state' would promote growth and poverty reduction, while critics questioned the assumption that merely integrating more closely into the world economy would lead to development. However, beyond this debate there was a paradox, namely, that the IMF came to be seen by critics as a neoliberal institution, though neoliberals themselves had long argued for its abolition (Bauer 1971), as IMF monitoring went against the principle that both creditors and debtors be left to market discipline and face bankruptcy (Buiter and Srinivasan 1987). A similar position was taken by some neoliberals in their opposition to the 2008

bail-outs (Nothstine 2009). In perhaps the most neoliberal of all countries, Chile from 1973 to 1988, there were extensive government bail-outs and nationalisations in the period from 1981 to 1983, a dress rehearsal for what happened in 2008.

This book therefore reflects on whether the theory–practice gaps means that ‘we have never been neoliberal’ (Booth 2012; Birch 2015), but also asks whether it might mean something else about neoliberalism, namely, its utopianism (Polanyi 2001)? These issues reflect an ongoing tension within both liberal and neoliberal thought, namely, the boundaries between state intervention, on the one hand, and the free market, on the other. Although critics have identified something called neoliberalism, those they identify as neoliberals have long ceased to use the term (Friedman 1951), although it has recently made something of a comeback (Adam Smith Institute 2016; Bowman 2016). Neoliberals have argued that the 2008 crisis was not a crisis caused by neoliberal policies, because such policies have never been properly implemented (Booth 2009, 2012). While there has been a voluminous literature on the causes of the financial crisis (Booth 2009; Gamble 2009; Reinhart and Rogoff 2011), given the ambiguities that the crisis and its aftermath demonstrated, and those more general ambiguities identified above, it has also given rise to a wider literature which essentially asks the question, ‘what is neoliberalism?’ (Birch 2015; Springer 2016). This book can be seen as a contribution to these debates, but at the same time it seeks to address the question through consideration of the paradoxes of neoliberalism.

The book explores these paradoxes through an examination of a number of discrete but overlapping tensions, which are apparent in both neoliberal theory and practice, but which ‘play out’ in distinctive ways. These include:

1. market and the state – in some respects all of the other paradoxes follow from this starting point. In particular the focus here is on understanding the boundaries between where the state ends and the market begins, and how neoliberal practice has focused as much on public sector reform as on privatisation;
2. decentralised markets and corporate power – this paradox is reflected in the tensions within neoliberal thought itself, and the gradual shift from rejection of private monopolies in the 1930s and 1940s towards their growing acceptance via the second Chicago School from the 1950s onwards; and in neoliberal practice, where corporations have grown to such an extent that some are deemed, to return to 2008, ‘too big to fail’;

3. freedom and virtue – this tension reflects the neoliberal focus on individual, ‘negative’ freedom where the individual is said to be free to pursue their own interests provided they do not impede others from doing the same thing, and thus rejected approaches to freedom which suggest the need for a common purpose for society as a whole (such as respect for authority from the right or social justice from the left);
4. liberty and democracy – this tension reflects the commitment to negative freedom and the belief that democracy can have illiberal outcomes. This is a standard argument of a great deal of political thought from the late eighteenth century to the early twentieth century, from Burke, Tocqueville, Nietzsche, Pareto, Schmitt and eventually Hayek, who distinguished between totalitarian regimes (which can be democratic but illiberal) and authoritarian regimes (which can be liberal in that they uphold the principle of negative freedom). In practice, we might also see this distinction in the EU which, in the context of the Eurozone crisis, saw an increase in technocratic government in some states;
5. elitism and populism – this tension follows from the others and we can see this in the neoliberal origins of the 1930s, which was in part as a response to the inter-war crisis, regarded as a crisis of collectivist mass democracy, and was implicitly at least an elite project to protect the market from such pressures. However, it increasingly developed a populist character, not only through its alliances with the conservative New Right, but through its characterisation of the marketplace as a site of democracy and freedom where ‘the people’ exercise their free choice in contrast to the paternalist state;
6. neoliberal renewal in the face of adversity, and the paradox that neoliberalism and its tensions, weaknesses, inconsistencies and omissions are in some respects sources of strength in the ongoing renewal of the neoliberal project.

The book explores these questions through a detailed consideration of neoliberal theory and practice. It is divided into three parts. Part I, which comprises Chapters 2 to 5, explores the questions of history and theory. Chapter 2 contextualises the origins of neoliberal thought in the context of the crisis of liberal modernity in the 1930s, showing how older nineteenth-century concerns about the irrational crowd culminated in elite theories that attempted to restrict democracy, and how these concerns were heightened in the 30-year crisis of 1914 to 1945. The chapter also shows the development of another manifestation of mass society, the

corporation and how management theory emerged which paralleled the concerns of elite theory in the political sphere. Chapter 3 then examines how neoliberalism emerged in response to this crisis of so-called mass society and traces its emergence in the 1930s through the Colloque Walter Lippmann in 1938 and the formation of the Mont Pelerin Society in 1947. This chapter particularly highlights some of the different factions in early neoliberal thought, and in comparing neoliberalism with those theories of mass society considered in the previous chapter, examines authoritarian tendencies within neoliberalism. This elitism is also a theme in Chapter 4, which examines the rise of neoliberalism in the context of the British and American New Right responses to a second crisis of liberal modernity, in the 1960s and 1970s. While some parallels are drawn with the crisis of the 1930s, especially in the Weimar Republic, some important contrasts are also highlighted, perhaps above all the development of a more populist neoliberalism. This not only drew from conservative responses to perceived enemies, such as a new class operating in the public sector, welfare 'scroungers' and the counter-culture (including anti-racism), but also the notion of an individual in need of liberation from pluralist governments suffering from too many demands made by politicised citizens. The free individual, liberated from the shackles of government, would promote economic efficiency, and the liberty to choose through the democracy of the marketplace (Friedman 2002; Mises 2002). At the same time, the tension between conservative and libertarian arguments are highlighted, not only in terms of the New Right, but also within specifically neoliberal thought. Chapter 5 is the final chapter of the first part of the book, and it consolidates the discussion by providing a detailed exposition of the core elements of neoliberal theory, and particularly focuses on four overlapping themes, namely: (1) the individual and freedom; (2) the state, intervention and the rule of law; (3) the question of the concentration of power; and (4) money, inflation and the market order. The chapter finishes by focusing more explicitly on the question of what Hayek (2013: ch. 1) called constructivism, something that Hayek rejected but which neoliberalism itself cannot avoid, and which is central to understanding both what neoliberalism is and one of the paradoxes of neoliberalism.

Part II of the book examines history and practice, and Chapter 6 provides a brief but context-setting account of neoliberal practice in the 1980s, in (1) the US; (2) the UK; and (3) the developing world. The narratives outlined are necessarily brief but allow for an initial assessment of neoliberal practice, which focuses on all the case studies, but in particular discusses the British case and some of the questions about the relationship between states and markets in both neoliberal theory and

practice. Chapter 7 further examines neoliberal practice from the 1990s up to the financial crisis in 2008, and does so through looking at four cases: (1) the third way and the Anglo-American growth model; (2) the third way and public sector reform in the UK; (3) Europe and the European project; and (4) globalisation, good governance and the developing world. These empirical accounts are then used for a further theoretical discussion, looking again at the question of the state in neoliberal theory and practice with particular attention to the so-called third way in the run-up to the 2008 crisis.

The final part is composed of five chapters, which look at the question of neoliberal theory and practice, and which more explicitly focuses on a critique of neoliberalism. Chapter 8 examines neoliberalism in the context of the 2008 financial crisis and its aftermath, including the shift to austerity in some parts of the world. The chapter argues that neoliberal interpretations, both of the causes of, and the proposed remedies for, the financial crisis are unconvincing. However, despite these weaknesses, neoliberalism has (to some extent) successfully renewed itself and the reasons why are also considered, with particular attention paid to how neoliberals can always identify regulation and therefore always place the blame for crisis on government and politics. This argument is addressed further in Chapter 9 which considers the question of actually existing neoliberalism and the post-political condition, arguing that there is a close relationship between a crisis of formal politics and neoliberal arguments, especially those about public choice. Paralleling the arguments of the previous chapter, it is argued that we need to focus on the productive appeal as well as destructive consequences of neoliberalism, and this is done through a consideration of the relationship between neoliberalism and what might be called a new spirit of capitalism. This section considers in some depth both the notion of the return of the entrepreneur and the associated rise of a new individualism. Chapter 10 develops these themes further but focuses more explicitly on the dark side of actually existing neoliberalism, focusing on the rise of a new bureaucracy designed to implement neoliberal ideas, and the economic domination of politics as reflected in both public sector reform and corporate rule. However, the chapter also shows the ways in which people have been effectively incorporated into neoliberal practice, in particular through the growing significance of debt and assets in economies. At the same time, the growing importance of asset-based economies is one reason for growing inequality, and this is considered in Chapter 11, which examines in more depth the neoliberal discourse of competitiveness, and the question of global inequality and poverty. The chapter relates this discussion back to the significance of the entrepreneur

and philanthro-capitalism, both discussed in Chapters 9 and 10. Chapter 12 brings the arguments together and, in paralleling the structure of Chapter 5, outlines the same four key features and providing a critique of neoliberal accounts of each of them. The main sections are therefore: (1) the individual and freedom: a critique; (2) state intervention and the rule of law: a critique; (3) economic concentrations of power: a critique; and (4) money, inflation and the market order: a critique. Like Chapter 5, the question of neoliberalism as a constructivist project is then considered, this time in far greater depth.

Finally, Chapter 13 returns to the question addressed at the start of this Introduction, namely, 'what is neoliberalism?', and sums up what I have identified as the paradoxes of neoliberalism, and how these might help us to understand the future(s) of neoliberalism. In particular it addresses the question of the extent to which neoliberalism has been renewed since the 2008 financial crisis, and whether or not we are still living with the consequences of the latter. In looking at the continued legacy of 2008, the chapter concludes with an account of perhaps the biggest paradox of all, namely, that in some respects we live in a neoliberal society but not a market economy. We then turn to a final question which asks whether neoliberal renewal has now exhausted itself in the context of a neoliberal impasse. In particular, we identify three challenges: the rise of Donald Trump to the presidency of the US, the decision of Britain to leave the EU, and the rise of state capitalism in the developing world, and in Brazil, Russia, India and China (BRICS) in particular.

Before moving on to the substance of the book, some final points need to be made about definitions. The book deliberately avoids defining neoliberalism or identifying the neoliberal paradox in any depth until the final chapter. Nonetheless, much of the detailed theoretical and historical discussion in Chapters 2 to 12 do rest on implicit definitions and identify examples of a broader paradox. We therefore should briefly say something here, at the end of the introductory chapter, about the book's argument and its distinctiveness. Briefly the argument defines neoliberalism and identifies its central paradox by suggesting that neoliberalism is a body of thought and a practice of government, or governmentality,¹ which takes as its starting point a distinction between spontaneous markets and constructed politics. However, in both theory and practice, this distinction cannot hold, and neoliberalism is itself an example of a constructivist project. This takes a variety of forms within neoliberal theory (Hayek and Austrian theory, *ordo-liberalism* and the Chicago School) and practice (from the New Right to the Third Way, from structural adjustment to good governance, and so on). Put differently,

neoliberalism promises spontaneity but cannot avoid constructivism. This paradox is central to a proper definition of neoliberalism, but also to identifying its central paradox, namely, that neoliberalism is a utopian project in that it seeks to eradicate politics, to eliminate the collective or social and to rid the world of moral hazard, all in the name of individual responsibility, but it requires politics, the social, collective institutions and, therefore, moral hazard to do so. Note also that while other utopian projects might be undermined by such contradictions, this is not the case with neoliberalism, for any crisis it faces can be blamed on constructivism and the spontaneous promise of neoliberalism might then be restored, at least as a project. Furthermore the social bonds created in part by neoliberalism might then reinforce its hegemony even as has been challenged so seriously by events such as the 2008 financial crisis. This recovery is not an easy or automatic process, but to some extent took place after 2008, even if 2016 might present a watershed. None of this means that neoliberalism can be identified easily and this may be one reason why it is such a source of frustration for those critical of the concept (Venugopal 2015; Talbot 2016). Thus, Venugopal (2015: 171) contends that '[n]eoliberalism is now an overloaded and unwieldy term that occupies a fluid and growing terrain that expands and contracts arbitrarily across several dimensions, but which increasingly lacks firm foundations in real world referents.' We might respond that a similar point could apply to ideologies such as liberalism or socialism, or perhaps even more to social science concepts such as 'globalisation' and 'modernisation', but this does not deal with the specifics of the argument when applied to neoliberalism. However, it is precisely neoliberalism's paradox, its claim to separate spontaneity and constructivism, which makes neoliberalism so difficult to define. Thus, a wide range of literature has focused on neoliberalism as a set of ideas, a particular way of governing, a process and a project of class rule (see Larner 2000; Mudge 2008; Springer 2016; Springer et al. 2016). Ong (2007: 3) distinguishes between neoliberalism as a 'fixed set of attributes with predetermined outcomes' and neoliberalism, which operates 'as a logic of governing that mitigates and is selectively taken up in diverse political contexts'. The possible gap between these two things has led some to reject the concept (Braithwaite 2005; Barnett 2009; Venugopal 2015; Talbot 2016), but this book seeks to explore this gap, through exploration of neoliberalism as both a set of ideas and a logic of governing, and it does so by seeking to show, in contrast to Venugopal, that we can retain 'firm foundations in real world referents'. For it is precisely this gap which is central to understanding the neoliberal paradox.

NOTE

1. The use of the term 'governmentality' implies an endorsement of Foucault's (2008) approach to understanding neoliberalism. In some respects this is indeed the case, as the chapters that follow show. Furthermore, although briefly commented on, this book does not take an explicit position on whether or not Foucault's critical account of neoliberalism was actually an endorsement of it (see Chapter 10, note 8). This is a book on neoliberalism and not on Foucault. On the other hand, this use of Foucault is not at the expense of the use of other approaches to understanding neoliberalism, including those derived to some extent from Marxist political economy. This is particularly useful for understanding both the origins of neoliberal practice in the context of the 1970s crisis, and the unequal effects of neoliberalisation. However, as Chapter 6 makes clear, although some capitalists did organise to promote capitalist restructuring, it is far more problematic to suggest that this took place because the capitalist class successfully acted as a class for itself in the 1970s. The book therefore draws on both Foucauldian and Marxist critical literature in order to understand neoliberalism.

