

# **From Authoritarian Liberalism to Economic Technocracy: Neoliberalism, Politics and ‘De-democratisation’**

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## **Abstract**

Neoliberalism is often sharply contrasted with collectivist ideologies, including conservatism and fascism as well as socialism. This paper challenges such a characterisation as too one sided, focusing on neoliberalism in the context of ‘crises’ of liberal modernity, highlighting significant areas of overlap with authoritarian conservative and neo-fascist critiques of the rise of ‘mass democracy’ in the 1930s, and the common project to resist the politicisation of the market economy and constitutional order. This project was applied and adapted in the post-1945 context, and specifically the second crisis of liberal modernity in the 1960s and 1970s, and which turned to insights from the Chicago School to support economic technocracy over democracy. It was in this context that neoliberals developed either a more explicit authoritarianism in order to resist the demands of democracy, or the reconstruction of governance according to market principles, both designed to ‘de-democratise’ the liberal democratic political order.

## **Keywords**

neoliberalism; de-politicisation; democracy; Hayek; ordo-liberalism; Chicago School

## **Introduction**

The financial crisis of 2008 and its aftermath has led to an enormous outpouring of work on neoliberalism. Much of this focuses on two related questions: first, what is neoliberalism (Boas and Gans-Morse, 2009; Birch, 2015); and second, how did it survive and in some respects strengthen in response to that crisis (Crouch, 2011; Mirowski, 2013)? A great deal of the answers to both questions focus on the extent to which neoliberalism has one-sidedly been characterised as a project which promotes the so-called free market (Peck, 2011). Related to this answer, the case has also been made that the free market does not actually exist. And here the debate examines either the extent to which the free market is actually an

ideological myth that hides the reality of corporate monopoly (Crouch, 2011), or the extent to which the ‘free market’ relies on the state for its ‘existence’ (Polanyi, 2001). This in turn forces us to think about the question of the boundaries between state and market, but also – and this is the main focus of this paper – the kind of state which is necessary for the ‘free market’ to exist (Gamble, 2001).

While this paper recognises the importance of these critiques, it attempts to do something slightly different, which is to focus more on neoliberal politics. This follows a number of important assessments of neoliberal politics as well as economics (see for instance Mirowski, 2013; Giroux, 2014; Davies, 2014), and this paper adds to these assessments by specifically focusing on the neoliberal project of de-politicisation (Brown, 2015). The focus of this article is mainly on neoliberal political theory, and more specifically the work of neoliberal theorists themselves, but it does show in order to examine how this has informed neoliberal practice, and specifically one form of neoliberal practice, namely, what Brown (2003) has called ‘de-democratisation’.<sup>1</sup>

The argument is made through a consideration of how neoliberals understood what we might call two crises of liberal modernity, first in the 1930s and second, in the 1960s and 1970s. Both might be considered crises caused by the rise (1930s) and entrenchment (1960s/70s) of collectivism, and there is a close relationship between arguments concerning the ‘politicisation’ of the economy in the 1930s and that of ‘government overload’ in the 1970s. In both cases we will show how, in the ‘advanced’ capitalist countries, neoliberal theory was used to inform a project of de-democratisation. However, we will also show that, while the dates might be different, this project also informed neoliberal thinking about the developing world, and how ‘depoliticisation’ worked in the context of the rise of anti-

colonialism and the Cold War in the 1950s, and the developing world debt crisis of the 1980s. This account is significant because it helps to establish the undemocratic and indeed anti-democratic credentials of neoliberalism, which supports either an authoritarian liberal politics (Heller, 2015), and/or undemocratic rule by a technocratic elite (Brown, 2015).

The paper outlines its case in four sections. The first section examines the neoliberal understanding of the crisis of the 1930s and demonstrates significant areas of overlap and complementarity between this view, and wider conservative views of the crisis. It particularly considers elite theory, and its ambiguous relationship to both fascism and to liberalism. The second section further develops this argument through a consideration of Schmitt's critique of liberalism, and the ambiguous relationship between this critique and neoliberalism, and especially German *ordo-liberalism*. In particular Schmitt's conception of the state of exception is considered. The third section considers neoliberal politics in the context of post-war boom and bust, and a further crisis of liberal modernity in the 1960s and 1970s. The section argues that while authoritarian liberalism partially gave way to the 'rule of economics', associated with the Chicago School and public choice theory, this was no less democratic than its first wave neoliberal cousin. The fourth section then examines the parallels between the neoliberal 'solution' to the crises of the 1930s and 1970s, and neoliberal prescriptions for the developing world, both in the 1950s and 1980s. The developing world is considered for two reasons: first, to assess how neoliberalism attempted to universalise its project of de-politicisation beyond the developed world; and second because the roll-out of neoliberalism in the 1980s onwards coincided with a period of democratisation, which on the face of it appears to challenge the broader arguments of this paper. This final section will explain why this is not the case.

Finally, in establishing the ways in which neoliberal has sought to de-politicise' and 'de-democratise', some wider implications are considered in the conclusion. This demonstrates the ways in which neoliberal practice has been undemocratic, and suggests that, in the context of the 2008 financial crisis and its aftermath, this has implications for understanding the current political impasse in much of the world.

## **The Crisis of Liberal Modernity in the 1930s: Neoliberalism and Elite**

### **Theory**

Neoliberalism emerged as a distinctive movement in the context of the inter-war crisis, in response to a perceived crisis of liberalism supposedly caused by the rise of collectivist socialism, in both its Bolshevik and National Socialist guises. The 1938 Colloque Walter Lippmann and the Mont Pelerin Society established in 1947 both addressed the need to protect individual freedom in the face of a collectivist onslaught (Hartwell, 1995). While much of the critique of collectivism – and especially the liberal alternatives to it – were tentative, neoliberalism as it came to be defined emphasised the priority of the price mechanism, free enterprise, competition and a strong and impartial state (cited in Plehwe, 2009: 14). These values were contrasted to the dangers associated with the growing role of the state in social life, manifested in new liberalism and social democracy, the New Deal and socialism and fascism (see Cockett, 1995: ch.1). Many neoliberals regarded these developments as closely connected as they all in effect demonstrated the growing role of the state in society and the erosion of individual freedom, which was in effect the 'road to serfdom' (Hayek, 2001).

This was of course the title of Hayek's famous book, first published in 1944. Central to Hayek's analysis was the argument that the rule of law and the market order were being undermined by the rise of collectivist politics in mass democracies, and that the latter would undermine the prospects for both liberty and prosperity. The collectivist nature of both state socialism and Nazism meant that Hayek considered both to be socialist doctrines that were not conducive to individual freedom and the rule of law. Hayek consistently argued that Nazi Germany was socialist and that while it was a major threat to liberal civilisation, '(i)t is necessary now to state the unpalatable truth that it is Germany whose fate we are in some danger of repeating.' (Hayek 2001: 2) This was because '(f)ew are ready to recognise that the rise of Fascism and Nazism was not a reaction against the socialist trends of the preceding period, but a necessary outcome of these tendencies.' (Hayek, 2001: 4) He went on that: 'We have in effect undertaken to dispense with the forces which produced unforeseen results and to replace the impersonal and anonymous mechanism of the market by collective and 'conscious' direction of all social forces to deliberately chosen goals.' (Hayek 2001: 20, 21)

Hayek's objection to collectivism was strongly influenced by his mentor, Ludwig von Mises, who argued that goods could not be effectively allocated through the mechanism of central planning. This was part of the socialist calculation debate, in which supporters attempted to show that a socialist economy was perfectly feasible and could include the price mechanism, while opponents argued that socialism could not work because of the complexity of coordinating all economic activities in the hands of public authorities (see Lavoie, 1985).

Hayek's argument was that no one individual could possibly hold the information or knowledge that could make central planning efficient. In contrast to neo-classical economics, Hayek argued that individual knowledge was limited (Hayek, 1996). Rather than arguing that individuals are rational utility maximisers who express their preferences through markets, Hayek instead made the case for the free market on the anti-rationalist basis that no

individuals have the capacity to act in such a way. However, for precisely this reason the market order is the most effective way of organising society, because it co-ordinates all the limited but spontaneous actions of individuals. The price system thus is the way of transmitting information about the actions of many individuals, but it in effect operates above the actions of any one single individual. It is thus a spontaneous order. State planning is a constructed order which undermines these spontaneous actions. This is detrimental to both efficiency, as it undermines the price mechanism, and to freedom, as it leads to the state undermining the liberty of the individual. This point applies as much to the New Deal and to the post-war consensus as it did to totalitarian regimes, for there can be no middle way. While for Hayek, citing Belloc, the effect ‘of Socialist doctrine on Capitalist society is to produce...the Servile State’ (Hayek, 2001: 13), he also poured scorn on the coalition government in Britain after 1931 and regretted the transformation of the economic system beyond recognition (Hayek, 2001: 12-17). Hayek was not necessarily conflating Keynesianism, social democracy and totalitarian government (see Jackson, 2010), but at the same time, it was implied that the expansion of the state was the start of a slippery slope on the road to totalitarianism (Alves and Meadowcroft, 2014). This was why he argued that interventionism in Weimar Germany led to ‘a stage in which it had, in effect...to be governed dictatorially’ and Hitler “merely took advantage of the decay of democracy’ (Hayek, 2001: 71). And this of course is why that book is dedicated to ‘socialists of all parties’ (Hayek, 2001).

Neoliberalism’s emergence in the 1930s and 1940s was therefore a response to the crisis of the 1930s, and that this was regarded as being a crisis of collectivism, which in turn was perceived to be a challenge to liberalism, both in its Communist and Fascist, or more specifically National Socialist forms. The collectivist project of fascism in both its Italian and German varieties, involved the idea of reinvigorating a supposed national community,

which was said to be under threat from the forces of liberalism, democracy and socialism (Griffin, 2007). In this regard it was committed to a collectivist project antithetical to liberalism, including to neoliberalism. For Mises (2009: 65) '(t)he philosophy of the Nazis... is the purest and most consistent manifestation of the anti-capitalistic and socialistic spirit of the age.' Hayek (2001: 31) also famously argued that liberalism was dead by the time that Hitler came to power and that 'it was socialism that had killed it.' This argument became central to at least some versions of the totalitarian thesis which became influential at the height of the Cold War in the 1950s, and again during the Second Cold War in the 1980s (see further below).

There were then important differences between fascism and liberalism. However, much of the argument of the rest of this section wants to suggest that the differences are not as great in the case of some liberal arguments, and especially in the case of neoliberalism. In terms of the inter-war period, the crisis was seen by many conservatives as a crisis of mass society. As Muller (2013: 20) argues:

The anxiety about "the masses" was a qualitative, not a quantitative problem. "Mass man" was characterized primarily by what he lacked: the supposed qualities of the good nineteenth century liberal self, above all rationality and self-restraint. Even worse, "mass man" was getting hold of the levers of the state and modern technology, which in turn further homogenized "the masses". The state, "the machine" and "the masses" almost inevitably appeared together as a single threat.

This fear of (or contempt for) the masses was the subject of a great deal of conservative theory at the time. For example, Ortega y Gasset's *The Revolt of the Masses*, first published in 1930, argued that 'Europe is suffering from the greatest crisis that can afflict peoples,

nations, and civilisation'. This is because 'mass man' (sic.) has replaced 'select man' and a mass person is one that 'is happy to feel as one with everybody else'. While such a person has the capacity for greater understanding than in the past, this 'is of no use to him' because 'mass man' is an intellectual barbarian, devoid of a moral centre. Mass society has created this mass person and in the process undermined the social order that had earlier produced civilisation, with the result that '(a)nybody who is not unlike everybody, who does not think like everybody, runs the risk of being eliminated.' (Ortega y Gasset, 1960: 11, 15, 18) The destruction of organic communities, and its replacement by a nihilistic individualism, where the absence of shared values breaks down the possibility of social order (Ortega y Gasset, 1960). This is not simply because of the ignorance of the masses, it is also because – in the context of social dislocation and isolation - they are so easy to manipulate, leaving them as easy prey for demagogues such as Lenin, Stalin, Mussolini and Hitler. In this regard, Mussolini appealed to a mass of people isolated and confused by the atomisation brought about by liberal civilisation (Ortega y Gasset, 1960: 92-4).

Italian elite theory had earlier argued that elite rule was inevitable despite the rise of the masses (Mosca, 2012; Pareto, 1966; Michels, 1959). Michels (1959: 9) argued that '(t)he incompetence of the masses is almost universal throughout the domains of political life, and this constitutes the most solid foundation of the power of the leaders.' This owed something to the influence of Gustav Le Bon (1960) and his views of the irrational crowd<sup>2</sup>, but he also argued that modern society could not do without organisation (Michels, 1959: 40). The problem then however, was that organisation also led to inertia, which (he argued) was true of all organisations. For this reason, Michels came to admire Mussolini because he transcended organisational conservatism and mobilised the masses, and thus fascism represented the 'new human material destined to regenerate a tired and demoralized world.'



(quoted in Beetham, 1977b: 171). Indeed, Michels took up a chair in Political Science in the fascist faculty at the University of Perugia in 1928, where he stayed until his death in 1936 (Beetham, 1977: 161; Schwarzmantel, 1987: 74).

The assumption often made about these conservative theories is not that they are only anti-socialist but also that they are anti-liberal. However, as is well known, in the 1830s Tocqueville had expressed his fear that democracy could lead to enslavement because it insists on the ‘unity, the ubiquity, the omnipotence of the supreme power’ of the state (Tocqueville, 2004: 310), while Constant (1988: 215) argued that:

If, to the freedom to use their talents and industry, which you owe them, you add political rights, which you do now owe them, these rights, in the hands of the greatest number, will inevitably serve to encroach upon property... In all those countries which have representative assemblies it is essential that those assemblies, whatever their further organization, should be formed by property holders’.

And, while generally not unsympathetic to some of the claims made for greater equality and aware that social pressures for conformity reflected the rise of commercial society every bit as much, if not more than, mass democracy, John Stuart Mill worried that the poor may impose their will on ‘what is called realized property, and upon the larger incomes, an unfair share, or even the whole, of the burden of taxation’ (Mill, 1862: 120).<sup>3</sup>

In this respect the similarities between neoliberalism and elite theory are particularly striking, particularly in the hands of Mosca and Pareto. Like earlier liberal defences of the liberal subject and of private property, Mosca called for a juridical defence of liberal values such as liberty and the preservation of private property, which in essence meant a defence of

the rule of law against encroachment by the masses and democracy. This would act as an important counter-balance to the existence of a governing class which ‘can permit itself anything in the sense of a sovereign who can do anything’ (Mosca, 2012: 134), which could occur as a result of unlimited democracy. He also argued that collectivism (and thus socialism) carried the danger that it fused economic and political power and so ‘the officials who control and apportion production become the arbiters of the fortunes and welfare of all.’ (Mosca, 2012: 143) Similarly, Pareto’s political sociology should not be separated from his earlier commitment to liberal economics. He particularly regretted the rise of the state and what he called ‘bourgeois socialism’ (Pareto, 1966), arguing that this process could be explained by recognising both the psychological appeal of non-rational ideas, and the ability of elites to exploit these ideas by appealing to the masses and thus winning power. In contrast to Mosca, Pareto argued that the rise of Mussolini was not only (in Pareto’s words) a ‘splendid’ confirmation of his views as a disinterested social scientist, but also something to be supported on normative grounds because Mussolini was ‘a statesman of the first rank’ who could bring about ‘the resurgence of Italy.’ (cited in Bellamy, 1988: 33) This involved the rise of an authoritarian force that could resist the collectivist tide. Pareto died just a year after the March on Rome that saw Mussolini’s accession to power, and as an economic liberal he may well have criticised the dictator’s discretionary economic policies. Nonetheless, for Pareto, authoritarian politics appeared to be the only way to protect the market from the collectivist dangers of a democratic order. In this respect Pareto was consistent, ‘carrying through to the 1920s his convictions about the proper relation between the market and state developed in the 1890s.’ (Bellamy, 1988: 30-1)

Interestingly, in September 1921, the Italian fascist Massimo Rocca talked of a ‘neo-liberalism’ and suggested that a movement ‘would rebel against the collectivist mania...(and)

would end up being a liberal neo-conservatism from the right.’ (quoted in Landa, 2010: 8-9) Furthermore, Thorsen (2009) points out that the term neoliberalism was used in an 1898 article to refer to the Italian economist Maffeo Panteloni (1898), who later became a supporter of fascism, alongside Luigi Einaudi, who was a great influence of the Italian version of public choice economics, discussed further below (see Gide, 1898; Birch, 2015: 25-6). The Fascist government undertook a substantial privatisation programme in its first years in office and was strongly committed to a balanced government budget (Bel, 2011) and the Nazis also carried out significant privatisation programmes, including in steel, mining, banking, shipping and railways (Bel, 2010). Once in power then, fascists did not challenge the economic dominance of private ownership of the means of production, even if they did regulate them in ways that were incompatible with neoliberalism.

As we have seen, Ortega y Gasset argued that the isolated masses were easy prey for manipulation at the hands of demagogues like Lenin, Mussolini and Hitler. But, there are also parallels between his cultural pessimism and the more openly authoritarian liberalism developed by Hayek in *The Constitution of Liberty*. Indeed, Hayek (2006: 385, n.2) himself quotes Ortega y Gasset’s distinction between democracy (‘who ought to exercise the public power?’) and liberalism (‘regardless of who exercises the public power, what should its limits be?’). In other words, Hayek himself identifies the common ground between Ortega y Gasset and himself; for Ortega y Gasset the problem is mass society, for Hayek, it is the rise of collectivism. And in both cases this problem must be countered by cultured liberal individuals which limit rather than extend the kind of public power generated by the mass society and collectivism. Authoritarian liberalism protects the liberal individual and the free market from collectivism. Such an argument was also present in Weimar Germany.

## Neoliberalism and the State of Exception

Like elite theory, the German political theorist Carl Schmitt was hostile to the reality of mass democracy, arguing that the emergence of mass markets, massive inequality and large corporations, undermined the liberal individual consumer and entrepreneur. Mass society was thus made up of conflicting group interests rather than rational individuals. Mass politics generates increased demands on the state and therefore the role of the state becomes politicised and thus extended beyond its role as a mere regulator. In the process the rule of law is undermined because the state must arbitrarily choose between conflicting interests which reflect the '*politicization* of all economic, cultural, religious and other dimensions of human existence.' (Schmitt, 1998: 216) In many respects Schmitt is (rightly) regarded as a conservative critic of liberalism, but we need to be more precise about what this critique actually entailed. What is distinctive in this argument is his critique of liberal accounts of politics. In a world of conflict, the distinction between friend and enemy is central to politics. In contrast, liberals naively believe in negotiation rather than conflict (Schmitt, 1985: 63). Schmitt essentially upheld a pluralism which questions the idea that all forms of life can be unified in a single framework. However, this led to a selective critique of liberalism, based less on a concern with economic liberalism and much more with the weakness of political liberalism.

Thus, in the dying days of the Weimar Republic, Schmitt argued not only that the liberal interpretation of the rule of law was inadequate in the context of the rise of parties committed to ending the constitution, but also that the decision over what constituted legitimate activity was a political one, and not one that could be resolved by the rule of law. Schmitt argued

strongly that the president was sovereign and therefore could act in an extra-legal manner in exceptional circumstances. Hindenburg's presidency was weak, as was the German Reichstag, and it was relatively easy for the Nazis to claim absolute power. Schmitt joined the Nazis on the grounds that as the rule of law rests on political power, we must obey whoever has the authority to lead. By 1936 however he was subject to a Nazi campaign against him as he tried to establish a new constitutional order, reflecting that fact that he 'had failed to see that for the Nazis, the exception was the norm.' (Bellamy, 2000: 81)

Specifically, Schmitt essentially regretted mass democracy because it placed too many items on the political agenda, and he wished these to be taken off that agenda (Cristi, 1998). Indeed, we might argue that Schmitt, a conservative, had much in common with neoliberalism. Though Hayek was dismissive of 'Adolf Hitler's crown jurist, Carl Schmitt' (Hayek, 1967: 169), who defined sovereignty as the capacity of the state to declare exceptional power, his case for market freedom was uncomfortably close to that view. Schmitt's argument rested on a distinction between general legal norms and specific commands, and he claimed that only the former could satisfy the condition of upholding the rule of law. His problem with the Weimar republic was that as a pluralist party state it led to rule through specific discretionary demands, that is, by specific commands. The state was the prisoner of powerful interest groups which therefore undermined the rule of law. The state was thus entangled in far too many activities and this undermined the constitutional order. For Schmitt (1932: 226-7):

only a strong state can depoliticize, only a strong state can openly and effectively decree that certain activities...remain its privilege and as such ought to be administered by it, that

other activities belong to the...sphere of self-management, and that all the rest be given to the domain of a free economy.

Schmitt argued that the liberal rule of law might be abandoned in a time of crisis, such as the Depression of the 1930s (see Scheuerman, 1997: 176). In effect Schmitt was arguing that the liberal constitution needed to be abandoned in order to save itself from democratic forces that threatened the liberal order.

In effect, the rule of law might be abandoned in a state of emergency. Scheuerman (1997: 176) contends that by 1930 and especially 1932:

in the face of the left's attempt to construct the democratic welfare state...*just such an emergency is what Schmitt now proposes*.....The 'quantitative total state' – a weak, social democratic inspired interventionist state – should be replaced by a 'qualitative total state' – an alternative brand of interventionism, but one which guarantees authentic state sovereignty and simultaneously manages to provide substantial autonomy to owners of private capital.

Thus, as Cristi (1998: 149) suggests, for Schmitt 'the political impotence of Weimar parliamentarism was a direct result of the extinction of early liberalism and the rise of democratic liberalism.'

In the 1930s, it was the German version of neoliberalism, namely *ordo-liberalism*, which held what were in effect authoritarian liberal views close to those of Schmitt (Tribe, 1995: 212; Cristi, 1998: 193-4). Though sometimes presented as a body of thought that proposed a liberal democratic alternative to Nazism (see Rieter and Schmolz, 1993), such an argument

‘is confronted by the paradox that its founding thinkers did not write in defence of liberal democracy. Rather they perceived Nazism as the tyrannical consequence of the lamentable weakness of the Weimar Republic to maintain a liberal economy.’ (Bonefeld, 2013: 108; and Bonefeld, this volume) In the words of Alexander Rustow (quoted in Bonefeld, 2013: 108), Weimar was:

being pulled apart by greedy self-seekers. Each of them seeks out a piece of the state’s power for himself and exploits it for his own purposes... This phenomenon can best be described by a term used by Carl Schmitt – ‘pluralism’. Indeed, it represents a pluralism of the worst possible kind. The motto for this mentality seems to be the “role of the state as a suitable prey”. What is needed is a state that ‘governs, that is, a strong state, a state standing where it belonged, above the economy and above the interest groups.

Rustow thus advocated a dictatorship within the bounds of democracy, or what Ropke called a ‘commissarial dictatorship’ and Muller-Armack called a strong state which ‘suppresses the class struggle’ (cited in Bonefeld, 2013: 108). Thus, closely paralleling Ortega y Gasset, the collectivist, welfare-based revolt of the masses must be countered by a ‘revolt of the elite’ (Ropke, 1998: 130), in which democracy must be ‘hedged in by such limitation and safeguards as will prevent liberalism being devoured by democracy.’ (Ropke, 1969: 97) A weak state is one that has no independence from the vested interests operating in civil society, and is thus easily captured by these interests. What is needed is ‘a strong state, a state that rises above the economy’ (Rustow 1932: 69, cited in Cristi 1998: 194). Muller-Armack thus called for a total state in order that the free economy could properly exist, and at the same time suppress ‘the class struggle’ (cited in Bonefeld, 2012: 649). Indeed, he was the one prominent ordo-liberal to join the Nazi party, and he described the Nazi state as an

‘accentuated democracy’ (cited in Bonefeld, 2012: 649). These views are very close to Schmitt who, as we have seen, was indeed critical of liberalism, but only that liberalism which gave rise to the politicisation of economic life, and on these grounds advocated dictatorship in part to depoliticise the free economy.

Ordo-liberals therefore argued for a strong state, but one that is strong enough only to provide the order necessary for a market economy to flourish. Rustow thus used the term ‘free economy-strong state’ to describe the ordo-liberal position (Turner, 2008: 84). What was of vital importance for the ordo-liberals was that these rules are clear, and that everyone must abide by them. Crucially, while ordo-liberals did recognise a downside to the market economy, and specifically the rise of cartels and the expansion of the proletarian condition, they argued that while state intervention was necessary to deal with these problems, such intervention should be compatible with the market, and not run against its logic. *Vitalpolitik* therefore was designed to conform to the principles of free competition, and was therefore, market supplementing rather than market controlling. The ordoliberal interventionist project thus represents ‘not a politics against the logic of the free economy. Rather, it is meant to render free economy effective.’ (Bonefeld, 2013: 119) The state therefore sets the rules, in which a market economy can flourish. This is in contrast to Keynesian policies, where discretionary spending constitutes an intervention in the market order. For the ordo-liberals there is a demarcation of state and market, but the former is regarded as being absolutely necessary for the latter to work effectively. Indeed, as Foucault (2008: 242) suggested, this involves a vigilant policy of interventionism, in which the free economy is constructed ‘anew each day.’ (Ropke, 1998: 27).



In this period, Hayek also made some tentative but critical remarks on the dangers of democracy. While he argued that democracy can only exist within a framework ‘based on free disposal of private property’ he went on that ‘(w)e have no intention...of making a fetish of democracy...Democracy is essentially a means, a utilitarian device for safe-guarding internal peace and individual freedom. As such it is by no means infallible or certain.’ (Hayek, 2001: 73) But from there he went on to say that:

Nor must we forget that there has often been much more cultural and spiritual freedom under an autocratic rule than under some democracies – and it is at least conceivable that under the government of a very homogeneous and doctrinaire majority democratic government might be as oppressive as the worst dictatorship. (Hayek, 2001: 73-4)

There is thus considerable common ground between the ordo-liberals and Schmitt in the 1930s, and even to some extent Hayek as well. Neoliberalism in the 1930s thus supported authoritarian liberalism as an alternative to weak, pluralist liberal democracy, which was a prisoner of the masses, and to fascism, which in effect manipulated and used the masses (Heller, 2015). In the period after the war, the division between ordo-liberalism on the one hand, and Austrian and Chicago School neoliberalism widened (see Burgin, 2012; Davies, 2014). This division was largely over the former’s continued hostility to the concentration of capital, as against the latter’s growing acceptance that private monopoly was preferable to government regulation (Bork, 1978). We will see in the next section that, in terms of fear of democracy and support for authoritarian government, Hayek and others essentially accepted and developed the Schmittian and ordo-liberal arguments, albeit in ways distinctive to the neoliberal project. At the same time, as the next section will show, the Chicago School’s growing acceptance of monopoly led to a politics which paralleled authoritarian liberalism in

terms of its attempt to promote a political project of de-politicisation, particularly in the context of pluralist democracy.

### **From Neoliberal Authoritarianism to the Rule of Economics: Neoliberalism after 1945**

In the period after 1945, neoliberal authoritarianism continued and was developed further, particularly by Hayek, who distinguished the spontaneous, market order, which is governed by law or *nomocracy*, from one based on common purpose or *telocracy* (see also Oakeshott, 1962). The market coordinates the sum of individual ‘knowledge’ without any overall conscious direction (Hayek, 1972; 2013: 267-71). This point also applies to the law, which does not emerge simply from the legislative action of a sovereign body, but also through an unintended process based on the interaction between many individuals (Hayek, 2006: 180). The sovereign does not so much create as enforce the content of the law. Collectivism, in the form of socialist, fascist, or indeed social democratic, state is incompatible with the rule of law because it is based on a telocratic state which is particularist, discretionary and arbitrary. Liberty is the product of moral rules transmitted by custom and tradition, and their very generality prohibits any person from constraining others; it is ‘the absence of a particular obstacle – coercion by other men.’ (Hayek, 2006: 18) Law protects the individual against coercion by others, so in a regime of liberty ‘the free sphere of the individual includes all action not explicitly restricted by a general law.’ (Hayek, 2006: 189)

The state must be able to punish infringements of the rules of conduct and in doing so must have a monopoly on the means of violence (Hayek, 2006: 117-29), but otherwise the

state must act on the same terms as everyone else. The state must not be arbitrary or particular and thus must confine itself to the implementation of general rules. Interventions that distort the market, such as price controls or redistribution of income or wealth, are particularly dangerous as they undermine the freedom of a spontaneous order. Notions such as social justice are incompatible with a catallaxy, and can only exist in telocracies, which undermine freedom, and thus present the threat of totalitarianism (Hayek, 2013: 109).

Though at times Hayek accepted the case for social protection against extreme deprivation (Hayek, 2013: 249), he argued that income distribution is simply the unintended outcome of the market order, and so can be neither just nor unjust (Hayek, 1967: 171; 2006: 82-3). Any attempt to interfere in the market-based allocation of resources will benefit special interests, and undermine both freedom and prosperity.

Hayek therefore argued that a constitution of liberty must make paramount the distinction between law as command and law as a system of general rules. The constitution should reflect the fact that justice should be defined independently of personal interest, legislation should not be designed for specific groups and the functions of government should not be entrusted to the representative assembly. Influenced by the checks and balances of the US constitution, Hayek argued that there should be two separate assemblies, the legislative assembly and the government assembly. The latter would be elected by citizens and would probably be chosen from competing political parties that would be committed to specific, particular measures. All citizens would be able to vote except for those either employed by, or financially dependent on the public sector, including pensioners (Hayek, 2013: 447-55). The legislative assembly would establish the general rules which would set the boundaries for what the government assembly could actually implement and change (Hayek, 2013: 443-7). Membership of this assembly would be made up of 45 year olds that would serve fifteen year

terms, with one-fifteenth of the assembly being elected each year, each time by voters, who would also be 45 years of age (Hayek, 2013: 449). This constitutional order is designed to uphold the rule of law and therefore limit democracy to a procedural mechanism rather than one that endorses popular sovereignty (Hayek, 2013: 443-5; 2006: 90-4). Echoing the claims of public choice theory (see below) the result is that democracy degenerates into a process of buying votes, leading to ‘domination of government by coalitions of organized interests’ (Hayek, 2013: 358), with the results that special interests such as trade unions ‘capture’ the state via a process of vote buying by politicians, and so a constructed order will displace the spontaneous order (Hayek, 2013: 356-9). Hayek’s constitution is therefore in effect one based on an authoritarian liberalism, and his distinction between authoritarianism and totalitarianism, and freedom and democracy (Hayek, 1967: 161), is well known (see further below).

At the same time, neoliberalism moved in new directions after the war, and in particular developed a further critique of politics that challenged the pluralist, neo-Keynesian states in the developed world, and the developmental states in the developing world (see next section). While neoliberals had to accept the fact that a boom occurred after the war, it was argued that this was ‘the product of the initiative and drive of individuals co-operating through the free market. Government measures have hampered not helped this development. We have been able to afford and surmount these measures only because of the extraordinary fecundity of the market. The invisible hand has been more potent for progress than the visible hand of retrogression.’ (Friedman, 2002: 199-200) Furthermore, the state was not only inefficient, it was a threat to freedom:

The preservation and expansion of freedom are today threatened from two directions. The one threat is obvious and clear. It is the external threat coming from the evil men in the Kremlin who promise to bury us. The other threat is far more subtle. It is the internal

threat coming from men of good intentions and good will who wish to reform us.

(Friedman, 2002: 200).

This critique of New Deal was extended by public choice theory, which argued that government regulation and public administration does not represent something called the public interest, and so there is no neutral state apparatus (beyond that necessary for the preservation of the rule of law). Government officials act in their own interest, and not that of the so-called public good. When public bodies expand their administrative size or area of competence, this is not because of the needs of the public, but rather because of the self-interested behaviour of those who ran these bureaucracies (Buchanan and Tullock, 1962). Similarly, in terms of regulation, this did not operate on behalf of the interests of the public, but rather self-interested firms, which actively sought subsidies from the state, and attempted to control the market entry of potential competitors, and fix prices in their favour. This scenario reflected the self-interested behaviour of both private and public sector, but in the case of the latter there was no effective way of controlling such behaviour for the greater good (Stigler, 1971). However, in the case of the private sector, self-interested behaviour could serve a greater good because it was subject to the discipline of market competition and therefore provide the necessary guarantee of a wider social good, while state regulation and public administration were counter-productive. As state departments expand, so do salaries, budgets, staff and so on because state officials are motivated by self-interest and not by a commitment to a mythical public service. Government expansion is made all the more easy by the discretionary nature of state provision, in contrast to the universalism of the rule of law and the market order. In particular, the argument was made that interest groups with political agendas placed never ending demands on states for access to scarce resources, which further extends government (Brittan, 1975). This leads to too many demands being placed on

government, and the arbitrary and discretionary distribution of goods rather than the upholding of the rule of law – in other words, it leads to the politicisation which was so unacceptable to Schmitt. The result of the collectivist state committed to social justice is thus the erosion of the free market and the rule of law, and thus a creeping totalitarianism. This was precisely the thinking behind James Buchanan's assertion at the 1954 Mont Pelerin Society meeting that the 'maintenance of free society may well depend on the removal of certain decisions from majority-vote determination', not least so that the pressures for redistribution on the part of the masses could be averted (cited in Burgin, 2012: 118).

This critique overlaps with Hayek's case for an authoritarian liberal constitution, but at the same time, the Chicago and Virginia school took the critique of democratic politics in new directions. Important here was the fact that the Chicago School increasingly apologised for private monopoly. As we have seen, Hayek argued the case for the market order on the grounds that it coordinates the individual life plans of millions of people whose knowledge is limited to such a degree that collective plans are both impossible and undesirable. On the other hand, concentrations of power also imply the concentration of knowledge and the partial erosion of the market mechanism. However, the Chicago School argument was that concentrations of private economic power reflect consumer welfare more than choice, and so it was acceptable for private monopoly to emerge. While state regulation took some of the blame for these monopolies, and the Chicago School emphasised the costs of regulation, in Hayekian terms they were equally at home with knowledge being concentrated in large corporations, which provided the basis for rule by a new breed of economic experts (Davies, 2014). Hayek (2001: 230-1) himself, who moved to Chicago after the war, came to accept the view that private monopoly was more acceptable than trade union monopoly in the labour

market, suggesting that such monopoly was partly the fault of state regulation and that in any case there was always the possibility of new entrants to particular markets.

Nonetheless, the Chicago school argument represented an important shift in neoliberal thought not least as the argument had implications beyond a simple apology for private monopoly. In effect the Chicago School were advancing a new system for understanding knowledge, one in which the Chicago variety of neo-classical economics could be regarded as opening the way for a new system of technocratic expertise. Gary Becker (1976) thus argued that economics is not simply the study of the production, distribution and consumption of goods but is actually a science of human behaviour. All areas of life can be analysed through cost-benefit analyses which can thus tell us which particular choice enhances our welfare or utility (Becker, 1976: 3-4). In this approach, the role of the expert is enhanced because Becker (1976: 5) is suggesting that people are not ‘necessarily conscious of efforts to maximize their utility.’ Nonetheless, this is what they have done and Chicago economists can therefore be deployed to analyse this at an aggregate level, not just in the sphere of markets, *but in all areas of social life*. It therefore follows that all kinds of social activity can be measured and quantified according to price theory, which in turn incentivizes human behaviour, which is some distance from Hayek’s observations concerning the limits of knowledge. This in turn gives rise to various mechanisms for measuring social activity, including within the state itself, and indeed the individual, according to neoliberal price theory. In other words, we begin to see how neoliberalism is not only about a market economy, but is, in Foucault’s (2008) sense, a new rationality. But crucially for our purposes, it is one in which markets – *real and imagined* – increasingly displace the messy processes of democratic politics, even in their limited, liberal democratic form.

Friedman (1976: 11) thus argued that the political mechanism's central defect is that 'it is a system of highly weighted voting under which the special interests have great incentive to promote their own interests at the expense of the general public.' Inflation was caused by government's printing too much money in response to pressures generated by the pluralist, telocratic state. A variation of this argument can be found among a number of influential Italian economists influenced by public choice theory (Alesina and Ardagna, 1998), which suggested that democracy can have inflationary consequences, the Italian school argued that there was a close connection between democracy and government deficits (see also Niskanen, 1971). In particular, elected governments succumb to the temptation to run budget deficits in the knowledge that this becomes a problem for successor governments. Seen in this way, government debt is less a problem of economic business cycles, and more one of political electoral cycles. In terms of economic growth this is counter-productive, and the argument is made that spending cuts can increase growth by increasing confidence among investors and consumers (Giavazzi and Pagano, 1990). Thus, Alesina and Ardagna (1998: 491) contend that 'when spending cuts are perceived as permanent, consumers anticipate a reduction in the tax burden and permanent increase in their lifetime disposable income.' We again we have an argument which suggests that democracy can lead to economically dysfunctional outcomes, including the 2008 financial crisis. There is thus a (a new) need to replace even limited democracy with authoritarian liberalism or rule by economic experts.

While public choice theory and Hayek's critique of telocracy are distinct, both share the view that democracy is problematic because it encourages precisely the discretionary state power that neoliberals regard as being a threat to the market order. As in the case of Weimar



in the 1930s, the problem is that democracy encourages collectivism and the extension of discretionary bureaucratic decisions rather than a rules-based system which is compatible with freedom and the market order. This is particularly problematic in democracies as politicians carry out short-term policies in order to win (buy) votes at elections (Tullock, 1976). But short-term measures designed to alleviate unemployment cannot work in the long term as government expansionary policies lead to inflation, which undermines the market order by distorting the price mechanism. What arose then was the growth of 'distributive coalitions' (Olsen, 1971) influencing the state and enjoying particular and concentrated benefits, at the cost of the wider taxpaying public. While the costs were dispersed among such a large public, these gradually increased and had disastrous long term effects which came to fruition in the economic crises of the 1970s. As early as 1968, Margaret Thatcher (1986: 64-5) came close to endorsing a similar position when she stated that:

We started off with a wish on the part of the people for more government intervention in certain spheres. This was met. But there came a time when the amount of intervention got so great that it could no longer be exercised in practice by government but only by more and more official or bureaucrats... The present result of the democratic process has therefore been an increasing authoritarianism.

The question thus faced by neoliberals in the 1960s and 1970s was similar to that asked in the 1930s, namely in the context of the rise of collectivism, how can mass democracy be limited? Or, how does government deal with the problem of what Schmitt called the politicisation of the economy, or what by the 1970s was called government overload (Crozier et al, 1975; Buchanan and Wagner, 1978). Samuel Brittan (1975: 129) argued that the crisis of the 1970s was generated by the generation of excessive expectations placed on

government and the closely related ‘disruptive effects of the pursuit of group self-interest in the market place.’ The result was an ‘*excessive burden...placed on the ‘sharing out’ function of government.*’ (Brittan, 1975: 130) The solution to this problem was either an authoritarian liberalism or economic technocracy, both of which are designed to limit democratic politics. This point applies not only to real markets, but also imagined markets operating in the public sector. The effect of market-led public sector reform is to challenge the professional expertise associated with public sector professionals, in the name of consumer empowerment, which in effect acts as a substitute for the consumer sovereignty which is said to exist in the private market sphere. This in effect challenges the idea that state elites can know what is in the interests of each individual, and thus sounds consistent with Hayek’s critique of central planning as the road to serfdom. But on the other hand, the selection of performance indicators and measurement of efficiency is far from a value free process, and indeed is one which is handed over to a new set of experts. We have seen how this is consistent with the Chicago School’s notion of using economic expertise to measure performance, but even if experts are not necessarily explicitly influenced directly by Chicago School neo-classical economics, it is the case that the (real or imagined) market has been used as a proxy for measuring performance. In practice, this gave an enhanced role to economists (and judges) who could measure outcomes in terms of efficiency, and thus laid the basis for the rise of the audit culture in the public sector, where performance targets, key performance indicators, league tables and internal and external competition are all used as indicators of efficiency, as if the public sector could be modelled on a market-like basis. These points apply to attempts to state policies designed to make different agents more ‘entrepreneurial’, from individuals encouraged to invest in financial markets to public sector workers competing with each other. But it also applies to more authoritarian interventions, and especially military intervention designed to overcome rogue states and construct new marketized ‘globalising states’

integrated into the global market (Roberts et al, 2003; Kiely, 2010). In the cases of public sector reform, penal reform and military intervention, the neoliberal state plays a crucial role in attempting to incorporate individuals or states into the market order, or to behave in more 'market-like' ways, to construct neoliberal subjects. There is thus a close parallel between powerful states policing failed and rogue states in the international order (Roberts et al, 2003) and states policing 'failed' domestic populations marginalised within the domestic order (Wacquant, 2009; Panitch, 2015: 63-4). The rule of economic technocracy is thus every bit as undemocratic as authoritarian liberalism, but equally technocracy involved authoritarian interventions. These points apply to the developing world as much as the developed, and this is considered in the next section.

## **Neoliberalism and the De-politicisation of Democracy in the Developing World**

Initially, neoliberalism as a body of thought had little to say about the developing world, but this gradually changed in the context of the rise and success of anti-colonial nationalist movements in the period after 1945, and the deployment of the 'developmentalist' strategy of import substitution industrialisation (ISI) by newly independent countries in this period. Neoliberals regretted both these developments, on the grounds that anti-colonialism and developmentalism were both regarded as political threats to the market order. In the case of the former, anti-colonial movements often made alliances with the Soviet Union and the Cold War began to inform neoliberal thinking. Neoliberals increasingly aligned themselves with conservative movements in the United States that rejected the Republican accommodation with Soviet Communism and instead argued for an increasingly militarised authoritarian state.

This was true not only of American neoliberals, but Europeans as well. At the height of the Cold War Wilhelm Ropke was particularly critical of the United States, criticising (among other factors) the weakness and vagueness of its anti-communism, and he more openly supported right wing authoritarian government in Venezuela and Peru, as well as supporting the military coup in Brazil in 1964. On a visit to apartheid South Africa in 1963 he expressed some small reservations about the nature of the regime but also argued that blacks in South Africa were not a ‘mass of harshly oppressed and unhappy human beings’ and that their fate was not comparable to those living under the communist empires in the Soviet Union and China. He went on that only ‘misled ideologues’ failed to see that any proposal for equal rights in the country was an ‘invitation to national suicide.’ (cited in Sochany, 2014: 228). Indeed, in one respect European neoliberals went further than American conservatives, and at the 1957 Mont Pelerin Society meeting, Arthur Shenfield argued that although in ‘a world completely safe for liberalism it might be right for the West to give up its bases and depart from its positions of power’, in ‘the world as it is, to do so is to betray the hopes of liberalism’, and ‘anti-colonialism, not colonialism’ was ‘the problem’ (quoted in Burgin, 2012: 119). Karl Brandt was even more explicit, suggesting that for an ‘enlightened liberalism, the problem is not how to rid the colonial areas of the white people’ but rather ‘how to create, as soon as possible, conditions in the colonial areas under which the white people not only can stay but where more of them can enter the areas as welcome partners and friends.’ (quoted Burgin, 2012: 119-20) ISI was similarly regarded as problematic because it was based on the need for newly independent countries to build their nations through industrialisation, and this meant the promotion of protectionist policies in order to ensure that domestic industries could develop before being subject to competition from established overseas industrial producers, who in a ‘free market’ context would easily out-compete these new producers (see Chang, 2002; Kohli, 2004). In contrast neoliberals argued for the

promotion of liberal trade policies, so that competition would in effect decide what commodities particular ‘third world’ countries should produce (Bauer, 1971). This argument was then taken up by a small but growing number of neoliberal intellectuals in the developing world who were increasingly critical of ISI policies (Balassa, 1981; Lal, 1984).

But as is well known, it was in Chile that neoliberalism was in many respect first established in government after the military coup of 1973. Hayek’s comments on Pinochet’s Chile, and the Mont Pelerin Society’s conference in 1981, held at Vina del Mar in Chile, the place where the military coup took place, should be seen in this light. In 1978, in a letter to *The Times*, Hayek wrote that ‘I have not been able to find a single person even in much maligned Chile who did not agree that personal freedom was much greater under Pinochet than it had been under Allende.’ (quoted in Farrant et al, 2012: 522). In an interview in the Chilean newspaper *El Mercurio* in 1981, Hayek argued that ‘As long term institutions, I am totally against dictatorships. But a dictatorship may be a necessary system for a transitional period’. He went on that ‘a dictatorship can place limits on itself and a dictatorship that deliberately sets limits on itself can be more liberal in its policies than a democratic assembly without limits.’ (quoted in Farrant et al, 2012: 523) This echoed the thinking of Arthur Shenfield at the MPS meeting in 1954, when he stated that ‘(i)t does no service either to liberalism or to democracy to assume that democracy is necessarily liberal or liberalism is necessarily democratic’ (cited in Burgin, 2012: 119).

These views accord with Hayek’s argument that ‘the opposite of liberalism is totalitarianism and the opposite of democracy is authoritarianism’, so that ‘democratic government may be totalitarian and...an authoritarian government may act on liberal

principles.’<sup>4</sup> (Hayek, 1967: 161) Indeed, Hayek made sure that Pinochet was sent a copy of what became chapter 17 of the third volume of *Law, Legislation and Liberty* (see Farrant et al, 2012: 524), which argued that the basic principles of a free society may ‘have to be temporarily suspended when the long term preservation of that order is itself threatened.’ (Hayek, 2013: 458) Schmitt could not have put it more plainly. Indeed, Hayek (2006: 423) accepted that in terms of constitutional law, ‘the conduct of Carl Schmitt in the Hitler regime does not alter the fact that, of the modern German writings on the subject, his are still the most learned and perceptive.’ Thus, like Schmitt, ‘while Hayek emphasized the typical liberal limitations on the state, he did not object to the formation of a strong state. He thought that strong authoritarian governments could ensure the necessary depoliticization of society.’ (Cristi, 1998: 167-8)

In some respects Chile’s neoliberal experiment was extended to much of the developing world after 1982 when in the face of the Latin American debt crisis, neoliberal conditionality was rolled out throughout much of the developing world. This involved privatisation, liberalisation of trade and investment and reform of the public sector so that the state was increasingly marketised in ways which accorded with Becker’s notion of imagined markets or ‘market theory’. However this process of neo-liberalisation coincided with a new era of democratisation, which would seem to challenge the arguments concerning de-democratisation made in this paper. However this ‘third wave’ of democratisation (Huntington, 1991) was limited (Robinson, 1996). Although in some cases there was some degree of progress in terms of undermining the excesses of authoritarian and undemocratic regimes, the democratisation that did occur did not substantively extend the rights of citizens so that they could play an active role in the political process. This meant a limited democracy in which the democratic state existed so long as it did not follow the course of Weimar in the

early 1930s, and become overly politicised. In the 1980s, the democratic process was hindered by the reality of structural adjustment and the influence of international organisations promoting neoliberal policies, such as the IMF. Growing inequality in many countries, in part a product of neoliberal policies, also hindered the democratisation process and enabled a growing class of the super-rich to influence the political process, to the detriment of more radical social movements which had demanded an end to authoritarian rule and a more substantive process of democratisation (Robinson, 1996). These processes have continued into the 2000s, not least in the Eurozone where democratically elected governments have been removed and replaced by technocratic leaders, or severely weakened by the pressure of ‘market forces’. This argument parallels Robinson’s (1996; 2013) notion of limited democracy as polyarchy in the neoliberal era, but what I have tried to show here is how *this strategy is deeply rooted in neoliberal theory as well as neoliberal practice*. At best then, democracy has been reduced to a process where the electorate periodically chooses between competing elites (Schumpeter, 1976), a choice which itself has become increasingly marketized. Democracy is thus reduced to being ‘that institutional arrangement for arriving at political decisions by means of a competitive struggle for the people’s vote’ (Schumpeter, 1976: 269), reflecting an understanding of democracy where it is less a means by which the ruled controlled rulers, and more one in which rulers came to rule more effectively over the ruled. In short, the third wave in many respects has accorded with the de-politicized form of democracy favoured by neoliberalism.

So, in the context of the Cold War and of anti-colonialism and developmentalism in the ‘third world’, neoliberals argued for the continuation of a colonial state of exception. In the post-Cold war era, the advocacy of democracy has been accompanied by the de-politicisation

of this concept. These arguments significantly overlap with those earlier arguments made by Mosca, Pareto and Schmitt.

## **Conclusion**

When faced with a trade-off between liberalism and democracy, or between economic liberalism and political liberalism, neoliberals choose the former and thus betray a deep distrust of democracy. One recalls Tocqueville's (1997: 201, 178) distaste for the coup which abolished the Second Republic in France in 1848, but at the same time his acceptance that he was 'much more concerned with putting a powerful leader quickly at the head of the Republic than with drafting a perfect republican constitution.' In a new context this was precisely 'the exception' that led conservatives to invite the Nazis into office, Schmitt to join the Nazis, and later, neoliberals to support authoritarianism as preferable to the collectivist demands of democracy, both within and between countries. Though in many respects critical of fascism, Mises<sup>5</sup> (2002: 51) was quite explicit on this point:

It cannot be denied that Fascism and similar movements aiming at the establishment of dictatorships are full of the best intentions and that their intervention has, for the moment, saved European civilization. The merit that Fascism has thereby won for itself will live on eternally in history. But...Fascism was an emergency makeshift. To view it as something more would be a fatal error.



But we should note not only neoliberalism's authoritarian politics, but also the inconsistencies that this presents to its world view. Hayek believed that the liberal order emerged through a spontaneous process of evolution, only to then pull the rug from under his feet by arguing that there are no guarantees that such an order can continue (see Kukathas, 1989: 18). This state of exception is inconsistent with the wider claims made by neoliberalism, which on the one hand wants to eradicate politics but on the other *finds that it can only do so through the use of political means*. Democracy would therefore increasingly be replaced by rule by a technocratic economic elite. But then we might highlight Hayek's arguments concerning the limits of individual knowledge and contrast this with his support for a benevolent elite, for as Mirowski (2009: 450-1) contends:

Hayek's frequent appeals to a "spontaneous order" often masked the fact that it was neoliberal theorists who were claiming the power to exercise the Schmittian "exception" (and hence constitute the sovereignty of the state) by defining things such as property rights, the extent of the franchise, constitutional provisions that limit citizens' initiatives.

This reflects the 'double truth' of neoliberalism in which 'an elite would be tutored to understand the deliciously transgressive Schmittian necessity of repressing democracy, while the masses would be regaled with ripping tales of "rolling back the nanny state" and being set "free to choose".' (Mirowski, 2009: 444-5) What we are left with then, is either an authoritarian or a technocratic neoliberalism, neither of which is supportive of democracy.

This mirrors precisely the conflict between the economic expertise of the European Central Bank against the democratic will of electorates in a range of countries in the Eurozone, but this does not so much abolish values, as allow market values to dominate all

others – itself a political act. A similar point can be made about public choice theory, for as Hay (2007: 109) states:

In diagnosing the problem, political actors are rational utility maximizers. Yet, when it comes to fashioning solutions, they are not. Indeed, if it is rational for parties to play the overload game, then the election of a governing party committed publicly to breaking the cycle of overload is a compelling refutation of the most central assumption of the thesis – that political parties are rational.

Similarly, in the case of structural adjustment, this was deemed to have failed in the 1980s not because of intrinsic flaws but because it was not properly implemented by states in the developing world. The solution was then deemed to be the promotion of good governance which in effect meant institutional reform alongside the promotion of ‘market forces’. But this implied that the state was both the problem (there was ‘too much government’) and the solution (there should be strong government to promote the ‘free market’) and in any case there was little convincing reason why states should reform themselves, if at least the wider claims of public choice theory were accepted. We might also point to the case made for a global invisible hand (Lal, 2006) alongside the case made in defence of empire (Lal, 2004). The state bailouts following the 2008 financial crisis should also be seen in this light and they do indeed represent what Davies (2014: ch.5) has called a state of market exception. In the case of Chile we might highlight Hayek’s rather naïve faith in a benevolent dictator, as against his own earlier argument against interventionism which would ‘necessitate further and further measures of control until all economic activity is brought under one central authority’ (Hayek, 1972: 134), or indeed the arguments made by public choice theory against self-interested state elites (Tullock, 1987).

But this is in many respects a doomed project because such processes are themselves political. This can be seen if we briefly focus on a further crisis, that of the 2008 financial crisis and its aftermath. This is a particularly problematic one for neoliberals, for unlike the 1970s, and even the 1930s, this is one that followed years of ostensibly neoliberal governance. But of course for neoliberals the crisis is one of politics and not of economic markets, and again the cause can be located in overly politicised demands and discretionary government intervention. In the case of the US, the crisis was said to be caused by pressure to provide housing to ethnic minorities in the US, and thus placing the blame for the crisis on government social engineering and the private but government sponsored enterprises Fannie Mae and Freddie Mac (see Wallison, 2009; also Friedman, 2009; Lal, 2010).<sup>6</sup> In Europe, the problems are blamed on corrupt government or European bureaucracy located in Brussels. This followed years of technocratic governance, in which it was assumed that markets knew best and strong government was needed to set the conditions to allow markets to function and create new markets. Technocratic government rested in part on the notion that liberal reason and neoliberal rationality were one and the same thing, and in the context of the fall-out from the 2008 crisis, this has given rise to two forms of authoritarianism. The first is an authoritarianism which in some respects challenges neoliberalism (see Davidson and Saull, this volume). This includes the rise of fascist parties in part of Europe but also the shifts in allegiances in the Republican Party which has given rise to a renewed paleo-conservatism, embodied in the populist figure of Donald Trump. In essence this involves a shift (in theory) towards greater isolationism, promises on limits to free trade, and much more overt anti-immigration rhetoric, much of which challenges neoliberalism. One of the reasons for the populist appeal of Trump is undoubtedly the way he has challenged neoliberal reason, and this has involved a rejection, not only of neoliberal rationality, but also liberal reason in the

name of a new politics, based on the triumph of unreason (Davies, 2016). Whether or not this would lead to a challenge to neoliberalism if Trump became president is another matter. This leads to the second variety of authoritarianism, which can be associated with a number of movements in Europe. Following the successful vote for ‘Brexit’, the anti-EU wing of the Conservative Party includes a faction around Michael Gove (and former adviser Dominic Cummings) which essentially argues that the Brussels bureaucracy is a hindrance to a fuller implementation of neoliberal policies – in other words, the EU is not neoliberal enough (see Kane, 2016). While a version of this argument influenced the UK Independence Party (UKIP), following the referendum result in June 2016 it appears that UKIP will now move in a more racist and neo-fascist direction. Other varieties of authoritarian neoliberalism include the BJP in India and some figures on the Right in Brazil involved in the removal of Dilma Rousseff from office, the latter of which might be regarded as part of a renewed neo-liberalisation in Latin America in response to the recent pink tide (Saad-Filho, 2016). These developments are essentially *both neoliberal and authoritarian* (Davidson and Saull, this volume). Here we might see a new shift in neoliberalism, away from Chicago School technocratic economism back to the authoritarian liberalism which first gave rise to neoliberalism in the 1930s, whereby democratic elitism/polyarchy gives way to new authoritarianism alongside the so-called free market.

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<sup>1</sup> Neoliberals of course have increasingly rejected use of this term, and Friedman (1951) is perhaps the last usage of the term by a neoliberal.

<sup>2</sup> Le Bon was a significant influence in getting *Political Parties* translated into French (see Beetham, 1977a).

<sup>3</sup> Mill (2013) later argued that the efficacy of private property cannot be considered in terms of first principles or natural rights, but also in terms of the utilitarian question of the greatest happiness for the greatest number, thus opening the way for a (new) liberalism that supported intervention that was not necessarily supportive of the free market.

<sup>4</sup> This distinction was taken up by Jeane Kirkpatrick (1979) who became US ambassador to the UN during the Reagan presidency, and influenced the Reagan Doctrine, at least in his first term of office, before a shift towards (limited) 'democracy promotion'..

<sup>5</sup> Mises also served as an economic advisor to the Austro-fascist regime led by Dollfuss in Austria. Dollfuss was anti-Nazi and pro-Mussolini and argued that Hitler's Germany had more in common with Stalin's USSR, a view which accords with Mises' later views, as quoted earlier in the chapter. However, this was at least in part because he feared Nazi designs on Austria and in any case his regime was still authoritarian. Also as the chapter shows, the Nazis were hardly anti-capitalist once in power.

<sup>6</sup> Critiques of these kinds of positions can be found in Min (2011), Mirowski (2013), Streeck (2014) and Kiely (forthcoming, ch.7).