

**The Neoliberal State:**  
**Power against 'politics'**

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In his landmark critique of Victorian laissez-faire ideology and its consequences, *The Great Transformation* (1944), Karl Polanyi argued that “a belief in spontaneous progress must make us blind to the role of government in economic life” (1957: 37). This blindness could only be sustained, Polanyi reasoned, thanks to “the institutional separation of society into an economic and political sphere” (1957: 71). This notion of market and state as separate domains, operating according to different logics, is at the heart of the liberal vision of freedom. The question is whether it represents some underlying ontological reality, namely that market and state *are* independent of each other, or whether, as Polanyi claimed, it masks a political agenda, whereby the state *imagines and constructs* the free market it purports to be absent from.

The critical distinction between liberalism and neoliberalism is that the latter abandons the vision of market and state as independent and ontologically distinct entities. In that respect, Polanyi’s critique is one that is shared by neoliberal thinkers, only with very different ramifications. Where Polanyi argued that the myth of the self-regulating market was unsustainable and needed abandoning altogether, neoliberal thinkers have always argued for a more realistic, state-led market agenda, which is attuned to the dependence of economic liberalism on competition law, property rights, a culture of enterprise, a strong police force, strict monetary policies and so on. Neoliberals are anything but “blind to the role of government in economic life”. In that respect, the starting point of neoliberal reason and reform is implicitly a political and sociological one (Gane, 2014), which recognizes that markets and individual economic liberty will not thrive of their own accord, but need actively instituting and defending. As Phillip Mirowski stresses, neoliberalism is a *constructivist* political project (Mirowski, 2009).

The state is a central instrument for the advancement of a neoliberal agenda. Commitment to a strong state, capable of rebuffing political and ideological challenges to capitalist competition, is a defining feature of neoliberalism, both as a system of thought and of applied political strategy. There is scant evidence of neoliberal reforms ever leading to a 'smaller' or 'weaker' state in any meaningful sense, even if certain functions have been removed from the state via policies of privatization and out-sourcing. However, the state is also an object of considerable critical scrutiny and resentment under neoliberalism. As Jamie Peck argues, "neoliberalism's curse has been that it can live neither with, nor without, the state" (Peck, 2008: 39). The suspicion that the state and its agents are wasteful, self-serving, irrational, blind to the merits of competition, excessively 'intellectual' and resistant to change is an abiding feature of neoliberal critique. The paradoxical status of the state under neoliberalism, being simultaneously the key instigator of reform and main obstacle to it, means that this anxiety can never be entirely allayed.

In the face of this ambivalence, neoliberal critique focuses on seeking to rationalize the state using techniques drawn from the world of business or to actively involve business in the running of public sectors. Reforms known as 'new public management' took off from the 1980s onwards, seeking to re-model state bureaucracies on private sector enterprise, using target-setting and audit to disrupt allegedly slow and wasteful public sector administrations (Hood, 1995). Out-sourcing and public-private partnerships have produced a new institutional sphere between market and state conventionally understood, that can be analysed in terms of networks of 'governance' or 'governmentality' that redistribute state functions into various new administrative units (Rhodes, 1996; Rose & Miller, 2013). Neoliberalism often involves the determined pursuit of state agendas, but in ways that bypass inconvenient, 'political' or supposedly inefficient instruments of government.

This chapter explores the neoliberal state in three different ways. Firstly, it discusses the idea of the neoliberal state, as it exists in neoliberal thought between the 1920s and the 1970s. I will show how neoliberals such as Friedrich Hayek consciously distanced themselves from the Victorian vision of laissez-faire, and committed to an active state agenda. This is something that Michel Foucault highlighted in his renowned lectures on neoliberalism (Foucault, 2008). Secondly, I will specify key features of the 'actually existing' neoliberal state, including its status over the course of the global financial crisis of 2007-09. Neoliberalism does not shrink state power, but it does involve it shifting from spheres designated (pejoratively) as 'political' to those viewed as unpolluted by the dangers of politics. Finally, I will identify some of the core contradictions at the heart of the neoliberal state, and draw out what these mean for the critique of neoliberalism.

### **The idea of the neoliberal state**

A defining feature of neoliberal thinking is the presumption that there is no *a priori* distinction between the realm of the 'political' and that of the 'economic'. The way in which individuals act in the marketplace is not substantially any different from how they act in public sector bureaucracies or as participants in democracy. From a neoliberal perspective "there is no separate economic motive" (Hayek, 1944: 93), a principle reiterated by various members of the Chicago School of Economics (e.g. Friedman, 1962; Becker, 1976). A

commensurate assumption is that there is no 'separate' institutional sphere of economy. A recurring motif of neoliberal political critique is to extend metaphors, norms and measures from the economic realm of markets and business to the political realm of government. For example, the discourse of 'national competitiveness' borrows the language and methodologies of business strategy, and applies them to questions of national executive decision-making, representing political leaders as national 'CEOs'.

In *The Birth of Biopolitics*, Foucault argues that this application of economic critique to the state was the main hallmark of neoliberalism (2008). In contrast to liberalism, which required government to develop techniques and knowledge through which to retreat into a limited 'political' space and leave economic activity alone, neoliberalism involves relentless efforts to remake social and political life around an ideal plucked from the market. As Foucault argued, it:

*...is not a question of freeing an empty space [as laissez-faire was], but of taking the formal principles of a market economy and referring and relating them to, of projecting them on to a general art of government.*  
(Foucault, 2008: 131)

It is not simply that neoliberalism privileges markets, but that it seeks to buttress markets (and market-like behaviours and culture) using the force of the state and to transform the state around principles extracted from the market (Davies, 2014). Foucault examined this via the writings of the Freiburg School of ordoliberalism and the Chicago School of neo-classical economics. While these two intellectual traditions are strongly divergent in their theoretical approach and political implications, what they share is the assumption that the state (in addition to other non-market realms of existence) can and should be reformed through a deliberate re-organisation around principles associated with the marketplace.

In the case of ordoliberalism, the authority of the state is derived from its capacity to enforce the rules of the market 'game', preventing firms from dominating markets, combating inflation, entrenching property rights, and defending the rights of entrepreneurs and small businesses through competition law (Bonefeld, 2012). The state should act aggressively to produce an over-arching framework, robust enough to withstand whatever economic upheavals occur within the competitive market (Gerber, 1994). Ordoliberalism allows for copious state intervention, but only to act upon the conditions and formal properties of economic action, and never to direct or control it. The ordoliberal state would be focused purely on *a priori* conditions of competition, and blind to utilitarian questions of outcomes. This philosophy is resonant with the fear of 'moral hazard' that is often used to obstruct government interventions in the market, on the basis that flexibility in the application of rules will make them ineffective in disciplining behavior in future.

It needs noting that the ordoliberal paradigm is compatible with many policies associated with social democracy or even socialism. Welfare policies and social spending could be perfectly legitimate, so long as they were structured in such a way as to preserve the formal structure of the competitive market as the *a priori* logic of society. Many German and French neoliberal thinkers of the 1930s saw neoliberalism as a path between socialism and laissez-faire, that would harness the capabilities of the growing welfare state towards the

promotion of enterprise (Burgin, 2012). What was often known as the ‘social market’ model (including by many neoliberal think tanks in the UK during the 1960s and ‘70s) was as much about harnessing the instruments of social democracy as it was about promoting the free market (Gamble, 1979). In this respect, neoliberalism was and remains an agenda for the transformation of society, and not simply for the expansion of the market (Dardot & Laval, 2014). In addition to the influence that ordoliberalism exerted over German reconstruction and European integration during the 1950s, legacies of this tradition might also include the ‘Third Way’ policies of centre-left governments of the 1990s, which focused on ‘active’ labour market interventions, rather than labour market protections.

From the perspective of the Chicago School (and equally the Virginia School of public choice) by contrast, the authority of the state needs to be relentlessly questioned and tested through the application of neo-classical economics to the study of law-makers, bureaucrats and democratic processes. “The economic critique the [American] neo-liberals try to apply to governmental policy”, Foucault argued, “is also a filtering of every action by the public authorities in terms of contradiction, lack of consistency and nonsense” (2008: 246). The ‘imperialism’ of neo-classical economics is therefore an integral part of the American neoliberal project of state rationalization, which gradually crowds out alternative logics from the social and political realms (Fine & Milonakis, 2009). This is manifestly a more state-phobic, pro-business orientation than that of ordoliberalism and the traditions that spun off it. It is also in strong contrast to liberal political philosophies, which preserved space for a separate realm of political interaction not reducible to economics (Brown, 2015). It rests on a latent libertarian suspicion that politicians, bureaucrats and law-makers are likely to be just as self-interested as business-people and consumers, only less honest about this fact.

Implicit and sometimes explicit in this analyses is the idea that the ideals associated with the state are more dangerous than those associated with the market. Perversely, the ideals of the market might be a more effective (and certainly a safer) basis on which to safeguard key political principles, such as democracy, liberty and justice. If all action is fundamentally economic action, it makes perfect sense to treat the state as a particular type of economic entity, and to view economic institutions as safeguards of political values. Gary Becker claimed that “there is relatively little to choose between an ideal free enterprise system and an ideal political democracy; both are efficient and responsive to preferences of the ‘electorate’” (Becker, 1958: 108). However, the neoliberal stance is that the market will act as a *better* guarantor of democracy than vice versa. It therefore makes sense to entrench the market in a quasi-constitutional fashion, and assume that democracy (or at least, individual liberty) will follow. The alternative, to trust democracy to safeguard markets, is treated as self-evidently misguided, given the rise of socialism and fascism over the course of the twentieth century.

So what *are* the perceived virtues of markets that need to be used as a basis on which to re-imagine and re-construct the state? There is potentially a wide range of answers to this question, from more conservative ones which point to the ethic of self-reliance associated with entrepreneurship, to more modernizing ones, which view the market as a source of constant innovation. Here I want to focus on two perceived ideals of the market that provide inspiration, purpose and templates for the reform of the state: competition and explicitness.

### *Competitiveness*

As various scholars have argued, competition and competitiveness are primary and fundamental virtues within neoliberal thinking (Davies, 2014; Dardot & Laval, 2014; Brown, 2015). It is precisely the capacity of markets to produce new and unequal outcomes that makes them valuable, because this inequality is deemed a valid empirical reflection on the ideas, efforts, productivity and knowledge of those who are party to the market contest. Competition, according to Hayek, is a “discovery procedure” (Hayek, 2002).

This implies various roles for the state. First and foremost, the state must act as the regulator and guarantor of economic competition via the provision and enforcement of antitrust law. Ever since the earliest congregations of neoliberal thinkers in the 1930s, antitrust had been viewed as one of the most important functions of the state (Gerber, 1998). What this indicates is that, while competition might be viewed as an ideal that emanates from the market, it is not something that real-world markets will safeguard left to their own devices. It will not exist or survive naturally and inevitably, in the way that classical liberals like Adam Smith assumed. Businesses, individuals and entrepreneurs are just as likely to form cartels, avoid competition or seek to suppress it, and this provides the state with an important regulatory and legal function (Bonefeld, 2012). In this sense, the ‘free’ market needs the state to act as its law-giver and policeman (as Polanyi argued), just as much as the ‘liberal’ state needs the market to provide it with discipline.

Given the unique qualities of competition as a basis for social interaction, it makes sense that other institutions and spheres of existence should be governed in ways to render them competitive. This provides the state with additional areas of focus. Firstly, the neoliberal state must strive to push competition and competitive dynamics into areas of social life that are otherwise resistant to entrepreneurial values and ethos, such as universities, and to inculcate people with a respect for competition generally (Dardot & Laval, 2014). Each individual is exhorted to become “an entrepreneur of himself”, and learn and train accordingly, for optimal positioning in the market (Foucault, 2008: 226; Binkley, 2014). Secondly, government institutions should themselves be re-imagined along competitive principles where possible, reducing the state’s monopoly power through out-sourcing and seeking to make ‘national competitiveness’ a loosely-defined teleology of all policy (Cerny, 1990). Neoliberals (and other conservative economists such as Joseph Schumpeter) of the mid-20<sup>th</sup> century shared a deep-set fear that the benefits of competition were invisible to the public, who were too easily seduced by the short-term promises of socialists and planners (Schumpeter, 1976). Ideally, therefore, the rules of competition would be placed beyond the scope of democratic politics, where they could not be touched. Unelected commissions, regulators and auditors would serve a valuable function in safeguarding competition from short-sighted political counter-movements.

### *Explicitness*

A second principle that the market upholds, and carries potential political value for the state, is what might be termed explicitness. Chicago School economist George Stigler argued that “the price system lays the cards face up on the table”, in contrast to other institutions which are mired in opacity and ambiguity (Stigler, 1975: 36). Right from the beginning of the ‘socialist calculation debate’, which catalyzed the earliest forms of neoliberal critique in the 1920s (Gane, 2013), the merits of the price system have been treated by neoliberals as

partly phenomenological in nature. While markets have an in-built system of explicit, quantitative and public valuation in the form of prices, socialism was deemed to suffer from a necessary inability to grasp value in any rational or objective way. As Ludwig von Mises put it in 1920, under socialism “there is only groping in the dark” (1990: 17). This stems from a pessimistic view of moral discourse, shared by both European and American neoliberals, which assumed that it would be impossible to reach agreement on common values or goals, in the absence of a neutral calculative technology such as markets, economics or some combination of the two.

This celebration of the market’s public, phenomenological properties has certain implications for the critique and reform of the state. These can be seen in the overall push for better ‘governance’ in the public sector in general, and for more ‘transparency’, ‘accountability’ and ‘value for money’ in particular. Capturing the ‘outputs’ of public sector workers and agencies in quantitative, standardized forms represents a way of reconfiguring the state in market-like ways, without simply privatizing it. Performing cost-benefit analysis becomes a crucial way of capturing the value of public goods or social costs (Fourcade, 2011). The political pessimism of the neoliberal mindset, which doubts the capacity for collective action or agreement on normative or teleological grounds alone, becomes manifest in a constant evaluative scrutiny of public sector employees and professions – a feature of what Michael Power has termed the ‘audit society’ (Power, 1997). The various new forms of audit, derived from the private sector or invented anew for the public sector, have often been bracketed together as ‘new public management’ (Hood, 1995). But the same quest for explicitness can also be seen in subsequent efforts to quantify the work of the state, such as new metrics for the capture of ‘social value’ or the push for more ‘open data’ through which the public can critically scrutinize the work of government in the digital age.

### **The neoliberal state in practice**

Being both the agent of reform and the object of critique, the state provides neoliberalism with a profound dilemma. Which part of the state will *drive* reform, and which part of the state will be the *object* of reform? Unless state agencies and civil servants are expected to undergo some mystical conversion to the neoliberal vision, the practical realities of the neoliberal state involve a permanent confrontation with this problem. The prosaic day-to-day activities of the neoliberal state are too copious and various to be easily synthesized into a brief description. It goes without saying that such a state never entirely conforms to the ideals of competitiveness and explicitness described in the previous section, but operates via channels that remain noticeably ‘political’. Neoliberal politics is riven as much as any other politics by what Weber famously termed the “strong and slow boring of hard boards”, confronting obstacles that need to be overcome via compromise, coalition-building and patience. The strategic battles that are prioritized will vary from case to case, depending on national political traditions and the contingent strength of opposition in parliaments, within the state and in civil society. There is no pure or perfect example of the neoliberal state. This also accounts for the fact that neoliberal reform is perpetually incomplete, chasing ideals that remain elusive and hence endlessly compelling.

The neoliberal project of state reform typically operates in a parasitical fashion, drawing on the political and social energies of one set of existing institutions and traditions, so as to subvert or undermine others (Mitchell, 2002). Paradoxically, the reduction of politics to economics requires copious political will and authority to be achieved (Davies, 2014). With the exception of the think tanks which were set up in the decades preceding the Reagan and Thatcher victories, neoliberalism has no indigenous bases from which to launch its critique and transformation of the state, so depends on building alliances within sympathetic corners of state and civil society. This is manifestly a political challenge, but one of the most effective rhetorical and cultural strategies is to re-purpose the category of 'political' as a pejorative one, designating certain state institutions as corrupted by 'politics' and in need of reform. The legislature, permanent civil service, professions and trade unions are frequent objects of this kind of rhetorical strategy. A key justification for this fear of 'politics' is that democracy and political movements lead to unaffordable promises being made to citizens, leading inexorably towards inflation (Blythe, 2013). Meanwhile, another set of interests and power centres can be designated as 'non-political', allowing them to act in ways that seems to circumvent the intrinsic defects of the state. The more that economic policy-making can be insulated from the vanity and ideologies of politicians, the better it will be for the public in the long term. This argument in favour of quasi-permanent policies, and against the vagaries of political whims, was summed up in an influential paper, 'Rules Rather Than Discretion' (Kydland & Prescott, 1977).

So what are the ostensibly 'non-political' sources of power or authority, through which such projects of transformation can be pursued? Three significant categories are worth noting: popular sentiment, technocracy and executive decision. Let's briefly explore each of these in turn.

#### *Popular sentiment*

In the British context, one of the earliest commentaries to identify the rise of neoliberal politics was Stuart Hall's article 'The Great Moving Right Show' (Hall, 1979). This piece, which coined the term 'Thatcherism', noted that the New Right's

*...success and effectivity does not lie in its capacity to dupe unsuspecting folk but in the way it addresses real problems, real and live experiences, real contradictions – and yet is able to represent them within a logic of discourse which pulls them systematically into line with policies and class strategies of the Right.*  
(Hall, 1979: 20).

From Gramscian perspectives such as Hall's, one of the central questions concerning the rise of neoliberal policies is how they were capable of achieving popular legitimacy and consent to the extent that they did. Hall identified particular ways in which Thatcherism connected popular moral and cultural assumptions to the changing structural and economic landscape of the 1970s. Many of these assumptions were 'conservative' ones, which placed emphasis on family, self-reliance and national tradition, all of which were spoken to explicitly by Thatcher and Reagan, regardless of whether their economic policies actually safeguarded these values. Conversely, the more radical individualism unleashed by the 1960s was another cultural vein that could be tapped by neoliberalism, with its rhetoric of 'freedom'

and rhetorical attacks on 'authority' (Harvey, 2005). The fact that *both* conservatism and social liberalism could be co-opted by neoliberal political movements is evidence of its flexibility and close attention to cultural politics. But it also demonstrates the breadth of antipathy towards the Keynesian welfare state by the late 1970s. Ultimately, neoliberalism produced a new type of political 'centre ground' that appeared to usurp traditional categories of 'left' and 'right'.

As an ideology, neoliberalism is able to channel both conservatism and social liberalism coherently, because it is fuelled by an ideal of decentralized decision-making. As Hayek's work demonstrated, the main target of neoliberal critique was the socialist 'intellectual' who *planned* the economy around their own values and theories (Hayek, 1945). By contrast, the promise of neoliberalism was of an organic and evolving system (organized around markets), driven by the variegated impulses and sentiments of ordinary people. In its skepticism towards government elites, this vision could appeal to both conservatives and New Left, and spoke to the ideal of a new mode of individual autonomy that was more authentic than that offered by representative democracy.

This form of culturally-attuned populism offers a source of legitimacy to the neoliberal state, but it is not quite the same as that offered by representative democracy. Part of the popular mood that Thatcher and Reagan tapped into and encouraged was one of rising distrust of the political system and a sense that the most important identities and preferences were being exercised outside of politics. Political parties and activists are treated as unrepresentative of 'ordinary' people, who make up the 'silent majority' first addressed by Nixon (Freedman, 2012). In place of party organization and campaigning, new types of 'post-democratic' political strategies accelerated during the neoliberal era, focused on management of the media and achieving emotional connections between leading politicians and voters (Crouch, 2004). Techniques borrowed from the world of marketing, such as branding and focus groups, became important instruments of legitimacy-building for political parties under neoliberalism, as conventional democratic participation falls (Mair, 2013). Some assumed or evidenced popular sentiment typically hovers over the neoliberal state, as one of its limiting and enabling conditions. Post-2008, for example, narratives about 'balancing the books' through public spending cuts seemed to resonate with public opinion in the UK, making any break with the neoliberal macroeconomic consensus harder to achieve (Stanley, 2014).

### *Technocracy*

A second ostensibly 'non-political' basis on which to criticize and reform the state is the introduction of new agencies and institutions, which sit outside of traditional channels of democracy, tradition and bureaucracy. Think tanks served a similar function for neoliberal intellectual development during the Keynesian era, providing a space outside of the existing universities and state agencies, where experts could gather (Cockett, 1995). In the age of the neoliberal state, this effort to shift power towards unelected, untraditional new bodies is commonly described as 'technocracy'. To challenge the power of elected officials and permanent civil servants, new commissions, regulators, auditors and quangos are established within and around the neoliberal state. Where government services are privatized or out-sourced, new types of regulator and inspector are needed to ensure that services are being delivered in an accountable and efficient fashion. These technocratic

agencies employ tests, audits, evaluations and rankings, which can be applied to state and non-state activities indiscriminately. Techniques such as 'benchmarking' allow state and non-state agencies to be assessed according to a single set of metrics (Brown, 2015). The assumption accompanying this trend is that value-for-money and productivity are virtues that are the same in all cases, and that expert evaluation will bring them to light.

The standard-bearer for these new quasi-state bodies is independent central banking. As Wolfgang Streeck has argued, placing control over interest rates outside of the limits of 'politics' (conventionally understood) is a fundamental principle of neoliberalism, rendering the economic 'rules of the game' impermeable to fluctuations in politics or democracy, which are deemed to suffer from an intrinsic bias towards inflationary policies (Streeck, 2014). The formation of the European Community and subsequently the Euro represented a particularly acute case of shifting regulatory and monetary power outside of the realms of 'politics', given that there was no national or democratic sovereignty behind this new economic architecture. From a neoliberal perspective, the authority of the European Commission and European Central Bank derives precisely from the fact that they lack any political interest or agenda.

While such regulatory agencies have a quasi-judicial role in enforcing rules with a spirit of neutrality, increasingly their authority has derived from an appeal to evidence rather than to normative principle. Anti-trust authorities, for example, have been reformed since the 1970s so as to foreground questions of evidence of efficiency (Pitofsky, 2008; Davies, 2010). Under applied neoliberalism, the neutrality of regulators is sought less in the law than in the formalism and objectivity of the evaluation techniques and methodologies being applied. Quantitative audit provides the 'rules of the game' that the ordoliberalists had imagined being enshrined in law. All of this means that the neoliberal state relies on a new breed of technocratic elite, who operate outside of traditional forms of professional vocation or knowledge. Unlike Weberian bureaucrats, these elites switch office (and sector) constantly and are qualified by virtue of their styles of analysis, rather than the knowledge that they actually hold. Economists, risk managers, auditors, policy 'entrepreneurs', innovation 'gurus' and so on serve as key figures in the running of the neoliberal, anti-political state.

A further effect of this turn towards technocracy is the rise of entire industries dedicated to delivering services that were once monopolized by the state (Bowman et al, 2015). Once the 'political' or 'civic' questions of public service delivery have been sidelined, and technical matters of 'governance' have become dominant, then public sector agencies increasingly compete with or give way to corporate contractors, including in areas such as prisons and security which would once have been viewed as fundamental functions of state sovereignty. Effective 'leaders' are able to move between multiple sectors, on the grounds that they are focused on 'results' alone. The rise of outsourcing demonstrates that the teleology of the neoliberal state is not towards privatization in a pure, laissez-faire sense. Rather, it is towards new, highly complex alliances between the state and the market, in which power and agency end up in an ambiguous space of 'governance' somewhere between the two. In contrast to the ideal of liberalism criticized by Polanyi, the state and the market blend into one another.

In practice, the rise of technocratic governance as a basis for regulation and accountability represents a prime opportunity for corporate profit maximisation. The circuit of consultancy,

which provides expert guidance on achievement of ‘competitiveness’ and ‘value for money’, is itself organized around the pursuit of fees. The ‘revolving door’ between states, regulators and private business serves to ensure that the rules governing business behavior do not interfere with the need for profitability, in an age where shareholder value is the core principle of corporate governance. This can lead to neo-mercantilist policy-making, in which national or regional policies (including taxation) are set in such a way as to attract and benefit mobile capital to the greatest extent possible (Jessop, 2002; Harvey, 2005). The rise of technocratic governance does not *necessarily* lead towards pro-corporate policies, but it blurs the distinction between public and private goals in ways that reduces the authority of the state to obstruct corporate strategies or levy taxes. The injunction that the state become more ‘agile’, ‘competitive’ and ‘pro-enterprise’ provides an entry point for lobbyists and corporate strategists to start bargaining over the nature of the regulation that they will be subjected to.

### *Executive decision*

A third and potentially most decisive way in which the neoliberal state can be positioned against ‘politics’ is via an inflation of executive power, potentially to the point of extra-judicial, ‘exceptional’ measures. This includes a switch in the character of disciplinary institutions and policies to becoming more punitive, surveillance-based and violent. Extra-judicial and unconstitutional measures can be viewed as legitimate from a neoliberal perspective, where they entrench institutions and policies deemed to safeguard economic competition and therefore liberty. Many early neoliberal thinkers had a latent respect for the political ideas of Schmitt and even Lenin, and saw democracy as something worth circumventing in pursuit of liberty (Mirowski, 2009; Gamble, 1979). Undemocratic or even anti-democratic political institutions were viewed as valuable instruments in the broader fight against socialism, and for a new economic liberalism. The infamous case of the ‘Chicago Boys’ and Friedman’s advice to the Pinochet regime in Chile are manifestations of this (Valdes, 1995; Harvey, 2005), while the high centralization of political power in the British executive arm of state can be seen as a necessary condition of Thatcherism (Gray, 2015).

The business world has developed an exuberant devotion to ‘leadership’ over the course of the neoliberal era, trusting the instinct of charismatic individuals to steer organisations towards success, and remunerating them accordingly. As Hayek imagined it, impulsive decision-making (as opposed to reasoned, theoretical judgement) on the part of entrepreneurs and consumers was a crucial factor in the spontaneous organization of markets. But a similar reverence for instinct and strong ‘leadership’ is also projected onto the executive branch of government, where the charisma of a neoliberal leader provides the type of decisive and unambiguous decisions that gives confidence to markets. Whatever else they do, political leaders are expected to act *decisively* and *unambiguously* in the neoliberal era, providing signals to markets that are easy to interpret and incorporate into investment strategies (Streeck, 2014).

The increased resort to violent and punitive forms of discipline under neoliberalism is arguably a consequence of the decline of ‘social’ policies of various forms. As the rationality for acting on behalf of ‘society’ has been drawn into question (Rose, 1996), so problems of poverty and disruptive behavior become viewed more via the lens of policing and punishment (Wacquant, 2009). The rapid rise of the American prison population since the

1970s is one testimony to this, while the increasingly punitive face of welfare reform and social policy in the UK (aimed at controlling individual behavior through constant penalization of miscreants) is another (Davies, 2016). The expansion of security apparatuses in the years following September 11<sup>th</sup> made any perceived vestige of liberalism within neoliberalism impossible to maintain.

From a Schmittian perspective, violence and extra-judicial decision-making are always available to sovereign powers (Schmitt, 1996). But the neoliberal state takes advantage of this fact to pursue strategic acts of economic reconstruction and rescue, and not simply in pursuit of security. Examples include the use of the police to achieve key strategic victories, such as that over striking miners in the UK in 1984-85 (Harvey, 2005). The rescue of the financial sector in 2008-09 using public finance demonstrated the leeway that the neoliberal state possesses, when it comes to acting quickly and radically to maintain key parts of the economic architecture. In the European context, states had to exploit crucial exceptions in the laws of the European Union in order to do this, claiming that executive decisions were being taken to safeguard the very existence of the economic system (Davies, 2013). In the wake of the banking crisis, the European Commission engaged in exceptional acts of political intervention, such as installing technocrats as Prime Ministers of both Italy and Greece, to ensure that the Eurozone retained financial credibility at all costs. The survival of the neoliberal policy paradigm over the course of the global financial crisis was partly achieved through such exceptional executive decisions, which over-rode normative considerations or political debates, but strove to maintain the status quo at any cost.

### **Contradictions of the neoliberal state**

The shift of political power and authority into purportedly 'non-political' realms of state, government and society is a duplicitous operation. It is conducted using the rhetoric of liberalism and laissez-faire, but very often involves the expansion of state powers in areas such as surveillance, audit, control over local government and military power. Its vision of the 'free market' stresses the role of entrepreneurs, start-ups and small businesses, yet its regulatory transformations benefit monopolies. The failure to ever achieve the idealized vision of a 'competitive', 'free' market economy, overseen by an apolitical rule-enforcer, means that the project of neoliberal reform is endlessly incomplete, and new targets for 'modernisation' and 'marketization' can always be found.

As this project progresses, the effect is to make clearer the distinction between the liberal state and the neoliberal state. The elements of the state which appear most in need of reform under the neoliberal gaze are those which are deemed inflexible, normative and immune to economic logic, namely the sovereign-legal dimensions of state power which are fundamental to liberalism. As Foucault argued, liberalism and neoliberalism are alternative responses to the "impossibility of the existence of an economic sovereign" (Foucault, 2008: 283). Liberalism deals with this problem by splitting the realm of economy from the realm of legal sovereignty, even if it is ultimately not able to sustain this split (for reasons Polanyi demonstrates). Neoliberalism's response is a more contradictory one: to progressively oust the sovereign components of the state using techniques of utilitarian calculus and market principles. This does not necessarily mean that the state is actually weakened, but that

power shifts further into networks of governance, audit and management, which operate outside of the space designated as 'political' and 'democratic'.

It is, however, worth recognizing the severity of the contradiction that runs through the neoliberal state, and drawing out some of its manifestations. Ultimately, neoliberalism is a state-centric project that has no coherent account of what state legitimacy means, which poses questions about its sustainability in the long term (Davies, 2014). There is a perpetual risk that the political institutions and individuals which have power invested in them under neoliberalism start to take on the characteristics of the very 'political' institutions and elites that neoliberal critique has always raged against.

One manifestation of this is in the ambiguous status granted to 'experts' within and around the neoliberal state. Neoliberal thought, as Mirowski argues, starts from an epistemological critique of social science, planning and centralized bureaucracy, all of which are deemed incapable of capturing the dynamic, embodied and affective forms of knowledge that the market is able to process (Mirowski, 2009). The legitimacy of the neoliberal state is not, therefore, to be found in bureaucratic monopolization of knowledge (as per Weber's theory of the modern state), but on the contrary in the empty formalism – or even ignorance - of its experts (Davies & McGoey, 2012). Those that come to occupy elite policy-making positions have toolkits and methodologies with which to analyse a problem, but no substantive knowledge of how it works or what caused it.

One of the risks that follows this is that the neoliberal state will appear incompetent and incapable of responding to systemic crises, such as the global financial crisis or global warming. Representing such crises as unknowable and unpredictable, as neoliberals have done (Mirowski, 2013), is a strategy that may be politically unsustainable in the long-term. The alternative risk is that technocrats start to look increasingly like the old socialist 'planners' which neoliberalism was initially inspired to resist. The complex web of state-corporate governance through which various services are provided under neoliberalism means that spaces of freedom and democracy tend to become ensnared in managerial systems of risk management and control. Public sector workers and professions feel that their spaces of autonomous judgement are shrinking all the time, while the stress of constant audit registers in rising mental health problems in professions such as teaching and care work. With respect to the financial sector, the reliance of banks on state guarantees, 'unconventional' monetary policies and credit means that the state is unable to distance itself from planning the economy to the extent that Hayekians would have once wished. The rhetoric of the 'small state' loses all correspondence with the empirical reality of governmentality.

Another way of conceiving of this threat to the neoliberal state is in terms of the limits of depoliticisation. The neoliberal state may not promise to treat every human being equally under law as a liberal state does, but it does promise that each economic agent will be treated equally within a space of competition. It is not founded on a commitment to liberalism as a political doctrine, but its authority claims necessarily derive in part from the *liberal spirit* with which economic evaluation and contestation is conducted (Davies, 2014: 59-63). The sense that society is a 'level playing field', that the 'rules of the game' are applied fairly, that the 'referee' has no interest in the outcome; these are amongst the

normative and cultural presuppositions that a legitimate neoliberal state depends on. Where it becomes publicly apparent that the adjudicators are not external to the contest, but also actively pursuing their own agendas, a key aspect of neoliberal credibility disintegrates.

The rise of technocracy and 'governance' is implicated in this. Where the distinction between state and business, public and private, becomes blurred, legitimacy crises become inevitable sooner or later. In the financial sector, for example, a great deal of regulatory activity was shared between state regulators and private sector bodies such as credit-raters, while elites moved between different sectors seamlessly. The reality that credit-raters (and accountants and auditors) are *also* in pursuit of profit, and cannot perform impartial judgement on behalf of the public in some quasi-legal fashion indefinitely, was an integral factor in how the global financial crisis occurred. Where state institutions and instruments are modelled upon markets and business, they themselves lose any external, necessarily *political* perspective from which to interrogate economic activity. Being an anti-political political programme, this is the bind that neoliberalism was always destined for.

The question remains whether such contradictions necessarily weaken the neoliberal state, or whether the paradoxical status of the neoliberal state offers it additional agility in the face of legitimacy crises. Neoliberalism always has a ready-made solution to the failures of the state: more out-sourcing, auditing, 'competitiveness' and less bureaucracy, 'politics' and legal 'red tape'. Senior political leaders can continue to denigrate political parties, judges and public sector bureaucrats, and blame them for failures and inefficiencies that occur. This critique of the liberal, democratic and bureaucratic wings of the state can be used to further empower other types of centralized political agency, such as technocrats and executive decision-makers, whose authority is closer to that of a corporate executive than a civil servant or elected representative. Subsequent failures can continue to provide an excuse for more neoliberal reform. Even drastic market failures can be attributed to the state, from a staunchly neoliberal perspective (Foucault, 2008: 116).

A more hopeful scenario is one in which the anti-political rhetoric of neoliberal politics loses credibility, and the state is confronted by widespread demands for democratization, including in those various areas deemed too complex or important for democratic involvement. The decentralization of many state functions into the hands of commercial contractors makes this all the harder, raising the importance of investigative journalism and whistle-blowing as means of extending the public gaze towards new centres of power. The state is arguably far less dependent on cultural hegemony than it was in the 1970s, when the neoliberal project was first allied to discernible popular sentiments. Insurgent conservative movements, such as those which drove Brexit and the rise of Donald Trump in 2016, are antagonistic to many core tenets of the neoliberal state, and represent a danger to the ambition to anchor sovereign powers in 'apolitical' centres of expertise such as the European Commission. What insulates the neoliberal state against such cultural-political threats is the fact that power is already distributed via networks of governance, where it may not easily be requisitioned by populists. Consultants, audits, contractors and invisible 'experts' now play a much greater role in the day-to-day functioning of the neoliberal state, making public scrutiny ever harder. This means that it is not clear exactly *where* public and democratic politics will be revived or, when it is revived, how it will 'take back control' (to

borrow the phrase of the pro-Brexit campaigning group, Vote Leave). But this uncertainty is in itself a danger to the neoliberal project and a source of its paranoia.

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