



Neo-liberalism is dead! Long live neo-liberalism!

Stephen Dunne

review of

Davies, W. (2014) *The limits of neoliberalism: Authority, sovereignty and the logic of competition*. London: Sage. (HB, pp.296, £85.00, ISBN 978-1-446270-68-4).

It was November 2008 and it happened at the London School of Economics' School of Management. The city was trembling above the shockwaves of a devastating financial crisis yet Professor Luis Garicano had good reason to be cheerful, at least on the beginning of the particular day we've got scene-setting cause to look back on him. As the Departmental Head he was leading The New Academic Building's¹ opening ceremony and the event had attracted a large and illustrious crowd. Media, politicians, dignitaries – even the *easyJet* guy – was going to be there. The crisis isn't going to bother me, at least not today, the Professor must have thought to himself.

Dutifully welcomed by Professor Garicano was the occasion's guest of honour – a state-supported lady of pensionable age, idiosyncratically dressed all in white. She had done this sort of thing countless times before and when the appropriate moment came she intuitively faced the cameras, her curtain opening gloves familiarly poised to stage what should have been the gathering's defining image. There was to be a headline grabbing departure from the script, however. With the twin demands of commemorative plaque revelation and universal economic devastation likely weighing heavily upon her, the rarely outspoken swan

1 Architecture, it would seem, has also gone meta.

enthusiast turned to her host and posed *the big question* which many of us were already asking ourselves – and each other – at the time: ‘The Banks! WTF?’². One can only imagine the sheer audibility of just so many dropped pins.

Whenever I hear this story I’m minded to spare a thought for poor old Luis. He woke one morning ready to take his share in a significant professional achievement and went to bed that same evening the victim of a widely discussed sovereign tongue-lashing. This was certainly not an inquisition in keeping with such events’ established etiquette. Nor, as we were to find out³, was it the sort of question which could be adequately addressed in the form of a sound-bite. Garicano’s by now infamous response: ‘[a]t every stage, someone was relying on somebody else and everyone thought they were doing the right thing’, while almost certainly not a lie, is true only in a question beggingly obvious way. ‘It was a regulatory issue ma’am. I should also reveal that I am a person. And that noise, or what I like to call speech, has recently left my mouth.’ It was the sort of explanation which told us something abstract without telling us anything concrete, in other words.

The evident banality of the Professor’s pseudo-explanation notwithstanding, I honestly struggle to see what else we should realistically have expected from him, within a situation like that, with the entire world potentially watching on. What would you have said, even with the benefit of hindsight, if you were called upon to respond to that? This was absolutely not the time for Cheshire Cat impersonation⁴ – answers were demanded by the interrogator and expected by the millions of non-economists on whose behalf she then seemed to be speaking. Garicano, perhaps despite his better judgment, dutifully obliged, all the while knowing that no answer would ever really have been good enough. Liberally democratic times or not, it remains unwise to outwit sovereignty with expertise.

Fast forward over half a decade and the Queen is still on her throne, the LSE’s New Academic Building is still frequented by the great and the good⁵ and *the big*

2 Or something to that effect, the reported details don’t allow for clarity. The *Daily Mail*, for example, quotes: ‘Why did nobody see it coming?’ and ‘Why did nobody notice it?’ *The Telegraph* suggests only: ‘Why did nobody notice it?’ while the *FT* coins: ‘Why did no one see it coming?’ [<http://www.dailymail.co.uk/news/article-1083290/Its-awful--Why-did-coming--The-Queen-gives-verdict-global-credit-crunch.html>; <http://www.telegraph.co.uk/news/uknews/theroyalfamily/3386353/The-Queen-asks-why-no-one-saw-the-credit-crunch-coming.html>; <http://www.ft.com/cms/s/0/50007754-ca35-11dd-93e5-000077b07658.html#axzz3GleX8F7d>].

3 See <http://www.britac.ac.uk/news/newsrelease-economy.cfm>.

4 She is rumored to be more of a dog person anyway.

5 See: <http://www.lse.ac.uk/intranet/LSEServices/estatesDivision/lseEstate/campusBuildings/newAcademicBuilding/Home.aspx>.

question still gets asked of those deemed capable of answering it. Financial and economic influence, for its part, seems only to have heightened in the interim: think of the imperatives of public debt-reduction, of student debt-inflation, of public provision cuts, and of non-elected troikas. The irony of just so many financial and economic Pied Pipers leading the way *out of* the crisis, for its part, has far from gone unnoticed. The common people's poet prophesized how unmentionable c-words would still be running the world⁶, the blogosphere chastised the metaphorical lunatics still running the asylum⁷ and click-bait presented the spectacle of, for example, the kids who are now quite literally running the sweet-shops⁸. In the UK, though surely not just there, a widely held sense of economic disenfranchisement was accompanied by historically unprecedented levels of political cynicism⁹. It seems almost churlish to point out that none of this seemed very fair.

What also seems to have happened in this brief interim is that *the big question* has given way to an *even bigger one*. So now it's not so much: 'The Banks! WTF?' as it is: 'The Banks! *Still!* WTF?' Different formulations of this question suggest the promising beginnings of an emergent intellectual tradition, one to which William Davies's book has made a very important contribution. For Davies and his predecessors – let's just call them TBSWTF scholars – post-crisis political economy is much too important to be left to the economists. This is not to say that the emergent tradition is necessarily hostile towards economics, it is only to say that it situates economics – and often economists – within a socio-political configuration. Economic and financial propositions gain legitimacy, TBSWTF studies demonstrates, not only through disciplinarily sanctioned epistemological procedures but also through the establishment of exoterically exclusionary linguistic and interpersonal communities. The inability of Professor Garicano to respond directly to the Queen's question, to offer a practical example, isn't a glaring weakness of contemporary economics but one of its major strengths. It is precisely because the Queen (and you? certainly I) are presently incapable of understanding complex economic phenomena that we defer judgment to would-be experts. Worryingly, as TBSWTF scholars often reveal, these apparent experts don't really know what's going on either. Their explanations, demonstrably more

6 See <https://www.youtube.com/watch?v=monyiOsoKxg>.

7 See <http://www.theduckshoot.com/tory-bedroom-tax-flawed-the-lunatics-are-running-the-asylum/>.

8 See <http://www.mirror.co.uk/news/uk-news/britains-youngest-tycoon-opens-up-4330641>.

9 'In 2013, a third (32 per cent) say that they "almost never" trust "British governments of any party to place the needs of the nation above the interests of their own political party", three times as many as took this view in 1986 (11 per cent)' [<http://www.bsa-31.natcen.ac.uk/read-the-report/key-findings/britain-2014.aspx>].

sophisticated than ours, are nevertheless often just as wrong as ours. How on earth, it is clearly worth asking, has this utterly perverse situation managed to persist? ‘The Banks! *Still!* WTF?’

Colin Crouch’s *The strange non-death of neo-liberalism*, probably the best known example of this emergent tradition to date, offers one possible explanatory response. His book doesn’t so much lament the contradictions defining the period of neo-liberal policy dominance as it diagnoses the status-quo reverting consequences deriving out of an apparent lack of legitimate alternatives. Philip Mirowski’s *Never let a serious crisis go to waste*, probably the best example of the tradition to date, offers another possible explanation by bringing a concern with networks of influences to the forefront of his analysis. The very sources from which post-crisis alternatives to neo-liberalism might have been generated – heterodox economics, everyday experience, even popular protest – Mirowski suggests, are significantly if not irretrievably tied to its continuation. Just as these scholars aren’t axiomatically opposed to contemporary economics in general or to neo-liberalism in particular, they aren’t apologetically tied to it either. TBSWTF studies rather teaches neoliberalism’s bitterest opponents and its keenest advocates alike why it is going to take a lot more than the evidence of a global financial crisis to right so many perceived wrongs/wrong so many perceived rights.

The limits of neoliberalism adds to this tradition in the making by highlighting the role of financial experts, management gurus and other economic and political elites within neo-liberalism’s post-crisis re-legitimation project. By interviewing US, UK and EC government officials and advisors, and by studying a series of relevant policy reports, Davies provides an evidence based, conceptually rich and experientially grounded¹⁰ account of how, as he puts it, ‘the economic critique of the state can be employed precisely so as to legitimate, empower and expand the state’ [x]. There are no grand clandestine conspiracies unveiled here. Rather, following the concerns of Luc Boltanski and therefore Max Weber, Davies sets out to delineate the complex basis of contemporary political legitimacy, however spurious this might initially seem. In an achievement which seems all too rare, such name checking serves to clarify, rather than obscure, the author’s project. Weber explained why most large bureaucracies would serve charismatic leaders with their P-45s. Boltanski (and Thévenot) explained why most of the inhabitants of Augustine’s *The city of God* would starve to death within the financialized City

¹⁰ During the early 2000s, the author worked in a variety of think tanks ‘loosely supportive of the “New Labour” government’ [ix]. This confession is to be understood less as a statement of political allegiance and more as a claim towards reliable narrator status.

of London. Davies wants to show us how anti-neo-liberalism very often has the paradoxical effect of reinforcing, rather than undermining, the position and therefore the power of policy elites.

In as much as Davies isn't really in the business of counsel of despair provision, he isn't really in the business of critical intervention either. He knows all too well that a methodologically derived refusal to take sides will have its detractors. The majority of the book's first chapter provides a rationalisation for this tone-setting decision: one of which he informs us early and reminds us often. The clearest formulation of the gamble Davies is asking his reader to take – that his book on neo-liberalism is worth reading because it has no grand plan to offer – comes in the preface:

Much of this book is descriptive and historical, and not explicitly critical. Given the historical moment, this will disappoint some readers. But I would suggest that we need to understand how power works, how it achieves authority, and the role of economics (and business strategy) in facilitating this. It is no good simply criticizing without understanding the role of critique within capitalist society and its capacity to be adopted by dominant powers. [xiii]

Neo-liberalism has not collapsed under the weight of whatever contradictions the global financial crisis might have exposed us to so we would do well to understand why. Davies's descriptive and historical argument is written out of the recognition that neo-liberal advocacy, while clearly beset by vested interests, cannot be understood on the basis of vested interests alone. Ever since Ludwig von Mises' and Friedrich Hayek's responses to the socialist calculation debate of the 1920s and 1930s, neo-liberalism has always sought justification within 'conflicting philosophies of the common good' [32]. The majority of Davies's book accounts for three of these, beginning with neo-liberalism's liberal-juridical justificatory regime. This regime derives out of Mises and Hayek's insistence that the inability of centrally-planned economies to provide meaningful market signals wasn't just a technical economic problem but also, indeed much more so, a profoundly political one. The situation should be opposed, the early neo-liberals argued, not for the sake of a new aristocracy or plutocracy but for the sake of liberal democracy itself. The arbitrary yet substantial power which incompetent political actors held in the influence of prices should be replaced, the early neo-liberals believed, with a common interests serving market-based alternative.

This observation leads Davies to define neoliberalism as the '*pursuit of the disenchantment of politics by economics*' [4, italics in original]. The success of the early neo-liberals was to have moved judgments concerning the common good away from moral-juridical pronouncement and/or casuistry onto economically-demonstrable modes of quantification. Neoliberalism opposed the enigmatic

authority of politics, Davies demonstrates, proposing the world as depicted by the Austrian School of economics as the less mysterious, more legitimate alternative. That neo-liberal economics was successful in its disenchantment of politics, the book demonstrates, only had the effect of making human existence all the more uncertain. We are freed from the disingenuous authority of paternalistic state actors only to embrace a condition defined by epistemological fallibility, generalised competition and existential risk. We might not have more, we might not share more and we will not know more. Nevertheless, liberty flourishes within such a situation because the rights of market actors are democratically dispersed: held by all and in common. Or at least that was the idea.

Just as it was in relation to an idea of the common good that Hayek sought to liberate economic action from tyrannical privilege, so too the work of his successors – Ronald Coase in particular – sought to further prioritise economic description above political prescription. Within Coase’s work, according to the book’s second and third chapters, Hayek’s idealised account of economic actors competing with one another on an equal footing is replaced by a situation where the actions of large actors are frequently – though not necessarily – prioritised. Neoliberalism’s account of the common good thereby transforms from an ideology which sought to generalise competitive relationships to one which prioritises institutional efficiency. The Coasian paradigm, in other words, is also grounded in an account of the common good. The preference for institutions and firms (i.e. corporations) is not a return to the allegedly arbitrary despotism of the centrally planned economies previously derided by Hayek and Mises. It is rather an attempt to replace the politically-idealist belief that horizontal competition is good in itself with the legally-realistic notion that economics provides a neutral/objective foundation for anti-trust adjudication. ‘Efficiency’, in other words ‘became a proxy for “justice”’ [83]. And it is in telling the story of how neoliberalism infiltrated the courts, especially with respect to his concept of ‘actually existing neoliberalism’, that Davies’s book already pays out on the wager it had earlier asked us to make:

These events and processes were crucial factors in shaping the character of ‘actually existing neoliberalism’ (in contrast to the proposed, more normative neoliberalism of the early neoliberals) that swept across the USA and Europe from the 1970s onwards. [89]

Within Davies’s Boltanskian framework, the heavily interventionist economic role played by the state in the aftermath of the 2007-2008 global financial crisis *tests* neoliberalism’s liberal-juridical logic of justification right down to its very foundations. One would do very well to read an argument for the state imposed public funding of private firms into the work of Mises and Hayek. On the contrary, indeed, the very idea that the many should pay for the mistakes of the

few is precisely what they sought to overcome. Similarly, what might seem like Coase's legalistic bias towards large firms isn't derived out of idealization but observation: corporations just so happen to be more efficient managers of risk. This neo-classical hypothesis was always open to falsification, a falsification which Professor Garicano, The British Queen and we have all subsequently witnessed. So if the liberal-juridical logic of justification can no longer do the job of legitimating neoliberalism after the crisis, what might? What *can*? What *has*? Here's Davies's iteration of the TBSWTF question, a formulation which is worth citing at length:

The economically rationalized state had prided itself on trimming budgets, balancing the books and optimizing its management, but the state was suddenly revealed as a more fearful, all-powerful force, bereft of any quantitative logic, other than to prop up finance at all costs. The economically rationalized state had focused on savings and improvements that were measured in the hundreds of millions of pounds; the emergency state was capable of injecting hundreds of billions of additional finance and guarantees, simply by force of decision... Not long after, something equally shocking occurred. This emergency state stepped back into the sidelines again, perhaps only a little more visible than before, but effectively suggesting that the rescue was over, and now we could return to our pre-2008 world. The economic language of 'competitiveness' and 'enterprise' is now back, as if nothing has changed. [xi]

The immediate aftermath of the 2007-2008 financial crisis is understood by Davies as a brief but undeniable period within which demonstrably anti-liberal, anti-juridical political exceptionalism made its entirely arbitrary presence very clearly felt: 'The very aspect of sovereignty that had long bothered neoliberals, namely its incalculable and "metaphysical" quality, is what rescued neoliberalism from collapse in 2008' [156]. With Hayek, neoliberalism was, in Davies's terms, 'metaphysically' supported with reference to a notion of liberal equivalence between all actors, and, with Coase, with reference to the demonstrable efficiency attributable to some actors. Post-crisis neoliberalism makes no such 'metaphysical' promises, providing instead a far from heady mixture of what effectively amounts to arbitrary violence (chapter four), on the one hand, and 'a cultural anthropology of different habits and rationalities' [161] (chapter five), on the other. How did these two alternative philosophies of the common good nevertheless go some way towards providing neoliberalism with a renewed source of legitimacy/authority?

After brilliantly highlighting the mode of argumentation and the mechanics of infiltration in the case of neoliberalism's legal-juridical philosophy of the common good, the two alternatives to it, while just as impeccably analyzed, aren't nearly as impeccably contextualized. Davies convincingly demonstrated *how* Coase's arguments *became* justified yet only offers a plausible account of *how* the

post-crisis alternatives to the liberal-judicial notion took root. These sections instead capitulate to the dubiously abstract explanatory resources of ‘convenient amnesias’ and their occasional ‘disturbance’ [156-7]. These two chapters certainly aren’t without their merits and, were it not for how high Davies had set the bar earlier on, I wouldn’t have had reluctant cause to wave a small red flag now.

After the financial crisis, the underwhelming but nevertheless plausible account goes, contemporary political governance is no longer justified with respect to competitive dispersal or economic efficiency but in explicitly contingent terms. Ours now is the world governed by expert-forums and think-tanks, by audited score cards and business schools: it is a world theorized by Carl Schmitt and Giorgio Agamben then largely presided over by Michael Porter and his consultative acolytes. The neoliberal economy has demonstrably failed us, so post-crisis neoliberalism’s second philosophy of the common good goes, and this is precisely why we need the guidance of the management and political strategist, however anti-democratically or even violently imposed this guidance might be. The sanctity granted by the early neo-liberals to the necessity of the rule of law has been replaced today by the widely acknowledged arbitrariness of executive decision [152]. The law no longer serves as the foundation for political-economic decisions, rather, the executive decision, governed by the logic of the friend-enemy distinction, is now revealed to all as the fundamental basis of law, politics and economics¹¹.

The widely acknowledged arbitrariness of contemporary executive rule, Davies’s account of the final, neo-communitarian mode of neoliberalism’s justification continues, is accompanied by a period in which neo-liberal economics readily acknowledges its own fallibility. Homo economicus, as Davies puts it, ‘is no longer assumed, but *taught, nudged, mimicked and nurtured into existence*’ [152]. How else are we to explain the recent thriving of behavioural economics, social-network analysis, algorithmic trading and psycho-neuro-economic anthropology, Davies asks, if not with recourse to the idea that the classical assumptions of neoliberalism are no longer believed to hold true, if ever they did? Neoliberal economists no longer claim their propositions are the case, they only tell us that ‘the methodological presuppositions of neoliberalism *ought* to be true’ [159]. The post-crisis successes of these various fields of intellectual enquiry merely help neoliberalism’s advocates understand why their classical assumptions about the human being are not true; or at least not yet.

¹¹ Davies uses the example of EU Law concerning the provision of financial aid to ailing national economies to illustrate his example. We might consider debates surrounding British EU exceptionalism within the EU Framework as a more recent example.

Political and managerial executives no longer have any pretences towards universal justifiability, nor do they even seem to need any. Similarly, economists and financial specialists no longer have any pretences towards epistemological verifiability, nor, again, do they even seem to need any. It is extremely difficult to criticize the self-consciously contingent post-crisis advocacy of neoliberalism precisely because it has internalized so many criticisms made against it, to its own advantage:

The contingent neoliberalism that we currently live with is in a literal sense *unjustified*. It is propagated without the forms of justification (be they moral or empirical) that either the early neoliberals or the technical practitioners of neoliberal policy had employed, in order to produce a reality that ‘holds together’, as pragmatist sociologists like to say. The economized social and political reality now only just about ‘holds together’, because it is constantly propped up, bailed out, nudged, monitored, adjusted, data-mined, and altered by those responsible for rescuing it. It does not survive as a consensual reality: economic judgments regarding ‘what is going on’ are no longer ‘objective’ or ‘neutral’, to the extent that they once were. The justice of inequality can no longer be explained with reference to a competition or to competitiveness, let alone to a market. [186-7]

A quip usually attributed to Fredric Jameson about how imagining the end of the world is easier to imagine than the end of capitalism has fuelled much recent indignation about how *they* are still pulling the post-crisis financial strings. Very much like Professor Garicano’s response to the Queen with which we opened and somewhat like Davies’s contribution to TBSWTF studies with which we have closed, the quip provides a plausible narration though not a contextualized demonstration. It is surely a measure of how successful *they* have been that a non-critical book about the global financial crisis has the effect of leaving us pining for Hayek, identifying with a monarch and, in my case at least, pitying successful economists.

the author

Stephen Dunne is a member of the editorial collective of *ephemera*.

Email: s.dunne@le.ac.uk