

## **On Neoliberalism: Comments to Mirowski.<sup>1</sup>**

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*This paper goes back to Isaiah Berlin's much-debated dichotomy between negative and positive liberty to point out how Neoliberals are concerned primarily with the concept of negative liberty. Further distinctions pertain to whether policy can help remove the obstacles to its attainment at all. But the basic definition lets the crucial political knot of the Neoliberal ideology emerge, as "it is not clear why an individual should fear only the constraints and pressures imposed by the state and not those imposed by other individuals (for example a master, an employer or a creditor), or by particular economic circumstances (such as unemployment or inflation)."*

The word "Neoliberalism", as used in its current sense, began to spread only by the late 1970s, although since then there has been an exponential increase in the use of the term in the scholarly literature.<sup>2</sup> The increasing use of the word and of the meaning recently attributed to it has not subsided, notwithstanding growing concern over the appropriateness of its use. The concept has been criticised for being vague, equivocal, partisan, value-charged, and misleading.<sup>3</sup> These complaints raise semantic and terminological questions. Focusing first on the content of the concept, I start my investigation by suggesting three nested definitions of neoliberalism, showing that this concept is not necessarily vague or equivocal. I then discuss some controversial issues concerning the meaning and implications of this approach.

### **Three nested definitions of neoliberalism**

The basic distinction underlying most debates on freedom since World War II is between negative and positive liberty. The eminent political philosopher Isaiah Berlin extensively discussed this dichotomy in an influential essay, first published in 1958, that triggered a heated debate.<sup>4</sup> We may define the "negative liberty" of an agent as *freedom from* specific constraints or interferences imposed on the agent's potential or actual actions, while "positive liberty" refers to agents' *freedom to act* in pursuit of their goals. In my opinion, the crucial distinction between Classical Liberalism (from Locke to Stuart Mill) and Neoliberalism (in its recent use) depends on the fact that Classical Liberalism was concerned with both the negative and positive liberty of citizens, while Neoliberalism focuses on the concept of negative liberty and rejects the relevance of positive liberty for ethics and policy. This is my suggested definition of what I call the *weak* form of Neoliberalism underlying all its most significant variants since the late 1970s.

Most critics of Neoliberalism generally focus, implicitly or explicitly, on the neglected aspects of positive liberty conceived as self-determination and self-realisation of individuals (or groups of individuals such as social classes or communities). Because of this different view, they maintain that the liberty of individuals in this positive acceptation might benefit from state interventions of a kind stigmatised by Neoliberals as intolerable limitations on individual liberty.<sup>5</sup> I may concede, also, that the founding fathers of liberalism focused mainly on the defence of negative liberty, as they feared the excessive interference of an authoritarian state with individuals' freedom. However, they also explicitly emphasised the importance of individuals' positive liberty,

generally referred to with the word “autonomy” of Kantian ascendancy, and constructively explored how the state could enhance it.

The *standard* version of Neoliberalism assumes a further crucial condition. Albeit, in principle, both intentional and unintentional interferences may affect negative liberty, in this view only the intentional interferences of other individuals are considered relevant for ethics, politics, and policy. For example, Berlin asserted that the coercion of negative liberty “implies the deliberate interference of other human beings within the area in which I could otherwise act. You lack political liberty or freedom only if you are prevented from attaining a goal by other human beings”.<sup>6</sup> This standpoint excludes economic circumstances from being relevant to liberty. Critics of Neoliberal views believe such a restriction to be ad hoc or arbitrary. Market conditions, as Smith made clear, are the unintended consequences of a myriad of decisions taken by the economic agents. This view denies any legitimacy to full employment, counter-cyclical, redistributive, or social insurance policies, although they intend to relax economic conditions that may severely limit the freedom of individuals. This is the ultimate foundation for the neoliberal rejection of the Keynesian and welfare policies, such as those practiced in the Bretton Woods period. Since the late 1970s, this standard version of Neoliberalism has been very influential, and has extensively inspired political programs and policy strategies.

I wish to emphasise, however, that this standard Neoliberal view does not necessarily exclude policy interferences on the intentional decisions of specific economic agents whenever they undermine the negative liberty of other agents. Cases in point are the monopolistic and oligopolistic practices, the market manipulations in finance, the intentional opacity of balance sheets, and so on. On the contrary, also this sort of policy interference--meant just to curb the intentional disruptive interferences of economic agents on other economic agents--is excluded by what I call the “strong” form of neoliberalism, because in this view only the interference of the state is considered relevant for ethics and policy. In this view, state interventions in the economy and society should thus be limited as much as possible. This implicitly justifies the existing, very unequal, distribution of positive liberty among individuals and ends up by endorsing the current trend of growing inequality.

### **Neoliberalism and (classical) liberalism: continuity or discontinuity?**

My suggested nested definitions of neoliberalism show that this concept is not necessarily vague or equivocal. What about the other complaints against the use of this concept? A further crucial objection is that the advocates and supporters of the theses called neoliberal by other people refuse this name as expression of a partisan point of view. They claim that their ideas and consequent actions are just aiming to revert to “classical liberalism”, or to genuine “liberalism”, and do not need a different name whose adoption would thus be unfounded and misleading. They do not deny that this tradition of thought needs some updating, but claim that their suggested updates do not alter its substance. This objection leads to another objection. Since only the critics of neoliberalism adopted this concept, its meaning has become increasingly value-charged and partisan.<sup>7</sup> Therefore, in this view, the use of the concept would prejudice the issues under scrutiny.

To these two linked objections, I respond that the belief that there is a coherent continuity between classical liberalism and so-called neoliberalism is unfounded. If by classical liberalism we mean the vision of the founding fathers of liberalism from Locke to Stuart Mill, we see that they refuse the idea that only negative liberty is significant for ethics and policy. They share two crucial principles that neoliberalism, instead, implicitly

or explicitly rejects. The first one is the so-called “Locke’s proviso”.<sup>8</sup> This principle, expressed in modern language, maintains that, though the privatisation of a public good limits the liberty of the other citizens, it is acceptable at two conditions: a) it improves the management of this good; b) does not make anyone worse off.<sup>9</sup>

The second one is the “principle” or “law” of equal liberty. This basic moral rule, first enunciated by Locke, has been interpreted in different ways.<sup>10</sup> In all its versions, it shows the concern of classical liberalism for a fair distribution of rights not only in the negative sense of the word (e.g. *habeas corpus*) but also in their positive sense of active inclusion in the economic and political process. In the Bretton Woods period (1944-1971), most liberal democracies provided publicly funded education, health care, social security, and unemployment benefits to meet the positive rights of citizens. On the contrary, Neoliberalism seems to be only concerned with negative rights and is now progressively reducing the scope of the positive rights inherited from the past.<sup>11</sup> Neoliberal exponents often share on this issue the point of view of libertarians who believe that positive rights do not exist unless a specific contract establishes them.

Another crucial difference between classical liberalism and Neoliberalism emerges on the value of democracy. While classical liberals consider democracy a crucial instrument and goal of liberal policy, the advocates of Neoliberalism often appear uncommitted to democracy.<sup>12</sup> The Neoliberal policy strategy aims to shift power from political to economic decision-makers, from collective action to individuals’ action, from the state to markets, and consequently from the legislative and executive authorities to the judiciary.<sup>13</sup> Therefore, in this view, whenever the democratic process undermines or slows down the implementation of the required neoliberal reforms, or threatens negative liberty and market freedom, policy makers may legitimately suspend democracy empowering instead technocrats or legal instruments that are more reliable. This attitude confirms my suggested definition of Neoliberalism. Political rights are positive rights that empower the positive liberty of all the citizens, while their exercise may jeopardise the negative liberty of some citizens.

### **The semantic evolution of Neoliberalism and the terminological objection**

The word Neoliberalism came into use at the end of 19<sup>th</sup> century with a meaning completely different from the current one. At that time, it designated a more moderate version of classical liberalism that aimed to relax the traditional policy prescriptions based on strict laissez-faire principles. This terminology, as an alternative to ordo-liberalism, became particularly popular in Germany in the period between the two World Wars. The neoliberals sought to divorce the freedom of individuals to compete in the marketplace from the freedom from state intervention.<sup>14</sup> They argued in particular that a laissez-faire policy suffocates genuine competition favouring the progressive concentration of market power.<sup>15</sup> The same point of view revived, with more success, after World War II as the mainstream point of view inspiring the policy strategy pursued by the German government under the leadership of Ludwig Erhard. In academic articles and book reviews published in the 1950s and 1960s, neoliberalism was most often associated with Germany or specifically with the Freiburg School and economists such as Eucken, Röpke, and Rüstow. In the same period, the word *Neoliberalism* took on positive overtones not only in Germany but also elsewhere, especially in Latin America, where many economists and policy makers adopted it as an inspiration to overcome the shortcomings of traditional laissez faire policies. However, in the 1970s the word underwent a radical change of meaning, suddenly assuming negative overtones. Boas and Gans-Morse argue convincingly that in Latin America, the watershed between these two radically different meanings was the 1973 coup in Chile and Pinochet junta’s adoption of a new

policy strategy along the lines advocated by the so-called “Chicago Boys”.<sup>16</sup> Many critics of this U-turn in economic policy started to term the new policy strategy “Neoliberal” with a negative meaning. This semantic mutation rapidly spread around the globe to designate the change of policy strategy adopted by most governments since the 1970s.

Notwithstanding the viral success of this new sense of the term Neoliberalism, its meaning is still equivocal. In my opinion, the reason for this anomaly lies in the strong, unprecedented convergence of policy strategies towards the Neoliberal paradigm in most developed countries and many developing countries. The meaning of the word looked thus quite clear from the intuitive and pragmatic point of view, as well as in terms of its underlying economic theory (often called ‘macroeconomic consensus’ to underline an alleged wide convergence on its foundations). I believe, however, that a rigorous use of the concept requires an explicit in-depth clarification of its meaning.

As for the charge of the partisan use of the term Neoliberal, in my opinion nothing prevents a rigorous use in a neutral sense. The word neoliberal, after all, is in itself neutral, as it is consistent with both main interpretations of its meaning and implications: an updated version of the liberal tradition or an extreme, possibly distorted, version of this tradition, as claimed by most its critics. There is thus no reason to avoid the use of this concept, leaving then to rigorous arguments the specification ex post of its positive or negative implications for the subject under scrutiny. In any case, it is difficult to find a better alternative because, to the best of my knowledge, the alternative terms used to underline the specific features of this form of liberalism have all acquired negative political overtones, as is the case with the two main alternative terminological candidates to indicate the same concept: neoconservative policies and Washington consensus. The word “neoconservative” obscures the fact that parties considered progressive by many commentators and voters, have advocated neoliberal policies. Analogously, the expression “Washington consensus” may suggest the idea that the new orthodoxy has been established through some sort of agreement reached by a few powerful diplomats and politicians in the inaccessible chambers of the Washington institutions, rather than through a much more complex process involving civil society and public opinion.

### **Concluding remarks**

According to classical liberalism, we have to protect the freedom of individuals from any interference unless it constrains the freedom of other individuals. Who could disagree with this assertion? However, this is the point: all the issues concerning liberty have their root in this crucial qualification. In pre-capitalistic local communities, individual freedom depended on the intentional actions of other members of the community in the light of their traditional conventions. In the integrated world built up by modern capitalism, the decisions of any agent affects in principle the freedom of all the other agents, usually indirectly and unintentionally. This mutual interdependence between decision-makers is spreading to the entire globe, and lies at the root of the problems globalisation entails. External pressure on a given individual’s freedom often comes in the form of impersonal market constraints.

As for the positive concept of liberty, why a thoughtful liberal thinker should not be concerned with his own and others’ self-realisation? Classical economic liberalism as advocated by Adam Smith and John Stuart Mill focused mainly on negative freedom but did not neglect positive liberty. The classical economists were concerned not only with the limitations of individual freedom imposed by public authorities, but also by private

constraints such as economic monopolies. Only public policy authorities could limit the freedom of existing or potential monopolists to defend the *positive* liberty of the other individuals. Classical liberals entertained a concept of individual freedom that combined its negative and positive dimensions.<sup>17</sup> We should keep firmly in mind that, although today classical liberalism is often associated with extreme forms of libertarianism, the classical liberal tradition was centrally concerned with improving the well-being of all the citizens.<sup>18</sup> This required the active intervention of the state to empower them. Stuart Mill, for example, struggled all his life to combine a systematic defence of negative liberty of citizens with an active role of the State to promote their autonomy (positive liberty) combining these two goals within a single coherent economic and political theory. This may be clarified by taking up Mill's inspiring metaphor: "human nature is not a machine to be built after a model, and set to do exactly the work prescribed for it, but a tree, which requires to grow and develop itself on all sides, according to the tendency of the inward forces which make it a living thing."<sup>19</sup> This metaphor suggests that a good gardener may improve the conditions that make the tree thrive. The role played by individual autonomy in Mill's thought shows that positive liberty is a crucial element of his liberalism. The concept of autonomy is borrowed from Kant who emphasises that a rational will is autonomous not in the sense that it is bound by no law but in the sense of being the author of the law that binds it. Kant's concept of autonomy goes thus beyond the merely 'negative' sense of being free from external influences on our conduct, and should be understood as positive freedom in the current language of political philosophy.<sup>20</sup>

In my opinion, a thorough assessment of the pros and cons of free markets involves an analysis of their implications for both kinds of freedom. Classical liberalism focused mainly on the negative concept of liberty since its objective was to limit the despotic power of the "Leviathan" (the sovereign supported by its bureaucratic apparatus).<sup>21</sup> From the political point of view, classical liberalism aimed to extend the limitations on the sovereign power introduced with the Magna Charta (1215) and then developed with the expansion of democracy. Early landmark steps in Great Britain were the Habeas Corpus Act of 1679 and the Bill of Rights of 1689 in the period of formation of classical liberalism. From the economic point of view, classical liberalism aimed to restrain the monopoly of economic power then managed by the sovereign according to mercantilist principles. The resurgence of liberalism after World War II as exemplified by Berlin, von Mises, Hayek, and Friedman, was spurred by the fear, kept alive by the Cold War, of the totalitarian degeneration that had produced the appalling destructions of World War II. In addition, in the view of conservative liberals, the state's excessive influence on the economy spurred by the systematic adoption of interventionist Keynesian policies and the expansion of the welfare state, progressively eroded citizens' negative liberty. These worries may explain the focus of post-war liberals on negative liberty, but do not justify their neglect of positive liberty. In particular, it is not clear why an individual should fear only the constraints and pressures imposed by the state and not those imposed by other individuals (for example a master, an employer or a creditor), or by particular economic circumstances (such as unemployment or inflation).

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<sup>1</sup> This comment is based on Chapter 1 of my forthcoming book *Crisis and Sustainability. The Delusion of Free Markets*, London: Palgrave Macmillan.

<sup>2</sup> See Boas and Gans-Morse (2009), and Mirowski (2014).

<sup>3</sup> See, e.g., Thorsen and Lie (2007), and Mirowski (2014).

<sup>4</sup> 'Two Concepts of Liberty' was Berlin's inaugural lecture in 1958 as Chichele Professor of Political and Social Theory at Oxford University. My references are to the second version published by Berlin (1969).

<sup>5</sup> John Gray, for example, maintains that "... liberal ideas of personal autonomy require an active, enabling state ... ." (Gray 1998, 161).

<sup>6</sup> See Berlin (1969, 122). Hayek (1960) is another eminent example of this point of view.

<sup>7</sup> See, e.g., Boas and Gans-Morse (2009).

<sup>8</sup> The political philosopher Robert Nozick (1974) coined the phrase "Lockean proviso".

<sup>9</sup> In the words of Locke, the "appropriation of any parcel of land, by improving it, ... [should not give] any prejudice to any other man, since there was still enough and as good left ... For he that leaves as much as another can make use of does as good as take nothing at all. Nobody could think himself injured by the drinking of another man, though he took a good draught, who had a whole river of the same water left him to quench his thirst." Locke (1690, *Chapter V, paragraph 33*).

<sup>10</sup> Locke (1690).

<sup>11</sup> See, e.g., Gaus, Courtland and Schmitz (2015).

<sup>12</sup> See, e.g., Harvey (2005) and Saad-Filho and Johnston (2005).

<sup>13</sup> See Thorsen and Lie (2007, 15).

<sup>14</sup> See Boas and Gans-Morse (146).

<sup>15</sup> See Gerber (1994, 33).

<sup>16</sup> See Boas and Gans-Morse (2009, 149).

<sup>17</sup> See, e.g., Carter (2012).

<sup>18</sup> See Gaus, Courtland and Schmitz (2015).

<sup>19</sup> See Mill (1978, 56-57).

<sup>20</sup> See Johnson (2014).

<sup>21</sup> As is well known, Hobbes (1651) introduced the term Leviathan to argue the need for a somewhat despotic power to keep the war of 'everyone against everyone' under control.