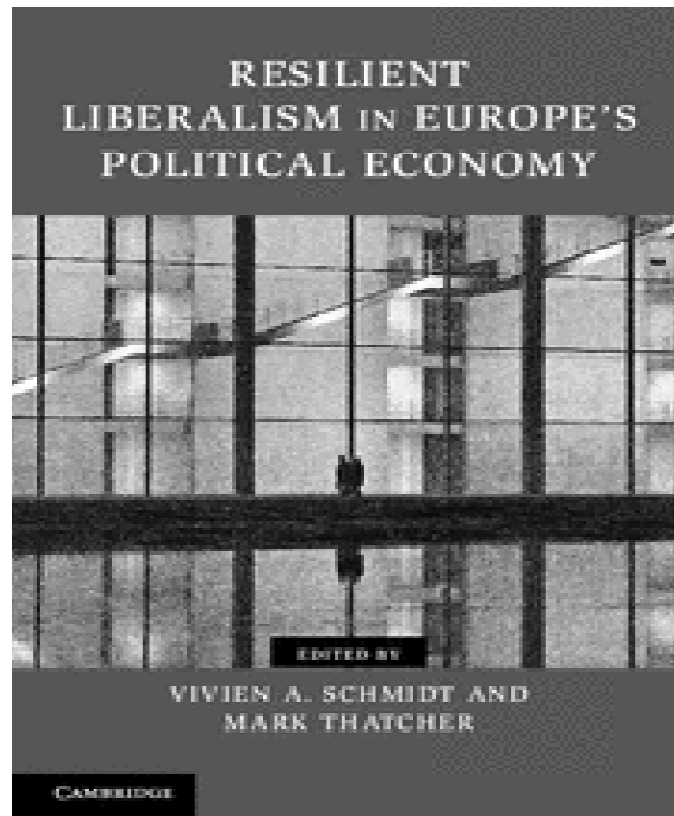


# Explaining the Resilience of Neo-Liberal Ideas in Europe and Beyond: What impact on Labor and the Welfare State?

Presentation for Cepal, Santiago Chile (Oct. 14, 2014)



# Resilience of Liberal Political Economic Ideas

- **Neo-Liberal ideas are main focus** (in context of liberal ideas)
  - Ideas phenomena worth exploring in selves--exclude neo-liberal policy effects/implementation
  - Important for constituting interests, framing debates, choosing strategies or policies, legitimating decisions
- ***Analyzing Neo-Liberal Ideas*** (outline of presentation)
  - Part I: Identifies Neo-Liberal Ideas /Agents
    - Key ideas; Brief history of NL ideas; Varieties of NL
    - Levels, forms, agents of NL ideas
  - Part II: Analyzes Resilience
    - Nature of neo-liberal resilience; Fives lines of analysis

# Defining Neo-Liberalism

- **Many definitions, multi-varied**
  - & those defined as neo-liberals refuse label
- **‘Neo-liberalism’ as core set of ideas**
  - about markets & state’s role in (or as part of) markets
- **Markets should be ‘free’**
  - i.e., governed by competition/open across borders
- **The state should have a limited political economic role to create/ preserve the institutional framework**
  - secure property rights, guarantee competition/free trade
  - promote labour market flexibility, reduce welfare dependence, marketize provision of public goods

# Tracing Neo-Liberalism's History

- **Neo-liberalism not just philosophy of pol economy, also of political democracy/role of state**
- **Intellectual Origins**
  - Italian--*Liberalesimo, Liberalismo, Liberismo*
  - In *Republicanism*—community first, individual second
  - In *Liberalismo*--Individual first, community second
  - In *Liberismo* (neo-lib) --Market first, polity second
- **History begins in interwar period, revives in 1950s, but remains marginal til the 1970s/1980s**
  - Hayek in Vienna; Ordo-liberalism in Germany; others in UK, US + Colloque Lippman, Paris 1938
  - Mt Pélerin Society—thought collective bg in 1950s
  - 1960s and on, Friedman/Hayek, Buchanan

# Variations of Neo-Liberalism over Time

- **1950s** *Ordo-Liberalism---neo-liberalism with rules*
  - Germany + compromise w soc dem
- **1980s** *Conservative Neo-lib*—**Rollback** State to free markets
  - Thatcher in UK, Reagan in US
  - Bg ‘Washington consensus’--capital mobility, open mkts in 3<sup>rd</sup> World
- **1990s-2000s** *Social Dem Neo-Lib*—**Rollout** State to enhance markets
  - Clinton, Blair, Schröder, Jospin (w ideas, not discourse)
- **2010 Euro Crisis**—**Ramp up** State for more Ordo/Neo-Lib
  - EU Pacts and compacts; Austerity + Structural Reform
- **Today**--New synthesis -- *Liberal neo-statism*

# Variations of Neo-Liberalism over Country and Sector

- **National variants**

- US/UK/Irish ‘growth models’
- Swedish/Danish corporatist adaptation *vs German*
- French/Italian state transformation *vs CEECs*

- **Sectoral variants**

- EMU ‘Brussels-Frankfurt consensus’ (& rescue of Washington consensus)
- Finance (‘light touch’ or don’t touch?)
- Competition policy (one size for all)
- Labor market activation policy (different adaptations)
- Welfare ‘*liberal neo-welfarism*’ (new synthesis)

# Forms & Levels of Neo-Liberal Ideas

- Most General Level—***Philosophical ideas***
  - Slowly changing worldviews, ideologies, core values, discourse
  - E.g., individual, free mkt, limited state; ordo-lib discourse (Foucault)
- Intermediate level—***Programmatic ideas***
  - Policy programs/paradigms (incremental/revolutionary change)
  - E.g., Anglo-liberal growth model; EU Competition model
- Immediate level—***Policy ideas***
  - Can change constantly, e.g., Draghi w ‘non-orthodox’ policies, reinterprets rules of program & philosophy of BF consensus?
- **Change** at differential rates w differing effects
  - Neo-lib history: policy/programmatic change w/o change in phil?
  - Or in future look back to see incremental x = paradigm shift

# Agents of Neo-Liberalism

- **Neo-Liberal Agents as ideational entrepreneurs**
  - Ideological: Erhard, Einaudi, Thatcher;
  - Pragmatic: Blair, Schröder;
  - Opportunist: Berlusconi, Sarkozy
- **Neo-Liberal Agents in discursive communities**
  - Thought collectives (e.g., Mont Pèlerin Society)
  - Advocacy coalitions (e.g., finance press/bankers/pols)
  - Think tanks (e.g., AEI, Instit of Directors)
  - Economists in expert networks (e.g., on efficient markets, rational man models)
  - Public servants and new public management



# Analyzing Resilience: 3 Key Elements

- **Continuity- stability or recurrence**
  - Put old ideas in new ways--1920s 'store of money' to austerity
  - Process: *bricolage*, diffusion, translation--fr UK to Ger or Swe
- **Dominance in policy debates**
  - 'Usual' or 'conventional' analytical framework or values or aims, crowding out alternatives, hegemony
  - E.g., 'competition' as catchword, goes from private sector to public services; state inefficiency
- **Survival in face of challenges**
  - Internal failure and rival alternatives
  - 'Great Moderation' despite booms/busts, e.g., dot-com, banking
  - stakeholder vs. shareholder model
- **Explaining Resilience: 5 lines of analysis >>>>**

# 1 Ideational generality, diversity, and mutability

- **As a political attribute, *generality, diversity, mutability***
  - Differences in Active Labor Market Policy, UK vs DK
- **As a set of core principles or values**
  - Not a scientific or precise theory or set of ideas
  - Hence high plasticity- can adapt—differently, viz. UK vs Ger vs Fr
  - But can't disprove
- **As processes of *metamorphosis, absorption, hybridization***
  - metamorphosis- sound money 1920s- today sustainable debt
  - Absorption- e.g., welfare state *to liberal neo-welfarism*
  - Hybridisation- Neo-Liberalism and social democracy in Ger and Swe

# 2 Benefits of non-implementation

- **Neo-liberal ideas rarely implemented in practice**
  - Unachievable rhetoric, whether austerity, PE cuts, retreat of state
  - So easy to claim it was never done, or not done properly
- **But gap bw neo-liberal rhetoric and reality of implementation actually *aids resilience***
  - Failure ascribed to not really being tried or used opportunistically
  - Useful in campaign discourse, e.g., Berlusconi, Sarkozy, Cameron
- **Processes** facilitate regular re-use of neo-liberal ideas, divert attention from current problems, legitimate further neo-liberal initiatives, alter terms of debate
  - E.g., discourse of public profligacy to frame Eurozone crisis
  - Gives increasing powers to regulators/EU Comm

# 3 Strength in policy and political debates relative to alternatives

- **Greater strength** in how neo-liberal ideas are developed, perceived, communicated, and received in policy arena and political sphere
  - No alternatives—e.g., finance as *laissez-faire* or market-enhancing
  - Weakness of alternatives? Social-democratic ideas absent? Or seemingly under-developed, incoherent, or old-fashioned?
- Neo-liberalism's **seeming coherence or 'common sense'**, ability to frame problems; **communicative power** in debate
  - Common sense of Schwabian housewife vs. counter-intuitive Keynesian deficit spending in recession
  - Financialization root cause of crisis yet reframe as state failure/debt

# 4 Role of interests

- **Self-interested actors and coalitions of interests** promote neo-liberal ideas to achieve their aims and prevent alternative ideas
  - E.g., pol parties, large firms, non-majoritarian institutions
  - Use power of media (Berlusconi, Murdoch)
- **Feedback mechanisms-** power of actors further enhanced by neo-liberal ideas
  - Eg 'deregulation'/liberalisation/low taxes benefit large firms and parties supporting NL (esp finance)/ reduce power of labor
  - Benefits politicians through campaign financing (esp US)
  - Bankers laughing all the way to the bank
- *BUT frequently neo-liberalism damages its supporters*

# 5 Role of institutions

- **Institutions shape endurance, dominance, survival** of neo-liberal ideas
  - As adopted in/adapted to diff institutional environments
  - Explainable via different institutionalisms
- **Processes-** institutional embeddedness of neo-lib ideas creates **incentives** for their maintenance/development, **further empowers interests**, and **constrains** institutionalization of alternative ideas
  - EU competition- embedded in Treaties, supported by parts of Commission and further reinforced by ECJ and large firms
  - Packs, pacts, compacts reinforce Brussels-Frankfort consensus on austerity, structural reform—cut pensions, education, etc.
  - Make it difficult for any other approach, esp. ‘unorthodox’ ideas

# Possible pathways out of NL

- Breakdown due to internal conflicts/contradictions
  - Anomalies? Hybridization? Non-neo-lib synthesis?
- Unsustainable gaps between rhetoric and reality
  - Impracticable ideas leads to increasing irrelevance?
- Rise of stronger alternatives
  - Latin America? Social democrats? Ext right?
- Powerful interests press for new ideas
  - Especially where ideas not working, e.g., Euro crisis?
- Institutional breakdown or new institutions
  - Instit'l actors themselves shift the rules?