



The New
Way of the
World:
On
Neoliberal
Society
Dardot
& Laval



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Introduction to the English Edition

'We have not done with neo-liberalism': such was the opening sentence of the Introduction to the original French edition of this book, published in January 2009. It was a question of dispelling the illusions created by the collapse of Lehman Brothers in September 2008 as rapidly as possible. Many in Europe and the United States thought that the financial crisis had sounded the death knell of neo-liberalism and that the new epoch would see the 'return of the state' and market regulation. Joseph Stiglitz toured the planet announcing 'the end of neo-liberalism', while leading political figures, like French President Nicolas Sarkozy, announced the rehabilitation of government intervention in the economy.

Dangerous, in as much as they were conducive to political de-mobilization, such illusions did not come as a surprise to us. They were based on a widespread diagnostic error that our book precisely set out to challenge. To get the character of neo-liberalism wrong, to ignore its history, and miss its profound social and subjective springs, was to condemn oneself to blindness and impotence in the face of the developments that soon ensued. Far from impairing neo-liberal policies, the crisis led to their dramatic *reinforcement*, in the shape of austerity plans put in place by states that were increasingly active in promoting the logic of competition in financial markets. It seemed to us then, and appears even clearer today, that an analysis of the genesis and functioning of neo-liberalism is the precondition for an effective resistance on a European and global scale. While it seeks to conform to the criteria of scholarly research, this book is not 'academic' in the traditional sense of the word, but above all aims to be a work of political clarification of the global normative logic represented by neo-liberalism. In a word, in our view understanding neo-liberalism is a universal *strategic* issue.

A DIAGNOSTIC ERROR

Since the late 1970s and early 1980s, neo-liberalism has generally been interpreted both as an *ideology* and as an *economic policy* directly informed by that ideology. The hard core of the ideology supposedly comprises identification of the market as a natural reality.¹ According to this naturalist ontology, to achieve equilibrium, stability and growth, it suffices to leave this entity to its own devices. Given that any government intervention can only disturb and disrupt the spontaneous process, abstention from it must be encouraged. Thus construed, neo-liberalism is cast as a pure and simple rehabilitation of *laissez-faire*. As regards its political implementation, from the outset it was analysed very narrowly – in Wendy Brown’s perceptive observation,

as a tool of state economic policy, with the dismantlement of social provision, progressive taxation and other instruments for redistributing wealth, on the one hand, and with the stimulation of the untrammelled activity of capital via deregulation of the health system, labour and the environment, on the other.²

When it is conceded that ‘intervention’ does occur, the latter is construed exclusively as actions whereby the state undermines the bases of its own existence by diminishing the public service obligations previously entrusted to it. A purely negative ‘interventionism’, one might say, which is nothing more than the active political aspect of the state’s organization of its own retreat – hence a principled anti-interventionism.

It is not our intention to challenge the existence and diffusion of this ideology, any more than it is a question of denying that it has continued to foster the economic policies massively encouraged since the Reagan and Thatcher years and found its most enthusiastic supporter in the ‘maestro of Wall Street’, Alan Greenspan, with the consequences with which we are familiar.³ What Joseph Stiglitz has rightly called ‘market fanaticism’ is what the *Wall Street Journal*, the *Economist*, and their worldwide equivalents best know how to sustain among their readers.⁴ But neo-liberalism is far from being reducible to a fanatical act of faith in the naturalness of the market. The profound error made by those who have announced the ‘death of liberalism’ is to confuse the ideological representation accompanying the implementation of neo-liberal policies with the practical normativity that specifically characterizes neo-liberalism. As a result, the relative discredit surrounding the ideology of *laissez-faire* today in no way prevents neo-liberalism from prevailing more than ever as a normative system possessed of a certain efficiency – that is, the capacity to direct from within the actual practice of governments, enterprises and, in addition to them, millions of people who are not necessarily conscious of the fact. For this is the crux of

the matter: how is it that, despite the utterly catastrophic consequences in which neo-liberal policies have resulted, they are increasingly operative, to the extent of pushing states and societies into ever graver political crises and social regression? How is it that such policies have been developed and radicalized for more than thirty years without encountering sufficient resistance to check them?

The answer is not, and cannot be, confined to the ‘negative’ aspects of neo-liberal policies – that is, the programmed destruction of regulations and institutions. Neo-liberalism is not merely destructive of rules, institutions and rights. It is also *productive* of certain kinds of social relations, certain ways of living, certain subjectivities. In other words, at stake in neo-liberalism is nothing more, nor less, than the *form of our existence* – the way in which we are led to conduct ourselves, to relate to others and to ourselves. Neo-liberalism defines a certain existential norm in western societies and, far beyond them, in all those societies that follow them on the path of ‘modernity’. This norm enjoins everyone to live in a world of generalized competition; it calls upon wage-earning classes and populations to engage in economic struggle against one another; it aligns social relations with the model of the market; it promotes the justification of ever greater inequalities; it even transforms the individual, now called on to conceive and conduct him- or herself as an enterprise. For more than a third of a century, this existential norm has presided over public policy, governed global economic relations, transformed society, and reshaped subjectivity. The circumstances of its triumph have often been described – in its political aspect (the conquest of power by neo-liberal forces), its economic aspect (the expansion of globalized financial capitalism), its social aspect (the individualization of social relations to the detriment of collective solidarities, the extreme polarization between rich and poor), and its subjective aspect (the emergence of a new subject, the development of new psychic pathologies). These are the complementary dimensions of the *new global rationality*. By this we mean that such a rationality is *global* in the two senses of the term: it is ‘world-wide’ in that it obtains on a world scale; and, far from being confined to the economic sphere, it tends to totalize – that is, create a world in its own image through its power to integrate *all* dimensions of human existence. A global rationality, it is at the same time a ‘world-reason.’⁵

NEO-LIBERALISM AS RATIONALITY

The thesis defended in this book is precisely that neo-liberalism, far from being an ideology or economic policy, is firstly and fundamentally a *rationality*, and as such tends to structure and organize not only the action of rulers, but also the conduct of the ruled. The principal characteristic of neo-liberal rationality is the generalization of competition as a behavioural norm and of the enterprise as a model of subjectivation. The term ‘rationality’ is not used here as a euphemism that allows us to avoid pronouncing the word ‘capitalism’. Neo-liberalism is the *rationality of contemporary capitalism* – a capitalism freed of its archaic references and fully acknowledged as a historical construct and general norm of existence. Neo-liberalism can be defined as the set of discourses, practices and apparatuses that determine a new mode of government of human beings in accordance with the universal principle of competition.

The concept of ‘political rationality’ was developed by Michel Foucault directly in connection with his research into ‘governmentality’. Thus, in the summary of the course given at the Collège de France in 1978–9, and published as *Naissance de la biopolitique*,⁶ we find a presentation of the ‘level of analysis’ selected for studying neo-liberalism. It involves, Foucault says in sum, ‘a possible level of analysis – that of “governmental reason,” of those types of rationality that are implemented in the methods through which human conduct is directed through a state administration’.⁷ In this sense, a political rationality is a ‘governmental’ rationality.

We still have to be clear about the meaning of this notion of ‘government’: ‘not “government” as an institution ... but as the activity that consists in governing people’s conduct within the framework of, and using the instruments of, a state’.⁸ On several occasions, Foucault returns to the idea of ‘government’ as ‘activity’, rather than ‘institution’. Thus, in the summary of the course at the Collège de France entitled *Du gouvernement des vivants*, the notion is ‘understood in the broad sense of techniques and procedures intended to direct the conduct of human beings’.⁹ Or again, in the preface to the *History of Sexuality*, we find a retrospective clarification of his analysis of punitive practices, where Foucault says that he was primarily interested in the procedures of power, or ‘the development and application since the seventeenth century of techniques for “governing” individuals – that is, for “conducting their conduct”, in spheres as different as the school, the army and the factory’.¹⁰ The term ‘governmentality’ was precisely introduced to refer to the multiple forms of the activity whereby human beings, who may or may not be members of a ‘government’, seek to conduct the conduct of other human beings – that is, govern them.

For government, far from relying exclusively on discipline to access the innermost being of the individual, ultimately aims to achieve *self-government*

by the individual him- or herself – that is, to produce a certain type of relationship to the self. In 1982, Foucault declared that he was increasingly interested ‘in the kind of action that an individual practices on himself through techniques of the self’, to the extent of broadening his initial conception of governmentality, which was unduly focused on techniques for exercising power over others: ‘I call “governmentality” the encounter between techniques of domination exercised over others and techniques of the self.’¹¹ To govern is therefore to conduct the conduct of human beings, on condition of specifying that this conduct pertains just as much to *oneself* as to others. That is why government requires liberty as its condition of possibility: to govern is not to govern *against* liberty, or *despite* it; it is govern *through* liberty – that is, to actively exploit the freedom allowed individuals so that they end up conforming to certain norms of their own accord.

To tackle the issue of neo-liberalism via political reflection on modes of government alters our understanding of it. First of all, it makes it possible to refute simplistic analyses in terms of the ‘retreat of the state’ in the face of the market, because it emerges that this Market/State opposition is one of the main impediments to an accurate characterization of neo-liberalism. Contrary to first impressions and the overly simple idea that it is markets which have conquered states from without and dictated policy to them, it is states – in the first instance, the most powerful among them – that have introduced and universalized the logic of competition and the enterprise model in the economy, society, and even themselves. Let us never forget that the expansion of market finance, like the financing of public debt in bond markets, is the fruit of deliberate policies. We can see this in the current crisis in Europe, where states are pursuing highly ‘interventionist’ policies that aim to profoundly alter social relations, to alter the role of institutions of social security and education, to orientate conduct by creating generalized competition between subjects – and this because they are themselves positioned in a zone of regional and global competition that prompts them to act as they do. Here we once again verify the major lesson of Marx, Weber or Polanyi: the modern market does not operate on its own, but has always been backed by the state. Secondly, it enables us to understand that one and the same normative logic governs power relations and ways of governing at very different levels, and in very different spheres, of economic, political and social life. Contrary to any interpretation of the social world that divides it into autonomous fields and fragments it into separate microcosms and clans, analysis in terms of governmentality underscores the transversal character of the modes of power exercised in a society in one and the same epoch.

THE LIMITATIONS OF MARXISM

In stressing the disciplinary regime imposed on everyone by a normative logic embodied in institutions and power apparatuses whose scope is today global, our argument differs somewhat from many previous interpretations of neo-liberalism. It does not deny that neo-liberal policies were initially imposed by outright criminal violence in Chile, Argentina, Indonesia and elsewhere, with the crucial support of capitalist countries, starting with the United States. Naomi Klein's well-documented work on this point remains indispensable.¹² In the event, there is one sentence of Marx's that has not aged: 'In actual history, it is a notorious fact that conquest, enslavement, robbery, murder, in short, force, play the greatest part.'¹³ This violent birth indicates that what is involved is a *war* conducted by all available means, including terror, and which seizes every possible opportunity to establish the new regime of power and the new form of existence. Nevertheless, we would be on the wrong track if we reduced neo-liberalism to the implementation of the Chicago School's economic programme by means of military dictatorship. In fact, we must not confuse general strategy and particular methods. The latter depend on local circumstances, the balance of power, and historical phases. They can just as easily involve the brutality of the military putsch as the electoral seduction of the middle and popular classes; they can use and abuse blackmail over jobs and growth and exploit deficits and debt as pretexts for 'structural reforms', as has long been the case with the IMF and the European Union. Challenges to democracy take different forms, which do not all pertain to 'shock therapy', but also and above all involve what Wendy Brown has rightly called a process of 'de-democratization', which consists in emptying democracy of its substance without formally abolishing it. No doubt there is a war conducted by oligarchical groups in which, on each occasion in a particular fashion, we find intermingled the interests of the senior civil service, private oligopolies, economists and the media (not to forget the army and church). But this war not only aims to transform the economy, so as to 'purge' it of bad state intervention, but also to change society itself profoundly, by imposing on it via a forced delivery the highly unnatural law of competition and the enterprise model. To that end, it is necessary to undermine the institutions and rights which the working-class movement succeeded in establishing from the late nineteenth century onwards. This assumes a protracted, continuous, often silent war, which is irreducible to the 'shocks' that serve as a pretext for some particular offensive.

It is therefore essential that we understand how ordinary, routine violence is exercised today, rather like Marx when he observes that the domination of capital over labour only exceptionally involves extra-economic violence; that it is more commonly exercised in the form of a 'silent compulsion' inscribed in words and things.¹⁴ But it is no longer a question of asking how, generally

speaking, capitalist relations are imposed on the consciousness of workers as 'self-evident laws'. More specifically, it is a question of understanding how neoliberal governmentality is based on a *global normative framework* which, in the name of liberty and relying on the leeway afforded individuals, orientates their conduct, choices and practices in a new way.

Thus, we cannot make do with the teaching of Karl Marx or Rosa Luxemburg to reveal the secret of neo-liberalism's peculiar ability to extend itself everywhere, notwithstanding its crises and the rebellions it provokes the world over. For fundamental theoretical reasons, the Marxist interpretation, howsoever 'updated', proves patently inadequate here. Neo-liberalism employs unprecedented techniques of power over conduct and subjectivities. It cannot be reduced to the spontaneous expansion of the commodity sphere and the field of capital accumulation. It is not that it is necessary to defend the relative autonomy of politics against the mono-causal determinism of a certain Marxism, quite simply because neo-liberalism, in a number of its doctrinal dimensions and the policies it deploys, effects no separation of 'the economy' from the legal-institutional framework that determines the practices peculiar to the global and national 'competitive order'.

While they did indeed anticipate the financial crisis of 2008, Marxist interpretations do not always succeed in grasping the novelty of neo-liberal capitalism. Trapped in a conception that makes the 'logic of capital' an autonomous motor of history, they reduce the latter to the sheer repetition of the same scenarios, with the same characters in new costumes and the same plots in new settings. The history of capitalism is never merely the unfolding of an essence that is always self-identical beneath its phenomenal forms and phases, and which, at bottom, is leading us from crisis to crisis until the final collapse. Thus construed, neo-liberalism is both the mask and tool of finance, which is the real historical subject. For Gérard Duménil and Dominique Lévy, neo-liberalism 'has restored the strictest rules of capitalism',¹⁵ enabling the power of capital to continue its centuries-old advance in forms that are renewed in and through crises. Albeit much more attentive to the novelty of neo-liberalism, David Harvey continues to adhere to an explanatory schema that is decidedly unoriginal.¹⁶ If we believe him, the crisis of accumulation in the 1960s, marked by stagflation and falling profits, incited the bourgeoisie to take its 'revenge' by implementing, on the occasion of this crisis and in order to resolve it, the social project formulated by the theoreticians of Mont Pelerin. Over and above its specific features, and despite its interventionism, the neo-liberal state continues to be viewed as a mere tool in the hands of a capitalist class intent on restoring a favourable balance of power vis-à-vis workers, thereby increasing its share in the distribution of income. The scale of the inequalities and the growth in the concentration of wealth and income

evident today supposedly confirm the existence of this initial intention.¹⁷ Basically, everything lies in the answer Duménil and Lévy give to the question ‘who benefits from the crime?’¹⁸ Since finance is triumphant, it was on the move from the start. Here we have a recurrent fallacy, which consists in identifying the beneficiary of a crime with its author, as if the emergence of a new social form was to be attributed to the consciousness of one or more strategists as regards its source or real centre; and as if recourse to the intentionality of a subject were the ultimate principle of any historical intelligibility.

But if the explanation is seductive, it is precisely because, contrary to all of Marx’s teaching, it takes the historical results of a process for goals consciously decided on at the outset. The unquestionable polarization of wealth and poverty, to which the implementation of neo-liberal policies has led, is supposedly sufficient to account for its nature. The latter is basically nothing but capital’s eternal tendency to valorize itself through the expansion of the commodity form. Nothing really new has happened since 1867, when Marx expounded the operation of the laws of capitalist accumulation, proceeding backwards from the commodity as the elementary form of bourgeois wealth to the original accumulation that created the historical conditions for the transformation of commodities and money into capital. In so far as Marx’s analysis makes the wage relation as a *sui generis* commodity relation the heart of capitalism, this critique logically tends to prioritize the commodity relation as the model of any social relation. Neo-liberalism is thus equivalent to the pitiless commodification of society in its entirety. This is what Duménil and Lévy argue when they write: ‘finally neoliberalism is indeed the bearer of a process of general commodification of social relations’.¹⁹ David Harvey largely concurs with this thesis. What he calls ‘accumulation by dispossession’ – a category that for him refers to the profoundest significance of the ‘neo-liberalization of society’ – precisely has the effect of an *a priori* unlimited expansion of commodification.²⁰ However, to his credit, he adds a new touch to the picture when he stresses that the methods of ‘supposed original accumulation’ have been pursued well beyond the genesis of industrial capitalism, and when he makes Karl Polanyi the most relevant historian of capitalism for understanding how state intervention is still required today to construct markets and create ‘fictitious commodities’. But the real motor of history remains the power of capital, which subordinates state and society to itself by enrolling them in the service of its blind accumulation.

However, this schema, which is fairly widely shared in the *altermondialiste* movement, suffers from a number of weaknesses. In addition to the fact that it makes the economy the sole dimension of neo-liberalism, it presupposes that the ‘bourgeoisie’ is a historical subject which persists over time; that it

pre-exists the relations of struggle it engages in with other classes; and that it was sufficient for it to apprise, influence and corrupt politicians for them to abandon Keynesian policies and compromise formulas between labour and capital. In Harvey, this scenario comes into contradiction with recognition of the fact that classes have been profoundly changed during the process of neo-liberalization, to the extent that in some countries new bourgeoisies have directly issued from communist apparatuses (Russian oligarchs, Chinese red princes). Nor is it consistent with his fairly precise analysis of the neo-liberal state's specific forms of intervention.

In truth, there was no large-scale conspiracy, nor even a ready-fashioned doctrine cynically and resolutely implemented by politicians to meet the expectations of their powerful friends in the world of business. The normative logic that ended up being imposed was constructed through battles that were initially uncertain and policies that were frequently groping. The neo-liberal society we live in is the fruit of a historical process that was not fully programmed by its pioneers. Its constituent elements were assembled gradually, in interaction with one another, and in the consolidation of some by others. Just as it is not the direct result of a homogeneous doctrine, so it is not the reflection of a logic of capital that creates the social, cultural and political forms corresponding to it in the process of its expansion. The classical Marxist explanation fails to register that the crisis of accumulation to which neo-liberalism supposedly responds, far from being the crisis of an eternally self-identical capitalism, possesses the peculiarity of being bound up with the institutional rules that had hitherto framed a certain type of capitalism. Consequently, the originality of neo-liberalism is precisely its creation of a new set of rules defining not only a *different* 'regime of accumulation', but, more broadly, a *different* society. Here we touch on a basic point. In the Marxist conception, capitalism is above all an economic 'mode of production' which, as such, is independent of the law, and which generates the juridico-political order it requires at each stage of its self-development. However, far from pertaining to a 'superstructure' destined to express or fetter the economic, *the juridical belongs to the relations of production from the outset*, in that it informs the economic from within. 'The unconscious of the economists', as Foucault puts it, which in reality is that of any economism, be it liberal or Marxist, is precisely the institution. And it is precisely the institution that neo-liberalism, especially in its ordo-liberal version, intends to restore to a decisive role.²¹ Here we touch on a crucial point, whose political significance involves the issue of the survival of capitalism beyond its crises – a possibility which, as we know, was once again discussed at the height of the November 2008 crisis. If a Marxist perspective is adopted, the singular, necessary logic of accumulation determines the singularity of capitalism: 'there can only be one capitalism since there is only

one logic of capital', as Foucault remarks.²² The contradictions exhibited by capitalist society at any given moment are the contradictions of capitalism 'tout court'. For example, if we follow the analysis of Volume 1 of *Capital*, the general law of capitalist accumulation results in a tendency to capital concentration of which, together with credit, competition is the main lever. The tendency to concentration is therefore inscribed in the logic of competition as a 'natural law' – that of 'the attraction of capital by capital'.²³ But if, like the ordo-liberals and, after them, the 'regulationist' economists,²⁴ we consider that the actual form of capitalism, far from being directly deducible from the logic of capital, is invariably a historically unique 'economico-institutional form', it must be accepted that the form of capitalism and crisis mechanisms are the contingent effect of certain legal rules, and not the necessary consequence of the laws of capitalist accumulation. Thus, they can be overcome at the price of juridico-institutional changes. This is what ultimately justifies the legal interventionism demanded by neo-liberalism: once we are dealing with a unique capitalism, it becomes possible to intervene in it in such a way as to create a different capitalism, which will itself constitute a unique configuration determined by a set of juridico-political rules. Rather than a mode of production whose development is governed by a logic operating in the fashion of an implacable 'natural law', capitalism is an 'economico-juridical complex' admitting of a multiplicity of unique forms. That is also why we must refer to *neo-liberal society*, and not merely to neo-liberal *policy* or neo-liberal *economics*. While unquestionably a capitalist society, *this* society pertains to a unique form of capitalism that must be analysed as such in its irreducible specificity. Here we can thus see that analysis of neo-liberal governmentality indirectly, as if as an after-effect, contradicts the Marxist conception of capitalism in its essentialism.

But that is not all. The Marxist interpretation of neo-liberalism has not always understood that the crisis of the 1960s and '70s is not reducible to an 'economic crisis' in the classical sense. In this respect, it remains much too narrow to grasp the scale of the social, cultural and subjective changes introduced by the diffusion of neo-liberal norms throughout society. For neo-liberalism does not only respond to a crisis of accumulation: it responds to a crisis of governmentality. In fact, it was in the highly specific context of general contestation that Foucault situated the advent of a new way of conducting individuals, which satisfies aspirations to freedom in every sphere – the sexual and cultural as well as the economic. In short, he intuited that what was at issue in these years was an acute crisis of the hitherto dominant forms of power. Against economism, he grasped that workers' struggles cannot be isolated from those of women, students, artists and patients. Moreover, he saw that the reorganization of ways of governing

individuals in the various sectors of society, and that reactions to social and cultural struggles, were in the process of discovering a potential consistency, theoretical and practical, with neo-liberalism. In concerning himself with the history of liberal government, he showed that what since the eighteenth century has been called 'economics' is at the base of a set of apparatuses for controlling the population and directing its conduct ('biopolitics'), which were to experience an unprecedented systematization in neo-liberalism. With the latter, competition and the entrepreneurial model constitute a general mode of government, far exceeding the 'economic sphere' in the habitual sense of the term. And that is precisely what we see everywhere. The requirement of 'competitiveness' has become a general political principle, which governs reforms in all areas, even those furthest removed from commercial confrontations in the world market. It is the clearest manifestation that we are dealing not with a 'creeping commodification', but with an extension of market rationality to existence in its entirety through the generalization of the enterprise-form. It is this 'rationalization of existence' which, ultimately, can have the effect (as Mrs Thatcher stressed) of 'changing the heart and soul'. In this regard, it is sufficient to think of the very profound damage that twenty years of 'Berlusconism' have inflicted on Italy to have a fairly precise idea of these changes. While it is distinct from an unduly narrow Marxism, such an analysis coincides with the most profound intuitions of Marx, who clearly understood that a system of economic production is also a system of anthropological 'production'.

THE GENERAL CRISIS OF A WAY OF GOVERNING HUMAN BEINGS

In stressing the 'productive' dimension of neo-liberalism, this analysis makes it possible to conceive the current crisis as something other than the consequence of an 'excess of finance', an effect of the 'dictatorship of the markets', or a 'colonization' of states by capital. The crisis we are experiencing can be seen for what it is: a global crisis of neo-liberalism as a mode of governing societies. The current crisis of the euro is no mere 'monetary' crisis; the crises of the countries of southern Europe are not simply 'budgetary' crises, any more than the global crisis that set in during the autumn of 2008 is itself a mere 'economic' crisis. Regarded in isolation, the first might appear to be a kind of deferred replica of the sub-prime crisis – a transition from a crisis of private debt to a crisis of public debt, under the impact of uncontrolled speculative markets. But this view is narrow, even misleading. The world crisis is a general crisis of 'neo-liberal governmentality' – that is, a way of governing economies and societies based on generalized marketization and competition. The financial crisis is profoundly bound up with the measures which, from the late 1970s, introduced into US and global finance new rules based on creating competition between banking establishments and investment funds, which induced them to increase the level of the risks they took and to spread them over the rest of the economy so as to rake in colossal speculative gains.

If it has become commonplace to relate the crisis to the 'new regime of financial accumulation' marked by chronic instability witnessing a succession of 'speculative bubbles', and the bursting of those bubbles, it has not been said often enough that the financialization of capitalism on a world scale is but one aspect of a set of norms that have progressively involved all aspects of economic activity, social existence and state policy since the end of the 1970s. The autonomy and inflation of the financial sphere are not the primary, spontaneous causes of a new mode of capitalist accumulation. Instead, financial hypertrophy is the historically identifiable effect of policies that stimulated competition between the national and global agents of finance. To believe that 'financial markets' one fine day eluded the grasp of politics is nothing but a fairy tale. It was states, and global economic organizations, in close collusion with private actors, that fashioned rules conducive to the expansion of market finance.

If the US financial crisis demonstrated on what unstable and inegalitarian bases the new global capitalism functions (cynical speculation in market finance, a series of increasingly gigantic bubbles, growing class polarization, enslavement to banking debt of the populations of the poor classes and peripheral countries, etc.), the current European crisis indicates the extent to which the foundations of European construction (the 'order of free, undistorted competition') lead to growing asymmetries between more and

less 'competitive' countries. For it is precisely the imperative of 'competitiveness', universally vaunted as the sole 'remedy', which accounts for the specificity of the current European crisis. The race for competitiveness, on which Germany embarked at the start of the 2000s with growing success, is simply the effect of implementing a principle written into the 'European Constitution': competition between the economies of Europe, combined with the existence of a single currency administered by a central bank ensuring price stability, in fact constitutes the very basis of the European Union's edifice and the dominant axis of national policies. This means that each member-state is free to use utterly inimical fiscal dumping to attract multinationals and the wealthiest taxpayers, free to reduce wages and social security in order to create jobs at the expense of neighbours, free to seek lower production costs by outsourcing all or part of its production, free to cut public expenditure, including in health or education, to be able to reduce the level of compulsory deductions. As a general principle of government, 'competitiveness' precisely represents the extension of the neo-liberal norm to all countries, all sectors of public activity, all areas of social existence. The implementation of this norm leads to reducing demand everywhere simultaneously, on the pretext of rendering supply more 'competitive', and to creating competition between the wage-earners of European countries and the other countries of the world, which entails wage deflation and widening inequalities. The attitude of Renault in Spain is illuminating in this regard. While the group's management vaunted the competitiveness of Spanish wage-earners to French workers, in Spain it had no hesitation in holding up the example of Romania when asking its employees to work unpaid on Saturdays.²⁵

How are we to explain this suicidal race to know who will prove to be the champion of austerity? Should we blame a lack of clear thinking or, more profoundly, regard it as the consequence of a competitive ratchet effect? Within a European system based on competition and a single currency, the speculative pressure exercised by private investors in the market in public debt, and the pressure exercised by ratings agencies, not to mention the impossibility of devaluing, are so many aspects of a single disciplinary logic of formidable effectiveness in depressing wages and diminishing social security.

We will not understand the obstinacy, even fanaticism, with which the experts of governments, the European Union and the IMF pursue a so-called 'austerity' policy, if we do not appreciate that they are trapped in a normative framework, at once global and European, of private and public legal rules and of 'consensus' having the value of a commitment for the future, which they themselves have actively constructed over decades. Unable and unwilling to break with this framework, they are embroiled in a headlong rush to adapt increasingly to the effects of their own previous policy. In this sense,

austerity plans that reduce the income of the vast bulk of the population are inseparable from the desire to manage economies and societies as enterprises 'engaged in global competition'.

Here and there, in the spaces where criticism still remains a possibility, people condemn the 'mistakes' of European austerity policies which, repeating those of the 1930s, aggravate depression wherever they are implemented and lead whole societies into a hitherto unimaginable social regression. For some years, Paul Krugman has called for a reflation of public expenditure to restart the economic machine.²⁶ But it is necessary to pursue the analysis much further to understand the fatal concatenations via which the 'technical' governments established in Greece, Spain, Portugal and Italy, but also the French 'Socialist' government, are led to implement policies that are so contrary to any 'good sense', since they reduce demand and kill jobs when they should be expansionist and creative of economic activity. Various Keynesian or post-Keynesian good spirits might well assert that such policies, violently applied to southern European countries, not only run counter to the welfare of the majority, but are also suicidal for growth and even the survival of the European project. They will fail to persuade Europe's rulers, financial milieus and all the experts and journalists charged with justifying collective suicide with mere arguments. To go on believing that neo-liberalism can be reduced to a mere 'ideology', a 'belief', a 'mind set' which the objective facts, duly registered, would be sufficient to dissolve, just as the sun dispels morning clouds, is in fact to mistake the enemy and condemn oneself to impotence. Neo-liberalism is a system of norms now profoundly inscribed in government practices, institutional policies and managerial styles. In addition, it must be pointed out that this system is all the more 'resilient' in that it goes far beyond the commodity and financial sphere where capital rules. It realizes an extension of market logic far beyond the strict boundaries of the market, notably by generating an 'accountable' subjectivity by systematically creating competition between individuals. One thinks, in particular, of the generalization of the methods of evaluation derived from enterprise in public education. The long strike by Chicago's teachers in September 2012 obstructed, for the time being at least, a project for assessing teachers in accordance with the evaluation of their pupils, with the possibility of dismissing a teacher whose pupils achieved unsatisfactory results. One also thinks of the way in which chronic indebtedness is productive of subjectivity by becoming a veritable 'way of life' for hundreds of thousands of individuals. The Québec students' protest movement highlighted the infernal logic of life-time indebtedness, which a massive rise in enrolment fees was to make it possible to impose. What is at stake in all these examples is the construction of a new subjectivity – what we call an 'accountable and financial subjectivation' – which is nothing other than the

most fully developed form of capitalist subjectivation. In fact, it involves generating a relationship of the individual subject to him- or herself that is homologous to the relationship of capital to itself: very precisely, a relationship of the subject to him- or herself as 'human capital' to be indefinitely increased – that is, a value to be ever further valorized. We can therefore see that it is not so much false theories that have to be fought, or immoral conduct that has to be denounced, as a whole normative framework that must be dismantled and replaced by a different 'global rationality'. This is what is at stake in current social struggles, which will determine the continuation – even the radicalization – of neo-liberal logic or, alternatively, its termination.

As for the state, which some still naively count on to 'control' markets, the crisis has demonstrated to what extent it was the voluntary co-producer of norms of competitiveness at the expense of any concern for safeguarding minimal conditions for the population's welfare, health and education. It has also shown that, with its unconditional defence of the financial system, the state is a party to the new forms of subjection of the wage-earning class to the mass indebtedness that characterizes the functioning of contemporary capitalism. The neo-liberal state is therefore not a 'tool' that can equally be put to contrary purposes. As a 'strategist-state' jointly deciding investments and norms, it is part of the machine that has to be fought.

In striking Europe, the world crisis has acted as a brutal, pitiless indicator. It has stripped bare the illusions on which Europe has hitherto been constructed – namely, the belief that political Europe could be built on economic success and material prosperity by 'constitutionalizing' the norms of balanced budgets, monetary stability and competition. The crisis of Europe is a crisis of its foundations. It will not be enough to 'reorient' Europe towards growth, or even to 'make good the democratic deficit' by crowning the great market with the institutional superstructure of a federal state, without touching its foundations. It is not the roof of the 'European home' that is too fragile; it is its foundations that are giving way on all sides. We must in fact appreciate to what extent the three aspects of today's Europe are intimately linked: constitutionalization of competition and the budgetary golden rule, 'executive federalism' consecrating the primacy of the inter-governmental, and the secondary station of social rights.²⁷ In particular, the fact that the Parliament is without any rights of initiative in legislation, that the Commission – an unelected body – is exclusively empowered to propose laws and disposes of the power to block legislation, and that this same Commission and the Council of Ministers (which are absolved from any responsibility to the Parliament) are regarded as independent bodies charged with promoting the 'general interest', is in no way fortuitous. On the contrary, we have here a marked institutional coherence based on the anti-democratic principle that

independence from citizens is the best guarantee of pursuit of the general interest. It is therefore necessary to *re-found* Europe – that is, provide it with new foundations. Contrary to the previous treaties, such an act cannot be negotiated and implemented by an inter-governmental body, or even be the preserve of a Parliament. It can only be the deed of European citizens themselves.

CLASSICAL LIBERALISM AND 'NEO'-LIBERALISM

Over and above its political significance, to undertake a study of neo-liberalism through the optic of governmentality results in certain departures from the dominant approaches or traditional lines of division. The present book proposes to examine the differential features characteristic of neo-liberal governmentality. It is therefore not a question here of seeking to restore a simple continuity between liberalism and neo-liberalism, as is conventional, but to underscore precisely what the novelty of 'neo'-liberalism consists in. This involves going against the grain of presenting neo-liberalism as a 'return' to original liberalism, or as a 'restoration' of the former, following its prolonged eclipse after the crisis of 1890-1900. The political consequences of such intellectual confusion on the Left are readily apparent. If any regulation of economic life is held to be a- or anti-liberal by definition, then one will make it one's duty to support it, regardless of its content or, worse still, in prejudging that content positively.²⁸

'Original liberalism' – the liberalism that materialized in the eighteenth century – was characterized by the elaboration of the issue of the *limits* of government. Liberal government is framed by more or less joined-up laws: natural laws that make man what he 'naturally' is and which must serve as limits on state activity; economic laws, equally 'natural', which must circumscribe and regulate political decisions. But more fine-grained and flexible than the doctrines of natural law and laissez-faire dogma, the utilitarian techniques of liberal government seek to orientate, stimulate and combine individual interests to make them serve the general good. While original liberalism involves a shared conception of man, society and history, and while the issue of the restriction of government activity is central to it, the unity of 'classical' liberalism was to become increasingly problematic, as demonstrated by the divergent roads taken by liberals during the nineteenth century, between the dogmatism of laissez-faire and a certain social reformism – a divergence that resulted in an increasingly pronounced crisis in the old certainties.²⁹

The first part of this book shows that from its birth, during the great crisis of the 1930s, neo-liberalism marked a distance from, even a clear break with, the dogmatic version of liberalism established in the nineteenth century. This was because the seriousness of the crisis of that dogmatism encouraged an explicit, fully acknowledged revision of the old laissez-fairism. Combating socialism and every version of 'totalitarianism' dictated endeavouring to rework the intellectual bases of liberalism. It was in this conjuncture of economic, political and doctrinal crisis that a 'neo-liberal' reworking of the doctrine was undertaken, which did not yield a wholly unified doctrine. Two major currents were to emerge at the Lippmann Colloquium in 1938: the current of German *ordo*-liberalism, mainly represented by Walter Eucken and

Wilhelm Röpke, and the Austro-American current represented by Ludwig von Mises and Friedrich A. Hayek.

Part Two makes it possible to establish that the neo-liberal rationality actually deployed in the 1980s and '90s is not the mere implementation of the doctrine developed in the 1930s. With it, we do not make the transition from theory to its application. A kind of filter, which does not betoken a conscious, deliberate selection, retained some elements at the expense of others, depending on their operational or strategic value in a given historical situation. Here we are dealing not with the operation of a mono-causality (of ideology on the economic or vice-versa), but a multiplicity of heterogeneous processes which, by dint of 'phenomena of coagulation, support, reciprocal reinforcement, cohesion and integration', resulted in the 'overall effect' that is the establishment of a new governmental *rationality*, in the sense defined above.³⁰

Neo-liberalism is therefore not the natural heir of original liberalism, any more than it is a betrayal or perversion of it. It does not take up the issue of the limits of government where it had been left off. It no longer asks: what type of limit should be assigned to political government, the market (Adam Smith), rights (John Locke), or the utilitarian calculus (Jeremy Bentham)? Instead, it asks: how is the market to be made the principle of the government of human beings and self-government alike? (Part One) Regarded as governmental *rationality*, and not as a more or less heteroclitic doctrine, neo-liberalism is precisely the deployment of the logic of the market as a generalized normative logic, from the state to innermost subjectivity (Part Two). This practical and normative coherence, rather than that of historical sources and standard theories, is the basis of our argument. The latter, by clarifying the way in which a certain system of norms is imposed and functions at all levels, has but one aim: to aid the renewal of critical thinking and the reinvention of forms of struggle.

1 This naturalistic credo, associated with Jean-Baptiste Say and Frédéric Bastiat, was perfectly formulated by the French essayist Alain Minc as follows: 'Capitalism cannot collapse; it is the natural condition of society. Democracy is not the natural state of society; the market – yes' (*Cambio* 16, Madrid, 5 December 1994).

2 Wendy Brown, *Les Habits neufs de la politique mondiale. Néolibéralisme et néoconservatisme*, Paris: Les Prairies Ordinaires, 2007, p. 37.

3 Frédéric Bastiat's *The Law* was Ronald Reagan's favourite book at the start of the 1960s. Cf. Alain Laurent, *Le Libéralisme Américain*, Paris: Les Belles Lettres, 2006, p. 177.

4 See Joseph Stiglitz, *Un autre monde. Contre le fanatisme du marché*, Paris: Fayard, 2006 (the French translation of *Making Globalization Work: The Next Steps to Global Justice*, London: Allen Lane, 2006).

5 The idea of a form of reason structuring the world is to be found in Max Weber, with this qualification

that it essentially concerns the capitalist *economic* order, that ‘monstrous cosmos’ which ‘forces on the individual, to the extent that he is caught up in the relationships of the “market,” the norms of its economic activity’ (*The Protestant Ethic and the ‘Spirit’ of Capitalism and Other Writings*, ed. and trans. Peter Baehr and Gordon C. Wells, London: Penguin, 2002, p. 13). However, in a passage of the same work devoted to the ‘neutral’ and ‘impersonal’ character of love of one’s neighbour in Calvinism, we find the phrase ‘the *rational* structuring of the surrounding social cosmos’ (ibid., p. 76). In a sense, and on the express condition that the social is not reduced to one dimension of human existence among others, it might be said of neo-liberal reason that it is very precisely the rationality of our ‘social cosmos’.

6 Michel Foucault, *The Birth of Biopolitics: Lectures at the Collège de France 1978–1979*, ed. Michel Senellart, trans. Graham Burchell, New York and London: Palgrave Macmillan, 2008. This lecture course is the key reference informing the analysis of neo-liberalism attempted below.

7 Ibid., p. 322. On the notion of ‘political rationality’, see also Michel Foucault, *Dits et écrits II, 1976–1988*, Paris: Gallimard, 2001, pp. 818, 1645–6.

8 Foucault, *The Birth of Biopolitics*, p. 318.

9 Foucault, *Dits et écrits II*, p. 944.

10 Ibid., p. 1401.

11 Michel Foucault, ‘Les techniques de soi’, in ibid., p. 1604. The term ‘governmentality’ will be understood in this broader sense here.

12 Naomi Klein, *The Shock Doctrine: The Rise of Disaster Capitalism*, London: Penguin, 2008.

13 Karl Marx, *Capital: Volume 1*, trans. Ben Fowkes, Harmondsworth: Penguin, 1976, Chapter 26, p. 874.

14 Ibid., p. 899.

15 Gérard Duménil and Dominique Lévy, *Capital Resurgent: Roots of the Neoliberal Revolution*, trans. Derek Jeffers, Cambridge MA: Harvard University Press, 2004, p. 1.

16 See David Harvey, *A Brief History of Neoliberalism*, Oxford: Oxford University Press, 2005.

17 This is Duménil and Lévy’s explanatory framework, which Harvey largely adopts in using their graphs about the evolution of income distribution in neo-liberal capitalism.

18 The title of Chapter 15 of *Capital Resurgent*.

19 Ibid., p. 2 (trans. modified).

20 See the section entitled ‘The Commodification of Everything’, in Harvey, *A Brief History of Neoliberalism*, Chapter 6, p. 165 ff.

21 Here we shall make a remark of some importance. Many current critiques of neo-liberalism treat the object of their attack with utter contempt, as if they had nothing to learn from their theoretical opponents. This is obviously an attitude very different from that adopted by Marx towards supporters of liberal capitalism, but also from that of Foucault to neo-liberals.

22 Foucault, *The Birth of Biopolitics*, p. 164.

23 Marx, *Capital: Volume 1*, Chapter 25, p. 777.

24 Cf. Robert Boyer and Yves Saillard, *Regulation Theory: The State of the Art*, London and New York: Routledge, 2002.

25 See *Le Monde*, 8 November 2012, ‘En France, Renault veut une compétitivité espagnole’.

26 See Paul Krugman, *End This Depression Now*, New York: W.W. Norton & Co., 2012.

27 Let us recall that article 210-2 of Part III of the Lisbon Treaty prevents states from taking measures conducive to social harmonization.

28 This was one of the arguments most consistently invoked by those socialist leaders who took up the cause of ratification of the European Treaty during the referendum campaign in France.

29 The French edition of this book contains four chapters on early liberalism.

30 Michel Foucault, *Security, Territory, Population*, ed. Michel Senellart, trans. Graham Burchell, New York and London: Palgrave Macmillan, 2009, p. 239. In this passage, Foucault replaces the question of attribution of a single cause or source by that of the constitution or composition of overall effects, as the primary means of establishing intelligibility in history.

Part One

THE INTELLECTUAL REFORMATION

The Crisis of Liberalism and the Birth of Neo-Liberalism

The real world of liberalism is shot through with tensions. Its unity has always been problematic. Natural law, free trade, private property, the virtues of market equilibrium – these were so many dogmas in the liberal thought dominant in the mid-nineteenth century. Infringing these principles would shatter the machine of progress and rupture social equilibrium. But such triumphant Whiggery did not have everything its own way in western countries. A wide variety of doctrinal and political critiques flowered throughout the nineteenth century. This is because in none of its spheres is ‘society’ open to being reduced to a set of contractual exchanges between individuals. If we set aside socialism, which denounced the lie of a merely fictive equality, French sociology has not stopped making the point since at least Auguste Comte. In Britain, radicalism, having inspired the most liberal forms of assistance to the poor and helped promote free trade, fostered a challenge to this naturalistic metaphysic and even encouraged democratic and social reforms on behalf of the greatest number.

The crisis of liberalism was also an internal crisis – something easily forgotten when people try to write the history of liberalism as if it were a unified corpus. As early as the mid-nineteenth century, liberalism revealed fault lines that were to go on deepening down to the First World War and the inter-war period. In fact, the tensions between two types of liberalism – between that of social reformers, who defended an ideal of the common good, and that of supporters of individual liberty as an absolute end – never ceased.¹ This rift, which makes the unity of liberalism a retrospective myth, precisely constitutes the long ‘crisis of liberalism’ that extended from the 1880s to the 1930s and saw challenges to its dogmas in all the industrialized countries, where social reformers gained ground. These challenges, which sometimes seemed to coalesce with socialist ideas about running the economy, form the intellectual and political context of the birth of neo-liberalism in the first half of the twentieth century.

What did the ‘crisis of liberalism’ consist in? Marcel Gauchet is certainly right to identify among its aspects a notable problem: how could a society that has emancipated itself from deities, discovering its fully historical

character, abandon itself to a fatal course and thus surrender any control over its future? How could human autonomy be synonymous with collective impotence? As Gauchet asks, 'What is an autonomy that is not in control of itself?' The success of socialism precisely stemmed from the fact – in this it was a worthy successor of liberalism – that it could seem to be the embodiment of an optimistic desire to construct the future.² But this is true only if liberalism is reduced to a belief in the virtues of the spontaneous equilibrium of markets and the contradictions are located exclusively in the domain of ideas. Since the eighteenth century, however, the question of government action has been raised in a much more complex fashion. In reality, what is commonly called the 'crisis of liberalism' was, in Foucault's terms, a crisis of liberal governmentality – that is, a crisis that essentially posed the practical problem of political intervention in economic and social affairs and its doctrinal justification.³

What was posited as an external limit to such action – in particular, the inviolable rights of the individual – became a pure and simple blocking factor on the 'art of government', at a time when the latter faced economic and social issues that were at once novel and urgent. What threw dogmatic liberalism 'into crisis' was the practical need for government intervention to confront organizational changes in capitalism, class conflicts that threatened 'private property', and the new international balance of power.⁴ 'Solidarism' and radicalism in France, Fabianism and social liberalism in Britain, and the birth of 'liberalism' in the American sense – these were at once symptoms of this crisis in the mode of government and some of the responses generated to confront it.

AN UNDULY NARROW IDEOLOGY

Well before the Great Depression of the 1930s, the doctrine of the free market was failing to encompass the new realities of capitalism as it had developed during the long phase of industrialization and urbanization, even though a number of 'old liberals' were unwilling to relinquish their most dogmatic positions.

Registration of the 'debacle of liberalism' went far beyond the socialist or reactionary milieus most hostile to capitalism. A whole set of new trends and realities dictated comprehensive revision of the representation of economics and politics. 'Historical capitalism' corresponded less and less to the theoretical schemas of the liberal schools as they elaborated on the idealization of 'economic harmonies'. In other words, the liberal triumph of the mid-nineteenth century did not last. The capitalisms of the United States and Germany, the two emergent powers of the second half of the century, demonstrated that the atomistic model of independent, isolated economic agents, guided by considerations of their clearly understood interests, and whose decisions were coordinated by the competitive market, hardly corresponded to the structures and practices of the really existing industrial and financial system. The latter, increasingly concentrated in major branches of the economy, and dominated by an oligarchy closely linked to political rulers, was governed by 'rules of the game' that had nothing to do with the rudimentary conceptions of the 'law of supply and demand' associated with the theoreticians of orthodox economics. The rule of a few autocrats at the head of giant companies controlling the railway, oil, banking, steel and chemical sectors in the United States – the 'robber barons' of the time – may perhaps have created the mythology of the self-made man. But by the same token it utterly discredited the idea of a harmonious coordination of private interests.⁵ Well before the elaboration of 'imperfect competition' and the analysis of enterprise strategies and game theory, the ideal of the perfectly competitive market already seemed very far removed from the realities of the new large-scale capitalism.

What classical liberalism had not adequately incorporated was precisely the phenomenon of the enterprise – its organization, its legal forms, the concentration of its resources, and new forms of competition. The new imperatives of production and sale called for a 'scientific management' mobilizing industrial armies supervised by qualified, loyal personnel in accordance with a military-style hierarchical model. The modern enterprise, incorporating multiple divisions and managed by organization specialists, had become a reality which the dominant economic science had not yet succeeded in understanding, but which numerous minds less bound by dogma – in particular, among the 'institutionalist' economists – had begun to examine.

The emergence of large cartelized groups marginalized the capitalism of small units; the development of sales techniques undermined faith in consumer sovereignty; agreements and the overbearing, manipulative practices of oligopolies and monopolies as regards prices destroyed depictions of fair competition as advantageous to everyone. A section of opinion began to regard businessmen as grade A crooks, rather than heroes of progress. Political democracy seemed to be irremediably compromised by massive corruption at all levels of political life. Politicians were predominantly thought of as puppets in the hands of those who possessed the power of money. The 'visible hand' of managers and financiers, and the politicians connected to them, had hugely undermined belief in the 'invisible hand' of the market.

The inadequacy of liberal formulas to the imperatives of changing the condition of wage-labour, their incompatibility with occasional attempts at social reform, represented another factor in the crisis of dogmatic liberalism. From the mid-nineteenth century, and especially after Bismarck's initial reforms in the late 1870s and early '80s, Europe witnessed an increasing trend towards the emergence of apparatuses, regulations and laws intended to protect the condition of wage-earners and, as far as possible, prevent them succumbing to the pauperism that haunted the whole nineteenth century: legislation on child labour, limits on the working day, the right to strike and combine, accident insurance, and workers' pensions. Above all, the new poverty bound up with the business cycle was to be combated by measures of collective protection and social security. The idea that the wage-relation was a contract involving two independent, equal wills increasingly seemed to be a fiction completely divorced from social reality at a time of major industrial and urban concentration. In this respect, the working-class movement, rapidly expanding on the trade union and political planes alike, represented a constant reminder of the collective and conflictual dimension of the wage-relation – a challenge to the strictly individual and 'harmonic' conception of the work contract as conceived by liberal dogma.

Internationally, the late nineteenth century scarcely resembled the great universal, pacific society, organized in accordance with the rational principles of the division of labour, imagined by Ricardo at its start. Customs protection and the rise of nationalisms, rival imperialisms and the crisis of the international monetary system – these appeared so many exceptions to the liberal order. It no longer even seemed true that free trade was the formula for universal prosperity. Friedrich List's theses on 'educative protection' appeared to be more reliable and more attuned to the new realities: Germany, like America, also offered the spectacle of a capitalism of large-scale units protected by high customs barriers, while Britain saw its industrial position come under challenge.

The conception of the 'night watchman' state, diffused in Britain by the 'Manchester School' and in France by doctrinaire economists in the wake of Jean-Baptiste Say, projected a singularly narrow view of government functions (maintenance of order, enforcement of contracts, elimination of violence, protection of property and persons, defence of the territory against external enemies, an individualistic conception of social and economic life). What represented a critique of the different possible forms of 'despotism' in the eighteenth century had gradually become a conservative defence of property rights. This conception, which was highly restrictive even by comparison with the areas of intervention of the 'laws of police' imagined by Smith and the administrative spheres of the Benthamite state, seemed increasingly out of synch with the exigencies of organizing and regulating the new urban and industrial society of the late nineteenth century. In other words, liberals no longer had a theory of the government practices that had developed since the middle of the century. Worse, they isolated themselves by appearing to be obtuse conservatives incapable of understanding the society of their time when they claimed to embody its very dynamic.

THE PRECOCIOUS CONCERN OF DE TOCQUEVILLE AND MILL

The 'crisis of liberalism' at the century's close – what has been called the sense of 'liberalism's paradise lost' – did not explode all at once. Aside from socialists or declared supporters of conservatism, there were some sufficiently troubled minds within the great liberal current to early on cast doubt on belief in the virtues of the natural harmony of interests and the free development of individual action and faculties.

To take but one example, the intellectual exchanges between de Tocqueville and John Stuart Mill illustrate this lucid anxiety. Between 1835 and 1840, the two men discussed the basic tendencies of modern societies and, in particular, government's tendency to intervene in social life in a more extensive and detailed fashion. More so perhaps than his journey to America, it was the meetings Tocqueville had during his journey to England in 1835 that enabled him to establish a relationship between democracy, centralization and uniformity.⁶ For Tocqueville this relationship was bound up with democratic society, even if in his opinion some countries, like England or the United States, would be able to resist it better because of the vitality of local freedoms.⁷

These ideas, which Tocqueville developed during his journey to England, were elaborated in the second part of *Democracy in America* in 1840 – especially in Chapter Two of Book Four, 'That the Opinions of Democratic Peoples about Government are Naturally Favourable to the Concentration of Power'. From the observation that democratic peoples love 'simple and general notions' Tocqueville deduced an appetite for a single, central government and uniform legislation. Equality of conditions leads individuals to desire a strong central government, deriving from the power of the people, which guides them in all circumstances. A characteristic of modern political governments is therefore an absence of any limit to government action, is 'the right to do whatever it pleases'. Society, represented by the state, is all-powerful, at the expense of the rights of the individual. Sovereigns themselves ultimately appreciate that 'the central power which they represent may and ought to administer, by its own agency and on a uniform plan, all the concerns of the whole community'. Thus, whatever their political disagreements, 'the notion they all form of government is that of a sole, simple, providential, and creative power'.⁸

This secret force impels the state to take over in all domains, taking advantage of people's concentration on their own affairs. Consequently, demands for protection, education, aid and the administration of justice increase, just as the regulation of activities and exchanges and the need to create public works expands along with industry. This new despotism – what Tocqueville calls an 'immense tutelary power' – at once more extensive and milder, is tolerable from the standpoint of the individual because it is

exercised in the name of all and derived from the sovereignty of the people. This instinct for centralization, this advance of the domain of administration at the expense of the sphere of individual liberty, does not emanate from some ideological perversion, but pertains to a trend inscribed in the general evolution of societies towards equality.

John Stuart Mill expressed his agreement on this point, while formulating a number of objections. Mill's reaction marks a certain reorientation compared with the utilitarian perspectives of his father James Mill and Jeremy Bentham himself, who imagined a representative democracy capable of self-correction. Certainly, he argues that the dangers evoked by Tocqueville are grounded in a mistaken idea of democracy. The latter is not direct government by the people, but the guarantee that the people will be governed for the benefit of all – something that presupposes the control of rulers by voters capable of judging their action. Above all, however, he criticizes Tocqueville for having confused equality of conditions with the march towards a 'commercial civilization' wherein aspirations to equality are but one aspect among others. For Mill, the basic trend lies in economic progress and the 'multiplication of those who occupy the intermediate positions':

But this growing equality is only one of the features of progressive civilization; one of the incidental effects of the progress of industry and wealth: a most important effect and one which, as our author shows, re-acts in a hundred ways upon the other effects, but not therefore to be confounded with the cause.⁹

For Mill the major change consists in the predominance of the quest for wealth,¹⁰ in which the decline of certain intellectual and moral values originates. Partly echoing the concerns of Thomas Carlyle, he deplores the crushing of the worthy individual under the weight of public opinion; he describes the generalized charlatanism that is spreading to business; he denounces the devaluation of everything that is highest and most noble in art and literature. If the new state of society is characterized by the irreversible power of the masses and the extension of forms of political interference, it is necessary to examine possible means for rectifying individual powerlessness. He envisages two main ones. The first, already promoted by Tocqueville, is the 'combination' of individuals forming associations to acquire the power that each isolated atom lacks; the second is a form of education to boost personal character so as to resist mass opinion.¹¹

With Tocqueville and Mill, we get a clear sense of the doubts that gripped the liberal camp early on and, above all, *from within*. That government powers increase with commercial civilization was an observation which attests to the fact that laissez-faire dogmas were not unanimously credited. On the contrary. We shall understand nothing of the nineteenth century if we are lazy enough to read it simply as the triumphant intellectual and political

history of the virtues of free trade and absolute private property. Optimism about the advent of a society of individual liberty, progress and peace was soon subject to the greatest reservations. But it was also very soon that the tradition of radicalism opened breaches in the dogma of non-intervention. John Stuart Mill's own trajectory is indicative of this.

In *On Socialism*, a late text from 1869 not published during Mill's life-time, while he made severe criticisms of the socialist ideal of total control of the economy, he also argued, in a chapter whose title is faithful to the spirit of Bentham ('The Idea of Private Property Not Fixed but Variable'), that 'the laws of property have to depend for support upon considerations of a public nature'.¹² In Mill's view, society is fully justified in altering or even abrogating property rights which, after due examination, are not conducive to the public good.¹³ This was already a subject of controversy at the end of the eighteenth century. Must we regard the right to property as a sacred natural right or should it be judged depending on its effects on the happiness of the greatest number – that is, in accordance with its relative utility?

That utilitarianism could issue in a justification of political intervention, even a relativization of the right to property, was soon and polemically stressed by Herbert Spencer. His violent reaction in the late nineteenth century against economic and social intervention, and against the 'empirical utilitarianism' that (according to him) furnished its doctrinal grounds, is a major symptom of the crisis of liberal governmentality. Notwithstanding the oblivion into which it has fallen, his evolutionism was likewise an initial attempt at a philosophical reworking of liberalism that should not be neglected. 'Spencerism' introduced some of the most important themes of neo-liberalism – in particular, the primacy of competition in social relations.

THE DEFENCE OF THE FREE MARKET

Spencerism formed part of a counter-offensive by ‘individualists’, who denounced all those who supported social reforms for the sake of the population’s well-being as traitors, accusing them of socialism.¹⁴ Around 1880, the old liberals felt that the triumph of 1860 was behind them, swept away in a vast anti-laissez-faire movement. Regrouped in the Liberty and Property Defence League, founded in 1882, they lost much of the intellectual and political influence they had wielded in the mid-Victorian age.

Spencer believed it necessary to re-found utilitarianism on new bases in order to counter the drift of ‘empirical utilitarianism’. As is well known, Spencer’s philosophy was extremely popular in Britain and America in the late nineteenth century.¹⁵ For Emile Durkheim, Spencer, who was his great adversary theoretically and politically, was the prototype of the utilitarian. But which utilitarianism? Spencer identified much more with an evolutionistic and biological utilitarianism than a legal and economic one.¹⁶ Its political results are clear: the theoretical bases of utilitarianism were to be transformed in order to counter the reformist tendency of Benthamism. In effect, Spencer sought to foil the ‘treason’ of the reformists who wanted to take ever more numerous coercive measures in the name of the popular good. These false liberals were impeding the march of history towards a society where voluntary cooperation of a contractualist kind would predominate, at the expense of military forms of coordination.

In accordance with a ‘law of evolution’, Spencer protested against any state intervention, including that conducted by state officials who proclaim their liberalism. He regarded legislative provisions and public institutions that extended the protection of the law to the weakest as nothing but ‘interference’ or ‘restrictions’ impeding the life of citizens. Laws limiting the labour of women and children in dye factories or laundries, those imposing compulsory vaccination, those establishing inspectorates and controls in gas factories, those penalizing mine owners who employed children below the age of twelve, those aiding the purchase of grain by Irish tenants – all these laws, which he took as examples of what ought not to be done, should be revoked, because they sought to do good directly by organizing cooperation in a compulsory fashion. It was their obligatory character that was intolerable and retrograde.¹⁷ The list of ‘coercive laws’ denounced by Spencer is itself indicative, since it involves the social, medical and educational spheres: work, housing, health, hygiene, education, scientific research, museums and libraries, and so forth.¹⁸

Spencer explained this treason by a regrettable haste in wishing to aid the poor. The wrong road had been taken. In fact, there were two ways of obtaining a good. It could be obtained either by reducing compulsion – i.e. indirectly – or by compulsion – i.e. directly:

The gaining of a popular good, being the external conspicuous trait common to Liberal measures in earlier days (then in each case gained by a relaxation of restraints), it has happened that popular good has come to be sought by Liberals, not as an end to be indirectly gained by relaxations of restraints, but as the end to be directly gained. And seeking to gain it directly, they have used methods intrinsically opposed to those originally used.¹⁹

In responding to the demand for social improvement from deprived sections of the population, such liberal reformers had destroyed the system of liberty and responsibility that the old Whigs had sought to establish.²⁰ This was particularly apparent when it came to aid to the poor, about which Spencer could not have been harsher.

Spencer adopted Malthusian arguments against this kind of aid: people wished to pity ‘the miseries of the deserving poor, instead of [regarding them] as the miseries of the undeserving poor, which in large measure they should be’.²¹ And he proposed as a rule of conduct a ‘Christian’ maxim only distantly related to the duty of charity:

I suppose a dictum on which the current creed and the creed of science are at one, may be considered to have as high an authority as can be found. Well, the command ‘if any would not work neither should he eat,’ is simply a Christian enunciation of that universal law of Nature under which life has reached its present height – the law that a creature not energetic enough to maintain itself must die ...²²

However, assistance to the poor was but one aspect of the harmful effects of state interference, to which there is no limit if the intention is to cure all social ills. This quasi-automatic tendency to unlimited state intervention was reinforced by education, which increased desires inaccessible to the great mass, and by universal suffrage, which encouraged political promises. Spencer liked to think himself the prophet of doom of the ‘future slavery’ that was socialism. He aimed to prevent its advent through a work of scientific sociology that would set out the real laws of society. For, like any other part of nature, society had basic laws. The utilitarians or, rather, ‘false utilitarians’ ignored the laws of contract, the division of labour, and the ethical limitation of action. Out of ignorance and superstition they therefore embarked upon the path of socialism without realizing it. These false utilitarians remained short-sighted empiricists. Their empirical understanding of utility prevented them from starting out from the basic facts that dictated the limits of legislation. By contrast, sociological science could state what veritable utility – i.e. utility based on exact laws – consisted in: ‘utility, not as empirically estimated but as rationally determined, enjoins this maintenance of individual rights; and, by implication, negatives any course which traverses them’.²³

AGAINST STATE SUPERSTITION

One of the sources of the socialist drift of empirical utilitarianism was the metaphysical belief in the sovereign instance. The state and the political categories that grounded its legitimacy represented a 'great political superstition'. Thus, Spencer showed how Hobbes and then Austin had sought to justify sovereignty on the basis of divine right. This boiled down to saying that these philosophers were incapable of grounding sovereignty in itself – that is, on the function it was to perform. As such, all political theory that aimed to found modern democracy had to be restarted from scratch. Government omnipotence, which was characteristic of it, rested on the superstition of a divine right of parliaments that was also a divine right of majorities, which merely continued the divine right of kings.²⁴

We shall therefore not be surprised to find Spencer attacking Bentham and his followers in connection with the creation of rights by the state. Spencer recalled the content of this theory, showing that it involved a creation *ex nihilo* of rights, unless it simply meant that, with the formation of government, the people did not possess the totality of rights in undivided fashion. For Spencer, the Benthamite and Austinian theory of the creation of rights was false, illogical and dangerous, because it involved a fallacy.²⁵ In actual fact, the state did nothing but give shape to what already exists.

The reference to 'natural right' thus no longer has the sense it had in the natural law theory of the seventeenth and eighteenth centuries. Right was now based as much on the conditions of individual existence as those of social existence, which pertain to the same vital necessity. As regards the latter, it was the 'experience of the potential advantages of cooperation' that encouraged the first men to live in groups. And this cooperation, which for Spencer was attested by the customs of savage societies, had as its precondition the existence of tacit contracts which people committed themselves to respecting. Here 'evolution' testified in favour of the immemorial precedence of contract law over any positive legislation. As a result, the state's remit was narrowly circumscribed: it simply guarantees the execution of freely agreed contracts; it in no wise creates new rights *ex nihilo*.

Liberalism's function in the past was to set limits to royal power. Its function in the future would be to limit the power of parliaments subject to the impatient pressure of the uneducated masses.²⁶ In attacking Bentham, Spencer went to the theoretical root of the interventionist tendencies in the British liberalism and radicalism issuing from utilitarianism. He attacked an interpretation that made the well-being of the people the supreme goal of state intervention, without taking adequate account of natural laws – that is, the causal relations between facts:

The essential question raised is the truth of the utilitarian theory as commonly held; and the answer

here to be given is that, as commonly held, it is not true. Alike by the statements of utilitarian moralists, and by the acts of politicians knowingly or unknowingly following their lead, it is implied that utility is to be directly determined by simple inspection of the immediate facts and estimation of probable results. Whereas, utilitarianism as rightly understood, implies guidance by the general conclusions which analysis of experience yields.²⁷

This correct understanding of utility in the framework of an evolutionistic sociology would make it possible to avoid socialist slavery, which always represented regression towards an earlier state of evolution: the military age. To avoid it, liberalism must escape from the lethal logic of social laws into which a scientifically inept Benthamite reformism had drawn it.

THE BIRTH OF FIN-DE-SIÈCLE COMPETITIVISM

Spencer's biological evolutionism, while it appears so dated to some neo-liberals that they frequently 'forget' to mention it among their standard sources, other than to reject it, nevertheless left a profound mark on the subsequent course of liberal doctrine. It might even be said that *Spencerism represents a veritable turning-point*. The extent to which Spencer, via the intermediary of Comte, made the physiological division of labour a centre-piece of his 'philosophical synthesis' has been noted. Initially, evolution was explained as a general phenomenon involving two processes: integration into an 'agglomerate' and the differentiation of mutually dependent parts. With this latter idea of the universally observable transition from the homogeneous to the heterogeneous,²⁸ Spencer extended the principle of the division of labour to the totality of physical, biological and human realities; he made it a principle of the universal march of matter and life itself.

Like Darwin later, Comte stressed the specificity of the human species and both demonstrated, by different routes, what Comte called a 'radical inversion of the individual economy', which made sympathetic motives take priority over the egotistical instinct. While Spencer adopted the idea of the differentiation of economic functions, he refused to accept that the human species required a political centre devoted to regulating the different activities. When he examined the evolution of the human mind, comparing 'higher races' with 'lower races', he did not forget Comte's lesson, which made altruism a reaction to the egoistic impetus of the liberal economy.²⁹ But he refused to draw the conclusion that government has any regulatory duty. 'Voluntary cooperation', such as it developed in the most highly evolved societies in the form of the contract, seemed to him, unlike Comte and, later, Durkheim, a mutual dependence between the units that was sufficiently coherent to keep 'social superrogatism' in place. This premise led him to reinterpret Darwin's theory of natural selection in his own way and incorporate it into his evolutionist synthesis.³⁰

Darwin had published *The Origin of the Species* in 1859, making natural selection the principle of the transformation of species. Some years later, rendering homage to Darwin, Spencer coined the famous phrase 'survival of the fittest' in his *Principles of Biology* (1864).³¹ It was adopted by Darwin in the fifth edition of *The Origin of the Species*, where it is presented as equivalent to 'natural selection'. Without going into the details of the reasons for these cross-fertilizations and the mutual misunderstandings that characterize them, we shall note that for Spencer Darwin's theory seemed to corroborate the theory of laissez-faire, whose herald he had made himself, as is sufficiently indicated by the parallel he established in his *Principles of Biology* between economic evolution and the evolution of species in general. In his view, the former is simply a variety of the 'struggle for existence' that results

in the prevalence of those species best adapted to their environment. This parallel led straight to a profound distortion of the theory of selection, in as much as it is no longer the selective inheritance of characteristics best adapted to the survival of the species that matters, but the direct struggle between races and classes, interpreted in biological terms. A problematic of competition won out over one of reproduction, thus giving rise to what has most inappropriately been dubbed 'social Darwinism'. As Patrick Tort has shown, for his part Darwin held that civilization was characterized by the prevalence of 'social instincts' capable of neutralizing the eliminatory aspects of natural selection, and thought that the feeling of sympathy was set to be extended indefinitely.³²

The turning-point in the history of liberalism represented by Spencer's thought must be underlined. The decisive point that enables the transition from the law of biological evolution to its political consequences is the prevalence of the struggle for survival in social life. No doubt the reference to Malthus remains very important in Spencer: not all human beings are invited to the 'great banquet of Nature'. But added to this influence was the idea that for the human species, which in this respect was comparable to other species, competition between individuals constituted the very principle of the progress of humanity. Hence the assimilation of economic competition to a general struggle for existence which must be allowed to develop so as not to arrest evolution. Hence the main political consequences, which have been examined above – especially those condemning aid to the most deprived, who were to be abandoned to their fate.

Thus, Spencer was to shift the centre of gravity of liberal thought by moving from the model of the division of labour to that of competition as a vital necessity. This extreme naturalism, in addition to the fact that it could satisfy ideological interests and account for the ferocity of commercial struggle between firms and national economies, switched the conception of the motor of progress from *specialization* to *selection*, which, unsurprisingly, does not have the same consequences.

In the first model, found in exemplary fashion in Smith and Ricardo, but which long predates them, free trade encourages the specialization of activities, the allocation of tasks in the workshop as well as the orientation of national production. The market, national or international, with its own interplay, is the necessary mediation between activities, the mechanism of their coordination. The first consequence of this commercial and market model is that, with the general increase in average productivity deriving from specialization, everyone gains from exchange. This is not a logic that eliminates the worst economic subjects, but one of complementarity, which improves the efficiency and well-being of even the worst producers. Certainly, those who do not wish to respect the 'rules of the game' must be

left to their fate. But those who join in cannot lose. In the second model, in complete contrast, there is no guarantee for those who participate in the great struggle for natural selection that they will survive, notwithstanding their efforts, good will, and abilities. The least fit, the weakest, will be eliminated by those who are most fit and strongest in the struggle. We are no longer dealing with a logic of general promotion, but a process of selective elimination. This model no longer makes exchange a means of strengthening and improving oneself; it makes it a constant trial of confrontation and survival. Unlike in orthodox economics, classical or neo-classical, competition is regarded not as a condition of the smooth operation of exchange in the market, but as the pitiless law of life and the mechanism of progress via elimination of the weakest. Strongly marked by Malthus's 'law of population', Spencer's evolutionism starkly concludes that the progress of society and, more widely, of humanity assumes the destruction of some of its components.

No doubt these two models continued to be superimposed on one another in the arguments of subsequent liberalism. In Spencer himself, the boundary between the voluntary cooperation characteristic of industrial society and the law of selection is not clear-cut. Nevertheless, Spencer's 'reaction' to the crisis of liberalism, with his shift from the model of exchange to one of competition, represents a theoretical event that was to have multiple, enduring effects. In its various branches, neo-liberalism was to be profoundly marked by it, even though biological evolutionism was abandoned. It would be self-evident that competition, as a struggle between rivals, is the motor of the progress of societies and that any curb on it – in particular, by support for enterprises, individuals, or even the weakest countries – must be regarded as an obstacle to the forward march of existence. Bad luck to the losers in economic competition!

The inappropriately named 'social Darwinism' is more accurately a 'social competitiveness',³³ which establishes competition as the general norm of individual and collective existence, of national and international life alike.³⁴ Adaptation to a situation of competition deemed natural thus becomes the watchword of individual conduct, identified with a struggle for survival. Extending Malthusianism, which in the great Victorian age made poverty a fatal effect of irresponsible procreation by the popular classes, this competitiveness enjoyed great success in Europe and especially the United States. Responding to accusations of predation and pillage, major American industrialists like Andrew Carnegie or John D. Rockefeller employed a selectionist rhetoric to justify the growth of the giant capitalist groups they were in the process of building. The latter summarized the ideology by declaring: "The 'American Beauty' rose can be produced in the splendor and fragrance which bring cheer to its beholder only by sacrificing the early buds

which grow up around it. This is not an evil tendency in business. It is merely the working-out of a law of nature and a law of God.³⁵ This ideology of competition renewed the dogmatism of laissez-faire, with significant political consequences in the United States, which challenged a number of laws protecting wage-earners.

Theoretically, however, it was the American sociologist and professor at Yale College, William Graham Sumner (1840–1910), who laid the bases for such competitiveness most explicitly.³⁶ In his essay ‘The Challenge of Facts’, directed against socialism and all the temptations of ‘sentimental’ social thought, Sumner recalled that man had, since the beginning of time, been engaged in a struggle for his existence and that of his wife and children. This vital struggle against a nature that only dispenses the means of subsistence sparingly, compels men to work, to discipline themselves, to moderate themselves sexually, to fashion tools, to build up a capital. Scarcity is the great educator of humanity. But humanity has a tendency to reproduce itself beyond its capacity for subsistence. The struggle against nature is, simultaneously and inevitably, a struggle between men. This tendency has been the source of progress. The peculiarity of civilized society, characterized by the reign of civil liberties and private property, consists in making this struggle a free, peaceful competition that results in an unequal distribution of wealth, which necessarily generates winners and losers. There is no reason to bemoan the inegalitarian consequences of this struggle, in the manner of sentimental philosophers since Rousseau, Sumner stressed. Justice is nothing other than the just recompense of merit and skill in the struggle. Those who fail owe it solely to their weakness and vice. One of Sumner’s most important essays thus asserts that:

Private property also, which we have seen to be a feature of society organized in accordance with the natural conditions of the struggle for existence, produces inequalities between men. The struggle for existence is aimed against nature. It is from her niggardly hand that we have to wrest the satisfaction for our needs, but our fellow-men are competitors for the meager supply. Competition, therefore, is a law of nature. Nature is entirely neutral; she submits to him who most energetically and resolutely assails her. She grants her rewards to the fittest, therefore, without regard to other considerations of any kind. If, then, there be liberty, men get from her just in proportion to their works, and their having and enjoying are just in proportion to their being and doing. Such is the system of nature. If we do not like it, and if we try to amend it, there is only one way in which we can do it. We can take from the better and give to the worse. We can deflect the penalties of those who have done ill and throw them on those who have done better. We can take the rewards from those who have done better and give them to those who have done worse. We shall thus lessen the inequalities. We shall favor the survival of the unfittest, and we shall accomplish this by destroying liberty. Let it be understood that we cannot go outside of this alternative: liberty, inequality, survival of the fittest; not-liberty, equality, survival of the unfittest. The former carries society forward and favors all its best members; the latter carries society downwards and favors all its worst members.

Here we have a perfect synthesis of 'social Darwinism', which is Darwinian only in the name assigned it. But this was not the only direction in which liberalism was transformed in order to escape its crisis.

THE 'NEW LIBERALISM' AND 'SOCIAL PROGRESS'

Important as the violent reaction of Spencerism was, being indicative of the changes underway and pregnant with the subsequent transformation of liberalism, there were many in the second half of the nineteenth century who supported Tocqueville's observations, when he described the growth of government intervention, and the economic and sociological arguments advanced by John Stuart Mill. There were also many, including in the ranks of those identified with liberalism, who in the wake of Comte or Darwin made instincts of sympathy and solidarity the highest expression of civilization. In a book that was famous in its day, J.A. Hobson made the growth of government functions a major subject of his reflections, as had the 'academic socialist' Adolf Wagner in Germany.³⁷ The state appeared to many to be not only a legitimate agent of intervention, but a necessary one in economy and society. In any event, the issue of the 'organization' of capitalism and improvements in the condition of the poor, who were not all lazy and vicious, had indeed become the central question of the late nineteenth century.

The First World War, and the crises that followed it, only served to accelerate a general questioning of nineteenth-century liberal dogmas. What was to be made of the old idealized images of free trade when the whole social and economic equilibrium seemed to be upset? Repeated economic crises, speculative phenomena, social and political disorder – these demonstrated the utter fragility of liberal democracies. The period of multiple crises spawned very widespread distrust of an economic doctrine advocating complete liberty for actors in the market. Laissez-faire was deemed superseded, including among those who identified with liberalism. Outside a core of diehard academic economists attached to the classical doctrine and absolutely hostile to state intervention, more and more authors hoped for a transformation of the liberal capitalist system, not to destroy it but in order to save it. Only the state seemed to be in a position to salvage a terrible economic and social situation. In the formula proposed by Karl Polanyi, with the crisis of the 1930s the hour had struck for 're-embedding' the market in regulatory disciplines, legislative frameworks and moral principles.

While the Great Depression was the occasion for a more radical challenge to liberal representations, in Britain and America, as we have seen, doubt was the order of the day well before. The New Deal was prepared by a considerable critical effort that went well beyond milieus traditionally hostile to capitalism. From the late nineteenth century, the terms *liberalism* and *liberal* began to be transformed in the United States, referring to a doctrine that rejected laissez-faire and aimed to reform capitalism.³⁸ A 'new liberalism' more conscious of social and economic realities had long sought to define a new way of understanding the principles of liberalism, one which

borrowed from socialism some of its criticisms the better to achieve the ends of liberal civilization.

The 'new liberalism' was based on observation of the inability of liberal dogma to redefine new limits to government intervention. The inadequacy of old dogmas has never been better expressed than in a brief essay by John Maynard Keynes, whose title is symptomatic of the spirit of the time: 'The End of Laissez-Faire' (1926). While Keynes would later become the favourite target of neo-liberals, it should not be forgotten that Keynesianism and neo-liberalism for a time shared the same concern: how to save from liberalism itself what could be salvaged of the capitalist system. This challenge concerned all countries, with notable variations depending on the influence of the tradition of economic liberalism. The search for a third way between the previous century's pure liberalism and socialism was certainly in vogue, but it would be mistaken to represent this 'third way' as a 'happy medium'. In reality, it assumes its full significance only when placed in the context of the crucial question of the age: on what foundations should government intervention be rethought?³⁹

Keynes's strength consists in his having been able to formulate this problem of the age in terms of governmentality, as would his friend Walter Lippmann a little later, albeit in a different way. Having recalled Edmund Burke's statement,⁴⁰ and Bentham's distinction between '*agenda*' and '*non-agenda*', Keynes wrote: 'Perhaps the chief task of economists at this hour is to distinguish afresh the *Agenda* of government from the *non-Agenda*; and the companion task of politics is to devise forms of government within a democracy which shall be capable of accomplishing the *Agenda*.'⁴¹ Keynes's intention was not to challenge liberalism in its entirety, but only the dogmatic drift that had derived from it. Thus, when he argues that 'the important thing for government is not to do things which individuals are doing already, and to do them a little better or a little worse; but to do those things which at present are not done at all',⁴² one could not be clearer about the nature of the 'crisis of liberalism': how to reformulate the distinction between *agenda* and *non-agenda* theoretically, morally and politically? This was to revive an old question, in the knowledge that the answer could no longer be exactly the same as that of the founders of liberal economics – in particular, Adam Smith.

Keynes sought to distinguish between what economists had actually said and what propaganda had diffused. In his view, laissez-faire was a simplistic social dogma that amalgamated different traditions and epochs – principally, the eighteenth-century apologia for free competition and nineteenth-century 'social Darwinism':

The economists were teaching that wealth, commerce, and machinery were the children of free competition – that free competition built London. But the Darwinians could go one better than that

– free competition built man. The human eye was no longer the demonstration of design, miraculously contriving all things for the best; it was the supreme achievement of chance, operating under conditions of free competition and *laissez-faire*. The principle of the survival of the fittest could be regarded as a vast generalisation of the Ricardian economics.⁴³

Keynes stressed that this dogmatic belief had largely been rejected by most economists since the mid-nineteenth century, even if it continued to be presented to students by way of a foundation course. If he perhaps exaggerates the scale of the revision, passing over the formation of ‘marginalist’ economics, which makes the most perfect competition the precondition of the optimal functioning of markets, he highlights a moment of recasting of the doctrine that has been called the ‘new liberalism’, with which he identified. This new liberalism sought to control economic forces in order to avoid social and political anarchy, reformulating the question of the *agenda* and *non-agenda* in a way conducive to political intervention. The state was allocated a fundamental regulatory and redistributive role in what is also presented as a ‘liberal socialism’.⁴⁴

As Gilles Dostaler has shown, this above all revived the British radicalism which always defended state intervention when required. It was to this tradition that authors like J.A. Hobson and Leonard Hobhouse belonged in the late nineteenth and early twentieth centuries. They defended a social democracy, regarded as the normal extension of political democracy. At the hands of such supporters of social reform, the principles of freedom of trade and property became so many means among others, not ends in themselves – something that obviously recalled Bentham and J.S. Mill. Furthermore, this movement waged a doctrinal struggle against individualism in the understanding of economic and social mechanisms, criticizing head-on the dogmatic naivety of the old liberalism that led it to conflate the modern state with the despotic monarchical state.

In 1911, Hobhouse offered a systematic re-reading of the history of liberalism.⁴⁵ In his view, the slow, gradual process of liberation of the individual from forms of personal dependency was an eminently historical and social phenomenon. It had led to a certain form of organization that was irreducible to an imaginary assemblage of individuals formed outside of society. This social organization aimed to collectively produce the conditions for the flourishing of the human personality, including economically. This was only possible if each person’s multiple relations with others respected collectively established rules. The most complete democracy, based on proportional representation, was necessary for such self-realization to be effective: everyone must be in a position to participate in establishing the rules that would ensure their effective freedom.⁴⁶ This is because freedom is conceived anew, and more concretely, with legislation protecting workers. According to Hobhouse, it seemed necessary in the nineteenth century to

rebalance social exchanges in favour of the weakest by means of legislative intervention: ‘True consent is free consent, and full freedom of consent implies equality on the part of both parties to the bargain.’⁴⁷ It fell to the state to ensure this real form of freedom, which the old liberalism had not envisaged; it was up to it to guarantee this ‘social freedom’, which Hobhouse contrasted with the ‘unsocial freedom’ of the strongest. In a still highly Benthamite fashion, Hobhouse explained that real freedom can only be ensured by constraints on those who are most threatening to the freedom of others. Far from being detrimental to freedom, such coercion brings about a gain in freedom for the community in all conduct by avoiding social disharmony.⁴⁸ Freedom is not the opposite of constraint, but rather a combination of constraint of those who are powerful and protection of those who are the most weak.

From this perspective, the genuinely liberal logic can readily be distilled. Modern society multiplies contractual relations, not only in the economic sphere, but throughout social life. Forms of counter-balancing and protective action must therefore be undertaken to ensure the freedom of all, especially of the weakest. By way of its legislation, social liberalism thus ensures the maximum extension of freedom to the greatest number. A fully individualist philosophy, such liberalism assigns the state the essential role of ensuring that everyone has the means to realize their own project.⁴⁹

Between the wars, this new liberalism was to have important extensions in the United States.⁵⁰ In his 1935 lectures collected in *Liberalism and Social Action*, John Dewey demonstrated the powerlessness of classical liberalism to realize its project of personal freedom in the nineteenth century, incapable as it was of making the transition from the critique of old forms of dependence to a social organization wholly based on liberal principles. He attributed to Bentham the merit of having spotted the major threat to political life in modern societies. The democracy he wanted to establish was designed to prevent politicians from using their power in their own interest. But Dewey criticized him, like all liberals, for his failure to recognize that the same mechanism would be operative in the economy, and for not having consequently envisaged ‘blocks’ to forestall this deviation.⁵¹ In short, for Dewey, as for Hobhouse earlier, twentieth-century liberalism could no longer make do with the dogmas that had made possible criticism of the old order. It had to formulate the problem of constructing the social order and the economic order. This – but in the opposite direction – was precisely what the neo-liberals would soon set about.

Hobhouse, Keynes and Dewey represent a current, or rather a diffuse milieu, of the late nineteenth century and early twentieth century, at the intersection of radicalism and socialism, which endeavoured to think through a reform of capitalism.⁵² The idea that politics is guided by a common good,

that it must be subjected to collective moral goals, is essential to this current – which accounts for its potential intersection with the socialist movement. Fabianism, via journals and circles, forms one pole of these encounters. But the new liberalism must above all be reintegrated into the history of British radicalism. Hobson must be taken seriously when he says he wants ‘a New Utilitarianism in which physical, intellectual, and moral satisfactions will rank in their due places’.⁵³

To regard this as a ‘hijacking’ of genuine liberalism would manifestly be an error rooted in the postulate of an essential identity of liberalism.⁵⁴ It would be to forget that, from the beginning of the nineteenth century, Benthamite radicalism had its zones of contact with the nascent socialist movement, in Britain as in France. It would be to forget that, subsequently, doctrinal utilitarianism was gradually led to oppose a pure hedonistic logic and ethics of the greatest happiness of the greatest number, as in Sidgwick. But it would also be to misconstrue the meaning of the evident inflections of his own doctrines by J.S. Mill, as recalled above.

THE DUAL ACTION OF THE STATE ACCORDING TO KARL POLANYI

The question of the nature of government intervention must be distinguished from that of the boundaries between state and market. This distinction makes it possible to appreciate a problem formulated in *The Great Transformation*, where Karl Polanyi argued that the liberal state had acted in two opposing directions in the nineteenth century. On the one hand, it acted in favour of the creation of market mechanisms; on the other, it put in place mechanisms that limited it; on the one hand, it supported the 'movement' towards a market society; on the other, it allowed for, and reinforced, the 'counter-movement' of society's resistance to market mechanisms.

Polanyi showed that the marketization of economic factors is the precondition of capitalist growth. The precondition of the industrial revolution was the formation of a market system wherein human beings, 'under the spur of hunger', had to conceive of themselves as sellers of services in order to be able to acquire the means of subsistence through monetary exchange. For this to occur, nature and labour must become commodities; man's relations with his fellows and with nature must assume the form of the commodity relation. For the whole of society to be organized in accordance with the fiction of the commodity, for it to be constituted as a great machine of production and exchange, state intervention is indispensable, not only legislatively to fix the law of property and contract, but also administratively to establish in social relations the many rules required for the functioning of the competitive market and to enforce respect for them. The self-regulating market is the result of intentional political action, one of whose main theoreticians according to Polanyi was precisely Bentham. Let us cite a key passage from *The Great Transformation*:

There was nothing natural about *laissez-faire*; free markets could never have come into being merely by allowing things to take their course ... The thirties and forties saw not only an outburst of legislation repealing restrictive regulations, but also an enormous increase in the administrative functions of the state, which was now being endowed with a central bureaucracy able to fulfil the tasks set by the adherents of liberalism. To the typical utilitarian, economic liberalism was a social project which should be put into effect for the greatest happiness of the greatest number; *laissez-faire* was not a method to achieve a thing, it was the thing to be achieved.⁵⁵

Without it being possible clearly to make out the scope of the interventions, this administrative state, creator and regulator of the market economy and society, is an administrative state that restrains the spontaneous dynamic of the market and protects society. This is the second paradox of Polanyi's demonstration, which he formulates as follows: 'While *laissez-faire* economy was the product of deliberate state action, subsequent restrictions on *laissez-faire* started in a spontaneous way. *Laissez-faire* was planned; planning was not.'⁵⁶

After 1860, to the great displeasure of the likes of Herbert Spencer, a 'counter-movement' had spread to all capitalist countries, to Europe and the United States alike. While drawing on the most diverse ideologies, its logic involved 'protecting society'. This movement of reaction against the destructive tendencies of the self-regulating market assumed two aspects: national trade protectionism and social protectionism, which was established in the late nineteenth century. History must therefore be read as a 'double movement' in opposite directions: one pushing for the creation of the market and one tending to resist it. This movement of spontaneous self-defence, as Polanyi put it, proved that an integral market society was impossible; that the suffering it entailed was such that the public authorities were compelled to establish 'barriers' and 'shields'.

Any disequilibrium bound up with the functioning of the market threatened the society subject to it. Inflation, unemployment, international credit crises, stock market crashes – all these economic phenomena directly impacted on society itself and therefore called for political defences. For want of having understood this lesson, which could be drawn from the pre-First World War period, political leaders had sought after the cessation of hostilities to reconstruct a highly fragile world liberal order, piling up tensions between the movement of market reconstruction (in particular, at a global level with the desire to restore the gold standard) and the movement of social self-defence. These tensions, which resulted from the contradiction inherent in the 'market society', had graduated from the economic sphere to the social sphere, and thence to the political sphere, from the national stage to the international and vice-versa, which had finally prompted the fascist reaction and the Second World War.

The 'great transformation' characteristic of the 1930s and '40s was a large-scale response to the 'engulf[ment] of market civilization',⁵⁷ and, more specifically, a reaction to the last, desperate attempt to restore the self-regulating market in the 1920s: 'Economic liberalism made a supreme bid to restore the self-regulation of the system by eliminating all interventionist policies which interfered with the markets for land, labor and money.'⁵⁸ The great transformation was a direct consequence of this supreme bid, in which the currency played the main role. The imperative of monetary stability and freedom of world trade took priority over the maintenance of public liberties and democratic life. Fascism was the symptom of 'a market society that refused to function',⁵⁹ and the sign of the end of liberal capitalism as invented in the nineteenth century. The great political turn of the 1930s manifested itself as a violent re-socialization of the economy.⁶⁰ The trend was universal: the rules for fixing the prices of labour, land and money were removed from the competitive market and subjected to political logics aimed at the 'defence of society'. What Polanyi called the 'great transformation' was indeed, in his

view, the end of nineteenth-century civilization, the death of economic liberalism and its utopia.

Yet Polanyi was over-hasty in his belief in the definitive death of liberalism. Why did he make this diagnostic error? We might venture the hypothesis that he underestimated one of the main aspects of liberalism that he had himself highlighted. We have seen above that, among the various forms of state intervention, there were two that clashed with one another: intervention for *market creation* and intervention for *societal protection*, the ‘movement’ and ‘counter-movement’. But there was a third variety to which he referred more cursorily: intervention for *market operation*. While he indicated that it was difficult to distinguish from the others, he nevertheless mentioned it as a constant of liberal government. Such intervention, intended to ensure the self-regulation of the market, sought to enforce respect for the principle of competition that was to govern it. Polanyi cited anti-trust laws and the regulation of trade union bodies as examples. In both cases, this involved contravening freedom (in this instance, freedom of association) in order to make the competitive rules operate more effectively. Moreover, Polanyi cited ‘consistent liberals’, like Walter Lippmann, who had no hesitation in sacrificing *laissez-faire* for the sake of the competitive market.⁶¹ This was because the two were not synonymous, despite the linguistic usage that conflated them. Let us quote an especially eloquent passage:

Strictly, economic liberalism is the organizing principle of a society in which industry is based on the institution of a self-regulating market. True, once such a system is approximately achieved, less intervention of one type is needed. However, this is far from saying that market system and intervention are mutually exclusive terms. For as long as that system is not established, economic liberals must and will unhesitatingly call for the intervention of the state in order to establish it, and once established, in order to maintain it. The economic liberal can, therefore, without any inconsistency call upon the state to use the force of law; he can even appeal to the violent forces of civil war to set up the preconditions of a self-regulating market.⁶²

This passage, which is insufficiently frequently cited, is remarkable for the way it anticipates certain recent ‘crusades’, and takes us far from the ‘disjunction’ between state and market thought to be peculiar to liberalism. The historical reality is actually quite different, as Polanyi shows when he cites the war waged by the North on the South in order to unify the operating rules of American capitalism.

Such constant intervention for ‘maintenance’ of the market sheds new light on the error of Polanyi and those who came after him. It is nothing but the optimistic presumption of an ardently desired end or the result of intellectual confusion, whose risk was identified by Polanyi himself.⁶³ Contrary to what is often still thought, economic liberalism is not identical with *laissez-faire*; it is not against ‘interventionism’.

In fact, the distinction that needs to be made is between different kinds of state intervention. It can derive from principles foreign to commodification and correspond to principles of solidarity, sharing, and respect for traditions or religious norms. In this sense, it forms part of the 'counter-movement' that thwarts the principal tendency of the great market. But it can also result from a programme aimed at extending the marketization (or quasi-marketization) of whole sectors of production and social existence, through public policies or social expenditure flanking or supporting the extension of capitalist enterprise. When he turned 'prophet', Polanyi was fascinated by the contradiction between this market dynamic and social counter-dynamic – a contradiction which, in his view, ultimately led to the 'explosion' of the system. But this fascination, which can be explained by the context as well as the demonstrative intentions of his book, caused him to forget the public intervention in the functioning of the self-regulating market that he had highlighted.

This error on Polanyi's part is important in as much as it tends to obscure the specific nature of neo-liberalism, which is not simply a new reaction to the 'great transformation', a 'reduction of the state' preceding some 'return of the state'. It is more accurately defined as a certain type of interventionism intended politically to fashion economic and social relations governed by competition.

NEO-LIBERALISM AND THE DISHARMONIES OF LIBERALISM

The 'crisis of liberalism' exposed the inadequacy of the dogmatic principle of laissez-faire in the conduct of government affairs. The fixed character of 'natural laws' rendered them incapable of guiding a government whose stated objective was ensuring the greatest possible prosperity alongside social order.

Among those who remained wedded to the ideals of classical liberalism, two kinds of response were formulated that it is important to distinguish, even if, historically, they were sometimes intermingled. The first in chronological order was that of the 'new liberalism'; the second, 'neo-liberalism'. Not surprisingly, the names given these two ways forward were not fixed all at once. It is the use made of them, the contents that were developed, and the political lines that gradually emerged which enable us to distinguish them in retrospect. The similarity of their names evinces a common project. Both involved a response to a crisis in the liberal mode of government, in overcoming the problems of all sorts created by changes in capitalism, social conflicts and international confrontations. More fundamentally, at one point they even involved facing up to what seemed like the 'end of capitalism' – an end embodied in the rise of 'totalitarianisms' after the First World War. In short, what the two currents progressively discovered in common was a common enemy: totalitarianism, or the destruction of liberal society. No doubt this is what motivated them to fashion a discourse that was simultaneously theoretical and political and which conferred legitimacy, form and meaning on government intervention – a new discourse that generated a new governmental rationality. On both sides, this presupposed challenging liberal naturalism as transmitted during the nineteenth century.

The difference in nomenclature – 'new liberalism' and 'neo-liberalism' – however seemingly discreet, betrays an opposition that was not immediately perceived, sometimes even by those who were actors in these forms of renovation of the art of government. The 'new liberalism', one of whose late, most developed expressions at the level of economic theory was Keynes's, consisted in re-examining the whole set of legal, moral, political, economic and social means for realizing a 'society of individual liberty' benefiting all. It might be encapsulated in two propositions: 1. The state's *agenda* must go beyond the boundaries imposed on them by laissez-faire dogmatism, if it wishes to safeguard the essential benefits of a liberal society; 2. These new *agenda* must practically challenge the confidence hitherto reposed in the self-regulating mechanisms of the market and faith in the justice of contracts between supposedly equal individuals. In other words, realization of the ideals of liberalism requires knowing how to make use of means that are seemingly alien or opposed to liberal principles, the better to defend their

implementation: labour protection legislation, progressive income tax, compulsory social insurance, active budgetary expenditure, and nationalization. But if such reformism envisages curbing individual interests the better to protect the collective interest, it only ever does so in order to better guarantee the real conditions for achieving individual goals.

'Neo-liberalism' emerged later. In some respects, it seems like a decantation of the 'new liberalism'; in others, an alternative to the kinds of economic interventionism and social reformism advocated by the 'new liberalism'. It was largely in agreement with the latter as regards the first proposition. But while neo-liberals accept the need for state intervention and reject pure governmental passivity, they are opposed to any action that might frustrate the operation of competition between private interests. State intervention even has the converse sense. It does not involve limiting the market through corrective or compensatory action, but developing and purifying the competitive market through a carefully tailored legal framework. It is no longer a question of postulating a spontaneous agreement between individual interests, but of creating the optimal conditions for the interplay of their rivalry to satisfy the collective interest. In this respect, rejecting the second of the two propositions mentioned above, neo-liberalism combines a rehabilitation of public intervention with a conception of the market centred on competition, whose source in the Spencerism of the second half of the nineteenth century we have noted.⁶⁴ It extends the turn that shifted the axis of liberalism by making competition the cardinal principle of social and individual existence. However, in contrast to Spencer's phobia about the state, it recognizes that the market order is not a natural datum, but the artificial product of a political history and process of construction.

1 For a presentation of these two forms of liberalism, cf. Michael Freedon, *Liberalism Divided: A Study in British Political Thought 1914-1939*, Oxford: Clarendon Press, 1986.

2 Cf. Marcel Gauchet, *La Crise du libéralisme*, vol. 2, *L'Avènement de la démocratie*, Paris: Gallimard, 2007, p. 64 ff. and p. 306.

3 Michel Foucault, *The Birth of Biopolitics*, p. 70.

4 Depending on its political traditions, each country experienced its own mode of renewal of liberalism. In fin-de-siècle republicanism and socialist doctrines France certainly hit upon a distinctive way of rethinking the tasks of government.

5 On this point, cf. Marianne Debouzy, *Le Capitalisme 'sauvage' aux États-Unis, 1860-1900*, Paris: Seuil, 1991.

6 Cf. Alexis de Tocqueville, *Journeys to England and Ireland*, ed. J.P. Mayer and trans. George Lawrence and K.P. Mayer, London: Faber and Faber, 1958, p. 77 ff.

7 Tocqueville called for a balance between the central and the local, for a mutual neutralization of the two opposed principles – that of the centralization of modern states and that of local freedom. For him the English Poor Law of 14 August 1834 was precisely a model of this balancing act between the state and

municipalities. (Ibid., Appendix III, p. 205 ff.)

8 Alexis de Tocqueville, *Democracy in America*, London: Everyman, 1994, Book Four, Chapter 2, pp. 289–91.

9 John Stuart Mill, ‘De Tocqueville on Democracy in America’ (1840), in *Collected Works of John Stuart Mill*, 33 vols, ed. J.M. Robson, Toronto and London: University of Toronto Press/Routledge and Kegan Paul, 1963–91, vol. 18, p. 192.

10 John Stuart Mill, ‘Civilization’, in *Essays on Politics and Culture*, Gloucester: Peter Smith, 1973, p. 45 f.

11 Ibid., p. 63.

12 John Stuart Mill, *On Socialism*, Buffalo NY: Prometheus Books, 1987, p. 56.

13 Ibid., pp. 145–6.

14 M.W. Taylor, *Men Versus the State: Herbert Spencer and Late Victorian Individualism*, Oxford: Clarendon Press, 1992, p. 13.

15 Cf. Patrick Tort, *Spencer et l'évolutionnisme philosophique*, Paris: Presses Universitaires de France, 1996.

16 Spencer himself noted how much he had ‘evolved’ compared with Bentham, under the influence of the progress of natural science. It might be added that Spencer’s doctrine owes much to Saint-Simon and Comte, even though he transformed their doctrines and inverted the political conclusions they drew from them.

17 Ibid., p. 13.

18 Ibid., pp. 13–19. Karl Polanyi was to make much of this list, deeming it especially indicative of the ‘counter-movement’ that set in from 1860 (*The Great Transformation*, Boston: Beacon Press, 1944, pp. 145–6). This point is developed further below.

19 Herbert Spencer, *The Man Versus the State*, pp. 14–15. This is a distinction that largely coincides with the difference popularized by Isaiah Berlin between positive liberty and negative liberty.

20 We find the same explanatory schema (‘the impatience of the masses’) in Friedrich Hayek’s *The Road to Serfdom* (1944).

21 Spencer, *The Man Versus the State*, p. 31.

22 Ibid., p. 33.

23 Ibid., pp. 163–4.

24 Ibid., pp. 123–5.

25 Ibid., p. 139.

26 Ibid., p. 166.

27 Ibid., p. 162.

28 Cf. Herbert Spencer, ‘Progress: Its Law and Causes’, *The Westminster Review*, vol. 67, 1857.

29 Herbert Spencer, ‘The Comparative Psychology of Man’, *Mind*, vol. 1, no. 1, 1876.

30 On all these points, cf. the classic work by the American historian Richard Hofstadter, written in 1944, *Social Darwinism in American Thought*, repr. Boston: Beacon Press, 1992. This was the book that popularized the term ‘social Darwinism’, which had hitherto very rarely been used. Let us note that the term, which appeared in 1879 in an article in the journal *Popular Science* under the signature of Oscar Schmidt, was employed by an anarchist, Émile Gautier, in a text published in Paris in 1880 and entitled *Le*

Darwinisme social.

31 In Part Three, Chapter 12, of *Principles of Biology*, vol. 1, (London and Edinburgh: Williams and Northgate, 1864), p. 445, Spencer writes that ‘This survival of the fittest ... is that which Mr. Darwin has called “natural selection, or the preservation of favoured races in the struggle for life”.’

32 Cf. Tort, *Spencer et l'évolutionnisme philosophique*. Readers are referred to the comprehensive clarification of this issue in Patrick Tort, *L'Effet Darwin. Sélection naturelle et naissance de la civilisation*, Paris: Seuil, 2008.

33 Patrick Tort has conclusively demonstrated that Darwin's theory was the exact converse of this competitiveness, since, for social man, biological selection is relayed by ‘technologies of compensation’ that artificially reduce the causes of the weakness of the least favoured individuals (*L'Effet Darwin*, p. 110). The polemical term ‘social Darwinism’, used by its opponents, contains a falsification. Repetition of the phrases ‘struggle for existence’ or ‘survival of the fittest’ is insufficient to ensure it a solid foundation in Darwin's theory.

34 Mike Hawkins, *Social Darwinism in European and American Thought, 1860-1945: Nature as Model and Nature as Threat*, Cambridge: Cambridge University Press, 1997.

35 Quoted in J.K. Galbraith, ‘Derrière la fatalité, l'épuration sociale. L'art d'ignorer les pauvres’, *Le Monde diplomatique*, October 2005.

36 Cf. W.G. Sumner, *The Challenge of Facts and Other Essays*, ed. Albert Galloway Keller, New Haven: Yale University Press, 1914.

37 Cf. J.A. Hobson, *The Evolution of Modern Capitalism*, London and New York: Walter Scott Publishing Co., 1894.

38 Some authors regard this shift as a betrayal or ‘hijacking’ of liberalism. This is the case with Alain Laurent, *Le Libéralisme américain. Histoire d'un détournement*, Paris: Les Belles Lettres, 2006.

39 Gilles Dostaler presents Keynes's political vision as follows: ‘Initially, Keynes' political vision was outlined in negative terms. It was clearer in what it rejected than what it advocated. On the one hand, Keynes waged a struggle against classical liberalism, now become the prerogative of a conservatism which, in its extreme form, could turn into fascism. On the other, he rejected radical forms of socialism, which by turns he called Leninism, Bolshevism and Communism. It was therefore a question of steering between reaction and revolution. Such was the mission of a “third way”, alternatively characterized as new liberalism, social liberalism or liberalism, for which he became the propagandist.’ Gilles Dostaler, *Keynes et ses combats*, Paris: Albin Michel, 2005, p. 166.

40 Burke reckoned that ‘one of the finest problems in legislation’ was ‘what the State ought to take upon itself to direct by the public wisdom, and what it ought to leave, with as little interference as possible, to individual exertion’.

41 John Maynard Keynes, *The End of Laissez-Faire and The Economic Consequences of the Peace*, Amherst, NY: Prometheus Book, 2004, p. 37.

42 *Ibid.*, p. 40.

43 *Ibid.*, p. 20.

44 Gilles Dostaler describes this ‘new liberalism’ as follows: ‘It ultimately involves profoundly transforming an economic liberalism that had proved very costly during the Victorian period and risked

provoking an insurrection by the working class. The new liberalism presented itself as an alternative to collectivist and Marxist socialism. The new liberals rejected the class struggle as the motor of social change. Instead, they subscribed to a form of liberal socialism, which might be characterized as social-democracy, at least in the sense that this term was to assume after the splits in the working-class parties at the start of the First World War. Obviously, this new liberalism was the precise opposite of what is today called neo-liberalism, which is in the first instance an ultra-liberal reaction against Keynesian interventionism' (*Keynes et ses combats*, p. 179).

45 Cf. Leonard Hobhouse, *Liberalism and Other Writings*, ed. James Meadowcroft, Cambridge: Cambridge University Press, 1994.

46 We might note that this new liberalism was a fundamentally democratic movement, which abandoned the mistrust of the 'tyranny of the majority' still to be found in Mill. Closer in this to Bentham, it was more fearful of the reconstitution of oligarchies than the power of the masses.

47 *Ibid.*, p. 43.

48 *Ibid.*, p. 44.

49 This liberal 'renewal' must obviously be articulated with the republican tradition in the Euro-Atlantic world. It had its twin in France in the modern republican project studied by Jean-Fabien Spitz, *Le Moment républicain en France*, Paris: Gallimard, 2005.

50 According to Alain Laurent, the 'modern liberals' led by John Dewey had realized a very similar operation in the United States in the 1920s – something that was decisive for the meaning assumed by the term 'liberal' in the American political lexicon.

51 Cf. John Dewey, *Liberalism and Social Action*, in *The Later Works*, vol. 11, Carbondale, IL: Southern Illinois University Press, 1987, p. 28.

52 Cf. Peter Clarke, *Liberals and Social Democrats*, Cambridge: Cambridge University Press, 1978.

53 Quoted in Freedon, *Liberalism Divided*, from J.A. Hobson, *Wealth and Life*, London: Macmillan, 1929, p. 16.

54 Cf. Laurent, *Le Libéralisme américain*.

55 Polanyi, *The Great Transformation*, p. 139; our emphasis.

56 *Ibid.*, p. 141; our emphasis.

57 *Ibid.*, p. 219.

58 *Ibid.*, p. 231.

59 *Ibid.*, p. 239.

60 Louis Dumont, Préface to Karl Polanyi, *La Grande Transformation*, Paris: Gallimard, 1983, p. 1.

61 Polanyi, *The Great Transformation*, p. 148.

62 *Ibid.*, p. 149.

63 *Ibid.*

64 Foucault indicated this transition from exchange to competition, which characterizes neo-liberalism compared with classical liberalism, in *The Birth of Biopolitics*, p. 118.

The Walter Lippmann Colloquium, or The Reinvention of Liberalism

If an increasingly pronounced social reformism from the late nineteenth century onwards was a symptom of the crisis of liberalism, neo-liberalism was a *reaction* to that symptom. It was an attempt to block the trend towards policies of redistribution, social security, planning, regulation and protection that had developed since the end of the nineteenth century – a trend perceived as a breakdown leading straight to collectivism.

The creation of the Mont Pelerin Society in 1947 is often incorrectly cited as marking the birth of neo-liberalism.¹ In fact, the founding moment of neo-liberalism came earlier: it was the Walter Lippmann Colloquium held over five days from 26 August 1938, in the framework of the International Institute for Intellectual Cooperation (the forerunner of UNESCO), on the rue Montpensier in central Paris.² This conference was distinguished by the quality of its participants – whether Friedrich Hayek, Jacques Rueff, Raymond Aron, Wilhelm Röpke or Alexander Rüstow – many of whom were to mark the history of liberal thought and politics in western countries after the war.

As we shall see, choosing between these two dates as the founding moment is of some significance. The same applies to analyses of neo-liberalism.

The two events were not unrelated. The Lippmann Colloquium concluded with a declaration creating an International Study Centre for the Renovation of Liberalism, whose headquarters were established at the Musée social in rue Las Cases in Paris. The centre was envisaged as an international intellectual society that would hold regular sessions, in a different country on each occasion. Events in Europe determined otherwise. From this perspective, the Mont Pelerin Society emerges as an extension of the 1938 initiative. One of their points in common, which was not without significance in the diffusion of neo-liberalism, was their cosmopolitanism. The Lippmann Colloquium was the first attempt to create a neo-liberal ‘international’, which was subsequently continued via other bodies, including (in recent decades) the Trilateral Commission and the World Economic Forum in Davos. Another point in common was the importance assigned to the intellectual task of recasting the doctrine so as to ensure its victory over its main opponents. The reconstruction of liberal doctrine was to benefit from prestigious, well-

financed academic locations, starting in the early 1930s with the Institut universitaire des hautes études internationales established in 1927 in Geneva, the London School of Economics and Chicago University, to name only the most famous, before being distilled in hundreds of think tanks that would spread the doctrine world-wide.

Neo-liberalism unfolded in the form of certain basic elements, subject to tensions whose measure we must take. The 1938 colloquium indicated disagreements that divided intellectuals identified with neo-liberalism from the outset. It even represents a good pointer to differences that were to remain more or less openly operative after the Second World War. These differences were of various kinds and must not be confused. In the first place, the Lippmann Colloquium indicated that in 1938 the shared exigency of reconstructing liberalism still did not make it possible to distinguish clearly between the tendencies of the 'new liberalism' and those of 'neo-liberalism'. As Serge Audier has shown, a number of French participants in the conference typically belonged to the first current when they referred to a 'social liberalism', like Louis Marlio, or a 'liberal socialism', like Bernard Lavergne.

But the 'new liberalism' was not the main axis of the colloquium. Rather, it was the moment when a different kind of reconstruction emerged, one that shared with the 'new liberalism' its acceptance of intervention, but which would seek to give it a new definition and therewith affix new limits to it. Yet this is to over-simplify matters. Other divergences revolved around the very meaning of the 'neo-liberalism' one wished to construct: did it involve transforming liberalism by providing it with a new foundation? Or was it a question of reviving classical liberalism – that is to say, making a 'return to genuine liberalism' against the deviations and heresies that had perverted it? In the face of common enemies (collectivism in its communist and fascist forms, but also the reformist intellectual tendencies and political currents that supposedly led to it in western countries, starting with Keynesianism), these divergences would appear secondary, especially from the outside. During the neo-liberals' intellectual and political years in the wilderness, it was important to put up a united front against 'state interventionism' and the 'rise of collectivism'. This is the opposition that the Mont Pelerin Society succeeded in embodying by rallying the different currents of neo-liberalism – the American current (heavily influenced by the 'neo-Austrians' Friedrich Hayek and Ludwig von Mises) and the German current – thus making it possible to smooth over the differences that had emerged before the war. Above all, this rallying of the neo-liberals masked a major aspect of the turn that had occurred in the history of modern liberalism: the theorization of a specifically liberal interventionism. It was precisely this that was brought out by the Lippmann Colloquium. In this sense, the latter was not only a birth

certificate, but a pointer.

AGAINST LIBERAL NATURALISM

The colloquium met from 26–30 August 1938. The organizer of this international meeting of twenty-six economists, philosophers and senior civil servants from several countries was Louis Rougier, a now forgotten philosopher. At the time he was professor of philosophy at Besançon, a follower of logical positivism, member of the Vienna Circle, and author of numerous works and articles advocating a ‘revival of liberalism’ on new foundations. The dual occasion of the meeting was the publication of the French translation of Walter Lippmann’s *An Inquiry into the Principles of the Good Society*, under the title *La Cité libre*, and its author’s presence in Paris.³ The book was presented by the colloquium’s organizer as a manifesto for the reconstruction of liberalism around which different minds working in the same direction could coalesce. The idea inspiring Rougier was simple enough: a ‘revival of liberalism’ would occur only if liberal doctrine could be recast theoretically and if an active liberal policy could be derived from it that would avoid the negative effects of the metaphysical belief in *laissez-faire*. The line Rougier wanted to fix at the colloquium was an extension of the conviction vigorously stated by Lippmann in his book, when he defined the ‘agenda’ of the liberalism to be reinvented as follows:

The *agenda* refutes the notion that liberalism is the sterile apologetic which it became during its subjection to the dogma of *laissez-faire* and to the misunderstanding of the classical economists. The agenda demonstrates, I believe, that liberalism is not the rationalization of the status quo, but the logic of the social readjustment required by the industrial revolution.⁴

In his prefatory remarks opening the conference proceedings, Rougier signalled that this attempted recasting had no official title as yet: should it be referred to as ‘constructive liberalism’, ‘neo-capitalism’, or indeed ‘neo-liberalism’, a term which (according to him) seemed to be the dominant usage?⁵ Recasting liberalism the better to combat the imposing rise of totalitarianism was Rougier’s aim for the meeting of which he was the promoter, stressing that the colloquium’s ambition was to rally a diffuse liberal movement.⁶ At the same time, for him it was the inaugural act of an international organization intended to construct and spread a liberal doctrine of a new type: the International Study Centre for the Renovation of Liberalism, referred to above. This centre was to organize several thematic meetings, but it folded as a result of the dispersion of its members with the war and occupation.

In his opening speech, Rougier also mentioned the importance of Lippmann’s thesis that liberalism was not identical with *laissez-faire*. Such an equation had in fact revealed its negative consequences to the full, since, faced with the obvious ills of *laissez-faire*, public opinion rapidly concluded

that only socialism could save people from fascism or, conversely, that only fascism could save people from socialism, when they were in fact two of a kind. Rougier also underscored Lippmann's critique of the naturalism of 'Manchesterism'. In his view, *An Inquiry into the Principles of the Good Society* had the great merit of recalling that the liberal regime was the result of a legal order which presupposed legal interventionism by the state. He summarized the central thesis of the work as follows:

Economic life unfolds in a legal framework that fixes the regime of property, contracts, patents, bankruptcy, the status of professional associations and commercial businesses, currency and banks – all things that are not natural data, like the laws of economic equilibrium, but contingent creations of the legislator.⁷

This conveys the dominant line of the conference, which elicited reservations, even challenges, from a number of invitees – in particular, the 'neo-Austrians' von Mises and doubtless Hayek who, even if he did not speak during the discussions, was at the time in agreement with someone he regarded as his master. But all the participants unquestionably shared their rejection of collectivism, planisme and totalitarianism, in their various communist and fascist forms. There was also a widely shared rejection of left-wing reforms geared to redistributing income and social protection, such as those implemented by the Popular Front in France.⁸ But what was to be done to counter these trends? Update liberalism in a new context or comprehensively revise it? This alternative was intimately bound up with the diagnosis of the 'great crisis' and its causes.

The disagreements expressed were related to a major difference in interpreting inter-war economic, political and social phenomena, which a number of authors from different political and doctrinal perspectives thought of as a 'crisis of capitalism'. As we have seen above, there is no doubt that the situation had changed profoundly compared with the 'belle époque of liberalism' so well described by Karl Polanyi.

Two radically contrasting interpretations of the 'chaos' of capitalism clashed during these August days. At the time, moreover, they divided liberal circles in Europe more widely. For some, the doctrine of laissez-faire certainly had to be revamped, but above all it had to be defended against all those advocating state interference. Of these, Lionel Robbins in Britain and Jacques Rueff in France were, together with von Mises and Hayek, among the most conservative authors doctrinally.⁹ For others, liberalism had to be completely recast and must favour what was already called a 'liberal interventionism', according to the term used by Alexander Rüstow or Henri Truchy.¹⁰ Differences over analysis of the great crisis were particularly expressive of these two options. According to some, the main factors behind the chaos were to be sought in the progressive betrayal of the principles of

classical liberalism (Robbins, Rueff, Hayek, von Mises); for others, the causes of the crisis were to be sought in classical liberalism itself (Rougier, Lippmann, and the German theoreticians of *ordo-liberalism*¹¹).

Thus, in his book *The Great Depression 1929-1934*, Robbins explained that the crisis was the result of political interventions that had disrupted the self-correcting price mechanism. As emphasized by Rueff in his preface to the book, the good intentions of social reformers had led to disaster. Robbins's and Rueff's reaction evinces nostalgia for a spontaneously self-regulating market that supposedly functioned in a golden age of western societies. This is what Rueff argued in his opusculé *La Crise du capitalisme*, when he contrasted the pre-First World War quasi-equilibrium with the chaos of the great crisis.¹² In the past, he wrote, 'men acted independently of one another, without worrying about the repercussions of their actions on the general condition of markets. Yet out of the chaos of individual trajectories was generated that collective order embodied by the quasi-equilibrium revealed by the facts.'¹³ Thereafter, public intervention – all forms of dirigisme, taxation, planning and regulation – had 'made possible the sad collapse of prosperity'.¹⁴ The postulate of these authors, also found in von Mises or Hayek, is that political intervention is a cumulative process. Once begun, it necessarily leads to total collectivization of the economy and a totalitarian police regime, because individual behaviour must be adapted to the absolute commands of the programme of authoritarian management of the economy. The conclusion was clear: talk of the bankruptcy of liberalism was illegitimate because interventionist policies had created the crisis. When left free to operate, the price mechanism resolved all problems in coordinating the decisions of economic agents.

For example, during the session of Sunday 25 August, devoted to the relationship between liberalism and the social question, Rueff maintained with the utmost orthodoxy that the social insecurity suffered by workers was due to periodic economic disequilibria about which nothing could be done; and which were not as serious as they seemed, in so far as a restoration of equilibrium occurred automatically if the price mechanism was not disrupted. By contrast, if the state intervened, it wrecked the automatic machinery:

The liberal system tends to guarantee the maximum of well-being to the worst-off classes. All state interventions in the economy have had the effect of impoverishing the workers. All government interventions appear to have sought to improve the lot of the greatest number, but there is no other way of doing that than to increase the mass of products to be distributed.¹⁵

To Lippmann's sceptical questioning of the social benefits of market freedom ('is it possible to relieve the suffering brought about by the dynamism of a system of private markets? If equilibrium must always be left to itself, it

brings great suffering'),¹⁶ Rueff replied shortly afterwards with this definitive sentence: 'The liberal system allows the economic system a flexibility that alone makes it possible to counter insecurity.'¹⁷ And von Mises would further recall in connection with unemployment insurance that:

unemployment, as a massive and enduring phenomenon, is the result of a policy that aims to keep wages at a higher level than would be the case under market conditions. Abandonment of this policy would very rapidly lead to a considerable reduction in the number of the unemployed.¹⁸

The previous evening, the question posed – 'is the decline of liberalism attributable to endogenous causes?' – likewise illustrated the tensions. For the orthodox ordo-liberal thinker Wilhelm Röpke, the industrial concentration that destroyed competition was due to technical causes (size of fixed capital), whereas von Mises maintained that cartels were the result of a protectionism which was fragmenting global economic space, impeding competition between countries, and thus encouraging agreements at a national level. According to him, it would therefore be absurd to advocate state intervention to deal with concentration, because it was the root of the evil: 'It is not the free play of economic forces, but the anti-liberal policy of governments, which has created the conditions conducive to the establishment of monopolies. It is legislation, it is politics, which have created the tendency to monopoly.'¹⁹

The line of absolute non-intervention expressed at the colloquium attests on this level to the persistence of a seemingly unshaken orthodoxy. But what Foucault would rightly call a 'phobia about the state' does not represent the conference's most innovative aspect.

THE ORIGINALITY OF NEO-LIBERALISM

The remarks of many of those who intervened established a redefinition of liberalism that left the orthodox disarmed. This key element of the colloquium united Rougier's perspective, essentially epistemological in kind, with that of Lippmann, who recalled the importance of legal constructs in the operation of the market economy, and the very proximate perspective of the German 'liberal sociologists' Röpke and Rüstow, who stressed the social underpinnings of the market, which was not itself capable of ensuring everyone's inclusion.

Colloquium participants were seemingly highly conscious of the divisions between them. Thus von Rüstow stated:

It is undeniable that here, in our circle, two different viewpoints are represented. Some find nothing essential to criticize or change in traditional liberalism ... The rest of us seek responsibility for the decline of liberalism in liberalism itself; and, as a result, we seek the solution in a fundamental renewal of liberalism.²⁰

In particular, it was Rougier and Lippmann who defined what was, according to them, to be understood by 'neo-liberalism' and the tasks incumbent on it. In their respective works, the two authors had previously developed fairly similar ideas and, above all, the same desire to reinvent liberalism. For a better appreciation of the nature of this reconstruction, we need to examine the writings of Rougier, and especially Lippmann, more closely.

The 'return to liberalism' advocated by Rougier was, in fact, a reconstruction of the theoretical bases of liberalism and the definition of a new policy. Rougier seems to have been predominantly guided by his rejection of naturalist metaphysics. The important thing for him was to assert from the outset a distinction between an old-style liberal naturalism and an active liberalism, which aimed at the conscious creation of a legal order wherein private initiative subject to competition could unfold in complete freedom. Such *legal* interventionism by the state was opposed to an *administrative* interventionism that harmed or prevented enterprises' freedom of action. In contrast to authoritarian administration of the economy, the legal framework must allow the consumer to decide in the market between competing producers.

According to Rougier, the major difference between this neo-liberalism and the old liberalism revolved around conceptions of economic and social life. Liberals had a tendency to regard the established order as a natural order, which led them systematically to adopt conservative positions tending to preserve existing privileges. Not to intervene was, in sum, to respect nature. For Rougier,

to be a liberal is in no way to be a conservative, in the sense of preserving de facto privileges resulting from past legislation. On the contrary, it is to be essentially 'progressive', in the sense of constant adaptation of the legal order to scientific discoveries, progress in economic organization and technique, changes in the structure of society, and the requirements of contemporary consciousness. To be a liberal is not, like the 'Manchesterian', to allow cars to drive in all directions, at whim, the upshot of which would be incessant traffic jams and accidents. It is not, like the 'planist', to assign each car its hour for setting out and its itinerary. It is to impose a *highway code*, while accepting that it is not necessarily the same in the era of fast transport as in the age of stagecoaches.²¹

This metaphor of the highway code is one of the images most frequently used by neo-liberalism; it is almost its hallmark. It is spun in Lippmann,²² but also in the celebrated book published by Hayek after the war, *The Road to Serfdom*.

The decisive idea of the colloquium was that classical liberalism was the principal culprit in the crisis it was experiencing. It was the mistakes by governments to which it led that encouraged planisme and dirigisme. What was the nature of these mistakes? In the main, they consisted in confusing the operating rules of a social system with inviolable natural laws. For example, Rougier regarded French physiocracy as the clearest expression of this kind of confusion.²³ What he called the 'liberal mystique', or credence in an immutable nature, which he sought to distinguish carefully from genuine economic science, derived from proceeding from observation of the scientific characteristics of an order governed by free competition to the idea that this order was untouchable and perfect, for the work of God.²⁴ The second methodological error, which was bound up with this confusion, consisted in belief in the 'primacy of economics over politics'. According to Rougier, this dual error could be summed up in the following formula: 'The best legislator is the one who always abstains from intervening in the free play of economic forces and who subordinates all moral, social and political problems to them.' Such submission to a putatively natural order, which underlay *laissez-faire*, was an illusion based on the idea that the economy forms a separate sphere not governed by law. The economy's independence of social and political institutions was the basic error of the liberal mystique, which led people to misunderstand the constructed character of the market's functioning.

In *An Inquiry into the Principles of the Good Society*, Lippmann produced a very similar analysis of the errors of the 'latter-day liberals', as he called them. 'Laissez-faire', whose origins in Gournay he recalled, was a negative, destructive, revolutionary theory, which, by its very nature, could not guide the policy of states. It was not a programme but a slogan, which had represented a 'historical objection to antiquated laws'.²⁵ These initially revolutionary ideas, which had made it possible to destroy the vestiges of the social and political ancien régime and establish a market order, 'were

transformed into an obscurantist and pedantic dogma'.²⁶ The naturalism pervading the juridico-political theories of the pioneer liberals was highly conducive to this dogmatic, conservative mutation. Where natural rights had once been liberal fictions that made it possible to provide security for property and thus encourage accumulation, he explained, these myths had become frozen into immutable dogmas preventing any reflection on the utility of laws. By prohibiting reflection on the scope of laws, such absolute respect for 'nature' consolidated the positions acquired by the privileged.

This analysis was closely related to the positions of the French founders of sociology in the nineteenth century. The major defect of economic liberalism, as Auguste Comte had shown in his time, stemmed from the impossibility of erecting a viable social order on an essentially negative theory. The novelty of 'reinvented' neo-liberalism consists in the fact that it could conceive the market order as a constructed order and, thereby, be in position to establish a genuine political programme (an 'agenda') geared to its establishment and constant maintenance.

The falsest of the ideas of the 'latter-day liberals' like John Stuart Mill or Herbert Spencer²⁷ consisted in holding that there are spheres where there is law and others where there is none. This belief in the existence of 'natural' spheres of action, social regions of non-law like (in their view) the market economy, had distorted understanding of the course of history and prevented pursuit of the requisite policies. As Lippmann further remarked, liberal dogma had gradually become detached in the nineteenth century from the actual practice of governments. While liberals sententiously discussed the range of laissez-faire and the list of natural rights, political reality consisted in the creation of laws, institutions and norms of all sorts indispensable to modern economic life: 'All these transactions depended upon some kind of law, upon the willingness of the state to enforce certain rights and to protect certain immunities. And therefore it was wholly unreal to ask what were the limits of the jurisdiction of the state.'²⁸ Property rights, the most varied forms of contract, the legal status of enterprises and, finally, the enormous edifice of commercial law and labour law – these were a practical contradiction of the apologetics of the 'latter-day liberals', who had become incapable of reflecting on the actual practice of rulers and the meaning of legislative work. The error was even more profound. Such liberals were incapable of understanding the *institutional* dimension of social organization:

Only by recognizing that legal rights are declared and enforced by the state is it possible to make a rational examination of the value of any particular right. The latter-day liberals did not see this. They fell into a deep and confusing error when they failed to see that property, contracts, corporations, as well as governments, electorates, and courts, are creatures of law, and have no existence except as bundles of enforceable rights and duties.²⁹

In such statements, we can see how far Lippmann's neo-liberal critique rediscovered the very soil of governmentality, as conceptualized by Bentham, beneath the naturalistic formulations that had invaded apologetic market literature. Without fully establishing a link between the critique he made of the natural law illusion and the way in which Bentham thought the relations between freedom of action and the legal order, Lippmann analysed the evolution of liberal doctrine as a *decline* that had occurred between the late eighteenth and late nineteenth century, between Bentham and Spencer.

There were reasons for the ignorance displayed by latter-day liberals about the work of jurists in defining, superintending and amending the regime of rights and obligations concerning property, exchanges and labour, and Lippmann sought to account for them. Ignorance of the fact that 'the whole regime of private property and contract, the whole system of enterprise by individuals, partners and corporations, exists in a legal context, and is inconceivable apart from this context', was to be explained by the way the relevant law was made. According to Lippmann, it was because it was more the product of jurisprudence sanctioning custom and practice, than a codification in due form, that contemporary liberals could incorrectly see it as the expression of what was 'somehow a natural law originating in the nature of things and valid in a superhuman sense'. This naturalistic illusion impelled them to regard every unwelcome legal arrangement as an intolerable interference by the state, an intolerable violation of the state of nature.³⁰ Not to recognize the specific work of judicial creation was the founding error underlying the rhetoric that denounced state intervention:

The title to property is a construction of the law. Contracts are legal instruments. Corporations are legal creatures. It is, therefore, misleading to think of them as existing somehow outside the law and then to ask whether it is permissible to 'interfere' with them ... Property of any kind, contracts of any kind, corporate organization of any kind, exist only because there are certain rights and immunities which can be enforced, when they have been legally established, by enlisting the coercive authority of the state. To speak of letting things alone is, therefore, to use a meaningless and deceptive phrase.³¹

An additional source of error lay in regarding the inevitable simplifications of economic science as a social model to be applied. For Lippmann, as for Rougier, it was perfectly normal for scientific work to eliminate the dross and hybrid character of the reality of societies, in order to uncover relations and regularities by means of abstraction. But liberals had regarded these laws as natural creations, an exact image of reality, and viewed what eluded the simplified and purified model as mere imperfections or aberrations.³² The combination of this epistemological misinterpretation and the naturalistic illusion explained the enduring power of liberal dogmatism until the start of the nineteenth century.

The liberalism that embodied the ideal of human emancipation in the eighteenth century had gradually been transformed into a narrow conservatism, opposed to any advance by societies, in the name of absolute respect for the natural order:

The consequences of the error were catastrophic. For in setting up this hypothetical and non-existent realm of freedom where men worked, bought and sold goods, made contracts and owned property, the liberals became the uncritical defenders of the law which happened actually to prevail in that realm, and so the helpless apologists for all the abuses and miseries which accompanied it. Having assumed that there was no law there, but that it was a natural God-given order, they could only teach joyous acceptance or stoic resignation. Actually they were defending a system of law compounded from juristic remnants of the past and self-regulating innovations introduced by the successful and the powerful classes in society.

Moreover, having assumed away the existence of a system of man-made law governing the rights of property, contract, and corporation, they could not, of course, interest themselves in the question of whether this law was a good law, or of how it could be reformed or improved. The derision poured out upon the latter-day liberals as men who had become complacent is not unjustified. Though they were probably not more insensitive than other men, their minds stopped working. Their unanalysed assumption that the exchange economy was 'free,' in the sense that it was outside the jurisdiction of the state, brought them up against a blank wall ... That is why they lost the intellectual leadership of the progressive nations, and why the progressive movement turned its back on liberalism.³³

Not only had liberalism and progressivism become separated, but an increasingly strong challenge to liberal capitalism, and the inequalities it spawned, had emerged. Socialism had developed by exploiting the conservative petrification of liberal doctrine, placed as it was in the service of the economic interests of dominant groups. For Lippmann, challenges to property were particularly symptomatic of this drift: 'The desperate insecurity of all private property in the modern world is due to the fact that the propertied classes, in resisting a modification of their rights, have aroused the revolutionary impulse to abolish all their rights.'³⁴

THE AGENDA OF A REINVENTED LIBERALISM

The 'latter-day liberals' did not understand that, 'far from being abstentionist, liberal economics presupposed an active, progressive legal order', geared to the constant adaptation of human beings to ever-changing conditions. What was needed was a 'liberal interventionism', a 'constructive liberalism', a state dirigisme that was to be distinguished from collectivist and planiste interventionism. Based on the self-evidence of the benefits of competition, this interventionism abandoned Spencer's phobia about the state and combined the legacy of social competitiveness with the promotion of state action. Its goal was precisely continually to restore the conditions for free competition, which was threatened by social logics that tended to jam it, in order to ensure the 'victory of the fittest':

The *dirigisme* of the liberal state implies that it is exercised in such a way as to protect liberty, not subjugate it; in such a way that winning an advantage is the outcome of the victory of the fittest in a fair competition, not the privilege of the best protected or the best-off, due to the state's hypocritical support.³⁵

A 'better understood' liberalism, this 'genuine liberalism' took the form of rehabilitating the state as a source of impartial authority with respect to private persons:

Those who wish to return to liberalism will have to provide governments with sufficient authority to resist the pressure of organized special interests; and they will be provided with this authority through constitutional reforms only in so far as the public mind set has been rectified by denouncing the misdeeds of interventionism, *dirigisme* and *planisme*, which all too frequently are merely the art of systematically disrupting economic equilibrium to the detriment of the great mass of citizen-consumers for the very temporary advantage of a small number of privileged persons, as is overwhelmingly clear from the Russian experience.³⁶

No doubt it was unduly simplistic to differentiate between intervention that killed competition and intervention which strengthened it. In any event, while it was noted that there were political and social forces striving to disrupt the machine, it must be accepted that a counter-force aimed to afford maximum space and power to 'tastes for risk and responsibility'.³⁷ Rougier in fact held two different positions. According to one, state interventionism must essentially be *legal*. It involved imposing universal rules on all economic agents and resisting any intervention that distorts competition by conferring advantages or privileges and protections on particular categories. The danger was that the state would be put under the heel of organized groups, whether those of the wealthiest or of the impoverished masses. For Rougier, forces existed in society that strove to pervert the mechanisms of competition to

their own advantage, starting with political forces which, to win the vote of electors, had no hesitation in engaging in demagogic policies. The French Popular Front was a perfect example. There were also social logics that abetted such distortions, which were not taken into account by an unduly narrow form of economic thought: 'we are not molecules of gas but thinking, social beings; we combine our interests, we are subject to herd instincts, we suffer external pressure from organized groupings (trade unions, political organizations, foreign states, etc.)'.³⁸ A strong state, protected against blackmail and pressure, was necessary to guarantee equality of treatment before the law.

But Rougier also pursued a different line of argument. The state must not rule out intervening to oil the wheels of the economy. Constructive liberalism consisted in:

lubricating the economic machine, unjamming the self-regulating factors of equilibrium. In allowing prices, interest rates and income gaps to readapt production to real consumption needs, rendered effective; savings to investment requirements now justified by demand; foreign trade to the natural division of international labour; wages to the technical possibilities and profitability of firms.³⁹

Such interference for the purposes of adaptation even extended as far as prompting certain desirable forms of behaviour on the part of agents in order to restore equilibria which, although 'natural', did not establish themselves automatically:

In a period of excess supply, liberal interventionism must be concerned to stimulate consumption, which is the only thing that can make production profitable. For if the volume of production is a function of cost price, effective demand alone determines its market and social price; and this not by uncreative procedures of instalment plans, but by distributing the greater part of a firm's profits in the form of dividends to shareholders and wages to workers. In so doing, the state does not have the goal of creating artificial equilibria, but of restoring natural equilibria between savings and investment, production and consumption, exports and imports.⁴⁰

Competitive capitalism was not a product of nature, but a machine that demanded constant supervision and regulation. However, we can see the fuzziness surrounding 'liberal interventionism' in Rougier's version of it, which was bound to disturb those liberals closest to orthodoxy. Rougier mixes three different dimensions legitimating public policy: the establishment of a *Rechtsstaat*; a policy of adaptation to changing conditions; and a policy that helps to realize 'natural equilibria'. They are not of the same order. To break with the 'phobia about the state' as manifested in exemplary fashion in Spencer is one thing; to fix the boundary that separates legitimate from illegitimate intervention is quite another. How was one to avoid succumbing

to the errant ways of ‘demagogic politicians’ and ‘visionary doctrinaires’? The absolute criterion was respect for the principles of competition. Contrary to all those who maintained that ‘competition kills competition’, Rougier, in common with all other liberals, held that distortions in competition derived principally from state interference, not from an endogenous process. From customs barriers to the creation of monopolies, it was always the state which, whether alone or not, lay behind a restriction or abolition of the competitive regime to the detriment of the interests of the greatest number. However, what introduces a discrepancy between the positions is that for Rougier competition could only be established through state interference. This was also a major axis of German neo-liberalism, as Rüstow indicated during the conference:

It is not competition that kills competition. It is the intellectual and moral weakness of the state, which, initially ignorant and negligent of its duties in policing the market, allows competition to degenerate, and then allows abuse of its rights by robber barons to deliver the coup de grâce to this degenerate competition.⁴¹

For Rougier, the ‘return to liberalism’ was meaningful solely in the value attributed to the ‘liberal life’, which was not a jungle of egotisms but a rule-governed game of self-realization. Thus, he advocated ‘relish for life resulting from the fact that it involves a risk, but in the ordered framework of a game whose rules are known and respected’.⁴²

NEO-LIBERALISM AND THE CAPITALIST REVOLUTION

For his part, Lippmann would employ a rather different and doubtless more consistent line of argument to justify neo-liberalism and explain its historical significance. In his view, collectivism was a ‘counter-revolution’, a ‘reaction’ to the genuine revolution produced in western societies. For him the true revolution was the capitalist exchange economy extended to the whole planet; it was capitalism that continually shatters ways of life by making the market ‘the sovereign regulator of the specialists in an economy which is based on a highly specialized division of labor’.⁴³

This is what latter-day liberals had forgotten and it dictated a ‘rediscovery of liberalism’. In fact, liberalism was not an ideology like the others, but still less was it the ‘faded ornament’ of the social conservatism it had become. For Lippmann, it was the only philosophy that could pursue the adaptation of society, and of the human beings who compose it, to the industrial and market mutation based on the division of labour and differentiation of interests. If correctly understood, it was the only doctrine capable of constructing the ‘Great Society’ and making it work harmoniously: ‘liberalism, unlike collectivism, is not a reaction against the industrial revolution. It is the philosophy of that industrial revolution.’⁴⁴ The *necessary* character of liberalism, its inscription in the dynamic of societies, emerges as something like a pendant of the Marxist thesis that makes socialism a different necessity of history.

The economy based on the division of labour and regulated by markets was a system of production that could not be fundamentally altered. It was a given of history, a historical basis, just like the economic system of hunter-gatherers. Better still, it was a revolution very similar to that experienced by man in the Neolithic period. The mistake of collectivists was to believe that this social revolution could be cancelled through complete mastery of economic processes; that of the Manchester School was to think that it was a state of nature requiring no political intervention.

The important word in Lippmann’s vocabulary is *adaptation*. The agenda of neo-liberalism was guided by the need for constant adaptation of human beings and institutions to an inherently variable economic order, based on general, unrelenting competition. Neo-liberal policy must encourage this operation by attacking privileges, monopolies, and unearned income. It aimed to create and maintain the operating conditions of the competitive system.

To the permanent revolution in methods and structures of production must correspond a constant adaptation of ways of life and mentalities. This required continual intervention by public power. This is precisely what the pioneer liberals had understood, inspired as they were by the need for social and political reforms. But it is also what had been forgotten by the ‘latter-day liberals’, more concerned with conservation than adaptation. In truth, the

laissez-fairists assumed that problems of adaptation were magically solved or, rather, that they did not even arise.

Neo-liberalism was based on the dual observation that capitalism had inaugurated a period of permanent revolution in the economic order, but that human beings were not spontaneously adapted to this changing market order because they had been formed in a different world. This was the justification for a policy that must target *individual and social existence as a whole*, as the German ordo-liberals were to repeat after Lippmann. This policy of adaptation of the social order to the division of labour was an immense task, he wrote, which consisted in 'the finding of a new way of life for mankind'.⁴⁵ Lippmann was particularly explicit on the systematic, total character of the social transformation to be undertaken:

The maladaptation arises from the fact that a revolution in the mode of production has occurred. Since it is proceeding among men who have inherited a radically different way of life, the readjustment required must necessarily take place throughout the social order. It must almost certainly continue as long as the industrial revolution itself continues. There can be no moment at which 'the new order' is in being. A dynamic economy must in the nature of things inhabit a progressive social order.⁴⁶

It was precisely up to the state and the legislation it generated, or guaranteed, to integrate productive and exchange activities into developing relationships, to supervise them by norms in harmony with productive specialization and the extension of market exchanges. Far from denying the need for a social, moral and political framework to enable the supposedly natural mechanisms of the market economy to function better, neo-liberalism must help redefine a new framework compatible with the new economic structure.

Furthermore, neo-liberal policy must *change man himself*. In an economy in constant motion, adaptation was always a current task to restore harmony between the way that people lived and thought and the economic constraints to which they must submit. Born in a prior state, inheritor of habits, kinds of consciousness and conditioning bound up with the past, man was chronically maladapted and must be the object of specific policies of re-adaptation and modernization. And these policies must extend to transforming the very way that human beings represented their life and destiny to themselves, in order to obviate moral suffering and inter- or intra-individual conflicts:

The real problems of modern societies arise where the social order is not consistent with the requirements of the division of labor. A survey of all the current problems would be a catalogue of inconsistencies. The catalogue would begin with the prenatal endowment of the human stock, would traverse all customs, laws, institutions and policies, and would not be complete until it had included man's conception of his destiny on earth and his valuation of his soul and of the souls of all other men. For where there is conflict between the social heritage and the manner in which men

must earn their living, there will be disorder in their affairs and division in their spirits. When the social heritage and the economy do not form a seamless web, there must be rebellion against the world or renunciation of the world. That is why in epochs like our own, when society is at odds with the conditions of its existence, discontent drives some to active violence and some to asceticism and other-world-liness. When the times are out of joint some storm the barricades and others retire into a monastery.⁴⁷

To avoid such crises of adaptation, a set of social reforms must be implemented that represented a *veritable politics of the human condition* in western societies. Lippmann indicated two specifically human aspects of this general policy of adaptation to competition: eugenics and education. Adaptation required new human beings, equipped with qualities that were not only different from, but superior to, those possessed by previous human beings:

The economy requires not only that the quality of the human stock, the equipment of men for life, shall be maintained at some minimum of efficiency, but that the quality should be progressively improved. To live successfully in a world of the increasing interdependence of specialized work requires a continual increase of adaptability, intelligence, and of enlightened understanding of the reciprocal rights and duties, benefits and opportunities, of such a way of life.⁴⁸

What was particularly required was a major policy of mass education, which prepared human beings for the specialist economic functions that awaited them and for the spirit of capitalism to which they must subscribe if they were live 'at ease with themselves, in an interdependent Great Society'.⁴⁹

There is the whole unresolved task of educating great populations, of equipping men for a life in which they must specialize, yet be capable of changing their speciality. The economy of the division of labor requires, and the classical economics assumes, a population in which these eugenic and education problems are effectively dealt with.⁵⁰

What necessitated this major educational policy for the benefit of the masses, not merely a small cultivated elite, was the fact that people would have to change profession and firm, adapt to new techniques, and face generalized competition. In Lippmann, education forms part not of traditional republican arguments, but of the adaptive logic that alone justifies education expenditure: 'It is in order to fit men for their new way of life that the liberal would spend large sums of public money on education.'⁵¹

The policy promoted by Lippmann had other aspects, which brought it close (as we shall see) to the themes of Röpke's and Rüstow's ordo-liberalism: protection of the living environment, nature, neighbourhoods and towns. While they must be mobile economically, human beings must not live like rootless nomads, without a past. The issue of social integration into local

communities, very prominent in American culture, was one of the counterweights required by the development of the exchange economy: 'There is no doubt that the industrial revolution de-civilized great masses of men when it drew them out of their ancestral homes and gathered them together in great, bleak, anonymous, congested slums.'⁵² No more than the post-war German ordo-liberals did Lippmann perceive a contradiction between the type of economy he wished to see survive, to the extent that he regarded it as an untranscendable historical datum, and its potential social consequences. In his view, defence of an integrated, stable society came within the province of social policy, just as the struggle against the collectivism of big holding companies was needed to preserve competition. In some respects, this neo-liberalism, which aimed to be a policy of adaptation, led to a certain hostility to the forms taken by big business capitalism. This is how the desire to counter the manipulations of monopolies, and the wish to see extended oversight of commercial and financial transactions, are to be understood: 'The improvement of the markets must be a subject of continual study in a liberal society. It is a vast field of necessary reform.'⁵³

Let us note, in any case, that this reinvention of liberalism refused to blind itself to the political necessities bound up with the operation of markets, in particular at the level of the mobilization and formation of the workforce and its reproduction in stable, effective social and institutional structures. Doubtless this was even the main concern of *An Inquiry into the Principles of the Good Society*, as indicated by the justification of progressive taxation, intended, among other things, for the education of producers, but also for their compensation in case of redundancy to help them to switch to a new type of employment and move: 'Not only is there no reason why a liberal state should not insure and indemnify against its own progressive development, but there is every reason why it should.'⁵⁴

THE RULE OF LAW

We noted above to what extent Lippmann's neo-liberal critique of naturalism coincided with the Benthamite conception of the creative rule of law, especially in the area of economic activity. The idea that property is not inscribed in nature, but is the product of a complex, variable and differentiated bundle of rights is unquestionably a shared one. Contrary to natural law conceptions, we find the same concern for changing the legal infrastructure in accordance with social and economic developments. Law must be altered as and when required in a constantly developing economic system. But Lippmann displayed much more sympathy than Bentham for the jurisprudential practice of common law and much less distrust of parliamentary creation of law. Well before Hayek, he even showed that there is a kindred spirit between the manner of making laws in Anglo-American practice and the prerequisites of coordinating individuals in modern societies.

The issue of the art of government was central. Collectivists and laissez-fair-ists were mistaken for opposite reasons about the political order corresponding to a system of division of labour and exchange. The former wished to administer the totality of human beings' relations with one another; the latter would like to believe that these relations are naturally free. Democracy was the rule of law for all; it was government by a common law made by human beings: 'in a free society the state does not administer the affairs of men. It administers justice among men who conduct their own affairs.'⁵⁵ It is true that this conception had only emerged with difficulty, as was indicated by debates since the late eighteenth century.

How was the state to be organized at a time when the people were the legitimate holders of power to make it serve the interests of the masses? This was the problem of the constitution posed by the Founding Fathers. It was also that of the French republicans, as of the English radical democrats. According to Lippmann, the liberal mode of government did not pertain to ideology, but to the necessity of structure, as has been said above. It attached to the very nature of social bonds in market society.

The division of labour dictated a certain type of liberal politics and ruled out the arbitrariness of a dictatorial power disposing of individuals as it saw fit. At a political level, a civil society composed of economic agents was impossible to direct by command and decree, as if it were a hierarchical organization. Different interests could only be reconciled by deciding on a common law. 'The liberal system seeks to define what one man may expect from all other men, including the officials of the state, and to guarantee that expectation.'⁵⁶ This conception of social relations defined the sole possible mode of government of a free polity that restricted arbitrariness and did not claim to direct individuals.

A law was a general rule of the relations between private individuals; it only expressed human beings' general relations with one another. It was neither the emanation of a transcendent power, nor the natural property of the individual. It was a mode of organization of individuals' reciprocal rights and duties towards one another, which were subject to constant change as a result of social evolution. Liberal government by a common law, Lippmann explained, 'is social control, not by authority from above commanding this man to do this and that man to do that, but social control by a common law which defines the reciprocal rights and duties of persons and invites them to enforce the law by proving their case in a court of law'.⁵⁷ This conception of the law extended to the whole of law the domain of private rights as establishing relative obligations on the part of individuals to each other.

Lippmann revived the *relational* conception of law, which was that of the early liberals. We are not, he explained, independent little sovereignties, like so many Robinson Crusoes on their island; we are connected to a dense set of obligations and rights that establish a certain reciprocity in our relations.

These rights were not transferred from nature; nor were they deduced from a dogma posited once and for all. Still less were they the creation of an omniscient legislator. They were the fruit of a process of evolution, of a collective experience of the needs of regulation engendered by the proliferation and modification of inter-individual transactions. An inheritor of the Scots Hume and Ferguson, well before Hayek, Lippmann made the formation of civil society the result of a process of discovery of the general rule that must govern the reciprocal relations between human beings, and which thereby contributed to *civilizing* them, in the sense that the application of *civil law* obeyed the principle, as general as it is simple, of a rejection of arbitrariness in their relations. This principle of civilization ensured each person a sphere of liberty, fruit of restrictions on the exercise of arbitrary power by one human being over another. The development of the law, which was a negation of the possibilities of aggression against others, was the sole thing that made it possible to liberate productive faculties and creative energies.

For Lippmann, the new governmentality was essentially *judicial*: it did not so much follow the form of the administration of justice in all its extent and procedures as accomplish an integrally judicial operation in its content and scope. The simplistic opposition between state intervention and non-intervention, so pregnant in the liberal tradition, had prevented people from understanding the effective role of the state in legal creation and hampered possibilities of adaptation. The set of norms produced by custom, interpretation by judges and legislation, with the state's guarantee, evolved through a continual labour of adaptation, a continual reform that made liberal politics an essentially judicial operation. There was no difference in

kind in the operation of the executive, legislative and judicial powers: on different stages and according to distinct procedures, they all had to judge the often contradictory demands of groups and individuals with different interests. The law as general rule aimed to ensure fair obligations between individuals who were the bearers of particular interests. All liberal institutions exercised a judgement about interests. To adopt a law was to decide between opposing interests. The legislator was not an authority that commanded and imposed, but a judge who adjudicated between interests. The purest model was therefore that of Common Law, as opposed to the Roman law whence the modern theory of sovereignty derived.

The administration of justice, which was essentially commutative, had a vital place in a social universe where conflicts of interest were inevitable. It was because particular interests were differentiated in the 'Great Society', in an image dear to early liberals, that the mode of government must change from the 'authoritarian method' to the 'reciprocal method' of social control. Normative arrangements were intended to render individual demands compatible through a definition of, and respect for, reciprocal obligations, in accordance with an essentially horizontal logic. The Sovereign did not govern by decree and was not the expression of a collective goal, not even that of 'the greatest happiness of the greatest number'. The liberal rule of government consisted in leaving it to individuals' private action, not appealing to public authority, to decide what it was good to do or think. This was the principle of the boundary of state coercion – something which (as we shall see) presupposed distrust of government of the people by the people.

The key point in Lippmann is doubtless that the economy and the normative system cannot be conceived independently of one another. Their mutual implication starts from consideration of the general interdependence of interests in civil society. The gradual discovery of the principles of law was at once the product and factor of this 'Great Society' wherein everyone was connected to everyone else for the satisfaction of their interests: 'The method of social control by defining, adjudicating, and amending reciprocal rights and duties, rather than by authoritative commandments, is the legal framework evolved by men who have become interdependent by exchanging specialized work in widening markets.'⁵⁸ The exercise of this new mode of government had increased the field of interdependence, bringing more and more individuals into the network of transactions and competition, to the point where it was possible to imagine a 'Great Society' on a world scale, a logical outcome of the global division of labour. Far from constituting a global government or empire, the new civil society would establish peaceful relations between independent peoples thanks to the reinforcement of the global division of labour, itself bound up with 'an increasing acceptance throughout the world of the inner principles of a common law which all the

various parliaments representing the separate communities of mankind respect and adapt to the variety of their conditions'.⁵⁹

A GOVERNMENT OF ELITES

What distinguished collectivism from the strong liberal state? Collectivists harboured illusions about their capacity to control the totality of economic relations in a society as differentiated as modern society. The experience of the First World War and then the 1917 Russian Revolution had led people to believe in the possibility of direct, total management of economic relations. However, human beings could not direct the social order on account of the complexity and entanglement of interests: 'the more complex the interests which have to be regulated, the less possible is it to direct them by the coercion of superior authority'.⁶⁰

But let us not be misled. It was not a question of reducing the quantity of power possessed by this authority, but changing the type of authority, the field of its exercise. It would have to be content with being guarantor of a common law that would govern interests indirectly. Only a strong state could make people respect this common law. As Lippmann insisted in all his publications, it was necessary to renounce the illusion of weak governmental power such as it spread during the nineteenth century. The great liberal belief in a discreet, superfluous state had no longer been appropriate since 1914 and 1917:

As long as peace could be taken for granted, the public good could be thought of as being immanent in the aggregate of private transactions. There was no need for a governing power which transcended the particular interests and kept them in order by ruling over them.

All this was only, as we now know, a daydream during a brief spell of exceptionally fine weather. The dream ended with the outbreak of the First World War.⁶¹

The thesis of the strong state led neo-liberals to reconsider what was understood by democracy and, more especially, 'popular sovereignty'. The strong state could only be governed by a competent elite, whose qualities were the exact converse of the magical, impatient mentality of the masses:

Democracies must be constitutionally reformed in such a way that those to whom they entrust the responsibilities of government regard themselves not as the representatives of economic interests and popular appetites, but as the guarantors of the general interest against special interests; not as the instigators of electoral one-upmanship, but as the moderators of group demands; setting as their task enforcement of universal respect for the common rules of individual competition and collective agreements; preventing active minorities or visionary majorities from distorting to their advantage the fairness of the fight that should ensure the selection of elites for the benefit of all. They must inculcate in the masses, through the voice of new teachers, respect for qualifications, the honour of collaborating on a common project.⁶²

This is a feature shared by the political theses of Rougier, who had developed

them in his work *La Mystique démocratique*,⁶³ and the positions of Lippmann in favour of government by elites.⁶⁴ We shall encounter this redefinition of democracy again in Hayek's conception of 'demarchy'.⁶⁵ Well before *An Inquiry into the Principles of the Good Society*, in his writings on public opinion and the problems of government in democracies, Lippmann had examined at length the impossibility of reconciling an impartial system of rules and the active principle of popular sovereignty, according to which the masses could impose their wishes on governments.

Public opinion, the subject of two major works by Lippmann in the 1920s, prevented governments taking the requisite measures, especially those involving war and peace. The fact that peoples had too much influence via public opinion and universal suffrage was the congenital weakness of democracies. The democratic dogma had it that government must follow the majority view, the interests of the greatest number, which tended in the direction of what was most agreeable and least painful. On the contrary, it was necessary to allow governments to govern and to restrict the power of the people to nominating governments in accordance with a 'Jeffersonian' line. The key thing was to protect the executive government from the population's capricious interference – a cause of the erosion and instability of democratic regimes. The people must nominate who will lead, not say what must be done at any and every moment. This was the precondition for avoiding the state being drawn into general, unlimited intervention. Hence the necessity of a political technology that prevented it being subjected to special interests, as was the case with parliamentarism. Lippmann, of whom it has been said that he was a 'Platonist' in politics, in any event possessed the merit of consistency.⁶⁶

The general framework of neo-liberalism had been sketched out in the 1930s, well before Hayek assumed leadership of the movement in the wake of *The Road to Serfdom*. The relations between this inaugural phase and the evolution of neo-liberalism after 1947 and the foundation of the Mont Pelerin Society cannot be understood solely in terms of 'radicalization', or a 'return to classical liberalism', against the interventionist deviations apparent in 1938.⁶⁷ The development of Hayek's thinking, in particular, cannot simply be conceived as a 'reassertion' of the old principles, since it was to integrate the critique of the old laissez-faireism and the need for a firm, rigorous 'highway code' in a unique fashion. That intellectual system, which can be viewed as an original response to the problems posed by the redefinition of liberalism, would seek to combine the positions of the majority and the minority of the Lippmann Colloquium, making it possible, at least temporarily, to keep German ordo-liberals and the Austro-Americans in the same camp.

1 For the history of the Mont Pelerin Society, see Ronald Max Hartwell, *A History of the Mont Pelerin*

Society, Indianapolis: Liberty Fund, 1995.

2 For more details, see François Denord, 'Aux origines du néolibéralisme en France: Louis Rougier et le Colloque Walter Lippmann de 1938', *Le Mouvement social*, no. 195, 2001, pp. 9–34; and, more recently, Serge Audier's extensively researched book, *Le Colloque Lippmann. Aux origines du néolibéralisme*, Latresne: Le Bord de l'eau, 2008.

3 In the inter-war period, Walter Lippmann, an American journalist and writer famous for his analyses of US public opinion and foreign policy, stood at the crossroads of the 'new liberalism' and neo-liberalism. In *Drift and Mastery* (1913), he came out in favour of scientific control of the economy and society. Later, his writings on the Great Depression and the New Deal extended his thesis that there are no liberties in the absence of government intervention. In *The New Imperative* (1935), he argued that the 'new imperative' politically, which had been met with policies responding to the crisis, consisted in the state 'taking responsibility for the living conditions of citizens'. Such policies, implemented by Hoover and Roosevelt alike, had in his view inaugurated a 'permanent New Deal' that broke with the pre-1929 ideology of laissez-faire, giving government a new function that consisted in 'using all its powers to regulate the business cycle'. While government of the modern economy was indispensable, it remained to work out the optimal policy. All Lippmann's efforts were directed to rethinking a liberal mode of government. Cf. Ronald Steel, *Walter Lippmann and the American Century*, Boston: Little Brown, 1980.

4 Walter Lippmann, *An Inquiry into the Principles of the Good Society*, Boston: Little, Brown and Company, 1943, p. 225.

5 The term had already been employed before the conference, in particular by Gaëtan Pirou.

6 Rougier regarded the colloquium's deliberations as the continuation of a series of already published works identifying with liberalism, whose common theme was the 'crisis of capitalism'. He mentioned books by Jacques Rueff, *La Crise du capitalisme* (1935), Louis Marlio, *Le Sort du capitalisme* (1938), and Bernard Lavergne, *Grandeur et déclin du capitalisme* (1938).

7 Travaux du Centre international d'études pour la rénovation du libéralisme, *Le Colloque Lippmann*, Paris: Librairie de Médicis, 1939, p. 15. The conference report has recently been published by Serge Audier in *Le Colloque Lippmann*.

8 Agreement on this point was less general. Evincing the 'complexity of French neo-liberalism', in Audier's words, a number of conference participants were supporters of 'social progress' and 'social liberalism'. This was true, as already mentioned, of Louis Marlio or Bernard Lavergne. See Audier, *Le Colloque Lippmann*, pp. 140–57, 172–80.

9 Later, we shall see to what extent authors like von Mises, and especially Hayek, developed an original line of thought that cannot simply be identified with the old laissez-fairism.

10 Henri Truchy, 'Libéralisme économique et économie dirigée', *L'Année politique française et étrangère*, December 1934, p. 366 (referred to by François Denord).

11 The last-named will be introduced in Chapter 3.

12 Jacques Rueff, *La Crise du capitalisme*, Paris: Éditions de la Revue bleue, 1936.

13 *Ibid.*, p. 5.

14 *Ibid.*, p. 6.

15 Audier, *Le Colloque Lippmann*, p. 69.

16 *Ibid.*

17 *Ibid.*, p. 71.

18 *Ibid.*, p. 74.

19 *Ibid.*, p. 37.

20 François Denord comments on this point as follows: ‘In public, Rüstow respected the rules of academic propriety. In private, however, he confessed to Wilhelm Röpke just how badly he thought of Friedrich Hayek and Ludwig von Mises: their place was in the museum, in formalin. People like them were responsible for the great crisis of the twentieth century’ (*Aux origines du néolibéralisme en France*, p. 88).

21 Audier, *Le Colloque Lippmann*, pp. 15–16.

22 In *An Inquiry into the Principles of the Good Society* (p. 283), Lippmann explains that officials exist to enforce respect for the highway code, not to say where people should go.

23 Louis Rougier, *Les Mystiques économiques. Comment l'on passe des démocraties libérales aux États totalitaires*, Paris: Librairie de Médicis, 1938.

24 According to Rougier, belief in naturalism was a mystique, but less crude than the collectivist doctrine, which was sheer magical credence in the absolute sway of human reason over social and political processes. Consequently, there were different degrees of mystique.

25 Lippmann, *An Inquiry into the Principles of the Good Society*, pp. 186–7.

26 *Ibid.*, p. 185.

27 Lippmann conflates these two authors as a result of not taking Mill’s doubts and revisions into account.

28 *Ibid.*, p. 187.

29 *Ibid.*, p. 244.

30 *Ibid.*, p. 189.

31 *Ibid.*, p. 269.

32 *Ibid.*, p. 198.

33 *Ibid.*, pp. 191–2.

34 *Ibid.*, p. 277.

35 Rougier, *Les Mystiques économiques*, p. 84.

36 *Ibid.*, p. 10.

37 *Ibid.*, p. 192.

38 *Ibid.*

39 *Ibid.*, p. 194.

40 *Ibid.*, p. 85.

41 Audier, *Le Colloque Lippmann*, p. 41.

42 Rougier, *Les Mystiques économiques*, p. 4.

43 Lippmann, *An Inquiry into the Principles of the Good Society*, p. 169.

44 *Ibid.*, p. 237.

45 *Ibid.*, p. 225.

46 *Ibid.*, p. 211.

47 *Ibid.*, pp. 211–12.

48 *Ibid.*, p. 213.

49 *Ibid.*, p. 236.

50 *Ibid.*, pp. 212–13.

51 *Ibid.*, p. 236.

52 *Ibid.*, p. 214.

53 *Ibid.*, p. 221.

54 *Ibid.*, p. 224.

55 *Ibid.*, p. 267.

56 *Ibid.*, p. 289.

57 *Ibid.*, pp. 265–6.

58 *Ibid.*, p. 325.

59 *Ibid.*, p. 324.

60 *Ibid.*, p. 35.

61 Walter Lippmann, *The Public Philosophy*, London: Hamish Hamilton, 1955, pp. 16–17.

62 Rougier, *Les Mystiques économiques*, pp. 18–19.

63 Louis Rougier, *La Mystique démocratique (ses origines, ses illusions)* (1929), reprinted Paris: Éditions de l'Albatros, 1983.

64 Cf. Francis Urbain Clave, 'Walter Lippmann et le néolibéralisme de *La Cité libre*', *Cahiers d'économie politique*, vol. 48, 2005, pp. 79–110.

65 See [Chapter 4](#).

66 His admiration and friendship for de Gaulle were based on his embodiment of the state over and above special interests. Moreover, it should be noted that many other liberals – especially in France – viewed de Gaulle as a typically neo-liberal political model, from Jacques Rueff via Raymond Aron to Raymond Barre. Cf. Clave, 'Walter Lippmann et le néolibéralisme de *La Cité libre*', p. 91.

67 This is the inaccurate interpretation advanced by Alain Laurent in *Le Libéralisme américain. Histoire d'un détournement*, Paris: Les Belles Lettres, 2006, p. 139 ff. His error, like the symmetrical one of the 'anti-liberals', consists in a lack of understanding of the nature of 'liberal interventionism'. This prevents them from understanding how Hayek extended and inflected neo-liberalism.

CHAPTER 3

Ordo-liberalism Between ‘Economic Policy’ and ‘Policy of Society’

Born in the 1930s in Freiburg im Breisgau out of a rapprochement between economists like Walter Eucken (1891–1950) and jurists like Franz Böhm (1895–1977) and Hans Grossmann-Doerth (1884–1944), ordo-liberalism is the German form of neo-liberalism, which became established in the Federal Republic of Germany after the war. The term ‘ordo-liberalism’ stems from these theoreticians’ shared stress on the constitutional and procedural *order* underpinning a market society and economy.

'ORDER' (*ORDO*) AS A POLITICAL TASK

The term 'order' itself is to be understood in two senses: a specifically *epistemological* or *systemic* sense that pertains to the analysis of different economic 'systems'; and a *normative* sense, which dictates a particular economic policy. In the closing chapter of *Grundlagen der Nationalökonomie* (1940), Eucken thus distinguishes between 'economic order' (*Wirtschaftsordnung*) and 'order of the economy' (*Ordnung der Wirtschaft*). The first concept forms part of a typology of 'forms of organization'; the second possesses a normative significance, in as much as it refers to the realization and defence of an economic order capable of mastering the multiple aspects of the crisis of modern existence – i.e. the order of competition (*Wettbewerbsordnung*).¹ From the latter perspective, it emerges that the order of competition, far from being a natural order, must be constructed and regulated by an 'organizing' or 'ordering' politics (*Ordnungspolitik*).² The particular object of this politics is the institutional framework, which alone can ensure the proper functioning of that specific 'economic order'. In fact, in the absence of an adequate institutional framework, even the best intentioned economic policy measures are doomed to remain ineffective.

In an article of 1948 entitled 'Das ordnungspolitische Problem' ('The Political Problem of Ordering'), Eucken took the example of post-war Germany to highlight the decisive importance of this framework. In 1947, laws breaking up cartels were passed in order to disperse economic power. But these laws were instituted at a time when control of the economic process was in the hands of central government departments. In the framework of such an 'economic order' – that of a state-managed economy – such measures were ineffective: products like cement, steel, coal or leather continued to be distributed through the administration, so that the management of the economy remained largely unchanged. But if the 'economic order' had been different – in other words, if prices had served as regulators – the anti-monopoly law would unquestionably have had an altogether different result.³ Thus, the political task of the moment was to put in place an order of competition based on the price mechanism and, to that end, to create an institutional framework specifically adapted to a competitive economy.

Born in intellectual circles opposed to Nazism, ordo-liberalism was thus a doctrine of social transformation that appealed to people's responsibility. What was to be done to recreate a liberal social order after the transgressions of totalitarian statism? *Such* was the question its representatives asked themselves. For them this involved reconstructing the market economy on the basis of a scientific analysis of society and history.⁴ But a moral dimension was an integral part of such analysis: the 'liberal order' attested to the human capacity voluntarily and consciously to create a just social order, conforming to the dignity of man. The creation of a *Rechtsstaat*

was the precondition of this liberal order. This means that the institution and operation of capitalism were not predetermined; that they depended on political actions and legal institutions. Foucault quite rightly stressed the importance of contrasting this conception with the Marxist conception of the history of capitalism dominant at the time.⁵ In effect, ordo-liberalism adamantly rejected any form of reduction of the legal to a mere 'superstructure', as well as the correlative idea of the economy as an 'infrastructure'. This passage from the 1948 article just referred to exemplifies its position:

The view that the economic order is like an infrastructure (*der Unterbau*) on which are erected the orders of society, the state, law and the other orders is false. The history of modern times teaches us just as clearly as more remote epochs that state orders or juridical orders also exercise an influence on the formation of the economic order.

Eucken clarified his position by referring once again to the German situation after 1945. On the one hand, the transformation of the economic order as a result of the creation of monopolistic power groups could considerably influence decision-making in the state; on the other, the creation of monopolies could be encouraged by the state itself, notably through its patents policy, trade policy and fiscal policy. This, Eucken pointed, is what had often occurred recently: 'First of all, the state encourages the formation of private economic power and then becomes partially dependent on it. Thus, there is no unilateral dependency of the other orders on the economic order, but a reciprocal dependence, an "interdependence of orders" (*Interdependenz der Ordnungen*).'⁶ This analysis crucially implied that the development of capitalism was not entirely determined by the economic logic of capital accumulation, contrary to what a Marxist discourse, widespread at the time, claimed. From the latter's standpoint, 'there can only be one capitalism since there is only one logic of capital'. From an ordo-liberal standpoint – which was already that of Louis Rougier – 'the history of capitalism can only be an economic-institutional history'. This means that capitalism as we know it pertains to the 'historical singularity of an economic-institutional figure', not the unique figure that dictates the logic of capital accumulation. The political implication is clear: far from the impasse of *this* form of capitalism being the impasse of 'capitalism tout court', a whole field of possibilities is open to it, on condition of striving for a number of economic and political changes.⁷

A deliberate undertaking, as opposed to the product of blind evolution, the market order therefore formed part of a coherent set of institutions in keeping with a moral code. The ordo-liberals were not the only ones in their time to break thus with the naturalistic perspective of the old free trade. But they were distinguished by the fact that they systematized this rupture theoretically, showing that any production and exchange activity was

performed in the framework of a specific economic constitution and a constructed social structure. The critique of classical political economy was articulated with especial clarity by Eucken in 1948 in the aforementioned article:

The classics clearly recognized that the economic process of the division of labour imposes a difficult and diversified task of management. This was already a significant result, with respect to which the subsequent epoch lagged behind. They also saw that this problem could only be resolved by an adequate economic order (*Wirtschaftsordnung*). This too was a novel discovery of great scope, which was also subsequently mislaid. Despite that, economic policy, in as much as it was influenced by the classics, was not sufficiently attuned to the problem of ordering (*Ordnungsproblem*). The classics located the solution to the problem of management in the 'natural' order wherein competitive prices automatically drive the process. They believed that the natural order was realized spontaneously and that the social body did not require 'a certain precise regimen of diet' (Adam Smith) – and hence a specific policy of ordering the economy (*Wirtschaftsordnungspolitik*) – to prosper. We thereby ended up with a policy of 'laissez-faire' and, along with it, the generation of forms of order within whose framework management of the economic process allowed significant harms to emerge. Confidence in the self-realization of the natural order was excessive (*Das Vertrauen auf die Selbstverwirklichung der natürali-chen Ordnung war zu groß*).⁸

In even more cutting fashion, Wilhelm Röpke summarized the spirit of the doctrine in his *Civitas humana*, where, echoing the Lippmann Colloquium, we once again find a rejection of laissez-faire:

A satisfactory market economy capable of maintaining itself does not arise from our energetically doing nothing. Rather it is an artistic construction and an artifice of civilisation which has this in common with political democracy: it demands and presupposes a great deal which cannot be accomplished without our making the most strenuous efforts. Thus we observe a thoroughly comprehensive programme of an out and out *positive economic policy* with an impressive list of agenda.⁹

Particularly eloquent here is the assimilation of market economy to political democracy: both result from artifice, not nature.

But such broad agreement on the critique of the naturalistic illusions of classical political economy scarcely concealed certain differences, even disagreements, over the nature of the remedies to be applied to the ills from which modern society was suffering. Thus, quite legitimately, commentators have often drawn attention to the fact that the unity of the current was problematic. We can schematically distinguish two main groups: on the one hand, the economists and jurists of the Freiburg School – in the front rank, Eucken and Böhm; on the other hand, a liberalism of 'sociological' inspiration, whose main representatives were Alfred Müller-Armack, Röpke and Alexander Rüstow.¹⁰ The founders of the Freiburg School made the *juridico-*

political framework the principal foundation of the market economy and the object of the economic constitution. Institutional ‘rules of the game’ seem to have monopolized their attention. The authors in the second group, no less influential on political leaders than the first, put much more emphasis on the *social framework* in which economic activity is to occur. This is true of economists with sociological concerns, but also more pronounced religious and moral ones, like Röpke and Rüstow. In short, whereas the first group assigned priority to economic growth, regarded as the bearer of social progress in itself, the second was more attentive to the socially corrosive effects of the market process and, as a result, assigned the state the task of creating a ‘social environment’ (*soziale Umwelt*) capable of reintegrating individuals into communities. The first group formulated the principles of an ‘economic policy’ (*Wirtschaftspolitik*); the second undertook to develop a veritable ‘policy of society’ (*Gesellschaftspolitik*).¹¹

THE LEGITIMATION OF THE STATE BY THE ECONOMY AND ITS 'SOCIAL SUPPLEMENT'

Ordo-liberalism supplied the doctrinal justification for West German political reconstruction by making the market economy the basis of a liberal-democratic state. This justification contains two aspects – one negative, the other positive.

First of all – and this is the negative aspect – the ordo-liberal critique of Nazism cast it as the natural result and truth of the planned, state-managed economy. Far from constituting a 'monstrosity' or 'foreign body', Nazism was, as it were, an indicator of a kind of invariant necessarily combining certain elements: protectionist economics, economics of state aid, planned economy, state-managed economy.¹² Significantly, Röpke would go so far as to refer to the planned economy as a 'commando economy' (*Kommandowirtschaft*)!¹³ But the critique went even further. It detected in Nazism a logic of indefinite growth of state power, thus allowing itself to deflect back onto Nazism its incessant critique of individualistic bourgeois society. According to the ordo-liberals, it was not in fact the market economy that was responsible for the breakdown of traditional organic bonds and the atomization of individuals, but the growth of state power, which had the effect of destroying the bonds of community between individuals.¹⁴ It once again fell to Röpke to provide this critique of Nazism with a philosophical foundation. From the standpoint of ordo-liberalism, Nazism simply took the application to economy and society of the type of rationality valid in the natural sciences to its extreme. Economic collectivism emerges in this perspective as an extension of the 'scientistic elimination of man' to economic and political practice. Such 'economic Napoleonism' could prosper 'only in the shade of a scaffold',¹⁵ in as much as it sought complete mastery of society through planning, to which every individual was forced to submit. Economic collectivism and tyrannical state coercion were linked, just like market economy and individual liberty. By contrast, the market economy was an insurmountable obstacle to any 'politicization of economic life'; it prevented political power from deciding in place of the consumer. The principle of 'free choice' appears here not only as a principle of economic efficiency, but also as an antidote to any coercive drift on the part of the state.

Considered now in its positive aspect, the doctrinal originality of ordo-liberalism in the historical context of the post-war reconstruction of German political institutions was that it operated (in Foucault's words) a 'double circuit' between state and economy. While the state provided the framework of a space of liberty within which individuals could pursue their particular interests, the free play of the economy would create and legitimate the rules of public law of the state in another direction. In other words, 'the economy produces legitimacy for the state that is its guarantor'.¹⁶ In this sense, the ordo-liberals' problem was the precise opposite of the one confronting

liberals in the eighteenth century: not creating space for economic freedom in an existing state that already possessed its own particular legitimacy, but bringing a state into being on the basis of the pre-existing space of economic freedom.¹⁷ To be intelligible, the importance of this legitimation of the state through economic growth and an increase in living standards must obviously be reinserted into the political history of Germany, especially the traumatic experience of the Third Reich.

For Foucault this is what explains the broad and enduring ‘consensus’ on economic objectives decided by West Germany’s leaders in 1948. In April 1948, the scientific committee formed by the German administration of the economy in the Anglo-American zone, which in particular included Eucken, Böhm and Müller-Armack, delivered a report arguing that management of the economic process must be ensured by the price mechanism. A few days later, Ludwig Erhard,¹⁸ who was in charge of the economic administration of the ‘bi-zone’, adopted this principle and called for a freeing of the economy from state controls. In fact, price liberalization was to be coupled with monetary reform in June 1948. This policy decision went against the dirigiste and interventionist climate that prevailed at the time throughout Europe, mainly on account of the exigencies of reconstruction.

Two men played a decisive role in the conversion of Erhard, who was initially hesitant about such measures. The first was none other than Eucken himself. In 1947, he published a text significantly entitled ‘The German Economic Misery’ (‘Die deutsche Wirtschaftsnot’). In it, he showed how a state-managed economy resulted in the disintegration of the productive system and pointed to the Allies’ responsibility for this state of affairs. Their policy seemed to him to be a direct continuation of Nazi policy: control of prices and distribution, dismantling, confiscation and so on. He therefore recommended breaking up the system of the state-managed economy by coupling monetary reform with price liberalization. Clearly, Eucken’s efforts at persuasion throughout 1947 largely explain the rapidity with which monetary reform was implemented.¹⁹ The second thinker who directly influenced Erhard was Röpke. Back in Germany in 1947 after twelve years in exile, he offered the same analysis as Eucken: the major problem of the German economy was the ‘loss of the role of prices as indicators of scarcity’.²⁰ In April 1948, Erhard visited Röpke, at the time living in Geneva, and (according to one of his biographers) took the decision about monetary reform on his return from Switzerland.²¹

However, in and of itself the promotion of the economy to the rank of legitimating instance in no way settles the question of what precise form the political organization of the state to be reconstructed should take. The institution of the market is insufficient to determine the form of constitutional construction. If we accept Foucault’s thesis of a legitimation of

the state by the economy, we must not forget that there is also in ordo-liberalism – at any rate, in the second of the two groups distinguished above – an attempt to legitimate political authority by its ‘social mission’. Considerations at once moral and social were thus going to make it possible to inflect the doctrine significantly. This is because it is not merely a question of stating what the rights and liberties of individuals are; it is also necessary to locate the concrete roots and milieus of the duties they will have to acquit.

Röpke especially stressed the fact that one dimension of the great civilizational crisis issuing in totalitarianism took the form of a crisis of state legitimacy. What can political legitimacy be based on? A legitimate state is one that observes the law, which respects the principle of freedom of choice, obviously. But it is also a state that observes the *principle of subsidiarity* such as it is defended by Catholic doctrine – that is, respects the milieus of individuals’ integration into hierarchical natural spheres. The foundation of political order is not exclusively economic, it is sociological. If a decentralized state of the federal variety, respecting the principle of subsidiarity based on the idea of this hierarchy of ‘natural communities’, is preferable, it is because only such an institutional form provides a stable, secure, but also moralizing social framework for individuals. Such integration into the family, the neighbourhood, the village or locality, the region, is what gives individuals a sense of their responsibilities, a sense of obligations to others, an appetite for performing their duties, without which there is neither social bond nor genuine happiness. As we shall see, a specific policy, of a ‘sociological’ kind, is required to ensure this moral and social foundation of the state, so that we can also speak of a ‘double circuit’ between society and the state. Here decentralization is integrated into the liberal doctrine of the limitation of state power. Röpke explains the ‘principle of hierarchy’ as follows:

from the individual upward to the central government the original right lies with the lower rank and each higher rank only subsidiarily takes the place of the rank immediately below it if a task is beyond the capacity of the latter. In this manner there comes into being a hierarchy of individuals through the family and the parish to the district or country and finally to the central government, a hierarchy which at the same time limits the government itself and opposes it to the personal right of the lower ranks with their invulnerable spheres of liberty. In this broad sense of subsidiarity the principle of political decentralisation already contains the germ of Liberalism in its wide and general sense, an idea which is at the root of the conception of a sound government, one which sets the necessary limits to itself and obtains its own background.²²

Let us therefore not misconstrue what Röpke means when he characterizes this social foundation as ‘natural’: the adjective is there solely to signify its character as a condition of a ‘healthy integration’ of individuals into their milieus. The evolution of western societies since the nineteenth century had

generated an increasingly pathological disintegration of these communities. Consequently, it was up to the state to engage in a constant adaptation of these social frameworks through a specific policy that had two objectives, presented by Röpke as reconcilable and complementary: the social consolidation of the market economy and the integration of individuals into local communities.

THE ORDER OF COMPETITION AND THE 'ECONOMIC CONSTITUTION'

As we have seen, in its specifically normative sense 'ordo' refers to an organization that is both economically efficient and respectful of the moral dimension of man, an 'organization capable of functioning and worthy of Man'.²³ This organization can only be a market economy. To this extent, through appropriate economic legislation, *Ordnungspolitik* aims above all to determine a stable 'framework' for the optimal functioning of an economic 'process' based on free competition and the coordination of economic agents' plans through the price mechanism. As a result, it makes consumer sovereignty and free, undistorted competition the fundamental principles of any 'economic constitution'. What is the basis of the economic and moral superiority of the market economy to other possible economic orders?

According to ordo-liberals, the superiority of the market economy consists in the fact that it is the only form capable both of overcoming the scarcity of goods (first criterion, or criterion of 'capacity of functioning') and of leaving individuals free to conduct their lives as they wish (second criterion, or criterion of 'human dignity'). The principle at the heart of this economic order is none other than competition and that is precisely why this order is superior to all the others. In Böhm's words, the competitive system is 'the only system that affords full opportunity to the spontaneous plans of the individual', and which succeeds in 'harmonizing the millions of spontaneous, free plans with the desires of consumers' – and this without injunctions and legal coercion.²⁴ As we have already seen, this promotion of the principle of competition introduces a major shift compared with classical liberalism, in as much as the market is no longer defined by *exchange*, but by *competition*. If exchange operates by equivalence, competition implies inequality.²⁵

But the most important thing is the fundamentally anti-naturalistic and anti-fatalistic attitude entailed by recognition of the logic of competition which governs the market economy. Whereas the old liberal economists had inferred from it the need for non-intervention by the state, the ordo-liberals make free competition the object of a fundamental political choice. This is because competition is not exactly for them a natural datum, but an 'essence' extracted through the method of 'isolating abstraction'.²⁶ This is 'eidetic reduction' as developed by Husserl employed in the field of economic science. The aim is to extract the necessary from the contingent, by imaginatively making any object vary to the point of isolating a predicate that can be separated from it. The invariant thus obtained reveals the essence or *eidōs* of the object under examination – hence the term 'eidetic' given to this method. Far from being based on the observation of natural facts, liberalism thus breaks with any attitude of 'naïve naturalism'.²⁷ It justifies its preference for a certain economic organization by means of a rational argument that calls for the legal construction of a *Rechtsstaat* and a market order.

In fact, ordo-liberal policy is wholly dependent on a constituent decision: it is literally a question of institutionalizing the market economy in the form of an 'economic constitution', itself a component part of the positive constitutional law of the state, in such a way as to develop the fullest, most coherent form of market.²⁸ The economic law of competition, explained the economists and jurists of Freiburg, is one of the major planks of the legal system established by the legislator and jurisprudence. Eucken and Erhard were to call this economic constitution the 'basic decision' or 'fundamental decision'. Its principle is simple: 'The realization of a price system of perfect competition is the criterion of any measure of economic policy.'²⁹

All instances of economic legislation must help ensure the smooth functioning of this logic of 'perfect competition'. The different pieces of the model are adjusted to one another thanks to the work of scientific experts who elaborate their 'constituent principles' (*konstituierende Prinzipien*). As their name indicates, the role of these principles is to constitute the order as a formal structure. There are six of them: principle of the stability of economic policy; principle of monetary stability; principle of open markets; principle of private property; principle of freedom of contracts; principle of the responsibility of economic agents.³⁰

'ORDERING' POLICY AND 'REGULATORY' POLICY

Once the institutional rules have been formulated, how precisely is the policy that it is incumbent on the government to conduct to be defined? The latter must be implemented at two levels that are not of equal importance: at a first level by robust supervision, even moulding, of society by legislation; and at a second level by the vigilant action of a 'market policing'.

German neo-liberals are very far removed from hostility in principle to any state intervention. On the other hand, they seek to distinguish good intervention from bad according to the criterion of its conformity to the 'model' proposed by the constitution. The ordo-liberal distinction between actions that are 'consistent' and actions that are 'inconsistent' with the market order must not be assimilated to the Benthamite distinction between *agenda* and *non-agenda*. It is not the result of the action that provides the evaluative criterion, but respect or non-respect for the basic 'rules of the game' of the competitive order. The logic is more procedural than consequentialist.

The fundamental distinction between 'framework' and 'process' grounds the distinction between the two levels of ordo-liberal policy – namely, the policy of 'ordering' and 'regulatory' policy. Consistent actions can pertain to the 'framework' and in any event define an 'organizing' or 'ordering' policy. But they can also pertain to the 'process' and are then commensurate with a 'regulatory' policy. According to Eucken, the 'framework' is the product of human history, so that the state can continue to shape it through an active policy of 'ordering'; the 'process' of activity pertains to individual action – for example, private initiative in the market – and must be exclusively and strictly governed by the rules of competition in a market economy.

The 'ordering' policy aims to create the legal conditions for a competitive order operating on the basis of a system of free prices. To adopt a term of Eucken's, it is important to shape the global 'data' – those imposed on the individual and escaping the market – in order to construct the framework of economic life such that the price mechanism can operate regularly and spontaneously. These data constitute the conditions of existence of the market in which government is to intervene. They can be divided into two types: the data of social and economic organization and material data. The former are the rules of the game that must be imposed on individual economic actors. Global free trade is an example. Work on people's mentality, even psychological conditioning (what, under Erhard, was called '*Seelen Massage*'),³¹ must also be included in them. The material data comprise infrastructure (facilities), on the one hand, and human resources (demographic, cultural, moral and educational), on the other. The state can also be active as regards technology by encouraging higher education and research, just as it can stimulate personal savings through its impact on the

fiscal and social system. Röpke was to affirm that this policy of supervision, typical of 'liberal interventionism', relied on

measures and institutions which provide competition with that framework, those rules of the game, and that apparatus for impartial supervision of those rules which are just as necessary for competition as for a sporting contest if it is not to degenerate into a mere riot. A genuine competitive system which is at the same time just, fair and which functions properly cannot exist without permanent supervision of the conditions under which competition must fulfil itself as a really effective system.³²

The more effective this ordering policy, the less extensive the regulatory politics will have to be.³³ In fact, the function of the 'regulatory' policy is to 'regulate' the existing structures in such a way as to cause them to evolve towards the order of competition or to guarantee their conformity to this order against any drift. Consequently, far from clashing with the logic of competition, its task is to remove all the obstacles to the free play of the market through a veritable policing of markets, one example of which is the struggle against cartels. Conjunctural policy is therefore not ruled out, but it must respect the supreme constitutional rule of price stability and control of inflation, and not infringe the free formation of prices. Neither the preservation of spending power, nor the maintenance of full employment, nor the equilibrium of the balance of payments can be a primary objective, but is necessarily subordinate to the 'constituent principles'.

The 1957 law that set up the Bundesbank is a perfect example of this orientation, when it specifies that the Central Bank is independent, not subject to government directives, and that its essential mission is to safeguard the currency. It must therefore decline to intervene in the 'process' – in particular, through a loose monetary policy that would inappropriately use a reduction in interest rates to achieve full employment. In principle, active policy of the Keynesian variety is incompatible with *ordo-liberal* principles. In fact, it encourages inflation and rigidifies markets, whereas structural policy must be directed towards wage and price flexibility. Generally speaking, all the tools resorted to by planning, such as price fixing, support for a particular market sector, systematic job creation and public investment, are ruled out. In addition to the fact that it is subordinate to the law of the economic constitution, regulatory policy is governed by a number of specific principles, precisely defined as 'regulatory' (*regulierende Prinzipien*): creation of an office of surveillance of cartels; direct and progressive fiscal policy; monitoring of the unintended consequences liable to ensue from the freedom allowed economic agents to pursue their own projects; and particular surveillance of the labour market.³⁴ To summarize: ordering policy intervenes directly in the 'framework' or conditions of existence of the market in such a way as to realize the principles of the economic constitution; regulatory

policy does not intervene directly in the 'process' itself, but takes the form of vigilance and surveillance intended to remove all obstacles to the free play of competition, and thereby facilitate the 'process'.

THE CITIZEN-CONSUMER AND THE 'PRIVATE LAW SOCIETY'

Ordo-liberalism aims to ground a social and political order in a determinate type of social relation: free, fair competition between individuals who are completely sovereign over their own existence. Any distortion of competition betrays the illegitimate domination either of the state or of a group of private interests over the individual. It is comparable to tyranny and exploitation.

The key issue for ordo-liberalism is power: both the *de jure* power that every individual possesses over his or her life, private property being understood in this respect as a means of independence; and the illegitimate power of all interest groups liable to detract from the power of individuals through anti-competitive practices. The social ideal, which is sometimes very archaic, as in Röpke, refers both to a society of small entrepreneurs, none of whom is in a position to wield exclusive, arbitrary power in the market, and to a democracy of consumers who daily exercise their individual power to choose. The most perfect political order seems to be one that affords satisfaction to a multitude of sovereign individuals who supposedly have the last word in politics as well as in the market. Thus, Erhard stressed that 'freedom for the consumer and freedom to work must be explicitly recognized as inviolable basic rights by every citizen'.³⁵

It must be appreciated that this political promotion of the consumer, far from being insignificant, is directly bound up with the constitutional principle of competition. Certainly, individuals are bound to one another by economic actions where they intervene as both producers and consumers. The difference consists in the fact that individuals as producers seek to satisfy a demand from society – they are therefore in some sense its 'domestics' – whereas, qua consumers, they are in the position of 'giving the orders'. The ordo-liberals' thesis is that consumers have 'common constitutional interests' which do not obtain among producers. In effect, the interests of individuals as producers are interests of a protectionist kind, in as much as they aim to obtain special treatment for specific persons or groups, or a 'privilege', and not rules uniformly applicable to all. On the contrary, the interests of individuals as consumers are consensual and common; and this is the case even if they are massed in different markets. Qua consumers, all individuals have the same interest in the competitive process and respect for the rules of competition. From this point of view, the 'economic constitution' of the order of competition seems to pertain to a kind of contract between the consumer-elect and the state, to the extent that the latter sanctions the general interest by sanctioning consumer sovereignty.³⁶

The state must obviously start by respecting equality of opportunity in the competitive game, by abolishing anything that might resemble a privilege or protection granted to some special interest at the expense of others.³⁷ One of

the doctrine's main arguments, which we come across in other liberal currents, is that one of the principal tendencies of capitalism – excessive concentration and cartelization of industry – is not endogenous in nature, but originates in policies of privilege and protection pursued by the state when it is under the control of large private interests. That is why a 'strong state', capable of resisting all pressure groups and free of 'Manchester School' dogmas of the minimum state, is required.

Erhard encapsulated the spirit of this doctrine very clearly in his book, originally entitled *Prosperity for All*. The state has a crucial role to play: it is the supreme guardian of competition and monetary stability, regarded as a 'basic right of the citizen'. The basic right to enjoy equal rights and opportunities and a 'stable framework', without which competition would be distorted, legitimates and guides public intervention. In Erhard's view, politics consists in abiding by general rules without ever privileging any particular group, for that would be to introduce serious distortions into the allocation either of incomes or of resources in the whole economy. The latter is a whole whose parts are interconnected in a coherent fashion: 'To take into account special interests, to give in to individual demands of certain economic circles is impossible because of the inter-dependence of all economic activity. Every single economic measure reacts even on those sectors which are not directly included in the action, and which, seen superficially, appear unlikely to be affected.'³⁸

But it is in the now classic essay by Böhm, *Privatrechtsgesellschaft und Marktwirtschaft* ('Private Law Society and Market Economy'),³⁹ that we find the most fully developed and original theoretical legitimation of the 'constitutional preference' for the order of competition. The author attacks the prejudice of jurists according to which the individual, at the level of law, is directly confronted with the state. He shows that the French Revolution, far from having emancipated the individual *from* society, in fact 'left [him] *in* society'. It is society that was transformed from a feudal society of privilege 'into a pure society of private law' (in *eine reine Privatrechtsgesellschaft*).⁴⁰ He clarifies what is meant by 'private law society': 'A private law society is in no wise a mere neighbourhood of unconnected individuals, but a multitude of human beings who are subject to a unitary order (*einheitlichen Ordnung*) and, in truth, an order of law (*Rechtsordnung*).' This order of private law does not simply establish rules to which all members of society are equally subject when they conclude contracts with one another, acquire goods and equities from one another, cooperate or exchange services, and so forth. Above all, it confers on all those who come within its jurisdiction very great freedom of movement, the competence to make plans and lead their life in relation with their kin, a *status* within the private law society that is not some 'gift of nature', but a 'social civil right'; not a 'natural power', but a 'social

authorization'. The reality of law is therefore not that individuals find themselves directly confronting the state, but that they are linked to their state 'through the medium of the private law society'.⁴¹

Here we unquestionably have a form of rehabilitation of 'civil society' against a certain propensity in German thought to subordinate it to the state.⁴² The point is all the more important in emphasizing that the operation of the system of direction of the market economy presupposes the existence of a private law society.⁴³ In these conditions, the role of government is limited 'to establish the framework-order (*die Rahmenordnung*), to tend to it and enforce respect for it'.⁴⁴ The most remarkable thing is that, while twisting its meaning, Böhm does not hesitate to adopt Rousseau's distinction between the 'general will' and 'particular wills' for his own purposes.⁴⁵ In acquitting its mission, the state acts impartially and guarantees that the 'general will' will not be sacrificed on the altar of different particular wills. On the one hand, there are all those pressure groups, organized on the basis of professional interests, which seek to undermine the constitutional mandate of the state by asserting a particular interest at the expense of the generality of the rules of private law. On the other, there is the general interest of all members of society in the establishment and maintenance of an order of competition governed by private law. From this point of view, the 'general will' is the will to defend the generality of the rules of private law, while the 'particular will' is the 'professional will' whereby some interest group acts to obtain exemptions from the law or a particular law. Whereas in Rousseau the general will, as a relationship of the people to itself, constitutes the foundation of public law, in Böhm its purpose is to establish and preserve private law. Government is thus the guardian of the 'general will' by being the guardian of the rules of private law.⁴⁶

THE 'SOCIAL MARKET ECONOMY': THE AMBIGUITIES OF THE 'SOCIAL'

For ordo-liberals, the term 'social' refers to a form of society based on competition as a kind of human bond, a form of society that is to be constructed and defended by the deliberate action of a *Gesellschaftspolitik* ('policy of society'), as Rüstow and Müller-Armack dubbed it. The object of an intentional policy, this type of society of individuals, sovereign in their choices, is also the ultimate foundation of a *Rechtsstaat*, as we have just seen.

However, in a more classical sense, the term also refers to a certain faith in the beneficent *outcome* of the market economy process – a faith which the title of Erhard's aforementioned book encapsulates: *Prosperity for All*. Müller-Armack,⁴⁷ propagator of the term 'social market economy', explained that the market economy was 'social' because it conformed to the choices of consumers, because it realized a democracy of consumption through competition by pressurizing firms and wage-earners to improve productivity: 'This orientation to consumption is in fact equivalent to a social service of the market economy.' He added that 'enhancement of productivity, guaranteed and constantly imposed by the competitive system, also acts as a source of social progress'.⁴⁸

Before finally rallying to it, German socialists criticized this concept on the grounds that the market economy could not be social; that it was even opposed in principle to any economy based on solidarity and social cooperation. Müller-Armack responded with two arguments:

- A market economy system is superior to any other form of economy in ensuring welfare and economic security. 'It is the quest for a synthesis between the rules of the market, on the one hand, and the social needs of a modern mass industrial society, on the other.'⁴⁹
- The *social* market economy is opposed to the *liberal* market economy. The market economy is desired by a society; it is an irrevocable collective choice. A market order is an 'artificial order' determined by societal goals. It is a social machine that must be regulated. It is an artifice, a technical means, which is bound to produce positive outcomes as long as no law contravenes market rules.

The meaning of 'social' is therefore ambivalent. Sometimes it refers directly to a reality constructed by political action; sometimes it proceeds from credence in the social benefits of the system of perfect competition. It is also all-encompassing. For Müller-Armack, a social market economy comprises cultural, education and scientific policy. Investment in human capital, urbanism and environmental policy form part of the policy of social supervision.

In its ordo-liberal sense, 'social market economy' is an expression directly opposed to the welfare state or social state. 'Prosperity for all' is a result of the market economy and it alone, whereas the social security and various allowances allocated by the social state – doubtless a necessary evil, but a

temporary one that must be restricted as much as possible – risk demoralizing economic agents. Individual responsibility and charity in its various guises are the only genuine remedies for the problems of poverty.

While they greatly influenced the political authorities in Germany after the end of the war, the ordo-liberals were unable to get rid of a system of social security that dated from Bismarck, or even to arrest its development as they would have wished. Similarly, they had to adapt to co-management of enterprises – a kind of compromise with German trade unions in the post-war period. But it is a complete misinterpretation to assimilate this social interventionism to ordo-liberalism.⁵⁰ According to the doctrine, ‘social policy’ was to be limited to minimal legislation protecting workers and a very moderate fiscal redistribution to enable everyone to participate in the ‘game of the market’. It was thus to be confined to the struggle against exclusion – a theme that makes it possible to conjoin the Christian doctrine of charity and the neo-liberal philosophy of universal inclusion in the market by ‘encouraging individual responsibility’. Röpke stressed the fact that ‘liberal interventionism’ also had the task of guaranteeing individuals a stable, secure framework of existence – something that presupposed not so much ‘interventions of conservation’ as interventions of adaptation, which were the only variety capable of protecting the most vulnerable against the rigours of economic and technological change.

Social progress took the form of the constitution of a ‘popular capitalism’ based on encouraging individual responsibility through the constitution of ‘reserves’ and the creation of a personal estate obtained through work. Erhard explained unequivocally that ‘the terms free and social overlap ...; the freer the economy, the more social it is and the greater the profit for the national economy’.⁵¹ It was from free competition that any social progress would be generated: ‘Prosperity for all’ and ‘Prosperity through Competition’ were synonymous.⁵² As regards social policy, it was therefore necessary to reject the indiscriminate principle of universal protection. Ethical value consisted in the competitive struggle, not in the generalized protection of the welfare state, ‘where everyone has one hand in the pocket of another’.⁵³

ORDO-LIBERALISM'S 'POLICY OF SOCIETY'

As we saw above, an important aspect of the doctrine is the assertion of the *interdependence* of all institutions, as of all levels, of human reality. The political order, the legal foundations, values and mentalities form part of a global order and all of them impact on the economic process. The policy's objectives logically included action on society and the living environment, with a view to making them consistent with the smooth functioning of the market. The doctrine therefore leads to reducing the separation between state, economy and society as it existed in classical liberalism. It blurs the boundaries by considering that all dimensions of the human being resemble pieces indispensable to the functioning of an 'economic machine' (Müller-Armack). The market economy can only operate if it is based on a society that furnishes it with the ways of being, values and desires it requires. Law is insufficient; it also requires mores. If we wish to regard this economy as a coherent global entity, this is probably the most profound sense of the expression 'social market economy'.⁵⁴

Ordo-liberalism conceives society on the basis of a certain idea of the bond between individuals. When it comes to social relations, competition is the *norm*. It goes together with freedom: no freedom without competition, no competition without freedom. Competition is the inter-individual mode of relationship that best corresponds both to economic efficiency and to the moral requirements expected of human beings, in as much as it enables them to assert themselves as autonomous beings, who are free and responsible for their acts.

Such competition is fair if it involves individuals capable of exercising their capacity for judgement and choice. This capacity depends on legal structures, but also social structures. Hence the idea of a 'policy of society', which logically supplements the constitutional grounds of the doctrine. To obviate any confusion, *Gesellschaftspolitik* must therefore always be translated as 'policy of society', not 'social policy'. The objective genitive plays an essential role in as much as it signifies that society is the object and target of government action – and not that this action should involve transfers from the highest incomes to the lowest. That is why Foucault is fully justified in speaking of a 'government of society', by contrast with the 'economic government' of the physiocrats.⁵⁵

Unquestionably, Röpke is one of those who theorized the specificity of this policy of society most fully. To defend the market economy against the lethal poison of collectivism, it was important, he wrote in his numerous and copious works, to criticize historical capitalism – that is, the concrete form assumed by the ordering principle of the market economy.⁵⁶ The latter remained the best economic system and, as we have seen, the sole basis for an authentically liberal state. But history had witnessed the 'adulteration and

distortion of market economy through monopoly and irrational state interference',⁵⁷ to the extent that in its current form capitalism was 'the distorted and soiled form which market economy assumed'.⁵⁸ 'Economic humanism', still called the 'third way', was based on a *sociological liberalism* (*soziologische Liberalismus*), such that 'the arms forged for the attack on the old purely economic form are blunted in face of the new'.⁵⁹ Röpke conceded that the old liberalism ignored society or assumed its spontaneous adjustment to the market order. This was a culpable blindness, produced by the optimistic rationalism of the Enlightenment, which ignored the social bond, the diversity of its forms, and the 'natural' environments in which it flourished. It was therefore important to define the social preconditions for the functioning of the competitive system and to consider the reforms required to assemble them. This would be spelt out by the 'third way', or 'constructive liberalism' and 'economic humanism', which was foreign to both collectivism and monopolistic capitalism – two types of economy that favour compulsion, despotism and dependency.

The question posed in Röpke's work is therefore this: what kind of society must it be for consumers to be able fully and continually to exercise their right to choose, in complete independence, the goods and services that will most satisfy them?

This 'third way', which is distinguished from the more narrowly legal constitutionalism of the founders of the Freiburg School by its highly pronounced moral dimension, has to meet a much larger challenge than mere economic malfunctioning. It must offer a remedy for a 'total crisis of our society'. That explains why this 'structural policy'⁶⁰ is more comprehensively defined as a 'policy of society' – one aimed at a complete transformation of society, but in a direction that is obviously very different from collectivism. The key formula is supplied in *Civitas humana*: 'Market economy can be maintained only with a corresponding policy for the social framework.'⁶¹ Intent on producing individuals capable of responsible, informed choices, it must seek to decentralize political institutions, relieve urban congestion, de-proletarianize and desegregate social structures, and de-monopolize the economy and society: in a word, create a 'humane economy', in the phrase that Röpke liked to use, and whose example he saw in the villages of the Bernese region, composed of small and medium-sized farms and artisanal enterprises.

The archaic and nostalgic aspect of this sociological liberalism should not mask the fact that it amounted to a response to a crucial problem for all neoliberals. How to rehabilitate the market economy, how to continue believing in the full sovereignty of the individual in the context of the gigantism of industrial and urban capitalist civilization? The problem arises for Hayek, obliged to distinguish between the 'spontaneous order' of individual

interaction and 'organization', which rests on intentional coordination – in particular, that of modern production in capitalist enterprises as well as the administrative state apparatuses.⁶² To what extent can the independent individual, consumer and producer, be made the touchstone of the market economic order? Röpke has the merit of not evading the problem. If we wish to avoid the 'ant heap society' of large-scale capitalism and collectivism, it is necessary to act in such a way that social structures furnish individuals with the bases of their independence and dignity.

Foucault had a clear sense of the ambiguity of this 'policy of society'.⁶³ It must ensure that society is not completely overwhelmed by the logic of the market (principle of the heterogeneity of society and economy), but it must also ensure that individuals identify with micro-enterprises enabling the realization of a competitive order (principle of the homogeneity of society and economy). 'Both market economy and uncommercialised society mutually complete and support one another. Both have a relationship to each other of hollow space and frame or of a convex and a concave lens which together form the camera's eye.'⁶⁴

This point warrants careful examination. The market economy must be supervised, firmly located in the 'sociological-anthropological framework' it depends on, but without ignoring the fact that it must also be distinguished from it:

The market economy is not everything. In a healthy, living society, it has a definite place which cannot be dispensed with and where it must be pure and clearly defined. But it inevitably degenerates, decays and poisons all the other sections of society with its germs if other spheres do not exist alongside this one: the spheres of individual self-provision, state economy, planning, self-sacrifice, and simple non-market humanity.⁶⁵

The market encounters its limits in spheres subtracted from the logic of the commodity: self-production, family life, and the public sector indispensable to social existence.⁶⁶ The exigency of a plurality of social spheres stems not from a concern for efficiency or justice, but from the plural nature of man – something the 'old economic liberalism' did not understand. The social bond cannot be reduced to a market relation:

It was overlooked that the Market represents but one narrow sphere of social life, a sphere which is surrounded and kept going by a more comprehensive one; a wider field in which mankind are not merely competitors, producers, men of business, members of unions, shareholders, savers and investors, but are simply human beings who do not live on bread alone, men as members of their family, as neighbours, as members of their churches, as colleagues, as citizens of the community, men as creatures of life and blood with their sentiments, passions and ideals, which invoke justice, honour, mutual aid, a sense of the general interest, peace, a job well done, the beauty and tranquillity of nature. The market economy is simply a determinate organization and, as we have

seen, absolutely indispensable within a narrow sphere where it has its real, undistorted place. Left to itself, it is dangerous and untenable, because it reduces human beings to an utterly unnatural existence. Sooner or later, they will then reject this market economy, which will have become hateful to them.⁶⁷

The main cause of the great social and moral crisis of the West, which leads straight to collectivism, consists in the fact that the social framework has been insufficiently robust. It is not the market economy that has failed to function; the supporting framework has given way. Röpke thinks the social crisis as a collapse of the dams that should 'contain' the market: 'it is just because of the rotten condition of this supporting framework that the liberal economic structure of the past together with the liberal social system has fallen down'.⁶⁸

What is the remedy? If the market economy is like a hollow space, it is necessary to reinforce the border, to pursue a policy 'directed to a greater stability and permanency of the anthropological-social frame'.⁶⁹

This 'sociological programme' comprises several paths – decentralization, de-proletarianization, de-urbanization – all of which tend towards a common objective: a society of small family units of habitation and production, which are independent and in competition with one another. Everyone must therefore be integrated professionally into a work environment guaranteeing their independence and dignity. In a word, everyone must enjoy the guarantees offered by small enterprise; or rather, *everyone must function as a small enterprise*. We can see the ambiguity highlighted by Foucault: what is supposed to function as an *outside* of the market, limiting it from without, is precisely conceived on the *model* of an atomistic market composed of multiple independent units.

THE SMALL ENTERPRISE AS THE REMEDY FOR PROLETARIANIZATION

Let us now examine Röpke's critique of proletarianization – the main factor in collectivism – more closely. Industrial society has led to urban deracination and an unprecedented nomadism of the wage-earning masses: 'a pathological state of affairs which has never been witnessed in our history before to the same extent'.⁷⁰ In tones that had rarely been heard in sociology since Auguste Comte, Röpke shows that this proletarian nomadism, bound up with the destruction of the peasantry and artisan class by large-scale, concentrated exploitation, has created a great vacuum in the existence of millions of workers deprived of security and stability, 'dependant, propertyless, urbanised wage-earners ... made to fit into the hierarchy of the commercial and industrial mammoth concern'.⁷¹ On account of the vacuum it creates, proletarianization is analysed in terms of social isolation and a loss of existential autonomy:

Proletarianisation means nothing less than that human beings have got into a highly dangerous sociological and anthropological state which is characterised by lack of property, lack of reserves of every kind (including the ties of family and neighbourhood), by economic servitude, uprooting, massed living quarters, militarisation of work, by estrangement from nature and by the mechanisation of productive activity; in short, by a general devitalisation and loss of personality.⁷²

The priority of the policy of society must be 'filling up the trench between proletarian and bourgeois society by deproletarianising the former and making citizens of them in the truest and noblest sense, that is to say by making them real members of the "civitas"'.⁷³ This policy of inclusion, whose scope had already been outlined by Rüstow during the Lippmann Colloquium, took the form of the development of small family farms and distribution of property in the framework of small towns or villages where links of mutual acquaintance could be established. It was therefore opposed to the social state, which simply diminishes man that bit more by making him dependent on collective subsidies. The great danger is that proletarian deracination, and the loss of any personal property characteristic of that condition, will lead to the new slavery of the welfare state: 'The wider the span of proletarianisation the wilder become the cravings of the uprooted to be guaranteed social services and economic security by the state, the more do the few remaining in possession of a sense of responsibility despair'.⁷⁴ To de-proletarianize the masses who have been deracinated by industrial capitalism is to make them not socially insured parties, but property-owners, savers, independent producers. In Röpke's view, property is the only way of re-rooting individuals in a milieu, of furnishing them with the security they desire, of motivating them to work: 'we ought to maintain in being and increase to the utmost of our power the number of peasants, craftsmen and small business people, in

short, all who are independent and provided already with their own house property and means of production'.⁷⁵ The market economy requires such 'human bases', 'men who, thanks to their way of working and living, depend on no one but themselves'.⁷⁶

The idealization of family concerns, which inspires the policy of restoring individual property, regarded as a key point in social reform, does not entail that all wage-earners are actually going to become small bosses. Rather, it involves a *social model* that everyone can emulate, whose moral and material benefits they can appreciate, thanks to ownership of their home and cultivation of their garden: 'We are convinced that cultivation of the local sphere in this sense will do wonders', Röpke exclaimed.⁷⁷ With gardens, thanks to the self-subsistence they facilitate, wage-earners will be their own masters, like entrepreneurs with complete responsibility for the process of production. By becoming property-owners and family farmers, individuals will rediscover the virtues of prudence, seriousness and responsibility that are so indispensable to the market economy. The latter needs social structures to supply it with independent, courageous, honest, hardworking, strenuous human beings, without whom it can only degenerate into an egotistical hedonism. This moral dimension of the small enterprise constitutes what Röpke significantly calls 'the peasant core' of economic policy.⁷⁸ Only when the 'code of honesty', a work ethic, and a concern for freedom are sufficiently inculcated in each individual can healthy, fair competition occur in the market and social equilibrium be restored. In a word, the moral 'dams' that enable individuals to 'remain upright' are identical to those that make it possible to keep the market economy going. They are based on the effective generalization of the enterprise model to society as a whole. The small and medium-sized enterprise is a rampart against the malfunctions introduced by capitalism, just as natural communities, in the federalist principle of subsidiarity, represent the limits of the state's power.

THE THIRD WAY

Röpke's neo-liberalism is a social project geared to 'the economic order of a free society'.⁷⁹ According to him, people are only free if they are property-owners, members of a familial, entrepreneurial and local natural community, able to count on local solidarity (family, friends, colleagues), and possessed of the energy to face general competition. This 'third way' is situated between the 'social Darwinism' of laissez-faire and the social state, which cares for the individual from the cradle to the grave.⁸⁰ It must be based on the idea of individual responsibility: 'The more the state takes care of us, the less shall we feel called upon to take care of ourselves and our family.'⁸¹ Property and the enterprise are therefore the social frameworks of this autonomy of economic will: 'A peasant who is unburdened by debt and has an adequate holding is the freest and most independent man among us.'⁸²

There are several aspects to the third way. It might be read merely as a compromise formula, a kind of middle way between liberalism and *planisme*. This is implied by Röpke in some pre-war writings,⁸³ when rejecting the stark oppositions between the 'total solutions' of fanatics: 'Why go on ranging liberalism and interventionism against one another in battle, since in truth it can only be a question of more or less liberalism, and not a brutal yes or no, because integral liberalism is impossible and integral interventionism abolishes itself and becomes pure communism?'⁸⁴ Elsewhere, however, the aim is much more ambitious. The third way defines a 'constructive' sociological liberalism, whose goal is the complete social overhaul indispensable for curing the great crisis of the age. Röpke defines *Gesellschaftspolitik* as

a policy that will pursue in concert the restoration of economic freedom, the humanization of the conditions of labour and life, the abolition of proletarianization, de-personalization, social non-supervision, mass formation, gigantism and privilege, and other pathological degenerations of capitalism. A policy of this kind is more than some mere economic and social reform ... All the economic chaos of our time is but the superficial symptom of a total crisis of our society; and it is as such that it must be treated and cured. Thus an effective, lasting economic reform must at the same time be a *radical reform of society*.⁸⁵

With this stress on the moral aspect of the 'spirit of enterprise', 'encouragement of individual responsibility', and the 'ethics of competition', Röpke's sociological liberalism clarifies all endeavours to make the enterprise a kind of universal form equipping individuals' autonomy of choice with the power to exercise itself.

With its rather obsolete romanticism and vitalism, extolling the virtues of the peasant life might doubtless make us smile today. But Röpke's essential contribution to neo-liberal governmentality lies elsewhere: in re-focusing

government intervention on individuals in order to get them to organize their own life, whether in relationship to private property, family, household, insurance or pension, in such a way that their life makes them ‘a sort of permanent and multiple enterprise’.⁸⁶ Here we must stress how far this elevation of the model of the firm into a universal distances us from John Locke. For the latter, the expanded sense of the idea of ‘ownership’ had the function of legitimating ownership of external goods as an extension of self-ownership realized through labour. For some contemporary neo-liberals, the relationship to oneself, quite as much as the relationship to external goods, must take as its model the logic of the enterprise as a unit of production engaging in competition with others. In other words, it is not the result of labour appropriated to the person as an extension of the latter. It is the self-government of the individual, who must now internalize the operational rules of the enterprise. It is not the exterior (the result of labour) that is, as it were, assimilated to the interior, but the exterior (or enterprise) that furnishes the interiority of the relationship to the self with the norm of its own reorganization.

When all is said and done, even if the overall coherence of the doctrine remains problematic, the political bequest of the two branches of German *ordo*-liberalism to contemporary neo-liberalism consists in two main things. Firstly, the promotion of competition to the rank of a norm intended to guide an ‘ordering policy’. If, outside a few specialist circles, Eucken’s epistemology has largely fallen into oblivion, the principles of ‘economic constitution’, by contrast, continue to be invoked to assess particular measures of economic policy, even if this often turns into formal rehashing. Secondly, the assignment of a quite specific object to political action – namely, ‘society’ in its innermost detail, and hence the individual as the seat of self-government and fulcrum of the government of conduct. This is where we must situate the profound meaning of the universalization of the logic of the enterprise advocated by the ‘policy of society’ in its most developed form.

¹ Rainer Klump, ‘On the Phenomenological Roots of German *Ordnungstheorie*: What Walter Eucken Owes to Edmund Husserl’, in Patricia Commun, ed., *L’Ordolibéralisme allemande, aux sources de l’économie sociale de marché*, Cergy-Pontoise: CIRAC/CICC, 2003, p. 158.

² The German word *Ordnung* must always be taken in an active sense: not an arrangement of elements imparting its peculiar coherence to an already constituted system, but the activity of ordering, even of establishing an order. We shall render the systemic sense by ‘order’ and the active political sense by ‘ordering’.

³ Walter Eucken, ‘Das ordnungspolitische Problem’, *Ordo-Jahrbuch für die Ordnung der Wirtschaft und Gesellschaft*, vol. 1, Freiburg: J.B.C. Mohr, 1948, p. 65.

⁴ Cf. Jean François-Poncet, *La Politique économique de l’Allemagne occidentale*, Paris: Sirey, 1970, p. 58.

5 Michel Foucault, *The Birth of Biopolitics: Lectures at the Collège de France 1978–1979*, ed. Michel Senellart, trans. Graham Burchell, Houndmills and New York: Palgrave Macmillan, 2008, p. 163 ff.

6 Eucken, 'Das ordnungspolitische Problem', p. 72.

7 On all this, see Foucault, *The Birth of Biopolitics*, pp. 164–5.

8 Eucken, 'Das ordnungspolitische Problem', p. 80.

9 Wilhelm Röpke, *The Moral Foundations of Civil Society*, trans. Cyril Spencer Fox, New Brunswick NJ: Transaction Books, 1996, p. 28.

10 The last two have already featured in the previous chapter, on account of the role they played in the debates of the Lippmann Colloquium; as for the third, we shall introduce him a little later.

11 This point is stressed by Michel Senellart, who rightly detects in an overestimation of the homogeneity of ordo-liberal discourse one of the limitations of Foucault's work. See Senellart, 'Michel Foucault: la critique de la *Gesellschaftspolitik* ordolibérale', in Commun, ed., *L'Ordolibéralisme allemande*, p. 48.

12 Foucault, *The Birth of Biopolitics*, p. 109.

13 Commun, *L'Ordolibéralisme allemande*, p. 196 n. 59.

14 Foucault, *The Birth of Biopolitics*, p. 114.

15 Röpke, *Moral Foundations of Civil Society*, p. 22.

16 Foucault, *The Birth of Biopolitics*, p. 84.

17 *Ibid.*, pp. 86–7.

18 Erhard, who became Adenauer's finance minister in 1951, is regarded as the father of the 'German economic miracle'.

19 Commun, *L'Ordolibéralisme allemande*, p. 194. Initiated on 20 June 1948, this monetary reform replaced the old Reichsmark by the Deutsche Mark and established the Bank deutscher Länder as an issuing bank. Its aim was threefold: to reduce the mass of money in order to reduce excess spending power; to increase the speed of circulation of money; and to establish a monetary standard of exchange (*ibid.*, pp. 207–8).

20 *Ibid.*, p. 195.

21 *Ibid.*

22 Röpke, *Moral Foundations of Civil Society*, pp. 90–1. The role of the principle of subsidiarity in the construction of Europe is well known. On the relationship between this and ordo-liberalism, see [Chapter 7](#).

23 Walter Eucken, *Grundsätze der Wirtschaftspolitik*, Tübingen: J.C.B. Mohr (Paul Siebeck), 1952, 6th edn, p. 239; quoted by Laurence Simonin in 'Le choix des règles constitutionnelles de la concurrence: ordolibéralisme et théorie contractualiste de l'État', in Commun, ed., *L'Ordolibéralisme allemand*, p. 71.

24 Franz Böhm, 'Die Idee des Ordo im Denken Walter Euckens', *Ordo*, vol. 3, 1950, p. 15; quoted in Simonin, 'Le choix des règles constitutionnelles de la concurrence', p. 71.

25 See [Chapter 1](#).

26 The German phrase precisely reads '*pointiert hervorhebende Abstraktion*'.

27 In the Husserlian phrase pertinently employed by Foucault, *The Birth of Biopolitics*, p. 120.

- 28 Cf. François Bilger, *La Pensée économique libérale dans l'Allemagne contemporaine*, Paris: LGDJ, 1964, Chapter 2.
- 29 Cf. Poncet, *La Politique économique de l'Allemagne occidentale*, p. 60.
- 30 Sylvain Broyer, 'Ordnungstheorie et ordolibéralisme: les leçons de la tradition. Du caméralisme à l'ordolibéralisme: ruptures et continuités?', in Commun, ed., *L'Ordolibéralisme allemande*, p. 98 n. 73.
- 31 Literally, 'soul massage'.
- 32 Röpke, *Moral Foundations of Civil Society*, p. 28.
- 33 As Poncet writes, 'The more active and enlightened the organizing policy, the less the regulatory policy will be required' (*La Politique économique d'Allemagne occidentale*, p. 61).
- 34 Broyer, 'Ordnungstheorie et ordolibéralisme'.
- 35 Ludwig Erhard, *Prosperity through Competition*, trans. and ed. Edith Roberts and John B. Wood, New York: Praeger, 1958, p. 6.
- 36 See Simonin, 'Le choix des règles constitutionnelles de la concurrence', p. 70.
- 37 Cf. Viktor Vanberg, 'l'École de Freiburg', in Philippe Nemo and Jean Petitot, eds., *Histoire du libéralisme en Europe*, Paris: Presses Universitaires de France, 2006, p. 928 ff.
- 38 Erhard, *Prosperity through Competition*, p. 107.
- 39 Franz Böhm, *Privatrechtsgesellschaft und Marktwirtschaft*, *Ordo Jahrbuch*, vol. 17, 1966, pp. 75–151.
- 40 *Ibid.*, pp. 84–5.
- 41 *Ibid.*, p. 85.
- 42 We have only to think of the way that Hegel makes the state the veritable foundation of civil society in his *Elements of the Philosophy of Right*.
- 43 Böhm, *Privatrechtsgesellschaft und Marktwirtschaft*, p. 98.
- 44 *Ibid.*, p. 138.
- 45 See especially *ibid.*, pp. 140–1.
- 46 In [Chapter 5](#), we shall see the use made by Hayek of this definition of the role of government.
- 47 Müller-Armack was the German ordo-liberal economist most involved in the implementation of economic policy with Erhard. He was also one of the most effective figures in asserting German conditions in the process of constructing Europe. An economics professor and official at the Ministry of Finance, he represented the link between theory and practice. It was he who in 1946 launched the formula 'social market economy' in a book entitled *Wirtschaftslenkung und Marktwirtschaft* ('Planned Economy and Market Economy'). An academic at Cologne, he was one of the negotiators of the 1957 Treaty of Rome and the architect of a compromise that ensured its double signature. Thereafter, he became Under-Secretary of State for European Affairs from 1958 and was often the German representative in various negotiations over European construction.
- 48 Quoted in Hans Tietmeyer, *Économie sociale de marché et stabilité monétaire*, Frankfurt: Economica and Bundesbank, 1999, p. 6. It should be noted that the term was coined a year before Müller-Armack joined Hayek and Röpke's Mont Pelerin Society (the latter was to be one of the first ten German members of the Society).
- 49 Alfred Müller-Armack, *Auf dem Weg nach Europa. Erinnerungen und Ausblicke*, Tübingen and Stuttgart:

Rainer Wunderlich and C.E. Poeschel, 1971; quoted in Tietmeyer, *Économie sociale de marché et stabilité monétaire*, p. 207.

50 Cf. on this point [Chapter 7](#) on the construction of Europe.

51 Quoted in Tietmeyer, *Économie sociale de marché et stabilité monétaire*, p. 6.

52 Erhard, *Prosperity through Competition*, p. 3.

53 *Ibid.*, p. 187.

54 Readers are referred to Foucault's reading of it in *The Birth of Biopolitics*, p. 144. Cf. also Michel Senellart's article, 'Michel Foucault: la critique de la *Gesellschaftspolitik*', in Commun, ed., *L'Ordolibéralisme allemande*, pp. 45–8.

55 Foucault, *The Birth of Biopolitics*, p. 145; our emphasis.

56 Cf. Röpke, *Moral Foundations of Civil Society*, p. 7.

57 *Ibid.*, p. 10.

58 *Ibid.*, p. 27.

59 *Ibid.*, p. 13.

60 *Ibid.*, p. 30.

61 *Ibid.*, p. 33. The German sentence reads: '*Die Marktwirtschaft selbst ist aber nur zu halten bei einer widergelagerten Gesellschaftspolitik*' (Wilhelm Röpke, *Civitas humana. Grundfragen der Gesellschaft und Wirtschaftsreform*, Erlenbach and Zurich: Eugen Rentsch Verlag, 1944, p. 85).

62 See [Chapter 5](#).

63 Foucault, *The Birth of Biopolitics*, pp. 246–7.

64 Röpke, *Moral Foundations of Civil Society*, p. 33. This image of the frame and hollow space, the border and the void, contains echoes of Polanyi's thematic of embeddedness. Starting from the same symptoms of the crisis of capitalist civilization, Röpke and Polanyi drew diametrically opposed political conclusions.

65 Wilhelm Röpke, *Civitas humana*, trans. P. Bastier, Paris: Librairie de Médicis, 1946, p. 72. [Trans. note: the English translation omits this passage.]

66 In *The Social Crisis of Our Time*, trans. Annette and Peter Schiffer Jacobsohn, Chicago and Illinois: University of Chicago Press, 1950, p. 119, Röpke wrote along the same lines: 'Man's nature, therefore, sets definite limits to the rule of the market principle and in the same way as democracy must permit spheres free from the interference of the state, if it is not to degenerate into the worst kind of despotism, the market system, too, must allow spheres free from the interference of the market, if it is not to become intolerable: there must be the sphere of community life and altruistic devotion, the sphere of self-sufficiency, the sphere of small and simple living conditions, the sphere of the state and planned economy.'

67 Röpke, *Moral Foundations of Civil Society*, pp. 31–2. [Trans. note: the English translation omits the second half of this quotation.]

68 *Ibid.*, p. 32.

69 *Ibid.*

70 *Ibid.*, p. 139.

71 *Ibid.*

72 Ibid., p. 140.

73 Ibid., p. 95. It should be noted that Röpke deliberately plays on the ambiguity of the German word *Bürger*, which signifies both 'bourgeois' and 'citizen'. But this says much about the tendency of neo-liberalism to dilute the distinction between the economic and the political.

74 Ibid., p. 141.

75 Ibid., p. 159.

76 Röpke, *The Social Crisis of Our Time*, p. 178.

77 Ibid., p. 133.

78 Röpke, *Moral Foundations of Civil Society*, p. 182.

79 Röpke, *The Social Crisis of Our Time*, p. 180.

80 Ibid., p. 164.

81 Ibid.

82 Ibid., p. 203.

83 For example in Wilhelm Röpke, *Explication économique du monde modern*, Paris: Librairie de Médicis, 1940, p. 281.

84 Ibid., p. 282.

85 Ibid., pp. 284–5.

86 Foucault, *The Birth of Biopolitics*, p. 241.

Entrepreneurial Man

We shall not grasp the originality of neo-liberalism if we do not identify its focal point in the relationship between institutions and individual action. Once maximizing economic behaviour, absolute precondition of general equilibrium, is no longer regarded as wholly natural, we have to explain the factors that influence it, and the way it approximates to a certain degree of efficiency, without ever achieving perfection. The differences between neo-liberal authors in part relate to the solution offered to this problem. Just as the main leaders of the 'neo-liberal renaissance' – Rougier, Lippmann and the German *ordo-liberals* – stressed the need for government intervention, so Ludwig von Mises refused to define the functions of institutions in terms of interventionism. Mises proclaimed his attachment to the principle of 'laissez-faire' loud and clear: 'In the market economy, the laissez-faire type of organization, there is a sphere within which the individual is free to choose between various modes of acting without being restrained by the threat of being punished.'¹ When we read such passages, it is as if with Mises (as Rüstow observed in 1938) we are returning to the most dogmatic of apologies for laissez-faire as the source of universal prosperity.

It would be overhasty to conclude that this intellectual current contributes nothing new and amounts to a simple return to dogmatic liberalism. Above all, that would be to neglect a major change in the line of argument, which consists in validating competition and the enterprise as the general form of society. The point in common with classical liberalism remains the exigency of justifying limitation of the state in the name of the market, and stressing the role of economic liberty in the *efficiency* of the economic machine and the continuation of the market process. Hence a certain scorn implying that von Mises and Hayek are merely 'revenants' of the old Manchester School liberalism.

A source of misinterpretation of the Austro-American approach² is its more or less pronounced 'subjectivism',³ which has led some of Mises's followers (e.g. Murray Rothbard) to 'anarcho-capitalism' – that is, a radical rejection of any legitimacy of the state entity. Without neglecting what remains highly 'classical' in this orientation, which situates it far from the constructivist inspiration of neo-liberalism, it is important to define the

original contribution made by the thought of these authors. It is wholly structured by the contrast between two types of process: a process of destruction and a process of construction. The former, dubbed 'destructionism' by Mises, has the *state* as its principal agent. It rests on the perverse sequence of state interference that leads to totalitarianism and economic regression. The second, corresponding to capitalism, has as its agent the *entrepreneur* – that is, potentially, any and every economic subject.

In stressing individual action and the market process, the Austro-American authors aim in the first instance to offer a realistic description of an economic machine that tends towards equilibrium if unhampered by moralism or destructive political and social intervention. Secondly, they aim to show how a certain dimension of humanity – *entrepreneurship* – is constructed in general competition, which is the potentially universal principle of conduct most essential to the capitalist order. Therewith, as Thomas Lemke correctly argues in his commentary on Foucault, neo-liberalism presents itself as 'a political project that endeavours to create a social reality that it suggests already exists'.⁴ This anthropological dimension of the man-enterprise, distinct from ordo-liberal sociology's, is the main contribution of the Austro-American current.

It is to it, much more so than neo-classical economics, that we owe the strategic line promoted by neo-liberalism: the creation of market situations and the production of the entrepreneurial subject. In the neo-classical programme, competition always refers to a certain condition and, in that sense, pertains to a statics rather than a dynamic. More precisely, it is both a canon by reference to which it is possible to judge the various situations where a market is found, and the framework in which the rational action of agents can ideally lead to equilibrium. Any situation that does not conform to the conditions of pure and perfect competition is regarded as an anomaly, which frustrates realization of the preconceived harmony between economic agents. Neo-classical theory is thus led to prescribe a 'return' to conditions of competition posited *a priori* as 'normal'. If it is correct that the neo-classical programme furnished solid academic backing to the discourse of the free market – in particular, in the guise of the 'efficient market' of global finance – it is wrong to think that neo-liberal rationality is based exclusively, or even principally, on the Walraso-Paretian programme of general equilibrium. A quite different conception of competition, which shares only the name with the neo-classical version, represents the specific foundation of neo-liberal competitiveness. The major step forward made by the Austrians, Mises and Hayek, consists in regarding competition in the market as a process of discovery of relevant information, as a certain mode of conduct on the part of the subject, who seeks to outstrip and precede others in discovering new opportunities for profit. In other words, by radicalizing and systematizing in

a coherent theory of human action a number of aspects of classical liberal thought (the desire to improve one's lot, to do better than one's neighbour, etc.), the Austrian doctrine prioritizes an agonistic dimension: competition and rivalry. It is starting from the struggle between agents that one can describe not the formation of an equilibrium defined by formal conditions, but economic life itself, whose real actor is the entrepreneur, whose mainspring is the entrepreneurial spirit that spurs everyone to varying degrees, and whose only impediment is the state when it curbs or abolishes free competition.

This revolution in ways of thinking has inspired a good deal of research, some of which, rapidly developing, focuses on innovation and information. But it above all calls for a policy that goes far beyond markets in goods and services, involving as it does the totality of human action. If, as is invariably the case, the construction of an economic situation approximating to the canon of pure and perfect competition is taken as typical of neo-liberal policy, another orientation, more hidden perhaps or less immediately perceived, gets forgotten. It aims to introduce, restore or support dimensions of rivalry in action and, more fundamentally, to shape subjects to make them entrepreneurs capable of seizing opportunities for profit and ready to engage in the constant process of competition. It has found its strongest expression in the field of management.

CRITIQUE OF INTERVENTIONISM

It will be recalled that, during the Lippmann Colloquium, von Mises was one of those most damning about any re-legitimation of state intervention, to the point of appearing to some participants to be an old liberal who was out of place in such a context. In fact, he could no more bear socialism than he could tolerate state intervention.⁵ In his view, the latter was nothing but the germ of the former. State interference could destroy the market economy and ruin prosperity by scrambling the information transmitted by the market. Prices guided individual projects in time and made it possible to coordinate their action. The manipulation of prices or currency above all disrupted knowledge of the desires of consumers and prevented enterprises from responding to them appropriately and promptly. These negative effects, the result of curbs on adaptation, triggered an increasingly pernicious process. The more the state intervened, the more chaos it created, the more it intervened to eliminate that chaos – and so on until the establishment of totalitarian socialism. This chain reaction was facilitated by the ideology of unlimited democracy based on the myths of popular sovereignty and social justice.

From this standpoint, there was no possible third way between the free market and state control. For von Mises, by definition intervention was an impediment to the market economy. Hence his unsparing criticism of the *ordo-liberals*, who were ‘interventionists in their enthusiasm for middle-of-the road-solutions’.⁶ Unafraid of exaggeration, von Mises regarded these theoreticians as doubtless inadvertent henchmen of dictatorship. According to him, they did not realize that they were conducive to outright government economic despotism in place of absolute consumer sovereignty over production options; and that in this they were worthy inheritors of ‘socialism of the German or Hindenburg pattern’.⁷ Governments should restrict themselves to ensuring the conditions of social cooperation without intervention. Control is indivisible: either it is wholly private or it is wholly statist; either state dictatorship or consumer sovereignty. There is no middle way between state totalitarianism and the market defined as a ‘consumers’ democracy’.⁸ This radical position, which rules out any intervention, is based on the disjunction between two self-causing processes proceeding in contrary directions: the bad state process that creates dependent beings and the market process which generates creative entrepreneurs.

What disrupts perfect consumer democracy and paves the way for totalitarian despotism is the intrusion of ethical principles other than self-interest, which are alien to the market process. Economics

is not interested in the problem of whether profits are to be approved or condemned from the point of view of an alleged natural law and of an alleged eternal and immutable code of morals about

which personal intuition or divine revelation are supposed to convey precise information. Economics merely establishes the fact that entrepreneurial profits and losses are essential phenomena of the market economy.⁹

The same applies to value judgements made by intellectuals. Alien to economic logic, such judgements do not respect the absolute democracy of the consumer and hence the functioning of the market:

The moralists' and sermonizers' critique of profits misses the point. It is not the fault of the entrepreneurs that the consumers – the people, the common man – prefer liquor to Bibles and detective stories to serious books, and that governments prefer guns to butter. The entrepreneur does not make greater profits in selling 'bad' things than in selling 'good' things. His profits are greater the better he succeeds in providing the consumers with those things they ask for most intensely.¹⁰

The exercise of authority calls for its own reinforcement. Faced with the failures of intervention, the state will always go further in asserting its authority, challenging individual liberties in ever more pronounced fashion:

It is important to remember that government interference always means either violent action or the threat of such action ... Government is in the last resort the employment of armed men, of policemen, gendarmes, soldiers, prison guards and hangmen. The essential feature of government is the enforcement of its decrees by beating, killing, and imprisoning. Those who are asking for more government interference are asking ultimately for more compulsion and less freedom.¹¹

This definitive condemnation of intervention is based on denunciation of an usurpation. The state claims to know what is good for individuals. For von Mises, as for Hayek, the particularity and superiority of the market economy consists in the fact that individuals alone must decide on the goal of their actions, for they alone know what is good for them:

In the market economy the individual is free to act within the orbit of private property and the market. His choices are final. For his fellow men his actions are data which they must take into account in their own acting. The coordination of the autonomous actions of all individuals is accomplished by the operation of the market. Society does not tell a man what to do and what not to do. There is no need to enforce cooperation by special orders or prohibitions. Non cooperation penalizes itself. Adjustment to the requirements of society's productive effort and the pursuit of the individual's own concerns are not in conflict. Consequently no agency is required to settle such conflicts. The system can work and accomplish its tasks without the interference of an authority issuing special orders and prohibitions and punishing those who do not comply.¹²

One could probably not be more explicit in extolling the virtues of the free market and the role of individual self-interest in the functioning of the capitalist economy. But have we therewith reverted to Smith or even

Mandeville?

A NEW CONCEPTION OF THE MARKET

If Austro-American thought allocates a central role to the market, it is because it regards it as a *subjective process*. The key word – *market* – is indeed still the same as in traditional liberal thinking. But the *concept* it refers to has changed. It is no longer the market of Adam Smith or the neo-classical authors. It is a process of discovering and learning that alters subjects by adjusting them to one another. Coordination is not static; it does not always link identical beings. It is productive of an ever changing reality, a dynamic that affects the environments in which subjects develop and transforms them too. Once set in train, the market process precisely constitutes a frame of action that no longer requires any other kind of intervention, which can only be an impediment destructive of the economy. But the market ceases to be the natural ‘air’ wherein commodities circulate unhindered. It is not an ‘environment’ given once and for all, governed by natural laws, ruled by a mysterious principle of equilibrium. It is a regulated process employing psychological springs and specific skills. It is a process that is not so much self-regulating (i.e. leading to perfect equilibrium) as self-creative, capable of generating itself over time. And, if it has no need of regulatory external powers, this is because it possesses its own dynamic. Once in place, it can follow a perpetual, self-propelling perfect movement, if not hindered or perverted by state and ethical impediments that represent so many deleterious forms of friction.

The market is therefore conceived as a process of self-formation of the economic subject, as a self-educating, self-disciplining subjective process whereby individuals learn to conduct themselves. The market process constructs its own subject. It is *self-constructive*.

Von Mises wishes to regard man as an active being, as a *homo agens*. The initial motor is a kind of vague aspiration to improvement, an impulse to act to improve one’s situation. Von Mises does not define human action by a calculus of maximization, strictly speaking, but by a minimum rationality that impels it to assign means to the end of improving a situation. Human action has a goal. This is the starting-point and essential thing. On the basis of the impulse to achieve this goal, human beings are not going to exchange what, as if fortuitously, they have *too much* of – rabbit skins or fish they do not know what to do with – as was supposed by the original theoreticians of the market order. They are going to engage [*entreprendre*] and, in so doing, learn [*apprendre*]. They are going to draw up an *individual plan of action* and throw themselves into enterprises; they are going to select goals and allocate resources to them; they are, as von Mises’s pupil and successor Israel Kirzner puts it, going to construct ‘means-ends systems’ in accordance with their own aspirations, which will direct their energies. The touchstone of this neo-liberalism is not, initially and essentially, the man of exchange who makes

calculations on the basis of the available data, but the man of enterprise who selects a goal and seeks to achieve it. Von Mises provides its formula: 'In any real and living economy every actor is always an entrepreneur.'¹³

With this current of Austro-American thought, we might seem to have left behind the problematic of neo-liberal governmentality. This is not the case. Everything happens as if it assigned the market process exclusive responsibility for constructing the entrepreneurial subject.

Unlike the German *ordo-liberals*, who entrust responsibility for limiting human actions to the framework of society, the Austro-Americans take the path of 'subjectivism' – that is, the self-government of the subject. It is not by 'nature' that man knows how to conduct himself; it is thanks to the market, which constitutes a process of education. It is by invariably placing individuals in a market situation that they will be able to learn to behave rationally. Here, then, we have an outline – this time implicit – of the very type of action pertaining to neoliberal governmentality: the creation of market situations that facilitate this constant, gradual learning process. In reality, the science of choice in a situation of competition is a theory of the way that individuals are led to govern themselves in the market.

Economics is more a matter of choice than maximization. Or, more precisely, the latter is but one moment or dimension of action, which it cannot encapsulate completely. Calculation in fact presupposes data and may even be seen as being determined by data, as is the case in doctrines of general equilibrium. Choice is more dynamic; it implies creativity and indeterminism. It is the properly human element of economic conduct. As Kirzner once again puts it, a machine can calculate, but it cannot choose. Economics is a theory of choice.¹⁴ And, in the first instance, that of consumers, the new active sovereigns who seek the best deal, the best product, which will correspond to their own construction of ends and means – that is, their plan. The contribution of the subjectivism with which von Mises and Kirzner identify is to have 'converted the theory of market prices into a general theory of human choice'.¹⁵

This point is fundamental. If von Mises's magnum opus is entitled *Human Action*, the title must be taken with the utmost seriousness. It precisely involves a redefinition of *homo oeconomicus* on broader bases:

The general theory of choice and preference ... is much more than merely a theory of the 'economic side' of human endeavours and of man's striving for commodities and an improvement in his material well-being. *It is the science of every kind of human action.* Choosing determines all human decisions. In making his choice man chooses not only between various material things and services. All human values are offered for option. All ends and all means, both material and ideal issues, the sublime and the base, the noble and the ignoble, are ranged in a single row and subjected to a decision which picks out one thing and sets aside another. Nothing that men aim at or want to avoid remains outside of this arrangement into a unique scale of gradation and preference. The modern

theory of value widens the scientific horizon and enlarges the field of economic studies. Out of the political economy of the classical school emerges the general theory of human action, praxeology. The economic or catallactic¹⁶ problems are embedded in a more general science, and can no longer be severed from this connection. No treatment of economic problems proper can avoid starting from acts of choice; economics becomes a part, although the hitherto best elaborated part, of a more universal science, praxeology.¹⁷

THE MARKET AND KNOWLEDGE

There is no middle way: either consumer democracy or state dictatorship. As we have said, ethical or aesthetic principles do not apply in the market sphere. There can be no market economy without the absolute primacy of self-interest to the exclusion of any other motive for action:

The only reason why the market economy can operate without government orders telling everybody precisely what he should do and how he should do it is that it does not ask anybody to deviate from those lines of conduct which best serve his own interest. What integrates the individual's actions into the whole of the social system of production is the pursuit of his own purposes. In indulging in his 'acquisitiveness' each actor contributes his share to the best possible arrangement of production activities. Thus, within the sphere of private property and the laws protecting it against encroachments on the part of violent or fraudulent action, there is no antagonism between the interests of the individual and those of society.¹⁸

The limitation of government power is grounded not in 'natural rights', or, ultimately, in the prosperity created by private free initiative, but in the very conditions of functioning of the economic machine. Certainly, there are many possible arbitrations. But the essentials are based on the idea that the precondition of the market economy is the most complete individual liberty. This is more of a functional argument than an ethical one: the condition of functioning of the market mechanism is free choice in decision-making in line with the information each person possesses. The market is even one of those instruments that work all on their own, precisely because it coordinates specialist labour by making optimal use of dispersed knowledge.

Hayek's theory of knowledge is particularly indicative on this point.¹⁹ Hayek shared with von Mises the idea that the individual is not an omniscient actor. He is possibly rational, as von Mises holds, but above all ignorant. That is why there are rules he follows without thinking about them. What he knows he knows through rules, behavioural norms and perceptual schemas that have gradually been developed by civilization.²⁰

The problem of knowledge is not peripheral to economic theory, but central, even though it has long been neglected in favour of analysis of the division of labour. The economic object par excellence is the problem of coordinating specialist tasks and allocating resources. But, says Hayek, the 'division of knowledge' constitutes 'the really central problem of economics as a social science'.²¹ In a society structured by the division of labour, no one knows everything. Information is structurally dispersed. But whereas the initial reflex is to seek to 'centralize' information – which is what socialism attempts to do (as is indicated by theoreticians who praise the superiority of 'socialist calculation') – Hayek, following von Mises, shows that this endeavour is doomed to fail on account of the insurmountable dispersion of

knowledge.

What is involved here is not scientific knowledge. For Hayek, who was the first to construct a theory of it, 'knowledge' means a certain type of knowledge directly utilizable in the market – knowledge about circumstances of time and place; knowledge not of the why but the how; knowledge that can be acquired by an individual in practice; knowledge whose value can only be appreciated by the individual, which he can use profitably to outstrip others in competition. Too often scorned and neglected, such specific, dispersed knowledge is as valuable as the knowledge of scientists and administrators. Thus for Hayek it is not abnormal for a stockbroker or estate agent to earn much more than an engineer, researcher or professor. Everyone, even those in the latter categories, gains from the fact that possibilities of profit are actually realized in the market.

Such individual, particular knowledge is among the most valuable. In any event, it is more effective than aggregate statistical data, in as much as it makes possible the constant minor changes to which people must adapt in the market. Hence the importance of the decentralization of decision-making, so that everyone can act on the information they possess. It is futile and even dangerous to demand 'conscious control' of economic processes: the superiority of the market precisely consists in the fact that it can dispense with any control of this kind. On the other hand, the communication of information must be facilitated so as to complete the cognitive fragments everyone possesses. Price is a means of communicating the information whereby individuals can coordinate their actions. The market economy is an economy of information that makes it possible to do without centralized control. Individual motives alone impel individuals to do what they must do without anyone having to tell them to do it, by using knowledge that they alone possess or seek.

The market is a social mechanism that makes it possible to mobilize this information and communicate it to others via prices. The problem of economics is therefore not general equilibrium. It is knowing how individuals can best exploit the fragmentary information they possess.

ENTREPRENEURSHIP AS A MODE OF SELF-GOVERNMENT

This defence of market freedom cannot be understood without relating it to its necessary corollary: there is no need to intervene because only individuals are capable of calculating on the basis of the information they possess. This postulate of rational human action destroys the pretensions of dirigisme in advance. Hence the importance of von Mises's endeavour to base economic science on a general theory of human action: 'praxeology'.

Standard neo-classical economics left open the possibility of corrective state intervention. In fact, in constructing models of equilibrium on the basis of unrealistic hypotheses (including perfect knowledge of data), marginalists, by their very lack of realism, simply demonstrated the unreality of the pure, perfect market. The subjectivism with which the Austro-Americans identify makes it possible to avoid paying such a high political price for a theoretical result as dubious as general equilibrium, which is not of much relevance for knowledge of the operation of real economies. Instead, what is to be understood is how subjects really act; how they behave when they are in a market situation. On this basis, the issue of the mode of self-government can be formulated.

Such self-government has a name: *entrepreneurship*. This takes precedence over the calculating, maximizing capacity of standard economic theory. Every individual has something entrepreneurial about them and the distinguishing feature of the market economy is that it liberates and stimulates human 'entrepreneurship'. Kirzner defines this fundamental dimension thus: 'The entrepreneurial element in the behavior of market participants consists ... in their alertness to previously unnoticed changes in circumstances which may make it possible to get far more in exchange for whatever they have to offer than was hitherto possible.'²²

The pure market spirit requires no initial endowment, since it involves exploiting an opportunity to sell a good for more than it has been bought for: 'It follows that *anyone is a potential entrepreneur*, since the purely entrepreneurial role presupposes no special initial good fortune in the form of valuable assets.'²³ The entrepreneur is not a capitalist, is not a producer, is not even the Schumpeterian innovator who constantly alters the conditions of production and represents the motor of growth. He is an entity endowed with a commercial spirit, in search of any opportunity for profit that presents itself, and which he can take thanks to the information he possesses, while others do not. He is exclusively defined by his specific intervention in the circulation of goods.

For von Mises, as for Kirzner, entrepreneurship is not only an 'economizing' behaviour – that is, geared to profit maximization. It also contains an 'extra-economizing' dimension of the activity of discovery, of detecting 'good opportunities'. Freedom of action is the possibility of

experimenting with one's faculties, learning, correcting oneself, adapting. The market is a *process of self-formation*.

For von Mises, the entrepreneur is the man who acts to improve his lot by using the price differentials between factors of production and products. The spirit he develops is that of speculation, blending risk and anticipation:

Like every acting man, the entrepreneur is always a speculator. He deals with the uncertain conditions of the future. His success or failure depends on the correctness of his anticipation of uncertain events ... The only source from which an entrepreneur's profits stem is his ability to anticipate better than other people the future demand of the consumers.²⁴

Unlike Lionel Robbins, who assumes that human beings always find themselves in a situation where they must maximize their advantages to achieve a series of goals assigned to them goodness knows how, von Mises's and Kirzner's *homo agens*, who wants to improve his lot, must construct 'means-ends frameworks' in which he will have to make his own choices. He is not a passive maximizer, but a constructor of profitable situations that he discovers through his alertness and which he can exploit. It is because man is an active, creative, constructive subject that his choices must not be interfered with, on pain of shattering the alertness and commercial spirit so essential to the dynamism of the capitalist economy. To learn to seek information becomes a vital skill in the competitive economy described by these authors. While we cannot have knowledge of the future, thanks to the competitive and entrepreneurial process, we can acquire information that promotes action.

The pure dimension of entrepreneurship – alertness to business opportunities – is a *relationship of self to self*, which underlies the critique of interference. We are all entrepreneurs, or, rather, we all learn to be; we train ourselves exclusively through the play of the market to govern ourselves as entrepreneurs. This also means that, if the market is regarded as a free space for entrepreneurs, all human relations can be affected by the entrepreneurial dimension, which is constitutive of the human.²⁵

The principle of market coordination is the mutual discovery of individual plans. The market process thus supposedly resembles a scenario in which isolated ignoramuses, by interacting, gradually reveal to one another the opportunities that are going to improve their respective situations. If everyone knew everything, an immediate adjustment would ensue and everything would come to a halt.²⁶ The market is a process of continuous learning and constant adaptation.

The important thing about this process is the reduction of ignorance it makes possible, the learning by discovery, which contrasts with the total knowledge of the planner and general equilibrium alike. Entrepreneurs do not make the best choices all the time because they are ignorant of the

decisions of others. But they can learn the nature of others' plans through commercial confrontation, via the interplay of competition. To discover buying or selling opportunities is to discover the rival enterprises that could disrupt them. It is therefore also to adjust supply or demand to competitors. The market is precisely defined by its inherently competitive character. Each participant seeks to outstrip others in a constant struggle to become leader and remain so. This struggle is contagious. People imitate the best, become ever more alert, gain increasingly in entrepreneurship. Entrepreneurs who seek to sell via all modern methods of persuasion have the most positive impact on consumers. By making them conscious of purchasing opportunities, their endeavours aim at 'providing the consumers with the "entrepreneurship" which they (at least in part) lack'.²⁷

We are far removed from Schumpeter, who wagered exclusively on the disequilibrium induced by innovation. As a result of circulating information, competition, and the learning it makes possible, has the effect of bringing supply and demand into balance.²⁸

Economic disequilibrium is attributable to the state of mutual ignorance in which potential participants in the market find themselves. They do not spot opportunities for mutual profit immediately, but discover them at some stage. They are unaware of them, but are disposed to discover them. The market process is nothing other than a series of discoveries that release people from their state of ignorance. This discovery process is a process of equilibration. At its close, when only residual pockets of ignorance remain, a new state of equilibrium emerges. Obviously, this is a hypothetical state, in as much as there are all sorts of constant changes that alter opportunities: 'the forces for mutual discovery, and for the elimination of ignorance, are constantly at work'.²⁹

The market's discovery process alters the very conception of what is to be understood by knowledge and ignorance. The discovery of what we did not know is not to be confused with a deliberate quest for knowledge, which assumes that we know in advance what we do not know. The discovery made possible by the market experience rests on the fact that we were unaware that we were ignorant; that we did not know what we did not know. If the relevant discovery is bound up with ignorance that is oblivious to itself, then we can better appreciate the difficulty of planners who, ignorant of the fact that they do not know, cannot find out. This unknown ignorance is the starting-point in the analysis of the market. The surprise, the chance discovery, triggers the reaction of those who are most 'alert' - namely, 'entrepreneurs'. If we discover through a chance walk that a trader is selling fruit for one dollar, when we paid someone else two dollars for it, the spirit of enterprise that keeps us alert will direct us away from the dearer one. The market subject is engaged in an experience of discovery in which what he

first of all discovers is that he was unaware that he did not know.

As we can see, Kirzner has effected a synthesis of Hayek's theory of information with von Mises's theory of the entrepreneur, which re-states the argument for the free market. The market requires individual liberty as one of its basic components.³⁰ This individual liberty consists not so much in defining one's own schedule of preferences as in making one's own entrepreneurial discoveries: 'the free individual has the freedom to decide what it is that he sees'.³¹ Liberty without a goal is nothing; it derives its value exclusively from the only system that furnishes it with concrete goals – that is, opportunities for profit! Capitalism's advantages do not derive from free contracts between traders who know in advance what they want. Its mainspring is the 'competitive-entrepreneurial' process of discovery.

FORMING THE NEW MASS ENTREPRENEUR

There is no spontaneous awareness of the nature of the human mind for von Mises, any more than people are conscious of the rules they follow for Hayek. Human action therefore always occurs somewhat in the dark. This is doubtless one of its outstanding, but least well-known characteristics. The instrumental rationality it attests to, which consists in effectively adapting means to ends, excludes any rationalism that makes reflecting on action a condition of acting properly. Such unconsciousness is also a weakness exploited by demagogic rationalists, intent on replacing market coordination, which for them is a source of anarchy and injustice, with conscious control of the economy. To enable everyone to become genuine subjects of the market presupposes combating those who criticize capitalism. This battle, incumbent on intellectuals, is indispensable in that ideologies have a major influence on the orientation of individual action. Von Mises, Hayek and their successors were soon convinced of this. In his great critical work, *Socialism*, von Mises argued that nothing is more important than the ‘battle of ideas’ between capitalism and socialism.³² The masses, who do not think, adhere to socialism in the belief that it will assure them a greater level of well-being.³³

Von Mises does not conceal the possible and desirable influence of economic science on economic policy. Liberal policies simply put economic science into practice. It is the latter that has succeeded in bursting a number of the shackles impeding the development of capitalism:

It was the ideas of the classical economists that removed the checks imposed by age-old laws, customs, and prejudices upon technological improvement and freed the genius of reformers and innovators from the straitjackets of the guilds, government tutelage, and social pressure of various kinds. It was they that reduced the prestige of conquerors and expropriators and demonstrated the social benefits derived from business activity. None of the great modern inventions would have been put to use if the mentality of the precapitalistic era had not been thoroughly demolished by the economists. What is commonly called the ‘industrial revolution’ was an offspring of the ideological revolution brought about by the doctrines of the economists.³⁴

This is precisely what von Mises and Hayek in turn would attempt to do to counter the new perils menacing complete market freedom, to criticize the various forms of state intervention.³⁵ In the case of George Stigler or Milton Friedman, we know that they were not merely famous economists, but also formidable ‘ideological entrepreneurs’, not shying away from militating constantly and explicitly in favour of free enterprise capitalism against all those who, in one way or another, were resigned to reformist intervention by the state. These authors even constructed a theory of ideological struggle: if the masses do not think, as von Mises would have it, it is incumbent on narrow circles of intellectuals to struggle head-on against all forms of

progressivism and social reform, the seed of totalitarianism. Hence the very close attention paid by American neo-liberals to the diffusion of their ideas in the media and economics teaching in US schools and colleges.³⁶ If the market is a learning process, if the fact of learning is even an essential factor in the subjective market process, then the educational work done by economists can and must aid acceleration of the subject's self-formation. The enterprise culture and the spirit of enterprise can be learnt at school, just like capitalism's advantages over all other forms of economic organization. Ideological struggle is an integral part of the smooth functioning of the machine.

THE UNIVERSALITY OF THE MAN-ENTERPRISE

The promotion of entrepreneurship, and the idea that such a faculty can only be formed in a market environment, is a component part of the redefinition of the standard subject of neo-liberal rationality. With von Mises a clear shift of theme occurs. It is no longer so much a question of the specific function of the entrepreneur in the economic process, as of the entrepreneurial *faculty* as it exists in every subject; the subject's capacity to become an entrepreneur in the various aspects of his life, even to be the entrepreneur of his existence. In short, it is a question of doing what is required for everyone to become as 'enterprising' as possible.

This generic proposition, which is anthropological in kind, somewhat redraws the figure of economic man; it endows him with an even more dynamic and active posture than in the past. The importance assigned the role of the entrepreneur is not new. As early as the eighteenth century, the 'projector' already seemed to some, including Daniel Defoe, to be the veritable modern hero. After Richard Cantillon, who stressed the entrepreneur's specifically economic role, it was above all Jean-Baptiste Say who, seeking to distinguish himself from Adam Smith, distributed the notion of labour, unduly homogeneous in his view, between three separate roles: that of the scientist who produces knowledge; that of the entrepreneur who employs it to produce new utilities; and that of the worker who performs the productive operation.³⁷ The entrepreneur is a mediator between knowledge and execution: 'The entrepreneur exploits the highest and lowest faculties of humanity. He receives directions from the scientist and transmits them to the worker.'³⁸ The entrepreneur who applies knowledge has a major role. On him alone depends the enterprise's success and, extrapolating, a country's prosperity. France might well have the best scientists, but Britain has overtaken it industrially with the talent of its entrepreneurs and the skill of its workers.³⁹ In what way was this role so significant?

The industrial entrepreneur is the principal agent of production. The other operations are indeed indispensable in the creation of products. But it is the entrepreneur who sets them in train, who imparts to them useful impetus, who derives value from them. It is he who assesses needs and, above all, the means to satisfy them, and who compares the end with these means. Thus his main quality is judgement.⁴⁰

If the entrepreneur must possess sound judgement, he also needs the science of his practice, which is only learned through experience, and must in addition be endowed with certain virtues that will make him a genuine chief capable of maintaining his course: judicious audacity and stubborn perseverance.⁴¹ But these qualities, which are imperative in the uncertainty of business, are not equally distributed among the population. They explain

the worth of successful entrepreneurs and justify their profits. Here we have the beginning of the heroic legend of entrepreneurs that accompanied the industrial revolution, a legend to whose propagation the Saint-Simonians made a major contribution in France.⁴²

The theoretical promotion of the entrepreneur would later experience a new burst with Joseph Schumpeter and his *Theory of Economic Development* (1911). For the Austrian economist the basic fact that theory must take into account was the alteration in historical conditions, which ruled out reasoning as if the pattern was purely repetitive. In other words, an economic science that prioritized immobility over movement, equilibrium over disequilibrium, missed the main point. Economic development derived from ruptures bound up with new productive, technical and commercial combinations, and with innovations of many kinds, from creating new products, via perfecting new methods, using new raw materials and establishing different modes of organization, to opening new markets.

This dynamic perspective, which prioritizes discontinuities, makes it necessary to redefine concepts: the enterprise is the site where these new combinations are accomplished, just as the entrepreneur is the active, creative character whose role is to adopt them. In essence, Schumpeter's entrepreneur is an innovator counter-posed to the creature of routine that makes do with traditional methods.⁴³ His function is central in explaining economic development, which works through successive ruptures of 'economic states'.

For Schumpeter, however, not everyone is an entrepreneur. Only 'leaders' (*Führer*) are capable of being entrepreneurs. Still, their task is not to dominate, but to realize possibilities that exist in the situation in a latent state. The entrepreneur is a chief who possesses willpower and authority and is not afraid to swim against the current: he creates, disrupts, shatters the ordinary course of things.⁴⁴ He is the man of 'plus ultra', the man of 'the process of creative destruction'.⁴⁵ He is not a hedonistic calculating individual, but a fighter, a competitor who loves to struggle and win, whose financial success is simply an index of his success as a creator. Economic activity is to be understood as a sport – a pitiless, lifelong boxing match.⁴⁶ Innovation is inseparable from competition. It is its main form, because competition is not centred exclusively on prices, but also and above all on structures, strategies, processes and products.

Schumpeter had nothing of the militant neo-liberal about him. In a book written more than twenty years later, *Capitalism, Socialism and Democracy*, he evinced his pessimism in predicting 'the obsolescence of the entrepreneurial function',⁴⁷ which would lead to a stationary state. Innovation had become routinized and no longer caused ruptures. It had become bureaucratized and automated. More generally, capitalism, no longer enjoying the social and

political conditions that had hitherto protected it, was under threat.

Far removed from such pessimism, a neo-Schumpeterianism emerged in the 1970s and '80s, following the oil crises and the new operational norms of capitalism. Reference to the figure of the entrepreneur-innovator as depicted by Schumpeter assumed a manifestly apologetic significance, even becoming part of the managerial vulgate. More important still, this neo-Schumpeterianism contributed to the conception of the 'entrepreneurial society'. Peter Drucker, a major figure in management, rehabilitated the heroic image, announcing the advent of a new society of entrepreneurs and calling for the diffusion of the spirit of enterprise throughout society.⁴⁸ Management was to be the true source of progress; the new technological wave would pep up the economy. According to Drucker, more so than information technology, the main 'Schumpeterian' innovation is management: 'Management is the new technology (rather than any new science or invention) that is making the American economy into an entrepreneurial economy. It is also about to make America into an entrepreneurial society.'⁴⁹ This society is characterized by its 'adaptability' and operating norm – constant change: 'the entrepreneur always searches for change, responds to it, and exploits it as an opportunity'.⁵⁰ As defined by Drucker, the new 'management of entrepreneurs' aims to diffuse and systematize the spirit of enterprise in all the spheres of collective action, especially public services, making innovation the universal principle of organization. All problems are soluble in the 'managerial spirit' and 'managerial attitude'; all workers must view their role and commitment in the enterprise through the eyes of the manager.

The conception of the individual as an entrepreneur, who is at once an innovator and an exploiter of opportunities, is therefore the result of several lines of thought, including von Mises's 'praxeology' and the diffusion of a model of management with pretensions to universal practical validity. This dimension of neo-liberal discourse would manifest itself in several forms, to which we shall return in the last part of this book. Education and the press were to play a decisive role in diffusing the new generic human model. Nearly twenty or thirty years later, the major international and inter-governmental organizations played a powerful role in encouraging this course. It is not uninteresting to note that the Organization for Economic Cooperation and Development (OECD) and the European Union, without explicitly referring to the sources of this discourse on the universal individual-enterprise, proved powerful relays of it – for example, making training in the 'spirit of enterprise' a priority of education systems in western countries. That everyone is an entrepreneur in and of himself – such is the major inflection that the Austro-American current and neo-Schumpeterian managerial discourse gave to the figure of economic man. As regards contemporary

forms of neo-liberal governmentality, the main limitation of this current seems to consist in a phobia about the state, which too often leads it to reduce the activity of governing to imposing a will through compulsion. This attitude prevents it from understanding how government of the state might be positively combined with the self-government of the individual subject, rather than conflicting with it or in some way representing an obstacle to it. However, to rest here would be to do an injustice to Hayek's originality, which consists in having openly legitimated resort to state coercion when enforcement of respect for the law of the market or private law is at stake.

1 Ludwig von Mises, *Human Action: A Treatise on Economics*, 4th edn, San Francisco: Fox & Wilkes, 1996, p. 281.

2 The term 'Austro-American' refers here to economists who emigrated to the United States, or who were themselves American, who were attached to the modern Austrian School, whose two key theoretical and ideological figures are von Mises and Hayek. In addition to their theories, we shall stress the developments in the doctrine attributable to Israel Kirzner.

3 In *The Counter-Revolution of Science* (New York: Free Press, 1955, p. 31), Hayek wrote that every significant advance in economic theory over the last 100 years was a step forward in the coherent application of subjectivism. And on this point he paid due homage to Mises, whom he regarded as his master.

4 Thomas Lemke, 'The Birth of Bio-Politics: Michel Foucault's Lecture at the Collège de France on Neo-Liberal Governmentality', *Economy and Society*, vol. 30, no. 2, 2001, p. 203.

5 Stéphane Longuet, *Hayek et l'École autrichienne*, Paris: Nathan, 1998.

6 Mises, *Human Action*, p. 815.

7 *Ibid.*, p. 859. Mises writes (p. 723): 'the supporters of the most recent variety of interventionism, the German "soziale Marktwirtschaft", stress that they consider the market economy to be the best possible and most desirable system of society's economic organization, and that they are opposed to the government omnipotence of socialism. But, of course, all these advocates of a middle-of-the-road policy emphasize with the same vigor that they reject Manchesterism and laissez-faire liberalism. It is necessary, they say, that the state interfere with the market phenomena whenever and wherever the "free play of the economic forces" results in conditions that appear as "socially" undesirable. In making this assertion they take it for granted that it is the government that is called upon to determine in every single case whether or not a definite economic fact is to be considered as reprehensible from the "social" point of view and, consequently[,] whether or not the state of the market requires a special act of government interference.'

8 *Ibid.*, p. 813.

9 *Ibid.*, p. 298.

10 *Ibid.*, pp. 299-300.

11 *Ibid.*, p. 719.

12 *Ibid.*, pp. 724-5.

13 Quoted by Israel Kirzner, *The Meaning of Market Process: Essays in the Development of Modern Austrian*

Economics, London and New York: Routledge, 1992, p. 30.

14 *Ibid.*, p. 123. According to Kirzner, Lionel Robbins' famous definition ('Economics is the science which studies human behaviour as a relationship between given ends and scarce means which have alternative uses') was influenced in this regard by the Austrian economists.

15 Mises, *Human Action*, p. 3.

16 On the precise meaning of this term, see [Chapter 5](#).

17 Mises, *Human Action*, p. 3; our emphasis.

18 *Ibid.*, pp. 725–6.

19 This theory is largely contained in two major texts: that of 1935 entitled 'Economics and Knowledge' and one from 1945 entitled 'The Use of Knowledge in Society'. Both are reprinted in F.A. Hayek, *Individualism and Economic Order*, Chicago: University of Chicago Press, 1948.

20 *Ibid.*, p. 88. Hayek quotes Alfred North Whitehead to the effect that 'Civilization advances by extending the number of important operations which we can perform without thinking about them.'

21 *Ibid.*, p. 50.

22 Israel Kirzner, *Competition and Entrepreneurship*, Chicago: University of Chicago Press, 1978, pp. 15–16.

23 *Ibid.*, p. 16; our emphasis.

24 Mises, *Human Action*, p. 290.

25 Kirzner, *Competition and Entrepreneurship*, p. 15.

26 In his Preface to the French edition of *Competition and Entrepreneurship*, Kirzner stresses the extent to which the standard theory differs from von Mises's approach in that it is centred on market equilibrium, not market process; and in that it ignores the role of the entrepreneur in the process of competition, which is composed of a series of entrepreneurial discoveries. It opts to reflect on the hypothetical conditions of equilibrium, rather than to study real market processes: *Concurrence et esprit d'entreprise*, Paris: Economica, 2005, p. ix.

27 Kirzner, *Competition and Entrepreneurship*, p. 148.

28 On these points, cf. Kirzner, *The Meaning of Market Process*.

29 *Ibid.*, p. 45.

30 *Ibid.*, p. 52.

31 *Ibid.*, p. 53.

32 Ludwig von Mises, *Socialism*, trans. Jacques Kahane, Indianapolis: Liberty Fund, 1981, p. 459

33 Mises writes (*ibid.*, p. 460): 'It is true that the masses do not think. But just for this reason they follow those who do think. The intellectual guidance of humanity belongs to the very few who think for themselves. At first they influence the circle of those capable of grasping and understanding what others have thought; through these intermediaries their ideas reach the masses and there condense themselves into the public opinion of the time. Socialism has not become the ruling idea of our period because the masses first thought out the idea of the socialization of the means of production and then transmitted it to the intellectually higher classes. Even the materialistic conception of history, haunted as it is by "the psyche of the people" as conceived by Romanticism and the historical school of jurisprudence does not risk such an assertion. Of itself the mass psyche has never produced anything but mass crime, devastation,

and destruction.’

34 Mises, *Human Action*, p. 8.

35 Praxeology was thus consciously intended to serve as a theoretical basis for new liberal policies.

36 One of the main public mobilizations by neo-liberal authors was a powerful challenge to the report of the Task Force charged in 1961 with establishing an economics curriculum for high schools. It was much too descriptive for their taste and insufficiently positive about the capitalist economy. See Ludwig von Mises, ‘The Objectives of Economic Education’, in *Economic Freedom and Interventionism*, New York: The Foundation for Economic Education, 1990, p. 167.

37 Cf. Jean-Baptiste Say, *Traité d'économie politique*, Paris: Guillaumin, 1841, 6th edn, Book I, Chapter 6, p. 78 ff., and *Cours complet d'économie politique pratique*, Paris: Guillaumin, 1848, Part I, Chapter 6, p. 93 ff.

38 Say, *Cours complet*, p. 94.

39 Say, *Traité*, p. 82.

40 Say, *Cours complet*, p. 97.

41 *Ibid.*, Chapter 12.

42 Cf. Dimitri Uzunidis, *La Légende de l'entrepreneur. Le capital social, ou comment vient l'esprit d'entreprise*, Paris: Syros, 1999.

43 Joseph Schumpeter, *The Theory of Economic Development*, trans. Redvers Opie, New Brunswick, NJ: Transaction Books, 1983, p. 76.

44 *Ibid.*, pp. 91–2.

45 The title of Chapter 7 of Joseph A. Schumpeter, *Capitalism, Socialism and Democracy*, London: George Allen & Unwin, 1976.

46 Schumpeter, *The Theory of Economic Development*, p. 93.

47 Schumpeter, *Capitalism, Socialism and Democracy*, p. 131.

48 Peter Drucker, *Innovation and Entrepreneurship* (1985), Oxford: Butterworth-Heinemann, 2007. Drucker does not wholly share Schumpeter’s romantic vision: being an entrepreneur is a profession and presupposes discipline.

49 *Ibid.*, p. 15

50 *Ibid.*, p. 25.

The Strong State as Guardian of Private Law

Hayek was often retrospectively inclined to underestimate the decisive role played by the Lippmann Colloquium in the ‘renewal’ of liberalism. This inclination revealed itself in especially striking fashion in a note subsequently added to a 1951 article entitled ‘The Transmission of the Ideals of Economic Freedom’. Presenting the ‘German group’ of ordo-liberals (Eucken and Röpke), Hayek writes as follows:

In the original version of this sketch I unpardonably omitted to mention a promising beginning of this renaissance which, though cut short by the outbreak of war in 1939, provided many of the personal contacts which after the war were to form the basis of a renewed effort on an international scale. In 1937 Walter Lippmann had delighted and encouraged all liberals by the publication of his brilliant *restatement* of the fundamental ideals of classic liberalism in his book *The Good Society*.¹

In [Chapter 2](#), we saw how things really stood with this supposed ‘restatement’, which in fact claimed to be a veritable ‘revision’. The admission contained in this note says much about Hayek’s wish to deny any discontinuity between liberalism and neo-liberalism. It would, however, be mistaken to conclude that Hayek simply ignored the Lippmann Colloquium. In truth, he always proved anxious to demarcate himself from the old Manchester School liberalism, in line with the critique initiated in August 1938.²

Consequently, far from ‘renovated’ liberalism condemning state intervention as such in principle, its originality consists in replacing the alternative ‘intervention or non-intervention’ by the issue of *the nature of state intervention*. More precisely, the issue is to differentiate legitimate intervention from illegitimate intervention. This is quite explicitly stated in *The Road to Serfdom*: ‘The question whether the state should or should not “act” or “interfere” is a highly ambiguous and misleading description of the principles on which a liberal policy is based.’³ In short, ‘it is the character rather than the volume of government activity that is important’.⁴ The recurrence of such formulations makes it possible to confirm that a certain critique of the inadequacies of the ‘old liberalism’, initiated by the Lippmann Colloquium, was largely and lastingly shared by the figure who became the main artisan of the post-war ‘liberal renaissance’.

NEITHER LAISSEZ-FAIRE ... NOR 'SOCIAL OBJECTIVES'

However, this proximity in critique should not mislead us. In fact, it does not imply complete agreement about the nature of the forms of intervention the state should undertake and the criterion of their legitimacy. The best index of persistent disagreement is provided by what might at first sight seem to be a purely terminological disagreement. At stake is the meaning of a little word: 'social'. An essay by Hayek published in 1957, 'What is "Social"? – What Does it Mean?',⁵ highlights the extent to which this term crystallized an irreducible difference of opinion with German *ordo-liberalism*. In Hayek's view, the error of that current was that it preserved a conceptual confusion between the conditions of the market order and the 'moral' requirements of justice. In fact, a concern for 'social justice'⁶ formed part of the motivation of promoters of the 'social market economy' from the outset. We have seen that such an aim invests the word 'social' with all sorts of ambiguities.⁷

That is why Hayek never stopped hammering away at the point. In addition to the 1957 essay, two others proceed in exactly the same direction. First of all, the lecture entitled 'Kinds of Rationalism' (1964), which summarizes the same basic critique of 'one of the most confusing and harmful words of our time', for 'depriving all terms with which it is combined (as in the German *soziale Marktwirtschaft* or *sozialer Rechtsstaat*) of any definite content': 'In consequence I felt obliged to take a position against the word "social", and to demonstrate that in particular the concept of social justice had no meaning whatever, calling up a misleading mirage which clear-thinking people ought to avoid.'⁸ Secondly, a discussion of the meaning of the word 'social' in Volume 2 of *Law, Legislation and Liberty* (published in 1973):

Not only 'social justice' but also 'social democracy', 'social market economy', or the 'social state of law' (or rule of law – in German *sozialer Rechtsstaat*) are expressions which, though justice, democracy, the market economy or the *Rechtsstaat* have by themselves perfectly good meanings, the addition of the adjective 'social' makes them capable of meaning almost anything one likes.⁹

We can now see more clearly that Hayek's position on the thorny issue of the legitimacy of government intervention must be situated in the context of what has just been defined in wholly negative fashion. On the one hand, we have a critique of the inadequacies of Manchester liberalism, whose role is to justify a certain kind of intervention which (it is implied) is rendered indispensable by the essential role of the 'legal framework' in the smooth functioning of the market. On the other hand, we have a principled rejection of any form of assignment of 'social' objectives to government, on the fundamental grounds that such objectives involve an artificialist conception of society whereby the latter can be consciously directed towards collective goals which can be positively defined.¹⁰

In the final analysis, the issue is how to legitimate a certain kind of government intervention (contrary to the doctrine of *laissez-faire*), without thereby conceding that the market order – which according to Hayek grounds the cohesion of society – is an artificial order (contrary, in particular, to German neo-liberals for whom this is a key thesis). An answer to this question involves clarifying the status of the legal framework itself (does it itself pertain to the order of artifice or, conversely, to a certain form of ‘naturalness?’) and, more broadly, examining the alternative conception of society counter-posed by Hayek to any artificialist one.

THE 'SPONTANEOUS ORDER OF THE MARKET' OR 'CATALLAXY'

In an article that is not widely enough known, which marks a turning-point in the development of his thinking, and which is significantly entitled 'The Results of Human Action But Not of Human Design',¹¹ Hayek complicates the classical opposition between the 'natural' and the 'conventional' by developing a tripartite division between three kinds of phenomena. In effect, the major drawback of the classical contrast, inherited from the Greek Sophists' distinction between what is *phusei* and what is *thesei* or *nomô*, is that it can signify both the difference between what results from human *action* and what is independent of it; and the difference between what results from human *will* and what is independent of it. Hayek asserts that this is a source of confusion: what is independent of human will is not necessarily independent of human action; certain outcomes of human action might not have been intended while nevertheless leading to the emergence of a kind of order or regularity.

Thus, it is appropriate to introduce between the *artificial* (which proceeds directly from a human will), and the *natural* (which is independent of human action), an 'intermediate category' – that of a class of phenomena corresponding to all those structures which are independent of any intention, while being the outcome of human action. In the subsequent systematization of this tripartite division, we thus have: *taxis* – a Greek word referring to an order constructed by human beings in accordance with a clear design, most often by means of a plan (it will be called a 'manufactured' or 'artificial order', which Hayek often terms an 'organization': it might be a dwelling, an institution, or a regulatory code); *kosmos* – a Greek word referring to an order independent of human will in that it has its principal motor in itself (it will be called a 'natural order' or 'evolved order': an organism, for example, is such an order); and, finally, the third type of order that Hayek calls a 'spontaneous order', which escapes the alternative of the artificial or the natural in that it contains all those phenomena which result from human action without resulting from a human design. The conceptual advance represented by this tripartite division is truly decisive, because it makes it possible to conceive the specific order represented by the market: the market order is in fact a spontaneous order, not in any wise an artificial order.

There are several aspects to this thesis, which is central to Hayek's thinking. The first is that the order of the market must not be confused with an 'economy'. In the strict sense of the word, an 'economy' (e.g. a household, farm or firm) is an intentional 'organization' or 'arrangement' with a certain quantity of resources for a purpose, or a 'unitary order of purposes' which, as such, pertains to *taxis*.¹² Unlike an economy, the order of the market is independent of any particular goal, which means that 'it can be used for, and

will assist in the pursuit of, a great many different, divergent and even conflicting individual purposes'. In short, it 'rests not on common purposes but on reciprocity, that is on the reconciliation of different purposes for the mutual benefit of the participants'.¹³

The second aspect is that the cohesion of the market order is made possible by formal rules that apply by virtue of their generality: any rule deriving from a determinate particular goal would be ruinous because, in prescribing some form of conduct (one corresponding to that goal and none other), it could only disrupt the functioning of an order which is independent of any particular goal in principle. Such rules therefore cannot fix what people should do, but only what they should not do. They consist 'solely in prohibitions from infringing the protected domain of each'.¹⁴ Hayek calls such rules *laws* to distinguish them from particular positive prescriptions (called *commands*),¹⁵ so that the market order can be characterized as a *nomocracy* (governed by law), not as a *teleocracy* (governed by a purpose or purposes).¹⁶

The third aspect is that *society* itself must be understood as a spontaneous order. Certainly, society is not reducible to the market order, if only because it comprises both spontaneous orders (the market, the currency) and constructed organizations or orders (families, firms, public institutions, including government itself). Nevertheless, in the overall order that is a society, the order of the market occupies an essential place. First of all, in the sense that the extension of the market order over the course of history has resulted in the expansion of society beyond the narrow organizations of the horde, clan and tribe, to the point of creating what Hayek calls the 'Great Society' or 'Open Society'.¹⁷ The second reason is that 'the only ties which hold the whole of a Great Society together are purely "economic"'. For, while in the overall structure of society non-economic relations unquestionably exist, 'it is the market order which makes peaceful reconciliation of the divergent purposes possible' – and this even when these projects pursue non-economic ends.¹⁸ This aspect of Hayek's position is insufficiently stressed: the market order is not *an* economy, but is composed of 'economic relations' (wherein competition between different projects effects the allocation of all available resources); and these economic relations are *at the root of the social bond*.¹⁹

This conception of the market order as a spontaneous order is bound up with another thesis, which is just as central to Hayek's thought: the 'division of knowledge'. Developed very early on,²⁰ it is constructed by analogy with Smith's notion of the 'division of labour'. Each individual possesses only limited, fragmentary knowledge (composed more of practical information and *savoir-faire* than rational knowledge). This means that no one can claim at any given moment to dispose of the totality of knowledge dispersed

between the millions of individuals who make up society. However, thanks to the market mechanism, the combination of these scattered fragments produces outcomes at a societal level that could not have been deliberately achieved by conscious direction. This is possible only because in a market order prices play the role of vehicles for transmitting information.²¹

At the level of economic doctrine, such a view is implacably opposed to the theory of general equilibrium (Walras). Whereas the latter presupposes agents who are perfectly informed of all the data capable of justifying their decisions, Hayek's conception stresses the state of uncertainty in which the market places economic agents.²² Here too Hayek revives in original fashion one of the key ideas of Smithian liberalism, since the metaphor of the 'invisible hand' essentially signifies the impossibility of a totalization of the economic process, and hence a kind of beneficent unknowability.²³

The term with which Hayek seeks to encapsulate his conception of the market order is 'catallaxy':

I propose that we call this spontaneous order of the market a *catallaxy* in analogy to the term 'catallactics', which has often been proposed as a substitute for the term 'economics'. (Both 'catallaxy' and 'catallactics' derive from the ancient Greek verb *katallattein* which, significantly, means not only 'to barter' and 'to exchange' but also 'to admit into the community' and 'to turn from enemy into friend'.)²⁴

Here the closest attention must be paid to the double meaning of the Greek word, which implies that exchange is the origin of the social bond in that it creates an order through the mutual adjustment of the actions of different individuals.

Hayek associates this idea of spontaneous order with the great Scottish philosophy of the eighteenth century, illustrated by the names of Ferguson, Smith and Hume. In his 1965 article 'Kinds of Rationalism', he counter-poses two rationalisms: 'naïve rationalism' and 'critical rationalism'. The first – that of Bacon, Descartes and Hobbes – holds that all human institutions are the 'deliberate creation of conscious reason'; ignoring the limits of the powers of reason, it is appropriately termed 'constructivism'.²⁵ By contrast, the second kind is defined by awareness of these limits and it is precisely this awareness that enables it to accommodate orders which do not derive from conscious deliberation.

THE 'PROTECTED SPHERE OF LIBERTY' AND THE RIGHT OF INDIVIDUALS

We have seen that spontaneous orders should be characterized as 'nomocratic', not 'teleocratic'. To understand the role allocated to the law by Hayek, it is appropriate to return briefly to this notion of 'law' (*nomos*). In fact, strictly speaking, the term should only refer to impersonal, abstract rules imposed on any individual independently of the pursuit of any particular end and independently of any particular circumstance.²⁶ Such formal rules of conduct constitute the framework of *private law* and *criminal law*. The most ruinous confusion would be to assimilate them to the rules of *public law*. The latter are not rules of conduct, but rules of *organization*. Their role is to define the organization of the state and impart to an authority the power to act in such and such a way 'in the light of particular purposes'. Hayek observes that the gradual insinuation of public law into private law over the last century has resulted in the term 'law', which originally simply referred to rules of conduct applicable to all, coming to refer to 'any rule of organization or even any particular command approved by the constitutionally appointed legislature'.²⁷

Liberalism cannot but be opposed to such a development: the order it seeks to promote can in fact be defined as a 'private law society' (*Privatrechtsgesellschaft*), in the powerful expression of the German ordoliberal Franz Böhm, which Hayek adopts for his purposes.²⁸ Precisely because any rule of organization is stipulated for a goal, whereas the peculiarity of a rule of conduct is that it is independent of any objective, we must be careful to distinguish them nominally. It will be recalled that the Greeks carefully distinguished between *nomos* and *thesis*: private law alone is *nomos*, whereas public law is *thesis* - which means that public law is 'enacted' or 'constructed', and in this sense constitutes a 'manufactured' or 'artificial' order, whereas civil law is essentially a 'spontaneous' order. Rules of conduct, which alone make possible the formation of a spontaneous market order, are therefore themselves derived not from the arbitrary will of a few men, but from a spontaneous process of selection operating over the *longue durée*.

Here Hayek's thinking clearly draws on Darwin's theory of evolution and reference has not unreasonably been made to his 'cultural evolutionism'. As Hayek construes it, the notion of evolution refers to 'a process of continuous adaptation to unforeseeable events, to contingent circumstances which could not have been foreseen'.²⁹ This idea authorizes an analogy between biological evolution and the evolution of rules of law at the level of human societies. Just as the mechanism of natural selection ensures the survival of the species best adapted to their environment, and the disappearance of others, so the unconscious selection of 'just conduct' (or rules of private law) furthers the adaptation of societies to an often hostile environment. This process of selection of rules 'through trial and error' eventually made possible the

widest diffusion of the most effective rules in accordance with a logic of 'convergent evolution', and hence without it being necessary to posit a conscious imitation of some societies by others.³⁰

Whatever the pertinence of the reference to Darwin, at issue is the idea that the selection of rules of just conduct is the source of social progress. It was in fact via this route that humanity was able to emerge from the first tribal societies and emancipate itself from an order based on instinct, proximity and direct cooperation, to the point of forming the bonds of the 'Great Society'. The key point is that this progress is not attributable to conscious creation on the part of especially inventive legislators. The rules of private law (in particular, those of commercial law) were incorporated into tradition and custom well before being codified by judges, who ultimately merely *discovered* them without ever *making* them. This is sufficient to justify distinguishing such rules from those that are 'set down' (*thesis*). As Hayek explicitly observes, 'the use of the term "positive" with respect to law derives from the Latin rendering as *positus* (that is "set down") or *positivus* of the Greek expression *thesei* which described that which was deliberate creation of a human will, in contrast to what had not been so invented but had arisen *physei*, by nature'.³¹ In this respect, Hayek is directly opposed to the whole tradition of legal positivism. Two authors in particular are targeted. First of all, Hobbes. Adopting the Latin adage '*non veritas sed auctoritas facit legem*',³² the latter defined the law as 'the command of him that hath the legislative power'.³³ It would be impossible to capture more explicitly the confusion between law and command denounced by Hayek, especially in that for Hobbes the sovereign, and he alone, is the legislator. The second author is Bentham. If English law in its entirety is divided into two branches, only the law *made by the legislator* warrants being referred to by the name of *real* law (statute law): 'The arrangements supposed to be made by the other branch ... may stand distinguished by the appellation of unreal, not really existing, imaginary, fictitious, spurious, *judge-made law*'.³⁴ This judge-made law is *common law* or *unwritten* law, which Bentham seeks to discredit in as much as it is not 'the will of command of a legislator', which is the law proper.³⁵ In Hayek's view, John Austin and Hans Kelsen merely extended this intellectual tradition, which reduces law to the will of a legislator, in contrast to the liberal tradition, which asserts the precedence of law over legislation.

However, recognition of the precedence of justice over any legislation and any organized state certainly does not justify adherence to the doctrine of natural law. Hayek avoids the alternative of positivism or naturalism. The rules of justice are neither abstractly deduced by 'natural' reason (natural law), nor the fruit of a deliberate design (positivism). They are 'an outcome of the practical experience of mankind'³⁶ – that is, 'the undersigned outcome of a process of growth'.³⁷ For Hayek, there can therefore be no question of

emulating Locke and invoking a 'natural law' inscribed by God in his creature in the form of a command of reason.³⁸ If reference continues to be made to a 'law of nature', it is in Hume's sense that it should be understood. The rules of justice are not conclusions of reason, which is utterly powerless to create them. They may be said to be 'artificial' (in that they are not innate), but not 'arbitrary', in as much as they have been gradually developed, just like languages and money, on the basis of the repeated experience of the disadvantages of their infringement.³⁹ These rules are reducible to three fundamental laws: 'those of "the stability of possession, of its transference by consent, and of the performance of promises"',⁴⁰ or the essential content of all systems of private law: 'freedom of contract, the inviolability of property, and the duty to compensate another for damage due to his fault'.⁴¹

This identification of the basic core of the rules of just conduct entails recasting the issue of liberty and individual rights, such as it had been formulated by the main currents of classical liberalism. It was in fact these rules which, in gradually becoming a reality, made possible an extension of the 'sphere' of individual liberty alongside the creation of the spontaneous order of the market. This domain coincides with the 'sphere of private decision-making' of which individuals dispose, to the extent that their action is situated within the formal framework of the rules. In other words, liberty, far from being a natural given or an invention of reason, is the outcome of extended cultural evolution: 'Though freedom is not a state of nature but an artifact of civilization, it did not arise from design.'⁴² Once again, naturalism and voluntarism are put on an equal footing. Liberty is not the 'power to do as one likes'; it is inseparable from the existence of moral rules transmitted by custom and tradition which, by virtue of their very generality, prohibit any individual from placing any kind of constraint on others. Consequently, the only definition of liberty acceptable to Hayek is 'negative': it is 'the absence of a particular obstacle – coercion by other men'.⁴³ Any other definition of liberty is misleading, be it 'political liberty' construed as human beings' participation in choosing their government or framing legislation, or even the 'internal liberty' so much vaunted by philosophers (self-control contrasted with the slavery of the passions).⁴⁴ Of coercion as the opposite of liberty, Hayek gives the following definition: 'By "coercion" we mean such control of the environment or circumstances of a person by another that, in order to avoid greater evil, he is forced to act not according to a coherent plan of his own but to serve the ends of another.'⁴⁵

The definition of coercion as the imposition on an individual of the ends of another or several others seems to situate Hayek in a direct line from John Stuart Mill. However, the distinction between actions that only affect their agent and those that affect the interests of others (whose importance for Mill is well known) seems to the author of *The Constitution of Liberty* as inoperative

in itself.⁴⁶ Moreover, Hayek deems Mill's violent attack on 'despotism of custom' in Chapter 3 of *On Liberty* excessive. In his critique of 'moral coercion', Mill 'probably overstated the case for liberty', in as much as the pressure of public opinion cannot be identified with 'coercion'.⁴⁷ Only a strict definition of coercion, which involves an instrumentalisation of the person in the service of the goals of others, seems capable of defining the boundaries of the protected sphere. To the extent that 'rules-laws' have the function of protecting the individual against coercion by others, it will be posited that, in a regime of liberty, 'the free sphere of the individual includes all action not explicitly restricted by a general law'.⁴⁸ Only once such a demarcation has been made can one hope to ground individual rights. Hayek's originality consists in attaching such rights not to a law of nature prescribed by God (Locke), or to the general law of existence (Spencer), but to the rules of just conduct themselves: 'There is a sense of the noun "right" in which *every rule of just individual conduct creates a corresponding right of individuals*', such that, in as much as these rules 'delimit individual domains', 'the individual will have a right to his domain'.⁴⁹

Here we can clearly see that everything depends on prior recognition of a 'private' or 'reserved sphere' guaranteed by general rules: 'The "legitimacy" of one's expectations or the "rights" of the individual are the result of the recognition of such a private sphere'.⁵⁰ Thus to define coercion as the 'violation of individual rights' is only licit if this recognition has been granted, since the effective recognition of the private sphere is tantamount to recognition of the right accorded by the rules that delimit this sphere. General rules are therefore primarily and predominantly rules of composition of the protected spheres and, as such, guarantee every individual rights whose extension is strictly proportionate to that of its own sphere. It would be an error to restrict this extension to the material goods belonging to an individual:

We must not think of this sphere as consisting exclusively, or even chiefly, of material things. Although to divide the material objects of our environment into what is mine and what is another's is the principal aim of the rules which delimit the spheres, they also secure for us many other 'rights', such as security in certain uses of things or merely protection against interference with our actions.⁵¹

More generally, the notion of 'property' is construed in a broad sense, which coincides with the meaning Locke had already given to the generic name of 'property' in the second of his *Two Treatises of Government*:

Since the time of John Locke it is customary to describe this protected domain as property (which Locke himself had defined as 'the life, liberty and possessions of a man'). This term suggests, however, a much too narrow and purely material conception of the protected domain which includes not only material goods but also various claims on others and certain expectations. If the

concept of property is, however, (with Locke) interpreted in this wide sense, it is true that law, in the sense of rules of justice, and the institution of property are inseparable.⁵²

However, we must be aware that, if Hayek thus reverts to the Lockean concept of 'property', it is by deducing it from his own idea of the law as a general rule derived from a 'process of growth', and hence by severing it from its natural law foundation.

THE 'LEGITIMATE DOMAIN OF GOVERNMENT ACTIVITIES' AND THE RULE OF THE *RECHTSSTAAT*

In and of themselves, the contours of the protected sphere seem to mark out the limits of state intervention: any intrusion in this sphere by the latter will constitute an arbitrary violation of the rights of the individual, so that we here have a fixed criterion for discriminating between legitimate and illegitimate forms of intervention. It must be stressed that the issue for Hayek is, in the first instance, one of *legitimacy*, not *expediency*. The argument of practical inefficiency, or the injurious effects of government intervention, seems to him of a kind to blur 'the fundamental distinction between the kind of measures which are and those which are not compatible with a free system'.⁵³

We have only to recall the way that Mill seeks to define the limits of government action in Chapter 5 of *On Liberty* to measure the distance separating his approach from Hayek's. Mill does not derive the doctrine of free trade from the principle of individual liberty. The restrictions imposed on trade are certainly 'restraints', but 'are wrong solely because they do not really produce the results which it is desired to produce by them', not because society does not have the right to constrain.⁵⁴ Hayek is conscious of the inadequacy of Mill's view on this issue. In note 2 to Chapter 15 of *The Constitution of Liberty*, he observes that, economists being in the habit of considering everything from the angle of utility, 'it is not surprising that they should have lost sight of the more general criterion'. This is immediately followed by a reference to Mill: 'John Stuart Mill, by admitting (*On Liberty*, p. 8), that "there is, in fact, no recognized principle by which the propriety of government interference is customarily tested," had already given the impression that it was all a matter of expediency'.⁵⁵ What Hayek intends to formulate is precisely such a general principle of legitimacy.

To accede to this principle, it must first of all be understood that the constitution of the sphere of action reserved for the individual proceeds entirely and exclusively from the existence of general rules of just conduct. Consequently, any challenge to these rules cannot but threaten individual liberty itself. That is why it is necessary to posit in principle that no state intervention, however well-intentioned, may be exempted from respecting the general rules. Alternatively put, the state must apply to itself the rules that hold for any private person. We can now see how we are to understand the statement that the liberal order forms a 'private law society', in Böhm's formula adopted by Hayek. The rules of private law must prevail universally, including for 'organizations' that pertain not to the spontaneous order of the market, but to the state. In a sense, what we have here is something like the legal consequence of the idea that it is 'the whole of Society' which rests on 'economic relations' (since they are structured by private law). For Hayek, this *principle of the self-application of the general rules of private law by the state* is

what has historically been termed *Rechtsstaat* in Germany. Hence the thesis that ‘the rule of law provides the criterion which enables us to distinguish between those measures which are and those measures which are not compatible with a free system’.⁵⁶

Whence derives this ‘German tradition of *Rechtsstaat*’, whose decisive importance for every subsequent liberal movement is stressed by *The Constitution of Liberty*? If Hayek is to be believed, it essentially owes its inspiration to the influence of Kant’s philosophy of right. Inverting the deductive order in which Kant himself articulated morality and law, Hayek freely interprets the famous ‘categorical imperative’⁵⁷ as an extension to the sphere of ethics of the basic idea of the supremacy of law.⁵⁸ In 1963, this inversion received its clearest formulation in the text of a lecture on ‘The Legal and Political Philosophy of David Hume’:

It is sometimes suggested that Kant developed his theory of the *Rechtsstaat* by applying to public affairs his moral conception of the categorical imperative. It probably was the other way round, and Kant developed his theory of the categorical imperative by applying to morals the concept of the rule of law which he found ready made.⁵⁹

The equivalence postulated here between the German phrase *Rechtsstaat* and the English term ‘rule of law’ enables Hayek to go even further, asserting in the same text that ‘what Kant had to say about this seems to derive directly from Hume’.⁶⁰

To identify what is at stake theoretically and politically in this issue, we must recall, following Foucault,⁶¹ that the norm of the *Rechtsstaat* was constructed in Germany on the basis of a double opposition: to despotism, on the one hand, and to the police state (*Polizeistaat*), on the other. This is because the two notions are not identical. Despotism makes the will of the sovereign the origin of the obligation imposed on everyone to obey the injunctions of the public authorities. The police state is characterized by the absence of any difference between the general, constant prescriptions of the public authorities (what are commonly called ‘laws’) and the particular, circumstantial acts of the same public authorities (which pertain *de jure* to the level of ‘regulations’). Hence a dual definition of the *Rechtsstaat*. First of all, the *Rechtsstaat* supervises the acts of public power by laws that limit them in advance, such that it is not the will of the sovereign, but the form of the law, which represents the origin of obligation. Secondly, the *Rechtsstaat* makes a distinction in principle between laws, which apply on account of their universal validity, and particular decisions or administrative measures.⁶² It was somewhat later, in the second half of the nineteenth century, that the notion of the *Rechtsstaat* was developed in a direction that brought out the problem of ‘administrative tribunals’ as a central one. In fact,

following this development, the *Rechtsstaat* not only possesses the characteristic of confining its own action to the general framework of the law, but is also a state that offers every citizen means of legal redress against the public authorities. Making room for such means of redress implies the existence of legal bodies charged with arbitrating the relations between citizens and public authorities. It was precisely over the status of such tribunals that controversies would crystallize in Germany during the nineteenth century.⁶³

Retaining the idea that it must be possible for the state to be taken to court by any citizen, as by any private person, in as much as it is subject to the same rules of law as any private person, Hayek confers unprecedented scope on the notion of the *Rechtsstaat* by having it play the role of *rule for any legislation*. A passage from *The Constitution of Liberty* puts the point very explicitly: 'From the fact that the rule of law is a limitation upon all legislation, it follows that it cannot itself be a law in the same sense as the laws passed by the legislator ... The rule of law is therefore not a rule of the law, but a rule concerning what the law ought to be, a meta-legal doctrine or a political ideal.'⁶⁴ We thus obtain three distinct levels that gain from always being carefully hierarchically ordered. Firstly, there is the *meta-legal* level, which is that of the rule of the *Rechtsstaat*. Secondly, the *legal* level proper, which is that of legislation understood in the sense of determination of *new general rules of conduct*. And finally, we have the *governmental* level, which is that of the promulgation of *particular* decrees and regulations. We can see that within this hierarchy the rule of the *Rechtsstaat* is what must govern the elaboration of all the general rules or laws. The key thing is to understand the real significance of this principle: 'it constitutes a limitation on the powers of all government, including the powers of the legislature'.⁶⁵ For this role rules out reducing it to a mere exigency of legality: the compliance of government actions with the existing laws is not in itself sufficient to guarantee that the government's power to act is limited (a law could in fact give government the power to act as it wishes). What is required by the rule of the *Rechtsstaat* is that all existing laws 'conform to certain principles'.⁶⁶

Consequently, a distinction is to be made between the 'formal' *Rechtsstaat* and 'material' *Rechtsstaat*. As construed by Hayek, the *Rechtsstaat* corresponds to the latter, which requires that the state's coercive action is strictly limited to applying the uniform rules of just conduct, whereas the 'formal *Rechtsstaat*' only requires legality – that is, 'requires only that each act of government is authorized by legislation, whether such a law consists of a general rule of just conduct or not'.⁶⁷ The critique of the wholly artificialist conception of legislation of Bentham and his ilk now assumes its full significance. To maintain that everything, including the rights attributed to individuals, proceeds from the 'factory' of the legislator is to sanction theoretically 'the

omnipotence of the legislative power'.⁶⁸ Conversely, to recognize that the extension of individual rights goes in tandem with the development of the rules of private law is to make these rules the model to which the legislative power itself must conform in its activity, and therefore to assign it inviolable limits in advance.

What, more precisely, are the conditions that any law must satisfy to comply with the meta-legal rule of the *Rechtsstaat*? Hayek enumerates three 'attributes of true law' – law, that is, in the 'substantive' or 'material' sense just specified. The first attribute of these rules is obviously their generality: they must not refer 'to particular persons, places, or objects', and 'must always be prospective, never retrospective, in effect'.⁶⁹ This implies that true law debars itself from aiming at a particular goal, however desirable the latter might seem at first sight. Their second attribute is that they 'be known and certain'.⁷⁰ If Hayek lays especial stress on this condition, it is because the certainty of law, as well as the predictability of its decisions, guarantees the individual, condemned by the spontaneous order of the market to act in a context of uncertainty, the minimum of stability in which he will have the least difficulty in successfully realizing his own projects: 'The important question is whether the individual can foresee the action of the state and make use of this knowledge as a datum in forming his own plans.'⁷¹ Finally, the third attribute of a true law is none other than equality, meaning that 'any law should apply equally to all'.⁷² This latter requirement is 'incompatible with benefiting or harming known persons in a predictable manner'.⁷³ Consequently, it implies that the state should 'act under the same law and therefore be limited in the same manner as any private person'.⁷⁴

Of the three attributes – generality, certainty and equality – it is unquestionably the third that best conveys the fact that for Hayek *the ideal of the Rechtsstaat merges with the ideal of a private law society*. It is here that the thinking of neo-liberalism goes well beyond the principle of the control of political authority formulated by a whole current of classical liberalism. Hume makes the 'general and equal' laws with which government bodies must comply the principle of a limitation preventing authority from becoming absolute.⁷⁵ But he never claims that the laws enacted by the legislative authority must conform to the model of the rules of private law, any more than he conflates such laws with the rules of justice represented by the 'laws of nature' (security of possessions, consensual transfer of ownership, obligation of promises). The same is true of Locke. *Law, Legislation and Liberty* makes laudatory reference to the second of the *Two Treatises on Government*, citing in a note the start of paragraph 142.⁷⁶ The legislative power, Locke explains there, must 'govern by promulgated established laws, not to be varied in particular cases, but to have one rule for rich and poor, for the favourite at Court, and the countryman at plough'.⁷⁷ Once again, it must be

noted that Locke's argument forms part of a problematic of the limitation of legislative power that is certainly not equivalent to projecting the ideal of a 'private law society'. It is one thing to subject the power to make laws to the formal rule of fixity and equality; it is quite another to require of these laws that they conform in their 'substance' to the rules of private law, as does Hayek. Suffice it to note that in Locke the imperative of equality figures only in as much as it concerns the application of the law to individuals defined by their social situation (the rich and the poor, the courtier and the peasant), and definitely not the state's application to itself of a rule of private law.

What conclusions should be drawn from this extension of private law to the 'person' of the state? The first, and doubtless most important from Hayek's point of view, is that in a *Rechtsstaat* 'government can infringe a person's protected private sphere only as punishment for breaking an announced general rule'.⁷⁸ This means that the executive must not issue 'orders' or 'commands' to the individual (i.e., we must remember, particular prescriptions concerning a determinate end). It has only to ensure respect for the rules of just conduct, which are equally valid for all; and it is precisely this duty to protect the private sphere of *all* individuals which, in case of violation of the rules by an individual, authorizes it to intervene in the private sphere of *that* individual to apply a legal sanction against him. Aside from such situations, however, it must be clearly established that 'the administrative authorities should have no discretionary powers' in a citizen's private sphere.⁷⁹ The converse would in effect amount to regarding the private person and his property as a mere means at the government's disposal. That is why such persons must always have the possibility of resorting to independent tribunals empowered to decide whether, in its actions, the government has complied with the strict framework of general rules, or whether it has arbitrarily overstepped this framework (here we re-encounter the issue of the role of 'administrative tribunals'). Once again, 'the important point is that all coercive action of government must be unambiguously determined by a permanent legal framework which enables the individual to plan with a degree of confidence and which reduces human uncertainty as much as possible'.⁸⁰

At stake here is the *preservation of the efficiency of the market order*, since the crucial element of confidence consists in the fact that the individual can count both on the state's capacity to enforce respect for the rules and on respect for the rules by the state itself. In short, the certainty afforded by the legal framework must off-set the uncertainty inherent in the individual's situation in a spontaneous order such as the market order. This indicates the decisive importance of the state's coercive action when it comes to ensuring punishment of infringements of the rules of conduct. Guaranteeing the security of economic agents is the real justification of the state's monopoly

on the use of coercion. This implies that it has ‘the monopoly only of coercion and that in all other respects it operate[s] on the same terms as everybody else’⁸¹ (the condition of equality as reinterpreted by Hayek).

The second consequence of the necessary subordination of government power to the principle of the *Rechtsstaat* is positive in kind. In as much as this principle only represents a restriction on *coercive* action by government, a whole field of activity is left to the state: that of *non-coercive* activity. Liberalism as construed by Hayek

requires a sharp distinction between the *coercive powers of government*, in which its actions are strictly limited to the enforcement of rules of just conduct and in the exercise of which all discretion is excluded, and the *provision of services by government*, for which it can only use the resources put at its disposal for this purpose, has no coercive power or monopoly, but in the use of which resources it enjoys wide discretion.⁸²

The problem is that financing ‘pure service activities’ involves coercion in the form of fiscal duties.⁸³ This coercive aspect of service activities is justified only on condition that the state does not arrogate to itself the exclusive right to provide certain services, which would *ipso facto* amount to creating a monopoly (which would entail violation of the condition of equality recalled above). For ‘what is objectionable here is not state enterprise as such but monopoly’.⁸⁴ Among the service activities that might legitimately fall to the state, the most important are those which ‘are part of its effort to provide a favorable framework for individual decisions’: the establishment and maintenance of an efficient monetary system, the definition of weights and measures, the provision of information through the establishment of statistics, the organization of education in one form or another, and so on.⁸⁵ To these must be added ‘all those services which are clearly desirable but which will not be provided by competitive enterprise because it would be either impossible or difficult to charge the individual beneficiary for them’ – among them, ‘most sanitary and health services, often the construction and maintenance of roads, and many of the amenities provided by municipalities for the inhabitants of cities’.⁸⁶

By contrast, there are measures that the rule of the *Rechtsstaat* must exclude in principle. These are all those whose implementation involves arbitrary discrimination between people because they aim at achieving particular outcomes for particular persons, rather than confining themselves to the implementation of general rules applying indiscriminately and uniformly to all persons. Particularly targeted here are ‘measures designed to control the access to different trades and occupations, the terms of sale, and the amounts to be produced or sold’.⁸⁷ Any control of prices and of quantities to be produced is therefore ruled out, in that it is necessarily ‘arbitrary and

discretionary', and prevents the market from functioning smoothly (by preventing prices from playing their role of transmitting information). For the same underlying reasons, any government intervention aimed at reducing the inevitable differences of material situation that result from the mechanism of the catallaxy is to be excluded. The pursuit of objectives involving a just distribution of income (what is generally referred to by the phrase 'social' or 'distributive justice') is therefore in formal contradiction with the rule of the *Rechtsstaat*. In effect, a 'just' remuneration or distribution is meaningful only in a system of 'common ends' ('teleocracy'), whereas, in the spontaneous order of the market, no end of this kind can prevail. This entails that the 'distribution' of income in it is neither 'just' nor 'unjust'.⁸⁸ Ultimately, 'all endeavours to secure a "just" distribution must thus be directed towards turning the spontaneous order of the market into an organization or, in other words, into a totalitarian order'.⁸⁹ What is thus condemned in principle is the idea that distributive justice forms part of the state's remit: the rule of law 'precludes the pursuit of distributive, as opposed to commutative, justice'.⁹⁰ By contrast, the fact that government seeks to ensure 'extra-market' protection against extreme deprivation to all those who are incapable of earning subsistence in the market, 'in the form of an assured minimum income, or a floor below which nobody need descend', is not in itself of a kind to involve 'a restriction of freedom, or conflict with the Rule of Law'. What poses a problem is only the remuneration of services being fixed by authority.⁹¹

It is now apparent that in its Hayekian version neo-liberalism not only does not exclude, but actually requires, government intervention. For its conception of law as 'rules of the economic game' necessarily determines what Foucault calls a 'growth of judicial demand', going as far as to speak of a '*judicial interventionism* which has to operate as arbitration within the framework of the rules of the game'.⁹² We must appreciate the full extent of the transformation that has occurred compared with the role of the judicial in the thinking of classical liberalism. In the eighteenth century, the idea of the primacy of law implied 'a reduction of the judicial, or of the jurisprudential'. In principle, the judicial was devoted to the pure and simple application of the law – which largely explains why the second of Locke's *Two Treatises* does not breathe a word about judicial power alongside legislative, executive and federative powers. Now, once the law is nothing but 'the rules for a game in which each remains master regarding himself and his part', the judicial acquires 'a new autonomy and importance'.⁹³ For, in this 'mechanism of catallaxy', the real economic subject is the enterprise itself. The more it is encouraged to pursue its game as it wishes in the framework of the formal rules, the more it freely fixes its own objectives, it being understood that no common goal is imposed and that each enterprise constitutes an

'organization' (in the technical sense given the term by Hayek). Thus, the more occasions for conflict and litigation between economic subjects proliferate, the greater the demand for arbitration from judicial bodies is going to grow. Or, alternatively put, the more administrative action recedes, the more judicial action extends in its field of intervention.

The growing autonomy of the judicial is in no way accidental. It is part and parcel of other differences from classical liberalism that are just as significant. Ultimately, we can identify three major differences. The first consists in making economic relations internal to the market mechanism the foundation of 'society as a whole'. The second consists in removing the legal framework constitutive of this order from the alternative of natural law or deliberate creation: the legal rules are identified with the rules of private and criminal law (particularly those of commercial law), which have derived from an unconscious process of selection. This second shift makes it possible to delineate the ideal of a 'private law society', which cannot legitimately be described as classical liberalism's. The third difference caps the other two and represents the consummation of the whole doctrine: the state must apply the rules of private law to itself, which means not only that it has to regard itself as equal to any private person, but that in its own legislative activity it must be committed to enacting laws which are faithful to the logic of that same private law. We are far – very far – removed from a mere 'reaffirmation' of classical liberalism.

THE STRONG STATE RATHER THAN DEMOCRACY

Hayek is ultimately far removed from the ‘rehabilitation of laissez-faire’ to which neo-liberalism is too often reduced. Furthermore, Hayek regards the doctrine of laissez-faire as fundamentally foreign to the thesis of the ‘classical British economists’ with whom he identifies: ‘their argument was never antistate as such, or anarchistic, *which is the logical outcome of the rationalistic laissez faire doctrine*; it was an argument that accounted both for the proper functions of the state and for the limits of state action’.⁹⁴ This means that there is no question of his subscribing to the libertarian conception of the ‘minimal state’ defended by Robert Nozick, wherein a security agency that had secured a monopoly on force at the end of a competitive process would perform the office of state perfectly; not to mention the even more radical positions of anarcho-capitalism (David Friedman), which is in favour of privatizing all the functions allocated to the state by classical liberalism (army, police, justice, education).

However, contrary to his own depiction of his relationship to classical liberalism, Hayek is not a simple ‘heir’ who has merely reinvigorated its theses. His stress on the rights of individuals in no way authorizes us to make him an heir of Locke, any more than the constructivism of ordo-liberalism allows us to regard it as a successor to Bentham. What separates him from Locke on the key issue of the role of political power does not consist in a few inconsequential adjustments. In reality, what is at stake is a profound challenge to *liberal democracy*. We have only to take up the three key notions with which Locke defined ‘limited government’ (the ‘common good’, the legislature as supreme power, and consent by the majority of the people) to see that what is involved is a break. In the first place, Locke makes the ‘common good’, or ‘good of the people’, positively defined, the end in accordance with which all government activity must be organized. For his part, Hayek empties the notion of ‘general welfare’ of any assignable positive content. For want of corresponding to an ‘end’, ‘the general welfare’ is reduced to the ‘abstract order of the whole’, such as it is made possible by ‘rules of just conduct’ – which amounts to making the ‘general welfare’ consist in a simple ‘means’, since this abstract order is only ever valid ‘as a means for assisting in the pursuit of a great variety of individual purposes’.⁹⁵

Secondly, Locke holds legislative power to be the ‘supreme power’ of government – something that is to be understood in the strong sense: it genuinely pertains to it to *make* laws, which cannot be reduced to ratifying the variations of ‘custom’. As to Hayek, he never stops denouncing the confusion between government and legislation, between the framing of particular decrees and regulations, on the one hand, and the ratification of laws or ‘general rules of conduct’, on the other. This leads him to allocate these two functions to two different assemblies. To the government assembly,

executive power; to the legislative assembly, the power to decide new general rules. The latter escapes any democratic control: the nomothetes are of mature age (minimum of forty-five years), and elected by voters of the same age for a period of fifteen years. In order to avoid using the word 'democracy', 'tainted by long abuse', Hayek coins the term 'demarchy'.⁹⁶

Thirdly – and here we reach the heart of the problem – Locke makes the consent of the majority of the people the rule that obliges all members of the body politic. He even goes so far as to argue that 'there remains still in the people a supreme power to remove or alter the legislative, when they find the legislative act contrary to the trust reposed in them'.⁹⁷ Contrary to Locke, Hayek refuses to confer on the majority of the people an absolute power to oblige all its members. That majority rule is unlimited and illimitable – this is what the content of the concept of 'popular sovereignty' seems to him to consist in.⁹⁸ Now, this concept plays the role of legitimating an 'unlimited democracy' that is always liable to degenerate into 'totalitarian democracy'. This means that democracy is not an end, but only ever a means, which possesses value solely as a method of selecting leaders. Thus, Hayek had the merit of candour when he declared to a Chilean newspaper under the dictatorship of Pinochet in 1981: 'Personally, I prefer a liberal dictator to democratic government lacking liberalism.'⁹⁹ This critique of 'popular sovereignty' and 'unlimited democracy' answers to a fundamental concern. Ultimately, it is a question of subtracting the rules of private law (that of property and market exchange) from any kind of control by a 'collective will'. This is only logical, when we recall what is involved in the ideal of a 'private law society': a state that adopts the principle of subjecting its action to the rules of private law cannot afford the risk of a public discussion of the value of these norms, and *a fortiori* cannot agree to leave it up to the will of the people to have the final say in this discussion.

How should Hayek's specific contribution to the development of neo-liberalism be assessed? There is no doubt that his intellectual and political influence was decisive from the foundation of the Mont Pelerin Society in 1947 onwards. A number of the political positions formulated in Part III of *The Constitution of Liberty* – in particular those aimed at countering the 'coercion' exercised by trade unions – directly inspired the programmes of Thatcher and Reagan.¹⁰⁰ Nevertheless, if we take as our criterion not direct political influence, but contribution to the establishment of neo-liberal *rationality* (in Foucault's sense), a reassessment is required. Hayek is certainly responsible for having given unprecedented scope to themes that belonged to the original stock (established by Rougier and Lippmann when stressing the importance of legal rules and the need for a 'liberal strong state'). He is also, and perhaps above all, responsible for having developed Böhm's idea of a government that is the guardian of private law to the point of making it explicitly signify the

need for such law to apply to government itself. Finally, in economic theory, he is responsible for elaborating the idea of the ‘division of knowledge’. However, on the decisive issue of the *construction of the order of the market*, it has to be recognized that a constructivist approach, far removed from Hayek’s cultural evolutionism, tends to prevail in the practice of neo-liberalism today.

1 F.A. Hayek, *Studies in Philosophy, Politics and Economics*, London: Routledge & Kegan Paul, 1967, p. 199 n. 3; our emphasis.

2 Cf., in particular, F.A. Hayek, *The Road to Serfdom*, ed. Bruce Caldwell, Chicago and London: University of Chicago Press, 2007, pp. 85–6.

3 *Ibid.*, p. 118.

4 F.A. Hayek, *The Constitution of Liberty*, ed. Ronald Hamowy, Chicago and London: Chicago University Press, 2011, p. 331. Along the same lines, see *ibid.*, p. 337 and F.A. Hayek, *Law, Legislation and Liberty*, Abingdon and New York: Routledge, 2013, p. 49.

5 Reprinted in *Studies in Philosophy, Politics and Economics*, Chapter 17.

6 Or, at any rate, a wish to assign government ‘social objectives’ (cf. [Chapter 3](#)).

7 See [Chapter 3](#).

8 Hayek, *Studies in Philosophy, Politics and Economics*, p. 83.

9 Hayek, *Law, Legislation and Liberty*, p. 242. A note attached to this sentence is worth reproducing: ‘I regret this usage though by means of it some of my friends in Germany (and more recently also in England) have apparently succeeded in making palatable to wider circles the sort of social order for which I am pleading’ (p. 332 n. 26). If we have understood correctly, the sole justification for German neo-liberals using the term ‘social’ is that it has made it possible to acclimatize Hayek’s doctrine to the ‘spirit of the age’ ...

10 As a result, Hayek proved very cautious about the practical relevance of Röpke’s distinction between consistent actions and inconsistent actions.

11 The title adopts a formula from Adam Ferguson’s *Essay on the History of Civil Society*. The article is reprinted in *Studies in Philosophy, Politics and Economics*, Chapter 6.

12 *Ibid.*, p. 164 Cf. also *Law, Legislation and Liberty*, p. 268.

13 Hayek, *Studies in Philosophy, Politics and Economics*, p. 163.

14 *Ibid.*, p. 165. Cf. also *Law, Legislation and Liberty*, pp. 284–6.

15 On the law/command distinction, see *The Constitution of Liberty*, pp. 217–19.

16 Hayek, *Studies in Philosophy, Politics and Economics*, p. 163.

17 *Ibid.* Here Hayek revives one of Ferguson’s major ideas – ‘civil society’ as the motor of historical progress (with the proviso that the concept of ‘market order’ does not precisely coincide with that of ‘civil society’). Thus it is scarcely surprising that he always distanced himself from any form of ‘conservatism’.

18 Hayek, *Law, Legislation and Liberty*, p. 272.

19 Hayek thus goes much further than classical liberalism which, in the person of its first representatives

(Smith and Ferguson), always refused to ground the social bond exclusively in the economic bond. A note in *Law, Legislation and Liberty* (Chapter 10, p. 337 n. 12) cites in support of this thesis Antoine-Louis-Claude Destutt de Tracy's assertion that 'Commerce is the whole of Society'.

20 Readers are referred on this point to the previous chapter.

21 Hayek, *Law, Legislation and Liberty*, p. 277.

22 On the link between the spontaneous market order and the division of knowledge, readers are referred to the clear and informed presentation of Gilles Dostaler, *Le Libéralisme de Hayek*, Paris: La Découverte, 2001, pp. 31–2, 50–1. Cf. also [Chapter 4](#).

23 Foucault, *The Birth of Biopolitics*, p. 282.

24 Hayek, *Studies in Philosophy, Politics and Economics*, p. 164.

25 *Ibid.*, p. 85.

26 Hayek, *Law, Legislation and Liberty*, pp. 200–1. 'Abstract' means that 'the rule must apply to an unknown number of future instances'.

27 Hayek, *Studies in Philosophy, Politics and Economics*, p. 169.

28 *Ibid.* See also *Law, Legislation and Liberty*, p. 197. For the concept, see [Chapter 3](#).

29 F.A. Hayek, *The Fatal Conceit: The Errors of Socialism*, ed. W.W. Bartley III, London: Routledge, 1988, p. 25.

30 Hayek, *Law, Legislation and Liberty*, p. 206.

31 *Ibid.*, p. 210. See also *Studies in Philosophy, Politics and Economics*, p. 103 and n. 21.

32 Quoted by Hayek in *Law, Legislation and Liberty*, p. 210. Cf. Thomas Hobbes, *Leviathan* (1651), Chapter 26.

33 Quoted by Hayek in *ibid.*, p. 210, from Hobbes, *Dialogue on the Common Laws* (1681).

34 Quoted by Hayek in *ibid.*, p. 210; our emphasis.

35 Quoted by Hayek in *ibid.*, p. 332 n. 35: 'The primitive sense of the word law, and the ordinary meaning of the word, is ... the will of command of a legislator.'

36 Hayek, *Studies in Philosophy, Politics and Economics*, p. 111.

37 *Ibid.*, p. 101.

38 *Ibid.*, p. 98 n. 7.

39 *Ibid.*, p. 113.

40 Hume quoted in *ibid.*, p. 113. See also Hayek, *The Constitution of Liberty*, p. 226.

41 Hayek, *Law, Legislation and Liberty*, p. 206.

42 Hayek, *The Constitution of Liberty*, p. 107.

43 *Ibid.*, p. 70.

44 *Ibid.*, pp. 64–5. Hayek denounces the intellectual confusion that surrounds the philosophical concept of freedom of the will.

45 *Ibid.*, p. 71.

46 *Ibid.*, p. 212.

47 *Ibid.*, p. 214.

48 Ibid., p. 324.

49 Hayek, *Law, Legislation and Liberty*, pp. 261–2; our emphasis.

50 Hayek, *The Constitution of Liberty*, p. 206.

51 Ibid., p. 207.

52 Hayek, *Studies in Philosophy, Politics and Economics*, p. 167.

53 Hayek, *The Constitution of Liberty*, p. 331.

54 John Stuart Mill, *On Liberty and Utilitarianism*, London: Everyman, 1992, p. 91.

55 Hayek, *The Constitution of Liberty*, p. 330 n. 2.

56 Ibid., p. 331.

57 ‘Act only according to the maxim whereby you can, at the same time, will that it should become a universal law.’ Immanuel Kant, *Grounding for the Metaphysics of Morals*, trans. James W. Ellington, Indianapolis: Hackett, 1993, p. 30.

58 Certainly, in the architecture of Kant’s system the doctrine of right precedes that of the doctrine of virtue. However, both are preceded by the *Groundings for the Metaphysics of Morals* to which it falls to bring out the supreme principle of morality in all its purity.

59 Ibid., p. 117. While it is true that the problem of the ‘application’ of pure morality is clearly a tricky problem in Kantianism, nothing justifies the assertion that Kant ‘applied’ law to morality to arrive at the concept of the categorical imperative.

60 Ibid., pp. 116–17. Once again, we can only flatly deny the possibility of such a ‘derivation’. In Hume, the ‘laws of nature’ are the fruit of gradual experience, whereas in Kant the ‘moral law’ is entirely *a priori* and, as such, independent of any experience. This confirms the purely formal character of such law (by contrast with the determinate content of the three rules highlighted by Hume: stability of possessions, transfer of possessions by consent, and keeping of promises).

61 Foucault, *The Birth of Biopolitics*, pp. 168–9.

62 Ibid., pp. 169–70. Foucault refers to the pioneering work of C.T. Welcker, *Letzen Gründe von recht, staat und strafe* (1813).

63 On these controversies, see Hayek, *The Constitution of Liberty*, pp. 302–5, as well as Foucault’s comments in *The Birth of Biopolitics*, p. 170.

64 Hayek, *The Constitution of Liberty*, pp. 310–11.

65 Ibid., p. 310.

66 Ibid.

67 Hayek, *Studies in Philosophy, Politics and Economics*, p. 165.

68 Hayek, *Law, Legislation and Liberty*, p. 217.

69 Hayek, *The Constitution of Liberty*, p. 315.

70 Ibid.

71 Hayek, *The Road to Serfdom*, p. 118.

72 Hayek, *The Constitution of Liberty*, p. 316.

73 Ibid., p. 318.

74 *Ibid.*

75 David Hume, *Essays Moral, Political and Literary*, ed. Eugene F. Miller, Indianapolis: Liberty Fund, 1987, pp. 115–19.

76 Hayek, *Law, Legislation and Liberty*, p. 326 n. 60.

77 John Locke, *Two Treatises of Government*, ed. W.S. Carpenter, London: Everyman's Library, 1992, p. 189.

78 Hayek, *The Constitution of Liberty*, p. 312.

79 *Ibid.*, p. 322.

80 *Ibid.*, pp. 331–2.

81 *Ibid.*, p. 332.

82 Hayek, *Studies in Philosophy, Politics and Economics*, pp. 165–6; our emphasis.

83 Hayek, *The Constitution of Liberty*, p. 332.

84 *Ibid.*, p. 334.

85 *Ibid.*, p. 332.

86 *Ibid.*, pp. 332–3. Hayek refers immediately afterwards to Smith's famous observation on 'those public works, which ... are ... of such a nature, that the profit could never repay the expense to any individual or small number of individuals'.

87 *Ibid.*, p. 336.

88 Unlike libertarians, who regard this order as inherently just. We might add that Hayek rejects the very pertinence of the term 'distribution' when applied to a spontaneous order, preferring that of 'dispersion', which has the advantage that it does not suggest deliberate action (*Studies in Philosophy, Politics and Economics*, p. 171).

89 *Ibid.*

90 Hayek, *The Constitution of Liberty*, p. 341. Since Aristotle, the term 'commutative justice' has referred to justice in exchange.

91 Hayek, *Law, Legislation and Liberty*, p. 249.

92 Foucault, *The Birth of Biopolitics*, pp. 174–5; our emphasis.

93 *Ibid.*, p. 175.

94 Hayek, *The Constitution of Liberty*, p. 120; our emphasis.

95 Hayek, *Law, Legislation and Liberty*, p. 173.

96 *Ibid.*, p. 381. Whereas 'democracy' can degenerate into coercion exercised by the majority over the minority, 'demarchy' accords the power to oblige the will of the greatest number only on condition that the majority commits itself to follow the general rule.

97 Locke, *Two Treatises of Government*, p. 192.

98 Hayek, *The Constitution of Liberty*, p. 171.

99 Quoted in Stéphane Longuet, *Hayek et l'École autrichienne*, Paris: Nathan, 1998, p. 175. The English text of the April 1981 interview in the daily *El Mercurio*, as published by the Hayek Institute, precisely states: 'As you will understand, it is possible for a dictator to govern in a liberal way. And it is also possible for a democracy to govern with a total lack of liberalism. Personally I prefer a liberal dictator to democratic

government lacking liberalism.’

100 Thus, on 5 January 1981, Margaret Thatcher declared in the House of Commons: ‘I am a great admirer of Professor Hayek. Some of his books, *The Constitution of Liberty* and the three volumes of *Law, Legislation and Liberty*, would be well read by some honourable members.’

Part Two

THE NEW RATIONALITY

The Great Turn

The 1980s were marked in the West by the triumph of a politics that has been described both as 'conservative' and as 'neo-liberal'. The names of Ronald Reagan and Margaret Thatcher symbolize this break with the 'welfarism' of social-democracy and the implementation of new policies intended to reverse rampant inflation, falling profits and a slow-down in growth. The often simplistic slogans of the western New Right are well-known: societies are over-taxed, over-regulated, and subject to the pressures of trade unions, selfish corporations, and civil servants. Conservative and neo-liberal policy above all seemed to represent a political response to the economic and social crisis of the so-called 'Fordist' regime of capital accumulation. Conservative governments fundamentally challenged Keynesian macro-economic regulation, public ownership of firms, progressive tax systems, social security, and supervision of the private sector by strict regulations, especially as regards labour rights and the representation of wage-earners. Demand-side policy to sustain growth and achieve full employment was the principal target of such governments, for which inflation had become the overriding problem.¹

But to understand the nature of neo-liberal policies, and define their relations with attempts to recast liberalism theoretically, is it sufficient to situate them in a particular historical conjuncture? How are we to explain the persistence of such policies over several decades? Above all, how are we to account for the fact that some of these policies could be carried out by the 'New Right'² and the 'modern Left' alike?

In reality, these new political forms set in train a change that was much more significant than any mere restoration of erstwhile 'pure' capitalism and traditional liberalism. Their main feature was that they radically altered the mode of exercise of government power, as well as doctrinal references, in the context of a change in the operating rules of capitalism. They attest to subordination to a certain kind of political and social rationality combined with the globalization and financialization of capitalism. In short, a 'great turn' occurred only through the general adoption of a new normative logic capable of integrating, and enduringly re-orientating, policy and conduct in a new direction. Andrew Gamble has encapsulated this new course in the

formula 'free economy, strong state'. It has the merit of underscoring that we are dealing not with a straightforward retreat of the state, but with its political re-deployment on new bases, with new methods and new objectives. What, exactly, does the formula mean? Naturally, we can view it as what conservative currents wanted to make of it: an increased role for national defence against external enemies, for the police against internal enemies and, more generally, for controls over the population, not to mention the desire to restore established authority, traditional institutions and values – in particular, 'families'. But there is more to it than this line of defence of the established order, which is classically conservative.

It is precisely here that misunderstandings persist. Some authors have viewed the economic and social policy of the New Right and the modern Left as merely a 'return of the market'. They legitimately remind us that such a policy has always relied on the idea that, in order for markets to function properly, it is necessary to reduce taxes, cut public expenditure (including by supervising its development via constitutional rules), transfer public enterprises to the private sector, restrict social security, favour 'individual solutions' in the face of risks, control growth of the quantity of money to reduce inflation, possess a strong and stable currency, and deregulate markets, in particular the labour market. Basically, if the 'social-democratic' compromise was synonymous with state interventionism, the 'neo-liberal compromise' was synonymous with the free market. What was less clearly perceived is the *disciplinary* character of the new policy, according government the role of vigilant guardian of legal, monetary and behavioural rules; assigning it the official function of supervisor of the rules of competition in the framework of an unofficial collusion with major oligopolies; and perhaps still more allocating it the objective of creating market situations and forming individuals adapted to market logics. In other words, exclusive focus on the ideology of laissez-faire has detracted from examination of the practices and apparatuses encouraged, or directly established, by governments. As a result, the *strategic dimension* of neo-liberal policies has paradoxically been neglected in the standard 'anti-liberal' critique, in as much as from the outset this dimension formed part of a global rationality that has gone unspotted.

What, precisely, is to be understood by 'strategy'? In its most common meaning, the term refers to 'the means employed to attain a certain end'.³ The turn of the 1970s and '80s undeniably employed a whole range of means to achieve as rapidly as possible certain well-defined objectives (dismantlement of the social state, privatization of public enterprises, etc.). In this sense, it is therefore perfectly legitimate to refer to a 'neo-liberal strategy'. By it is to be understood the set of discourses, practices and power apparatuses aiming to establish new political conditions, to alter the rules of economic functioning,

to transform social relations in such a way as to attain these objectives. However, although legitimate, this use of the term 'strategy' could be taken to imply that the objective of generalized competition between enterprises, economies and states was itself developed on the basis of a well-thought-out project, as if it was the subject of a choice just as rational and controlled as the means put at the disposal of the initial objectives. It is only a short step from this to thinking in terms of a 'conspiracy', which some have quickly taken, especially on the Left. Instead, it seems to us that the objective of a new regulation through competition did not pre-exist the struggle against the welfare state in which, by turns or simultaneously, intellectual circles, professional groups, and social and political forces engaged, often for different reasons. The turn began under the pressure of certain conditions, without anyone yet dreaming of a new, world-wide mode of regulation. Our thesis is that this objective was formed in the course of the confrontation itself; that it imposed itself on very different forces by dint of the logic of the confrontation; and that it thereafter played the role of a catalyst, offering a rallying-point for hitherto relatively scattered forces. To seek to account for the emergence of the objective on the basis of the conditions of a confrontation that was already underway, we must resort to a different sense of the word 'strategy' – one that does not derive it from the will of a strategist or the intentionality of a subject. It was precisely this idea of a 'strategy without a subject' or 'without a strategist' that was developed by Foucault. Taking the example of the strategic objective of moralizing the working class in the 1830s, he argued that it *produced* the bourgeoisie as the agent of its implementation, it being far from the case that the bourgeois class, as a pre-constituted subject, conceived this objective on the basis of an already developed ideology.⁴ What is involved here is thinking a certain 'logic of practices'. In the first instance, there are practices, often disparate, which employ techniques of power (in the first rank of which are disciplinary techniques); and it is the multiplication and generalization of such techniques that gradually imparts an overall direction, without anyone being the instigator of this 'push towards a strategic objective'.⁵ There can be no better formulation of the way that competition was constituted as a new global norm on the basis of certain relations between social forces and economic conditions, without having been 'chosen' in premeditated fashion by some 'general staff'. To bring out the strategic dimension of neo-liberal policies is therefore to reveal not only how they result from the selection of certain means (in the first sense of the term 'strategy'), but also the strategic character (in the second sense of the word) of the objective of generalized competition that made it possible to confer overall coherence on those means.

We propose in this chapter to examine the following four points. The first

concerns the *relationship of mutual support* by virtue of which neo-liberal policies and changes in capitalism aided one another to produce what we have called the 'great turn'. However, this turn was not due exclusively to the crisis of capitalism, any more than it happened at a single stroke. It was preceded and accompanied by an *ideological struggle*, which above all consisted in a systematic, abiding critique of the welfare state by essayists and politicians. This offensive directly sustained the action of various governments and made a major contribution to legitimating the new norm when the latter finally emerged. This is the second point. But intellectual conversion was not enough; it was necessary to obtain a change in forms of conduct. For the most part, this was the work of the techniques and apparatuses of *discipline* - that is, systems of compulsion, economic as well as social, whose function was to compel individuals to govern themselves under the pressure of competition, in accordance with the principles of maximizing calculation and a logic of capital valorization. This is the third point. The gradual extension of these disciplinary systems, as well as their institutional codification, ultimately resulted in the establishment of a general *rationality*, a kind of new regime of self-evident truths imposing themselves on rulers of all persuasions as the sole framework for understanding human conduct.

A NEW FORM OF REGULATION THROUGH COMPETITION⁶

The significance of the ‘great turn’ can be missed in two ways. The first consists in deriving it exclusively from economic changes internal to the capitalist system. In this way, the dimension of *reaction-adaptation* to a crisis situation is artificially isolated. The second consists in regarding the ‘neo-liberal revolution’ as the deliberate, concerted application of an economic theory, with Milton Friedman’s being most often singled out.⁷ It is then the dimension of ideological *revenge* that is overestimated. In truth, the establishment of the global norm of competition occurred by *connecting* a political project onto an endogenous dynamic, at once technological, commercial and productive. In this and the following section, we would like to highlight the main features of this dynamic, reserving specific examination of the second dimension for subsequent sections devoted to ideology and discipline.

The political programme of Thatcher and Reagan, subsequently replicated by a large number of governments and transmitted by major international organizations like the IMF and the World Bank, initially presented itself as a set of *responses* to a situation deemed ‘unmanageable’. This specifically reactive dimension was transparent in the report of the Trilateral Commission,⁸ *The Crisis of Democracy*, a key document evincing a sense of the ‘ungovernability’ of democracies shared by many rulers in the capitalist countries.⁹ The experts invited to formulate their diagnosis in 1975 noted that rulers had become incapable of governing as a result of the excessive involvement of the governed in political and social life. Quite the reverse of Tocqueville or Mill, who deplored the apathy of the moderns, Michel Crozier, Samuel Huntington and Joji Watanuki lamented the ‘excess of democracy’ that had emerged in the 1960s – that is, in their view, the rise of egalitarian demands and the desire for active political participation by the poorest, most marginalized classes. In their view, political democracy could only function normally with ‘some measure of apathy and non-involvement on the part of some individuals and groups’.¹⁰ Coinciding with the classic themes of the original neo-liberal theoreticians, they concluded by demanding acknowledgement that ‘there are ... potentially desirable limits to the indefinite extension of political democracy’.¹¹

In its way, this appeal to put ‘limits on demands’ conveyed the onset of the crisis of the old Fordist norm. The latter aligned the principles of Taylorism with rules for distributing value added that were conducive to a regular rise in real wages (by price indexation and productivity improvements). In addition, such an articulation of mass production and mass consumption was based on the relatively auto-centred character¹² of this growth model, which guaranteed a certain macro-economic ‘solidarity’ between wages and profits. The characteristics of demand (low product differentiation, high elasticity of

demand relative to prices,¹³ income growth) tallied with the gradual satisfaction of households in consumption goods and domestic fixtures and fittings. Thus, the sustained income growth ensured by higher productivity made it possible to offload mass production in mainly domestic markets. Industrial sectors barely exposed to international competition were the driving force in growth. The organization of productive activity rested on a highly developed division of labour, increased but rigid automation, and a long production/consumption cycle, making it possible to obtain economies of scale on national or even international bases, with the latter already being connected to massive outsourcing of assembly units to Asian countries. It can be seen that such conditions made possible, politically and socially, arrangements that to a certain extent combined capital valorization and real wages increases (what has been called the 'social-democratic compromise').

However, from the late 1960s the 'virtuous' model of Fordist growth came up against its endogenous limits. Enterprises experienced a very significant decline in their profit rates.¹⁴ This fall in 'profitability' is explained by the slow-down in productivity as a result of the balance of industrial power, by the combative character of wage-earners (which gave the '1968 years' their historical character), and by the high inflation exacerbated by the two oil shocks of 1973 and 1979. Stagflation seemed to sign the death certificate of the Keynesian art of 'managing the conjuncture', which assumed a trade-off between inflation and recession. The coexistence of the two phenomena – high inflation and high unemployment – seemed to discredit the tools of economic policy – in particular, the positive impact of public expenditure on the level of demand and the level of activity, starting with the level of employment.

At the same time, a supplementary factor in the crisis was the malfunctioning of the international system established after the Second World War. The general floating of currencies from 1973 paved the way for increased influence by markets over economic policy and, in this new context, the increasing openness of economies undermined the bases of the auto-centred 'production-income-demand' circuit.

The new monetarist policy precisely sought to respond to the two major problems represented by stagflation and pressure from wage-earners' organizations. Breaking the price indexation of wages involved transferring the hole made in the purchasing power of wage-earners by the two oil shocks to the benefit of enterprises. The two main axes of the switch in economic policy were the struggle against rampant inflation and the restoration of profits in the late 1970s. The brutal rise in interest rates, at the cost of a severe recession and rise in unemployment, made it possible to launch a series of offensives against trade-union power, to reduce social expenditure and taxes, and to promote deregulation. Left-wing governments were

themselves converted to this monetarist policy at the start of the 1980s, as indicated by the French case.¹⁵

In another ‘virtuous circle’, the hike in interest rates resulted in the debt crisis of the Latin American countries – in particular, Mexico – in 1982, providing an opportunity for the IMF, in exchange for negotiating repayment conditions, to impose structural adjustment plans containing radical reforms. The doubling of US interest rates in 1979 and the consequences, internal and external, restored creditors’ power over debtors, requiring of them higher real repayments and then imposing highly unfavourable political and social conditions.¹⁶ Such monetary and budgetary discipline became the new norm of anti-inflationary policy in all OECD countries and those countries of the South that depended on World Bank credits and IMF support.

A new orientation thus gradually crystallized in economic apparatuses and mechanisms that profoundly altered the ‘rules of the game’ between the different national capitalisms, as between social classes within each national space. The most celebrated of the measures taken was the great wave of *privatization* of public enterprises (mostly sold off), and the general movement of *deregulation* of the economy. The guiding idea was that the freedom accorded private actors, who possess greater knowledge of business conditions and of their own interests, is always more effective than direct intervention or public regulation. If the Keynesian and Fordist economic order was based on the idea that competition between capitalist enterprises and economies should be supervised by common fixed rules about exchange rates, trade policy and income distribution, the new neo-liberal norm established in the late 1980s elevated competition into the highest, universal rule of government.

This system of rules defined what might be called a *global disciplinary system*. As we shall see later, its development represents the end-product of a process of experimentation with disciplinary apparatuses established since the 1970s by governments that had been won over to the dogma of monetarism. It found its most succinct formulation in what John Williamson called the ‘Washington Consensus’, which became established in the international financial community as a set of prescriptions to be followed by all countries to secure loans and aid.¹⁷

International organizations played a highly active role in diffusing this norm. The IMF and World Bank saw the meaning of their remit radically transformed in the 1980s, under the impact of the switch of governments in the most powerful countries to the new governmental rationality. Most of the weakest economies had to obey the prescriptions of these bodies in order to benefit from their aid or, at least, to obtain their ‘approval’, so as to improve their image with international creditors and investors. Dani Rodrik, a Harvard economist who did a lot of work with the World Bank, has not hesitated to

refer in this connection to an ‘ingenious marketing strategy’: ‘Structural adjustment was sold as the process that countries needed to undergo in order to save their economies from the crisis.’¹⁸ In reality, as Joseph Stiglitz has clearly shown, the results of adjustment plans were often highly destructive. ‘Shock therapy’ strangled growth through very high interest rates, destroyed local production by heedlessly exposing it to competition from more developed countries, often aggravated inequalities and increased poverty, reinforced economic and social instability, and subjected these ‘open’ economies to the volatility of capital flows. The intervention of the IMF and World Bank aimed to impose the political framework of the competitive state, or the state whose activity tends to make competition the law of the national economy, whether such competition is that of foreign producers or national producers.

More generally, the policy followed by governments of the North and South alike consisted in looking to an increase in their global market share to solve their internal problems. This race to export, conquer foreign markets and tap savings created a context of intensified competition that led to a permanent ‘reform’ of institutional and social systems, presented to populations as a vital necessity. Economic and social policies incorporated such ‘adaptation’ to globalization as one of their main dimensions, seeking to increase the responsiveness of enterprises, reduce tax pressure on the incomes of capital and the most favoured groups, discipline manual labour, reduce labour costs, and improve productivity.

States themselves became key elements in this intensified competition, seeking to attract a great share of foreign investment by creating the most favourable fiscal and social conditions for capital valorization. They thereby significantly contributed to the creation of an order that subjected them to new constraints, prompting them to compress wages and public expenditure, to reduce ‘traditional rights’ deemed unduly expensive, and to weaken mechanisms of solidarity which escaped the logic of private insurance. At once agents and objects of global competition, constructors and auxiliaries of financial capitalism, states were increasingly subject to the iron law of a dynamic of globalization that very largely escaped them. The leaders of governments and international bodies (financial and commercial) could thus maintain that globalization was a *fate*, while continuously working to produce this alleged ‘fatality’.

THE EXPANSION OF FINANCIAL CAPITALISM

Globally, the favoured vehicle for diffusing the neo-liberal norm was financial liberalization and the globalization of technology. A single capital market was established through a series of legislative changes, the most significant of which were the complete freeing of foreign exchange, the privatization of the banking sector, the de-compartmentalization of financial markets and, at a regional level, the creation of the single European currency. This *political* liberalization of finance was based on the need to finance public debt, which was to be met by appealing to international investors. It was justified theoretically by the superiority of competition between financial actors over the administration of credit for financing indebted firms, households and states.¹⁹ It was facilitated by a gradual revision of US monetary policy that abandoned the strict canons of doctrinal monetarism.

For nearly two decades, global finance experienced significant expansion. The volume of transactions from the 1980s onwards shows that the financial market became relatively autonomous of the sphere of production and commercial exchange, increasing the now chronic instability of the global economy.²⁰ Since 'globalization' was propelled by finance, most countries found it impossible to take measures running counter to the interests of holders of capital. As a result, they prevented neither the creation of speculative bubbles nor the bursting of such bubbles. Furthermore, as in the United States from 2000, they helped create them with a monetary policy that was far removed from classical monetarism. The unification of the global money market was accompanied by a standardization of accounting criteria, a standardization of profitability requirements, an imitation of the strategies of oligopolies, and waves of buybacks, mergers and business restructuring.

The transition from Fordist capitalism to financial capitalism was also marked by a significant alteration in the rules controlling enterprises. With the privatization of the public sector, the growing weight of institutional investors, and greater foreign capital in the ownership structure of enterprises, one of the major changes in capitalism consists in the objectives pursued by enterprises under the pressure of shareholders. In fact, the financial power of the owners of enterprises has obliged managers to exert continual pressure on wage-earners to increase dividends and raise share prices. According to this logic, the 'creation of shareholder value' – that is, the production of value for shareholders as determined by stock markets – is the main management criterion of directors. The conduct of enterprises has been profoundly affected by it. They set about developing all possible means for enhancing this financial 'creation of shareholder value': mergers and acquisitions, refocusing on core business, outsourcing parts of production, and reducing the size of the enterprise.²¹ Corporate governance is directly connected to shareholders' desire to assume control of the management of

enterprises. So-called 'index' control, determined exclusively by changes in the stock market index, aims at reducing the autonomy of the objectives of managers, who are supposed to have interests different from those of shareholders, or even opposed to them. The main effect of these practices has been to make an increase in stock-market prices the common objective of shareholders and directors. The financial market has thus been constructed as a *disciplining agent* for all the enterprise's personnel, from the director to the basic wage-earner. All of them are to be subject to the principle of *accountability* – that is, the need to 'account for oneself' and be evaluated in accordance with the results obtained.

The strengthening of financial capitalism has had other serious consequences – in the first instance, social ones. The concentration of income and property accelerated with the financialization of the economy. Wage deflation betrayed the increased power of capital-owners, which enabled them to capture a significant extra slice of value by imposing their criteria of financial profitability on the whole productive sphere and putting labour forces into competition with each other on a world scale. It induced many wage-earners to resort to debt, which was facilitated after the 2000 crash by the monetary activism of the Federal Reserve Bank. Their relative and, often, absolute impoverishment thus subjected them to the power of finance.

Secondly, the subject's relation to him- or herself was profoundly affected. As a result of a more attractive tax regime, and the encouragement of the public authorities, the financial and property holdings of many middle- and higher-income households has grown considerably since the 1990s. While we are far from the Thatcherite dream of western populations composed of millions of small capitalists, the logic of financial capital has nevertheless had far from insignificant subjective effects. Every subject has been led to think of themselves, and to behave in every dimension of their existence, as the holder of capital to be valorized. Remunerative university studies, creation of individual savings for retirement, purchase of one's home, long-term investment in stock-market equities – such are the aspects of this 'capitalization of individual existence' which, as it gains ground in the wage-earning class, erodes solidaristic logics that little bit more.²²

Contrary to what a number of analysts argued at the time, the advent of financial capitalism has not transferred us from the organized capitalism of the nineteenth century to a 'disorganized capitalism'.²³ It would be more appropriate to say that capitalism has been reorganized on new bases whose mainspring is the use of generalized competition, including in the order of subjectivity. What people are happy to call 'deregulation' – an ambiguous expression which might be taken to mean that capitalism no longer has any mode of regulation – is in fact a new *ordering* of economic activities, social relations, conduct and subjectivities.

Nothing is more indicative of this than the role of the state and international economic organizations in establishing the new, predominantly financial regime of accumulation. In fact, to deplore the power of financial capital compared with the diminishing power of states involves a false naivety. The new capitalism is profoundly bound up with the *political* construction of a global finance governed by the principle of generalized competition. In this, the 'marketization' of finance is the daughter of neo-liberal reason. It is therefore important not to mistake the effect for the cause by summarily identifying neo-liberalism with financial capitalism.

Certainly, not everything derives from the hand of the state. If, at the outset, one of the objectives of liberalizing financial markets was to meet the growing need to finance public deficits, the expansion of global finance is also the outcome of multiple innovations in financial products, practices and technologies that had not originally been foreseen.

Even so, it was indeed the state, with its liberalizing and privatizing reforms in the 1980s, which constructed a form of market finance in place of a more administered management of the financing of firms and households by banks. Let us recall that, from the 1930s to the 1970s, the financial system was supervised by rules that sought to *protect it from the effects of competition*. Starting with the 1980s, the rules it was subject to underwent a radical change of direction, since they aim to *regulate general competition* between all agents of finance internationally.²⁴ France affords a good example of this transformation. French governments endeavoured to put an end to administered credit management: abolition of its supervision, lifting of exchange controls, privatization of banking and financial institutions. These measures made possible the creation of conglomerates combining the activities of banking, insurance and financial advice. At the same time, the management of public debt, rapidly expanding at the start of the 1990s, has been profoundly altered to appeal to international investors, in such a way that states have greatly and directly contributed to the growth of globalized finance. In a kind of 'boomerang effect' of its own action, the state has itself been enjoined rapidly to 'adapt' to the new international financial situation. The greater the transfer of income to lenders, by means of taxes, the more it has been a question of reducing the number of civil servants and lowering their pay, the more it has been necessary to transfer whole swathes of the public sector to the private sector. Privatization, like inducements to individual saving, has ended up conferring considerable power on bankers and insurers.

The enlargement of markets, their de-compartmentalization, and the creation of a market in derivatives have been systematically encouraged by the public authorities in order to confront the competition of other financial centres (in particular, the most powerful – London and New York). In the

United States in the 1990s, we thus witnessed the end of the compartmentalization of the banking sector with the repeal of the Glass-Steagall Act of 1933 and the parallel birth of large one-stop shop conglomerates. The securitization of debt, begun in the US in the 1970s, has enjoyed a legal framework in most countries (in France in 1988).²⁵ Finally, in a different sphere, it once again fell to the state to construct the link between the power of financial capital and the management of enterprises. It provided the norms of corporate governance with a legal framework,²⁶ consecrating shareholder rights and establishing a system of corporate remuneration based on a rise in the value of stock-options.²⁷

This political construction of market finance by governments was naturally relayed by the actions of the IMF and World Bank. Public policy has powerfully and actively helped 'institutional investors' to establish the norm of the maximum shareholder value, to tap increasingly large revenue flows, to fuel, thanks to rent extraction, unbridled speculation. The concentration of financial institutions, which are now situated at the centre of the new economic apparatuses, has facilitated a massive draining of the savings of households and enterprises, giving them increased power over all areas of economic and social life. What is therefore called the 'liberalization' of finance, which is more accurately the construction of international financial markets, has engendered a 'creature' with a power that is simultaneously diffuse, global and uncontrollable.

Paradoxically, the active role of states encouraged the misconduct of credit institutions in the first half of the 2000s. It was precisely the intensified competition between 'multi-functional' credit institutions that prompted them to take ever larger risks so as to maintain their own profitability.²⁸ Such risk-taking was only possible if the state remained the ultimate guarantor of the system. The rescue of the savings banks in the US demonstrated that the state could not remain indifferent to the collapse of large banks, in accordance with the principle of 'too big to fail'. In reality, neo-liberal government has long played the role of lender of last resort, as is sufficiently indicated in the US by the practice of debt purchase from banks and their securitization.²⁹ Accordingly, it is not surprising to see governments frequently intervening to 'rescue' banking institutions and insurance companies since the onset of the crisis in 2007. These interventions only serve to illustrate the principle of 'nationalization of risks and privatization of profits' on a very large scale. Thus, Gordon Brown's British government nationalized nearly 50 per cent of the country's banking system and the US government has recapitalized the banks of Wall Street to the tune of several hundred billion dollars. Contrary to what some analysts have claimed, this is obviously not 'socialism', any more than it is a new 'October Revolution'. It is a *forced extension under duress of the active role of the neo-liberal state*. Constructor,

vector and partner of financial capitalism, the neo-liberal state has, under the cover of the crisis, taken a further step towards effectively becoming the financial institution of last resort. So true is this that the 'rescue' temporarily makes it a kind of *broker* state which buys stocks cheaply so as to try to sell them at a higher price later. The idea that, following a 'retreat of the state', we are witnessing a 'return of the state' must therefore be seriously questioned.

IDEOLOGY (1): 'FREE CAPITALISM'

That such an illusion is so widespread largely stems from an effective strategy of intellectual conversion which, since the 1960s and '70s, has taken the dual form of an ideological struggle against the state and public policy, on the one hand, and an unreserved apologia for the most unbridled capitalism on the other. A whole vulgate has elaborated on the theme of the need for a 'withdrawal of the state' and the incomparable 'efficiency of markets'. Thus, in the 1980s, notwithstanding neo-liberal policies geared to actively *constructing* markets, it was possible to believe that the myth of the self-regulating market was back.

Numerous works were devoted to securing this political and ideological victory. Some authors employed a conscious strategy of *ideological struggle*. Hayek, von Mises, Stigler or Friedman genuinely *thought through* the importance of propaganda and education – a theme that takes up much of their writings and interventions. They even sought to give their theses a popular form so that they should reach, if not public opinion directly, then at least those who create it – and this very early on, as is demonstrated by the global success of Hayek's *The Road to Serfdom*. This also explains the creation of think tanks, of which the most famous – the Mont Pelerin Society, founded in 1947 in Switzerland by Hayek and Röpke – has merely been the 'network head' of a vast set of militant associations and circles throughout the world. Historiography has described the way in which the think tanks of the 'market evangelists' made it possible to launch an assault on the major parties of the Right, relying on a press dependent on business circles, and then how the 'modern ideas' of the market and globalization step by step led to the retreat and subsequent withering of the ideological systems directly opposed to them, starting with social-democracy.

This aspect of things is obviously essential from a historical point of view. It was indeed by establishing and repeating the same arguments that a vulgate ended up being universally imposed, especially in the media, the academy and the political world. In the United States, Milton Friedman played a major role, alongside his academic work, in rehabilitating capitalism with an exceptional series of articles, books and TV programmes. He is the only economist of his time to have made the front cover of *Time Magazine* (1969). Fully conscious of the importance of propagating pro-capitalist ideas, he observed that legislation invariably follows a shift in public opinion that has occurred twenty or thirty years earlier.³⁰ The movement of opinion against laissez-faire in the 1880s was thus translated into policy only at the start of the twentieth century. For Friedman, a new change in favour of competitive capitalism occurred around the 1960s and '70s, following the failure of policies of Keynesian regulation, poverty reduction and income redistribution, and as a result of growing repulsion at the Soviet model. In his view, the revolt of

Californian tax-payers in 1978, which gradually spread throughout the United States and to a large number of western countries, attested to a new popular aspiration to reduce public expenditure and taxes. Conscious of these cycles and the delayed impact of public opinion on legislation and politics, Friedman was right when he announced in 1981 that a major turning-point had been reached, which was going to find expression in government measures.

In its time, each country has had its bestsellers vaunting the American conservative revolution and the return of the market, while vehemently denouncing the costly abuses of public services and the 'welfare state'. This massive wave, bringing with it new self-evident verities, manufactured the consent, if not of populations, then at least of the 'elites' who had a monopoly on public speech, and made it possible to stigmatize those who still dared to oppose it as 'archaic'.³¹

However, it should not be forgotten that it was not only the power of neoliberal ideas that ensured their hegemony. They imposed themselves amid the enfeeblement of left-wing doctrines and the collapse of any alternative to capitalism. Above all, they were asserted in the context of a crisis of prior modes of regulating the capitalist economy, at a time when the world economy was affected by the oil shocks. This explains why, unlike in the 1930s, the crisis of Fordist capitalism resulted in an outcome conducive not to *less capitalism*, but to *more capitalism*. The main theme of this ideological war was the critique of the state as the source of every kind of waste and as a brake on prosperity.

In the first instance, the ideological success of neo-liberalism was made possible by a new credence in some very old critiques of the state. Since the nineteenth century, the state has inspired the most virulent diatribes. Preceding Spencer in this regard, Frédéric Bastiat distinguished himself in his *Harmonies économiques*. Public services, he wrote, foster irresponsibility, incompetence, injustice, spoliation and immobility: 'Everything that has fallen into the sphere of the state is virtually stationary', for want of the indispensable spur of competition.³² It is therefore unsurprising if themes scarcely modernized by a new vocabulary made a re-appearance: the state is too expensive; it disrupts the fragile machine of the economy; it 'disincentivizes' actors from producing. The 'cost of the state' and the excessive tax burden were constantly highlighted for thirty years to legitimate an initial shift on the tax front. Other criticisms were added, elaborating on the idea of bureaucratic waste: the inflationary character of state expenditure, the intolerable extent of the accumulated debt, the deterrent impact of unduly heavy taxes, the flight of enterprises and capitalists from the national space, made 'uncompetitive' by the burden of the charges weighing on income from capital. Thus, Friedman dreamed of a society scarcely subject to taxation:

My definition would be as follows: a society is 'liberal' when public expenditure, all collectives

included, does not exceed 10 to 15 per cent of the national product. We are very far from that. There are obviously other criteria, such as the degree of protection of private property, the presence of free markets, respect for contracts, and so on. But all that is ultimately assessed in the light of the overall size of the state. 10 per cent was the figure for England at the height of Queen Victoria's reign at the end of the nineteenth century. In the colony's golden age, Hong Kong reached less than 15 per cent. All the empirical and historical data show that 10–15 per cent is the optimal size. Today, European governments come in at four times more on average. In the United States, we are only three times more.³³

This argument revives the venerable theme of 'frugal government', which must refrain from taxing inordinate wealth so as not to damage the activity of economic agents by depriving them of resources and destroying their motivation. It was strengthened by von Mises's and Hayek's analyses in the 1930s of bureaucratic inefficiency, which for them was essentially due to the impossibility of calculation in a directed economy and the absence of any possible arbitration between alternative solutions. The arguments developed by these authors against 'bureaucracy' and the 'omnipotent state', which at the time of their formulation went against the grain, enjoyed great success fifty years later in the press and well beyond the Right, with the collapse of the Soviet Union seeming to furnish practical proof of the failure of any centralized economy. Finally, the amalgam of bureaucracy of the Stalinist variety and different forms of intervention in the economy, which Hayek or von Mises had no hesitation in making, became commonplace in the new vulgate. The failures of Keynesian regulation, the difficulties experienced by mass education, the tax burden, the various deficits in the public social insurance funds, the comparative inability of the social state to abolish poverty or reduce inequalities – all this offered a pretext for backtracking on the institutional forms that had ensured a compromise between the major social forces after the Second World War. Further still, all social reforms since the end of the nineteenth century were challenged in the name of the absolute liberty of contracts and the unconditional defence of private property. Refuting Polanyi's thesis of the 'great transformation', the 1980s were a 'Spencerian' epoch ideologically speaking.

Although the content differed slightly, everything was amalgamated in accordance with the method employed by Hayek in *The Road to Serfdom*. At bottom, the gulag and taxes were simply two elements on the same totalitarian continuum. In France, for example, the 'new philosophers' and 'new economists' engaged in the same denunciation of the great Leviathan. Furthermore, we have witnessed a complete inversion of social critique. Whereas until the 1970s unemployment, social inequalities, inflation, alienation and all 'social pathologies' were laid at the door of capitalism, from the 1980s the same evils were systematically attributed to the state. Capitalism

is no longer the problem; it has become the universal solution. Such was precisely the message of Friedman's books in the 1960s.³⁴

It was in the name of 'market failures' that public intervention had been justified from the 1920s and was extended after the war. The inversion of social critique has been perfectly summarized by the Friedmans in *Free to Choose*:

Government is one means through which we can try to compensate for 'market failure,' try to use our resources more effectively to produce the amount of clean air, water and land that we are willing to pay for. Unfortunately, the very factors that produce the market failure also make it difficult for government to produce a satisfactory solution. Generally, it is no easier for government to identify the specific persons who are hurt and benefited than market participants, no easier for government to assess the amount of harm or benefit to each. Attempts to use government to correct market failure have often simply substituted government failure for market failure.³⁵

Ronald Reagan made it into a slogan: 'government is not the solution to our problem; government is the problem'.³⁶

IDEOLOGY (2): THE 'WELFARE STATE' AND THE DEMORALIZATION OF INDIVIDUALS

A large number of theses, reports, essays and articles sought to calculate the balance of costs and benefits of the state, concluding with a verdict that was final: unemployment benefit and minimum income are responsible for unemployment; taking responsibility for health expenditure increases deficits and causes cost inflation; free education is conducive to lounging and nomadism by students; policies of income redistribution do not reduce inequality but discourage effort; urban policy has not checked segregation, but increased the burden of local taxation. In short, it was a question of raising the issue of the utility of state interference with the market order and showing that, in most cases, the 'solutions' provided by the state created more problems than they solved.³⁷

But the issue of the cost of the welfare state is far from being confined exclusively to its financial dimension. In reality, according to a number of polemicists, it is on the moral terrain that public action can have the most negative effects. More precisely, it is on account of the demoralization that it risks creating in the population that the policy of the 'welfare state' has become especially costly. This major theme of neo-liberalism has it that the bureaucratic state destroys the virtues of civil society – honesty, the sense of a job well done, personal effort, civility and patriotism. It is not the market that destroys society through the 'appetite for gain', for it could not function without these virtues of civil society. It is the state that undermines the springs of individual morality. As Albert O. Hirschman has shown, the argument is not new. It forms one of the three basic schemas of 'reactionary rhetoric', which he calls the 'perverse effect'. Seeking the well-being of the majority through protectionist and redistributive policies inevitably leads to damaging them.³⁸ Such is the thesis widely diffused by Charles Murray in *Losing Ground*, a book published at the height of the Reagan era.³⁹ The well-intentioned fight against poverty has failed because it has deterred the poor from striving to better themselves, unlike numerous generations of immigrants. Trapping individuals in depreciated categories, a loss of dignity and self-esteem, the homogenization of the poor class – these are some of the unintended consequences of social aid. For Murray, there is only one solution: the abolition of the welfare state and the reactivation of family and neighbourhood solidarity, which compels individuals, if they are not to lose face, to take responsibility and regain status and dignity.

One of the constants of neo-liberal discourse is its critique of the 'welfare dependency' created by unduly generous cover for risks by social security systems. Neo-liberal reformers have not only employed the argument of efficiency and cost, but also foregrounded the *moral* superiority of market solutions or market-inspired solutions.

This critique rests on a postulate about the relationship between

individuals and risks. By seeking to promote the well-being of the population through mechanisms of solidarity, the welfare state has supposedly rendered individuals irresponsible and deterred them from seeking work, from pursuing their studies, from taking care of their children, from insuring against illness attributable to harmful activities. The remedy therefore consists in bringing into play the mechanisms of individual economic calculation in all areas and at all levels – but first of all at the micro-economic one of individual conduct. This should have two effects: a moralization of conduct and more efficient social systems. Thus, in the United States aid to families with dependent children became the symbol of the pernicious effects of the welfare state in the 1970s, allegedly encouraging the dissolution of family bonds, the multiplication of families on benefits, and the disincentivization to work of ‘welfare mothers’. This was confirmed in academic mode by Gary Becker’s demonstration in *A Treatise on the Family*,⁴⁰ based on calculating the benefits and costs to young mothers of remaining single. The perverse effect of the welfare state was to encourage economic agents to prefer leisure to work. This argument, repeated *ad nauseam*, linked the security extended to individuals with the loss of a sense of responsibility, neglect of parental duties, loss of appetite for effort and love of work. In a word, social protection was destructive of the values without which capitalism could no longer function.⁴¹

In his bestselling *Wealth and Poverty*, published at the moment of Reagan’s arrival in power, the US essayist George Gilder gave the most eloquent rendition of this relationship between values and capitalism. For him, the future lay in faith in capitalism as expressed by Lippmann in *The Good Society*:

Faith in man, faith in the future, faith in the rising returns of giving, faith in the mutual benefits of trade, faith in the providence of God – these are all essential to successful capitalism. All are necessary to sustain the spirit of work and enterprise against the setbacks and frustrations it inevitably meets with in a fallen world; to inspire trust and cooperation in an economy where these very faiths will often be betrayed; to encourage the forgoing of present pleasures in the name of a future that may well go up in smoke; to promote risks and initiative in a world where the rewards all vanish unless others join the game.⁴²

While wealth rests on such virtues, poverty is encouraged by policies that are doubly deterrent to work and fortune: ‘current welfare and other welfare programs substantially reduce work. The poor choose leisure not because of moral weakness, but because they are paid to do so.’⁴³ And taking from the rich to give to the poor through taxation is also to deter the rich from enriching themselves: ‘the main threat to this system is taxation with rates so progressive and graduated so steeply ... that the rich refuse to risk their money’.⁴⁴

The remedies for this situation are self-evident: reducing transfers from

the rich to the poor. The only war against poverty that adds up consists in returning to traditional values: 'The only dependable route from poverty is always work, family, and faith.'⁴⁵ The three means are connected, since it is the family that transmits the sense of effort and faith. Monogamous marriage, belief in God, and the spirit of enterprise are the three pillars of prosperity once we are rid of the social aid that destroys the family, courage and work.

Milton Friedman and his wife Rose proceed in the same direction, 'believ[ing] that the growth of government in recent decades and the rising incidence of crime in those same decades are largely two sides of the same coin.'⁴⁶ This is because state intervention is based on a conception of individuals as 'creatures of their environment [who] should not be held responsible for their behaviour'. This representation must be reversed and the individual regarded as fully responsible. To make the individual responsible is to make the family responsible.⁴⁷ Among other objectives, this will be the goal of free choice of schools by parents and the freedom they will be allowed to finance the education of their children in part. If getting rich is the highest value, it is because it is regarded as the most effective reason for motivating workers to increase their effort and performance, just as private ownership of one's housing or enterprise is regarded as the precondition for individual responsibility. That is why the social housing stock must be sold to encourage a 'property-owning democracy' and 'popular capitalism'. Likewise, through privatization the directorates of enterprises must be subjected to shareholders, who will be exacting about the management of their own property. More generally, clients must be put in a position to decide between several operators so that they pressurize the enterprise and its agents to provide better service. The competition thus introduced by consumers is the main lever for 'enhancing responsibility', and hence performance, among wage-earners in enterprises.

A new discourse stressing the 'risk' inherent in individual and collective existence seeks to persuade people that the apparatuses of the social state are profoundly damaging to creativity, innovation and self-realization. If everyone is solely responsible for their fate, society owes them nothing. Instead, everyone must constantly prove themselves to merit the conditions of their existence. Life is perpetual risk management, requiring strict abstention from dangerous practices, constant self-control, and a regulation of one's own behaviour that blends asceticism and flexibility. The key word of the risk society is 'self-regulation'. This 'risk society' has become one of the self-evident verities that accompany the most diverse proposals for private protection and insurance. An enormous market in personal security, extending from domestic alarms to investment for retirement, has developed in direct proportion to the erosion of compulsory collective insurance schemes, reinforcing the sense of risk and the need to protect oneself in an

individual capacity. In a kind of extension of this problematic of risk, a number of activities have been reinterpreted as means of personal protection. This is the case, for example, with education and professional training, regarded as shields protecting people against unemployment and enhancing 'employability'.

To understand the new morality, we must bear in mind the 'revolution' that US economists claim to have effected since the 1960s. Applied to all spheres of private and public action, economic reason makes it possible to erase the demarcations between politics, society and economy. Global, it underlies all individual decisions; it makes it possible to understand all forms of conduct; it alone must structure and legitimate state action.⁴⁸

This is what is demonstrated by the so-called 'new' economists, who have sought to extend the analytical field of the standard theory to new objects. Unlike in the case of the Austro-American theorists, this does not involve furnishing economic science with new bases through a theory of entrepreneurship. It is a question – but this is already a good deal – of moving beyond the traditional domains of economic analysis to generalize cost-benefit analysis to the totality of human behaviour. Certainly, there are numerous bridges between these currents, but their logics are nevertheless quite different. Von Mises's ambition was a total science of human choice. But he believed that it was to be developed by recasting the concepts and methods of economics. Thus, he sought to distinguish between human action generally as the creation of means-ends systems, studied by praxeology, and specific monetary and market economics (pertaining to catallaxy).

The US economists who subscribe to the standard theory seek to establish that the most traditional analytical tools are amenable to very considerable extension, thereby showing that a revolution in paradigms is unnecessary and that the old tools for calculating maximization can be retained. The family, marriage, delinquency, education, unemployment, but also collective action, political decision-making and legislation become objects of economic reasoning. Thus, Becker has formulated a new theory of the family, regarding it as an enterprise employing a certain quantity of resources in money and time to produce 'goods' of various kinds: skills, health, self-esteem, and other 'commodities' such as children, prestige, envy, sensual pleasures, and so forth.⁴⁹

The foundation of Becker's approach consists in extending the utility function employed in economic analysis in such a way that individuals are regarded as *producers*, not mere consumers. They produce commodities that will satisfy them by using goods and services bought in markets, personal time and other 'inputs' that possess value – hidden but calculable prices. In short, this involves choosing between 'production functions', assuming that any 'good' is produced by individuals, who mobilize various resources –

money, time, human capital, and even social relations identified with a 'social capital'.⁵⁰ This obviously raises the problem of identifying the 'inputs', but also that of quantifying all the non-monetary aspects that enter into the calculation and lead to a decision.

The main point in this reinvestment of regions external to the field of economic science as classically defined is to impart, or rather restore, theoretical consistency to the anthropology of neo-liberal man, not only (as Becker puts it) with a view to pursuing a disinterested scientific goal, but also to provide indispensable discursive support to the neo-liberal governmentality of society. By itself, however influential it may have been, this conception of *man as capital* - which is the real meaning of the concept of 'human capital' - has proved incapable of producing the mass subjective changes we observe today. For that it had to assume material form through the establishment of multiple, diverse, simultaneous or successive apparatuses, which have enduringly moulded the conduct of subjects.

DISCIPLINE (1): A NEW SYSTEM OF DISCIPLINES

The very concept of governmentality – acting on the actions of individuals who are supposedly free to choose – makes it possible to redefine discipline as a technique of government peculiar to market societies. The term *discipline* may be a cause for surprise here. It implies, seemingly at any rate, a certain reorientation vis-à-vis the meaning given it by Foucault in *Discipline and Punish*, where he applies it to the techniques of spatial distribution, classification and training of individual bodies. For Foucault, the model of discipline was Bentham's Panopticon. However, far from contrasting 'discipline', 'normalization' and 'control', as some exegeses have argued, Foucault's reflections more and more clearly reveal the matrix of this new form of 'conduct of conducts', which can vary, depending on the case under consideration, from imprisoning prisoners to monitoring the quality of products sold on the market.⁵¹ If 'to govern is to structure the potential field of action of others', discipline can be redefined more widely as a set of techniques for structuring the field of action, which differ depending on the situation in which individuals find themselves.⁵²

From the classical age of disciplines onwards, power therefore cannot be exercised by sheer coercion of a body. It must go hand in hand with individual desire by bringing all the springs of what Bentham called 'influence' into operation. This assumes that it enters into individual calculation; that it even participates in it, to act on the imaginary anticipations of individuals: to strengthen desire (through rewards), to weaken it (through punishment), to divert it (by substituting objects).

This logic, which consists in indirectly directing conduct, is the horizon of neo-liberal strategies for promoting 'freedom to choose'. Their necessarily normative dimension is not always appreciated. 'Freedom to choose' is in fact identified with the obligation to engage in maximizing conduct in a legal, institutional, regulatory, architectural, relational framework, which is to be precisely constructed so that the individual chooses 'in complete freedom' what he must necessarily choose in his own interest. The whole secret of the art of power, Bentham said, is to act in such a way that the individual pursues his self-interest as if it were his duty and vice-versa.

Three aspects of neo-liberal disciplines should be distinguished. The freedom of economic subjects first of all presupposes the security of contracts and the fixing of a stable framework. Neo-liberal discipline leads to extending the field of action to be stabilized through fixed rules. The constitution of a framework that is not only legal, but also budgetary and monetary, is to stop subjects from anticipating variations in economic policy – that is, from making these variations objects of anticipation. This amounts to saying that individual calculation must be able to rely on a stable market order, which excludes making the framework itself an object of calculation.

Neo-liberal strategy⁵³ then consists in creating the maximum number of market situations – that is, in organizing by various means (privatization, creating competition between public services, ‘marketization’ of schools or hospitals, making money available via private debt) the ‘obligation to choose’. The goal is for individuals to accept the market situation as imposed on them as ‘reality’ – i.e. as the only ‘rules of the game’ – and thus incorporate the need to calculate their individual interest if they do not want to lose out in the ‘game’ and, still more, if they want to enhance their personal capital in a universe where accumulation seems to be the general law of existence.

Apparatuses of rewards and sanctions, and systems of incentives and ‘disincentives’, will ultimately replace market sanctions in guiding individual choices and conduct where market or quasi-market situations are not wholly feasible.⁵⁴ Systems for the monitoring and evaluation of conduct will be constructed, whose results will condition the receipt of rewards and avoidance of sanctions. The expansion of evaluative technology as a disciplinary mode rests on the fact that the *more* individual calculators are supposed to be free to choose, the *more* they must be monitored and evaluated to obviate their fundamental opportunism and compel them to identify their interests with those of the organization employing them.

Friedman is one of the principal thinkers of this new form of discipline. Above, we noted the role he played in the mass diffusion of the ideals of the free market and free enterprise. Much better known publicly than Hayek, and doubtless more influential than the latter on US political leaders, he pursued an academic career, crowned by a Nobel Prize in economics as head of the Chicago School and founder of monetarism, alongside a career as a propagandist for the benefits of economic freedom.

Friedman distinguished himself by making the monetarist principle the pendent at a strictly economic level of formal rules such as they were conceived by neo-liberals in the 1930s. This particular principle can be formulated as follows: to coordinate their activities successfully in the market, economic agents must know in advance the simple, stable rules that govern their exchanges. What is true in legal matters must *a fortiori* apply in economic policy. The latter must be automatic, stable and fully known in advance.⁵⁵ The currency forms part of the stability indispensable to economic agents if they are to be able to engage in their activities. But fixing this stable framework means that economic agents will have to adapt to it and alter their conduct. The whole of Friedman’s interventionism consists in establishing *market constraints* that compel individuals to adapt to it. In other words, it involves placing individuals in situations that force them into ‘freedom to choose’ – force them, that is, to manifest practically their capacity for calculation and to govern themselves as ‘responsible’ individuals. This special interventionism consists in abandoning a number of the old tools of

management (active budgetary expenditure, incomes policies, price and exchange controls) and sticking to a few key indicators and limited objectives, such as the rate of inflation, the rate of growth of the quantity of money, budget deficits and state debt, in order to confine economic actors in a system of constraints that compel them to conduct themselves as the model dictates.

Following Friedman, whose theory of money is based on the principle of the ineffectiveness of active monetary policy, various US economists in the 1970s developed the idea that policies of macro-economic regulation could only suffer in effectiveness as a result of the learning behaviour of economic agents. Attempts to reflate by lowering interest rates or through a budgetary stimulus met with less and less success each time, because economic agents 'learned' that such measures do not have the real effects claimed for them. The 'theory of rational anticipation' is a particular case of explanation by unintended consequences. Policy aims are defeated in their outcomes because of the failure to take into account the capacity for sophisticated calculation by agents themselves, who, after repeated experience of the consequences of such policies, no longer allow themselves to be deceived by the illusions of easy money or tax reductions. As a result, the government can no longer regard them as passive, reacting in reflex fashion to monetary and budget stimuli. In a sense, maximizing calculation includes the policies themselves as one of the parameters to be taken into account. This 'internalization' of the political in individual calculation makes it possible to rethink the way that neo-liberalism has itself gradually evolved.

Monetarism as Friedman had theorized it experienced a rapid diffusion commensurate with the situation created by the break-up of the post-war international monetary system, the establishment of floating exchange rates, and the increased role of hot money threatening any currency not managed in accordance with the new norms of monetary discipline. In short, the latter became a discipline imposed by the financial markets, as was evident in Britain in 1976, France in 1991, and Sweden in 1994. Thus, the battle against inflation became the priority of government policy, while the unemployment rate was transformed into a mere adjustment variable. Striving for full employment was even suspected of being an inflationary factor without any enduring impact. Friedman's theory of the 'natural rate of unemployment' was widely accepted by political leaders of all colours.

The budget itself became an instrument for disciplining conduct. Reduction of income tax on the highest income brackets and enterprises has often been presented as a way of strengthening incentives to wealth-creation and investment. In reality, much more covertly, reducing the tax burden, like the refusal to increase social contributions, was a means – more or less effective depending on the balance of forces – of imposing reductions in public

expenditure and social programmes in the name of respect for balanced budgets and limiting public debt. The best example of this fiscal strategy probably remains that of Reagan, who in 1985 had a law adopted enforcing the automatic reduction of public expenditure until the restoration of budgetary equilibrium in 1995 (Balanced Budget and Deficit Reduction Act), just after having created a considerable deficit. Successfully making people forget that reductions in compulsory levies for some necessarily have an impact on others, neo-liberal governments instrumentalized the 'holes' thus created in budgets to demonstrate the 'exorbitant' and 'intolerable' cost of social protection and public services. In a more or less deliberate sequence, by degrading services, the rationing imposed on social programmes and public services frequently generated discontent among users and their at least partial support for the accusations of inefficiency levelled at them.⁵⁶

This double constraint, monetary and budgetary, was used as a 'macro-economic' social and political discipline intended, as a result of the inflexibility of the established rules, to deter any policy that sought to prioritize employment, satisfy wage demands, or reflate the economy through public expenditure. It was as if, with these rules, the state was issuing itself with definitive proscriptions on the use of certain levers for influencing the level of economic activity. At the same time, however, it was as if, by compelling agents to internalize them, the state was equipping itself with the means to constantly influence them via an 'invisible chain' (to employ a phrase of Bentham's), which would oblige them to conduct themselves as individuals in competition with one another.

If it was difficult to convince populations that they had to accept lower social cover for sickness and old age, to the very extent that these are 'universal risks', it was easier to attack the unemployed and set up a principle of division between serious, good workers, who succeeded, and all those who had failed through their own fault, who were not managing to 'get by' and, what is more, were sponging off the collective. Thatcherism amply exploited the allocation of individual guilt, developing the idea that society was no longer to be regarded as being responsible for the fate of individuals.

A major argument of neo-liberal policy consisted in denouncing the excessive rigidity of the labour market. The guiding idea was the contradiction between the protection enjoyed by the workforce and economic efficiency. It was not new: in the 1920s Jacques Rueff condemned the British dole as the main cause of unemployment across the Channel. What is more novel is the disciplinary conception of the treatment of the unemployed. It was not a question of abolishing outright all aid for the unemployed, but of granting it in such a way that it leads to greater submissiveness in unemployed workers. The job market was to be made much more consistent with the model of pure competition, not simply out of

dogmatic considerations, but in order to discipline the workforce more effectively by aligning it with the imperatives of restoring profitability. Here, in a new form, we once again find a policy that aims to penalize workers without a job so that they are impelled to find other work as quickly as possible, without being able to survive for long on the benefits they receive. It will be recalled that in a different age the reform of assistance in Britain had pursued similar ends. The 1834 Poor Law, passed at the instigation of Nassau Senior and Edwin Chadwick in the spirit of classical economics and the principle of utility, involved imposing a quasi-prison work regime on residents of workhouses – a veritable repellent for those concerned for their dignity and liberty.

Such is the spirit of ‘welfare to work’ policies, likewise based on the postulate of rational choice. In the area of employment policy, neo-liberal discipline has consisted in making the unemployed ‘take responsibility’ by using the weapon of sanctions for those who are insufficiently amenable to conforming to the rules of the market. Unemployment supposedly betrays a preference on the part of the economic agent for leisure, when the latter is subsidised by the collective; it is therefore ‘voluntary’. According to the doctrine of the natural rate of unemployment, to seek to reduce it through reflationary policies is futile and even pernicious. Insurance of the unemployed amounts to creating ‘unemployment traps’. The first practical task consisted in tackling anything that might contribute to the rigidity allegedly responsible for unemployment. The second task was to construct a system for ‘getting people back to work’ that was much more restrictive for jobless wage-earners.

Trade unions and labour legislation were the initial targets of governments identifying with neo-liberalism. De-unionization in most developed capitalist countries has doubtless had objective causes, such as deindustrialization and the relocation of factories to low-wage regions and countries, lacking a tradition of industrial struggle or subject to a despotic regime. But it was also the product of a political desire to weaken trade-union power which, in the US and Britain in particular, was expressed in a series of legislative measures and provisions restricting unions’ power to intervene and mobilize.⁵⁷ Industrial relations legislation was consequently transformed in a direction much more favourable to employers: reduction of wages, abolition of their indexation to the cost of living, increased casualization of jobs, and so on.⁵⁸ The general orientation of these policies consisted in dismantling the systems that protected wage-earners from cyclical variations in economic activity, and replacing them by new norms of flexibility, which enabled employers optimally to adjust their requirements for manual labour to the level of activity, while reducing labour costs as much as possible.

Such policies also aimed to ‘activate’ the labour market by altering the

conduct of the unemployed. 'Job-seekers' were supposed to become subjects-agents of their own employability, 'self-enterprising' beings taking themselves in hand. Rights to social protection are increasingly subordinate to apparatuses of incentivization and penalization conforming to an economic interpretation of individual conduct.⁵⁹

These measures for making 'job-seekers' 'take responsibility' are not a monopoly of conservative governments. They found some of their doughtiest defenders on the European Left, as is indicated by the 'courageous' Agenda 2010 of the German Chancellor, Gerhard Schröder, which made state aid for those seeking work strictly conditional on their submissiveness in accepting the jobs offered them, but also on the level of family income and property: 'Any recipient of tax-payers' money must be willing to limit to a minimum the expense he represents for the collective, which means that all his own goods and income must be used in the first instance to provide for his basic needs.'⁶⁰ As we can see, this disciplinary policy radically challenges the principles of solidarity with the potential victims of economic risks.

DISCIPLINE (2): THE OBLIGATION TO CHOOSE

There is not a single area where competition is not lauded as the way of increasing client satisfaction thanks to the stimulus given to producers. 'Freedom to choose' is a fundamental theme of the new norms of conduct of subjects. It seems one cannot conceive a subject who is not active, calculating, and on the look-out for better opportunities. Going so far as to forget all the limits to its benefits demonstrated by economic theory over at least a century (product differentiation, natural monopolies, etc.), the new *doxa* knows only the pressure that the consumer can put on the provider of goods and services. In short, it is a question of constructing new constraints that place individuals in situations where they are obliged to choose between alternative sources of supply and incited to maximize their own interests.

'Freedom to choose', which for Friedman encapsulates all the qualities that we legitimately expect of competitive capitalism, represents one of the state's main missions. It has the task not only of strengthening competition in existing markets, but also of creating competition where it does not as yet exist. This is because capitalism is the only system in a position to protect individual liberty in all areas – in particular, in the political domain. Market apparatuses and market or quasi-market incentives are therefore to be introduced to make individuals become active, enterprising, 'agents of their choices', 'risk-takers'.

We should doubtless recall here how a certain *ethos* of supposedly free choice is at the heart of advertising slogans and marketing strategies; and how this disposition, gradually acquired, has been facilitated by technological developments that have expanded the product range and the broadcasting channels of the mass media. Consumers must look ahead. As we saw above, they must equip themselves individually with all sorts of guarantees (private insurance cover, home-ownership, maintenance of employability). In all areas, they must rationally select the best products and, increasingly, the best service providers (the mode of delivery of one's post, one's electricity supplier, etc.). And, as each enterprise expands its product range, subjects must 'choose' the most advantageous commercial supplier with increasing subtlety (e.g. time and date of travel by plane or train, insurance and savings product, etc.). This 'privatization' of social life does not stop at private consumption and the sphere of mass leisure. The public space is increasingly constructed on the model of the 'global shopping centre', in the pregnant phrase used by Peter Drucker to refer to the universe we now inhabit.

An exemplary case of the construction of a market situation, for which neo-liberals have mobilized considerably in the political arena, is education. Here too Friedman was a pioneer. Faced with the deterioration of public sector education in the United States, from the 1950s he proposed

establishing a system of competition between educational institutions based on the 'education voucher'.⁶¹ The system consists in no longer funding schools directly, but giving each family a 'voucher' that represents the average cost of education. It is free to use it in the school of its choice and to top it up as it sees fit, in accordance with its choice as regards education. Once again, the reasoning is based on the putatively rational behaviour of the consumer, who must be in a position to judge between several possibilities and select the best opportunity. In reality, the system of 'education vouchers' has two inter-linked aims: it is intended to transform families into 'school consumers'; and it seeks to introduce competition between establishments, which will raise the standard of the most mediocre. This system therefore combines public funding, considered legitimate in the case of 'primary education' given its positive effect for the whole of society, with an entrepreneurial style of administering educational establishments obliged to compete with others. Since the 1990s, to different degrees depending on the country, this orientation in favour of an 'education market' has dominated policies of education reform throughout the world. It has contributed to the increasing fragmentation of education systems and differentiation of the sites and modes of education according to social class.

DISCIPLINE (3): THE NEO-LIBERAL MANAGEMENT OF THE ENTERPRISE

Neo-liberal discipline does not stop at this 'negative' way of inflecting behaviour via immutable rules at the 'macro-economic' level, which rational agents are supposed to incorporate into their own calculations. Nor is it reducible to creating competitive situations that compel people to choose far beyond the sphere of consumption of commodity goods and services. The extension and intensification of market logics has had very marked effects on the organization of work and the forms of employment of the workforce. The logic of financial power has only accentuated the disciplining of wage-earners, who are subject to demands for increasingly good results.⁶² The obsessive search for stock-market surplus-value has not only involved guaranteeing owners of capital continuous growth in their incomes at the expense of wage-earners, entailing greater divergence between wages growth and productivity gains and (as has been noted) an even more striking increase in inequalities of income distribution.⁶³ It has also, and above all, translated into the imposition of higher norms of profitability in all economies, in all sectors and at every level of the enterprise. As a result, growing numbers of wage-earners have been subjected to systems of incentives and sanctions aiming to achieve or exceed objectives for creating shareholder value – objectives that are themselves defined by means of adjustment to international norms of profitability. A whole *discipline of shareholder value* has thus taken shape in accounting and evaluation techniques of managing the workforce, whose principle consists in converting each wage-earner into a kind of individual 'profit centre'. This is because the principle of neo-liberal management, which some authors call 'controlled autonomy', 'flexible constraint', or 'self-control', aims both to 'internalize' the constraints of financial profitability in the enterprise itself and to get wage-earners to internalize the new norms of productive efficiency and individual performance.

To get individuals to act in the desired fashion assumes creating particular conditions that oblige them to work and behave as rational agents. The lever of unemployment and job insecurity has doubtless been a powerful means of discipline – in particular, as regards rates of unionization and wage demands. But this 'negative' lever, whose mainspring is fear, was probably far from sufficient to reorganize enterprises. Different management tools were required to strengthen hierarchical pressure on wage-earners and increase their involvement. The management of private enterprises has thus developed practices for managing the workforce whose principle is the individualization of objectives and rewards on the basis of repeated quantitative evaluation. This orientation, often identified with challenges to the bureaucratic model whose ideal type was delineated by Max Weber, has also consisted in inverting the meaning of obedience. Rather than complying

with formal procedures and hierarchical orders from above, wage-earners have been induced to conform to the quality requirements and schedule dictated by the 'client', who has been elevated into the sole source of ineluctable constraints. Invariably, the individualization of performance and bonuses has made it possible to create competition *between wage-earners* as the normal type of relations in the enterprise. It is as if the world of work has 'internalized' the logic of increased competition that obtains, or is thought to obtain, *between enterprises*, at the same time as racing to tap and retain the capital provided by shareholders pushing for 'value creation' for their benefit. This has put a larger number of wage-earners – not only managerial staff but also workers and employees – under more direct market pressure. The upshot has not been a reduction in hierarchical controls, but their gradual alteration in the context of a 'new management' that has been able to rely on modes of organization, new accounting, recording and communication technologies, and so on.⁶⁴

The 'new management' has taken very different forms, such as the development of a contractualization of social relations, decentralization of negotiations between workers and employers to enterprise level, creating competition between units of the enterprise or with external units, normalization through generalized imposition of quality standards, and the diffusion of individualized evaluation of results.⁶⁵ The boundaries between the interior and exterior of the enterprise have become fluid with the development of sub-contracting, the autonomization of entities within the enterprise, the resort to temporary employment, project structures, the division of work into 'missions', and the appeal to external consultants.

These new forms of work organization and management make it possible to define a new model of the enterprise, which Thomas Coutrot calls the 'neoliberal enterprise'.⁶⁶ Greater autonomy for teams or individuals, multi-tasking, and mobility between 'project groups' and decentralized units – these translate into the enfeeblement and instability of work collectives. The new forms of discipline of the neo-liberal enterprise operate more remotely, indirectly, before and after production. Control occurs by recording results, through the traceability of the various phases of production, and through more diffuse monitoring of conduct, ways of being and of relating to others. This is especially true of sites where services are produced, which involve a relationship with clients, and in all organizations where the use of labour assumes cooperation and exchange of information. This more 'personalized', more fluid management exploits the competition between wage-earners and sections of the enterprise to compel them, by comparing results and methods (benchmarking),⁶⁷ to conform to optimal performance and 'best practice' in an endless process. Competition thus becomes a mode of internalizing the constraints of capital's profitability, making it possible to reduce the chain of

command and constant control by means of intermediate supervision, introducing unlimited disciplinary pressure.

Outsourcing of certain activities, and decentralization into more autonomous units, increase the need for evaluation to coordinate activities. Evaluation has become the key to the new organization, and crystallizes all kind of tensions, if only that which results from the contradiction between the injunction to creativity and risk-taking and the corporate appraisal that descends as a reminder of the real balance of power in the enterprise.

The new way of organizing enterprises has had significant consequences for work and employment. It has translated into an intensification of work, a tightening of schedules, and an individualization of wages. The last, by linking remuneration to performance and competence, increases the power of the hierarchy and reduces all collective forms of solidarity. But it is coextensive with a new fashion of governing wage-earners based on 'self-control', which is supposed to be much more effective than external constraints. This 'philosophy of management' has been formulated by Peter Drucker. In the new knowledge economy, he explains, it is no longer a question of administering structures, but of 'guiding' people with knowledge so that they produce as much as possible. Management by objectives, performance evaluation, and self-control of results are the methods of such management of individuals:

The greatest advantage of management by objectives is perhaps that it makes it possible for a manager to control his own performance. Self-control means stronger motivation: a desire to do the best rather than just enough to get by ... Even if management by objectives was not necessary to give the enterprise the unity of direction and effort of a management team, it would be necessary to make possible management by self-control.⁶⁸

Such self-control is both economic, since it makes it possible to reduce the hierarchical pyramid, and more effective, in as much as work no longer depends on an external necessity but on internal compulsion:

It substitutes for control from the outside the stricter, more exacting and more effective control from the inside. It motivates the manager to action not because somebody tells him to do something or talks him into doing it, but because the objective needs of his task demand it. He acts not because somebody wants him to but because he himself decides that he has to – he acts, in other words, as a free man.⁶⁹

This 'philosophy of freedom', which applies universally, 'ensures performance by converting objective needs into personal goals. And this is genuine freedom, freedom under the law.'⁷⁰ Management thus seeks to tap individual energies, in accordance not with an 'artistic' or 'hedonistic' logic, but with a regime of self-discipline that manipulates the psychic instances of desire and

self-blame. It involves mobilizing the aspiration to 'self-realization' in the service of the enterprise, while shifting responsibility for the achievement of objectives exclusively onto the individual. Obviously, this is not without a high psychic cost for individuals.⁷¹

Self-government of the self is not spontaneously obtained merely by the impact of a seductive managerial discourse manipulating everyone's aspirations to autonomy. The control of subjectivity only works effectively in the context of a flexible labour market where the threat of unemployment is on the horizon of every wage-earner. It is also the product of management techniques that have sought to objectify market constraints and the dictates of financial profitability in the form of statistical indicators of objectives and results; and, by individualizing performance measured and discussed in personal interviews, to make wage-earners internalize the vital imperative of constantly improving their 'employability'. The acme of self-control, which is also to say the perverse mechanism that makes everyone the 'instrument of themselves', occurs when wage-earners are invited not only to define the objectives they must achieve, but the criteria by which they wish to be judged.

RATIONALITY (1): THE PRACTICE OF EXPERTS AND ADMINISTRATORS

It is therefore no longer a question, as it was in welfarism, of redistributing goods in accordance with a certain regime of universal rights to life – that is, health, education, social inclusion, political participation – but of appealing to the calculating capacity of subjects to make choices and achieve results, which are posited as conditions of access to a certain well-being. This presupposes that, to be ‘responsible’, subjects possess the data for this calculation, comparative indicators, quantitative expressions of their activity, or, more radically, of the monetization of their ‘choices’. The sick, pupils and their families, students and job-seekers must be ‘made responsible’, by having them shoulder an increased share of the ‘cost’ they represent, just as it is necessary to make wage-earners ‘take responsibility’ by individualizing rewards and sanctions related to their performance.

The political and ethical work of making people responsible goes hand in glove with numerous forms of ‘privatization’ of conduct, since life is exclusively depicted as the result of individual choices. Obese persons, criminals or bad pupils are responsible for their lot. Sickness, unemployment, poverty, educational failure and exclusion are regarded as the consequence of bad calculations. The problematics of health, education, employment and old age merge into an accountancy view of the capital that everyone supposedly accumulates and manages throughout their life. The problems of existence, unhappiness, illness and poverty are failures in this management, through a lack of provision, prudence and insurance in the face of risks.⁷² Hence the ‘pedagogy’ that must be performed so that everyone regards themselves as the possessor of a ‘human capital’ to be brought to fruition. Hence the establishment of apparatuses intended to ‘stimulate’ individuals by compelling them to take care of themselves, educate themselves, and find a job.

In this respect, it is important not to confuse the triumphant ideology of the New Right and the governmental rationality that is its support. The major ideological offensive against state intervention not only preceded these practical reorientations, but also accompanied them. The most salient factor in the neo-liberal turn was not so much the ‘retreat of the state’ as the change in its modalities of intervention, in the name of ‘rationalizing’ and ‘modernizing’ enterprises and public administration. And, from this point of view, the most significant role was perhaps played less by converted media intellectuals and journalists than by submissive experts and administrators who, in the various areas for which they had responsibility, put in place the new apparatuses and modes of management peculiar to neo-liberalism, presenting them as new political techniques motivated solely by the pursuit of beneficial effects for everyone. These ‘organic intellectuals’ of neo-liberalism, whether identifying with Left or Right, and sometimes with the one

after the other,⁷³ played a major role in naturalizing these practices, in their ideological neutralization, and finally in their practical implementation. Various think tanks, numerous conferences, large-scale operations for training the executive staff of public services, and the mass production and diffusion of a homogeneous vocabulary – veritable lingua franca of the modernizing elites – ended up imposing the orthodox discourse of management. We should not be misled: neo-liberal policies were implemented in the name not of the ‘religion of the market’, but of the technical imperatives of management, in the name of the effectiveness, even ‘democratization’, of systems of government action. Elites converted to the *rationalization* of public policy played the major role, obviously aided by the apparatuses for manufacturing consent that transmitted their arguments in favour of ‘modernity’.

On the Right as on the Left, various pioneering figures distinguished themselves early on in France – for example, Raymond Barre in 1978 or Jacques Delors a few years later, both of them performing the same score of ‘realism’, ‘stringency’ and ‘modernity’. In effect, in the space of a few years, all the political and economic elites made the transition from a ‘Keynesian’ mode of management to a ‘neo-liberal’ one, taking with them much of the administrative and party executive staff. As Bruno Jobert rightly says, ‘the vectors of these changes were less new elites than old elites who often successfully sought to entrench their influence even if it meant altering its orientations. The promoters of neo-liberalism are invariably penitents, touched by the grace of the new Word.’⁷⁴ What is true of the former Eastern bloc countries, where Stalinist apparatchiks became the new masters of a restored capitalism, also applies to the West, albeit less conspicuously no doubt, where experts – sometimes left-wing ones – and administrators, often reared in the cult of public service, converted to the lexicon of management and performance.

The neo-liberal turn in the practices of senior civil servants represents a refutation of the Public Choice School’s thesis, which claims that the latter have constantly expanded the bureaucracy’s remit and resources. In reality, the neo-liberal mode of public activity is much more a switch in bureaucratic rationalization than a withdrawal of the state. Senior civil servants do not necessarily find tax increases and growth in the number of their subordinates to be in their interest, as the ‘rational choice’ economists thought. What is in their interest is growth in their power and legitimacy, as Max Weber had demonstrated. This presupposes them becoming supporters of ‘change’, ‘reform’, and even the ‘end’ of state bureaucracy, at least when such a reorientation does not challenge their domination.

RATIONALITY (2): THE 'THIRD WAY' OF THE NEO-LIBERAL LEFT

The enduring success of neo-liberalism has been secured not only by the adherence of major right-wing political formations to a new political project of global competition, but also by the porosity of the 'modern Left' to the major neo-liberal themes, to the point in some cases – one thinks above all of 'Blairism'⁷⁵ – of suggesting outright submission to the dominant rationality. In the United States we find the same trend, which has witnessed 'liberals' starting to speak, think and act like 'conservatives'.⁷⁶ The most striking thing in this institutionalization of neo-liberalism has been the acceptance by the modern Left of the neo-liberal vision of the flexible labour market and its policy for getting the unemployed back to work. It has been accompanied doctrinally by abandonment of any reference to Keynes and, *a fortiori*, by renunciation of any development of a new Keynesianism adapted to the change of scale entailed by the construction of Europe and globalization.

Nothing better illustrates the Left's neo-liberal turn than the change in the meaning of social policy, in a break with the whole social-democratic tradition, whose guideline was a mode of sharing the social goods indispensable to full citizenship. The fight against inequality, which was central in the old social-democratic project, has been replaced by the 'fight against poverty', in accordance with an ideology of 'equity' and 'individual responsibility' theorized by various Blairite intellectuals like Anthony Giddens. Solidarity is now conceived as aid targeted to those 'excluded' from the system, aimed at 'pockets' of poverty, in accordance with a Christian and Puritan vision. Such aid, targeted at 'specific populations' ('disabled', 'early retirement', the 'elderly', 'single mothers', etc.), so as not to create dependency, is to be accompanied by personal effort and real work. In other words, the new Left has adopted the ideological matrix of its traditional opponents, abandoning the ideal of constructing universal social rights.

However, we shall not understand this left-wing neo-liberalism, this new political form that has succeeded social-democracy, if we regard it as a straightforward subscription to neo-liberal ideology. The 'modern Left' defends itself against this charge, distancing itself from what it believes neo-liberalism to consist in – namely, a pure and simple return to integral *laissez-faire*. While it denounces the 'ideology of the jungle' to demarcate itself from the Right, it accepts, adopts and reproduces a form of thought, a way of posing problems and, therewith, a system of answers that form an all-encompassing rationality – that is, a kind of normative discourse wherein the whole of reality is rendered intelligible and whereby a number of specific policies prescribe themselves as 'self-evident'. In a word, and perhaps paradoxically, nothing better reveals the nature of neo-liberal rationality than developments in the practices of governments that for thirty years have professed themselves on the Left, while conducting a policy very similar to

the Right.⁷⁷ Any ‘responsible’, ‘modern’ and ‘realistic’ discourse – i.e. one pertaining to this rationality – is characterized by prior acceptance of the market economy, the virtues of competition, the benefits of the globalization of markets, and the ineluctable constraints introduced by financial and technological ‘modernization’. The disciplinary practice of neo-liberalism has been imposed as a factual datum, a reality about which nothing can be done other than to adapt to it.

The best example of this identification is probably the ‘Manifesto’ co-signed by Blair and Schröder in 1999 on the occasion of the European elections, entitled *The Third Way/Das neue Mitte*. The goal of the modern Left, it is asserted there, is to construct ‘a robust and competitive market framework. Product market competition and open trade is essential to stimulate productivity and growth. For that reason a framework that allows market forces to work properly is essential to economic success and a pre-condition of a more successful employment policy.’ This framework, object of the Left’s ‘new supply-side policy’, is contrasted with the ‘past two decades of neo-liberal laissez-faire’, which are said to be ‘over’. Here we can see how the misinterpretation of neo-liberalism makes it possible to construct a false dichotomy. And we can also understand how, with such a premise, the Manifesto in practice rolls out an authentically neo-liberal argument in its entirety: excessive labour costs, excessive public expenditure, dangerous primacy of rights over duties, over-confidence in government management of the economy.

This manifesto of the modern Left expresses what we call ‘neo-liberal rationality’ with special clarity. It begins by challenging the archaic Left’s old solutions: ‘The promotion of social justice was sometimes confused with the imposition of equality of outcome. The result was a neglect of the importance of rewarding effort and responsibility, and the association of social democracy with conformity, rather than the celebration of creativity, diversity and excellence.’ As against this, it is necessary to bolster individual responsibility as the general principle of public policy: ‘Modern social democrats want to transform the safety net of entitlements into a springboard to personal responsibility’, as a typically Blairite formulation has it.

Labour markets must also be made flexible:

Companies must have room for manoeuvre to take advantage of improved economic conditions and seize opportunities: they must not be gagged by rules and regulations. Product, capital and labour markets must all be flexible: we must not combine rigidity in one part of the economic system with openness and dynamism in the rest. Adaptability and flexibility are at an increasing premium in the knowledge-based economy of the future.

Next, it is necessary to lower taxes, particularly those that might damage

the competitiveness of enterprises, and to reduce the role of the state:

Work was burdened with ever higher costs ... The belief that the state should address damaging market failures all too often led to a disproportionate expansion of the government's reach and the bureaucracy that went with it. The balance between the individual and the collective was distorted. Values that are important to citizens, such as personal achievement and success, entrepreneurial spirit, individual responsibility and community spirit, were too often subordinated to universal social safeguards.

Too often rights were elevated above responsibilities, but the responsibility of the individual to his or her family, neighbourhood and society cannot be offloaded on to the state. If the concept of mutual obligation is forgotten, this results in a decline in community spirit, lack of responsibility towards neighbours, rising crime and vandalism, and a legal system that cannot cope. The ability of national governments to fine-tune the economy in order to secure growth and jobs has been exaggerated. The importance of business and individual enterprise to the creation of wealth has been undervalued. The weaknesses of markets have been overstated and their strengths underestimated.

The proposals contained in the new supply-side policy, which is to replace the old demand-side policy – i.e. Keynesianism – are based on the general principle of the primacy of private enterprise in the economy and the importance of the 'values' it can diffuse in society. This leads to the definition of a new, more modern way of governing: 'The state should not row, but steer: not so much control as challenge.' This entails that a struggle against the growth of bureaucracy and public expenditure should be a priority of the new supply-side policy: 'Within the public sector bureaucracy at all levels must be reduced, performance targets and objectives formulated, the quality of public services rigorously monitored, and bad performance rooted out.' But the new ways of 'steering' are to be based on a 'state of mind' and values that no longer have anything in common with those of the old Left:

For the new politics to succeed, it must promote a get-ahead mentality and a new entrepreneurial spirit at all levels of society. That requires: a competent and well-trained workforce eager and ready to take on new responsibilities; a social security system that opens up new opportunities and encourages initiative, creativity and readiness to take on new challenges; a positive climate for entrepreneurial independence and initiative. Small businesses must become easier to set up and better able to survive. We want a society that celebrates successful entrepreneurs just as it does artists and footballers – and which values creativity in all spheres of life.

This manifesto facilitates a firmer grasp of the nature of the modern Left's 'realism', whose main promoter on the European stage was Tony Blair. The primary characteristic of Blairism since its conquest of the Labour Party in 1994 was the adoption of the Thatcherite legacy, regarded not as a politics to be reversed but as an *established fact*.⁷⁸

In *The Third Way*, Anthony Giddens theorized the switch. New Labour's mission was to offer 'centre-left' answers within the new framework established by neo-liberalism, which was regarded as an irreversible datum. The keyword of this political line is individuals' *adaptation* to the new reality, rather than their protection against the vagaries of globalized and financialized capitalism. The 'New Left' is one that accepts the framework of liberal globalization and vaunts the opportunities it affords for the growth and competitiveness of economies.⁷⁹ The former European Trade Commissioner, Peter Mandelson, provided a very clear definition of the 'consensus' when he lauded the 'boom in the opening-up of markets' world-wide, which in his view ruled out any regression in economic and social policy. So dependent was everyone's prosperity on this economic openness that regression was allegedly neither possible nor desirable.⁸⁰

The modern Left is also one which accepts that the principal, if not sole, source of wealth and growth is private enterprise; and draws the conclusion that in every area of their activity public authorities must encourage it and, when it comes to providing public services, develop partnerships with the main actor in the economy. One of the first battles conducted by Blair was the abolition of clause four of the Labour Party's Constitution, which stipulated the objective of socializing the means of production. In fact, New Labour never went back on the great wave of privatization implemented by Thatcher, which involved more than forty large enterprises representing more than a million wage-earners, any more than the 'plural Left' in France from 1997–2002 halted the process begun in the 1980s.

The conception of society and the individual underpinning this politics is very similar to the one that structures the orientation of the neo-liberal Right. The primacy of competition over solidarity, readiness to seize opportunities to succeed, and individual responsibility are regarded as the main foundations of social justice.⁸¹ The modern Left's policy must help individuals to help themselves – that is, 'to cope' in a general competition that itself goes unquestioned. This is conveyed in its discourse by the reintroduction of categories peculiar to the competitive representation of the social bond – human capital, equality of opportunity, individual responsibility, and so forth – at the expense of an alternative conception of the social bond based on greater solidarity and objectives of real equality. At root, the doctrine of the 'modern' Left is constructed via comparison with the 'archaic' conception of society defended by the 'old' Left. In his introduction to the French translation of *The Third Way*, Jacques Delors clearly summarizes its intention: 'Social-democratic supporters of the third way no longer defend the idea that the citizen must be protected by the state, fed, housed and clothed from the cradle to the grave, as Hobhouse put it. Instead, their goal is to create the conditions enabling individuals to reach a higher standard of living through

their own efforts.’⁸²

Giddens encapsulates the politics of the Third Way in the slogan ‘no rights without responsibilities’. According to him, this means that individuals’ duties in the labour market must be increased.⁸³ The state is a ‘social investment state’ that helps people adapt, as opposed to protecting them: ‘Social democrats have to shift the relationship between *risk* and *security* involved in the welfare state, to develop a society of “responsible risk takers” in the spheres of government, business enterprise and labour markets.’⁸⁴

Citizenship is no longer defined as active participation in the definition of a common good specific to a political community, but as a permanent mobilization of individuals who must engage in partnerships and contracts of all kinds with enterprises and associations for producing local goods that provide consumers with satisfaction. State action must above all aim at creating conditions conducive to the action of individuals – an orientation that tends to dissolve the state into the set of producers of ‘public goods’. Giddens defines the role of state action thus:

In post-industrial societies the role of the state can no longer be just to ‘provide’ welfare. It has to assume a wider, but looser, regulatory role. The task of the state is to help create an effective public sphere and worthwhile public goods. It is far from being the only agent involved. For example, the effective distribution of food products to shops, supermarkets, etc., is a public good, but it is not the place of the state to do more than provide an overall regulatory framework for it.⁸⁵

What precisely does such ‘regulation’, which (in Giddens’s words) is to lead to a ‘good’ society, consist in? It is a question of ensuring that the individual always has the choice of deciding between goods and services. Hardly original, the principle of competition must be universal, including for public services. The only difference is that the norms to which competitors must conform are not defined in the same way, and by the same actors, in every instance. According to Giddens,

In areas where markets have full rein, the individual functions as what might be termed a *consumer-citizen*. Standards in the marketplace are guaranteed primarily and directly through competition. A TV set that is inferior to others at the same price will be forced out of the market. The state and other public authorities play a role, but this role is limited to overseeing the general framework of the market, preventing monopolies and providing the means of guaranteeing contracts.

In non-market domains – the state and civil society – there may, and should, be significant consumer choice, but these areas are not organized primarily through market principles. For instance, in the state sector there may be choice between medical practitioners, schools or social services. However, standards cannot be guaranteed through competition as they can in the marketplace; they have to be supervised in a more direct way by professionals and public authorities. In these areas, one might say, the individual is a *citizen-consumer* – he or she has a right to expect standards to be applied vigorously by external authority.⁸⁶

Giddens thus adopts the arguments of the theoreticians of Public Choice and ‘new management’.⁸⁷ Against the egotism of civil servants, ‘diversity of provision and effective incentives are vital’ in all spheres, especially health and education.⁸⁸ Creation of competition and the obligation to choose are the ways to reform the state: ‘Choice, and more generally client empowerment, helps to drive up efficiency and cost-consciousness’,⁸⁹ because it impels providers to improve services.⁹⁰ ‘Social democrats must respond to the criticism that, lacking market discipline, state institutions become lazy and the services they deliver shoddy.’⁹¹

The doctrine of the ‘Third Way’ thus unequivocally betrays renunciation of the basic pillars of social-democracy (and Labourism). The social state and policies for redistributing income are now conceived as obstacles to growth, not as crucial elements in the social compromise. New Labour continued and legitimated the denunciation of social policies built on rights and acquisitions; it extolled individual success in moralizing accents that would not have been disowned by Malthus or Spencer.⁹² Certainly, Blairism had several differences with pure economic orthodoxy of the monetarist variety: the establishment of a minimum wage, a counter-cyclical budgetary policy, and reinvestment (with the help of the private sector) in public education and health. But these policy differences, albeit undeniable, pertained to the same basic framework – the political rationality and disciplinary practices peculiar to neo-liberalism.

Keith Dixon thus refers to a ‘second-generation neo-liberalism’ in connection with New Labour.⁹³ If we finally exclude the idea that neo-liberalism betokens a retreat of the state, we can distinguish in Blairism’s reformist and centralizing activism the structuring dimension of the new form of governing individuals.⁹⁴ This is precisely what some analysts of New Labour’s politics convey when they seek to draw up its balance sheet:

The reform program was carried out by mobilizing and developing the government’s capacity for control and leadership. Preserving and adapting the framework bequeathed by the Conservatives, modernizing the utilitarian legacy (no trust in society), New Labour systematically reformed government and the way in which it operates. The Blair governments massively increased the centralization of Britain, by granting more autonomy to individuals and organizations within a system of strengthened constraints and controls – a sophisticated system of what Michel Foucault would have called ‘conducting conduct’ – which is not always free of a bureaucratic, even authoritarian drift.⁹⁵

What is sometimes inaccurately called the ‘neo-liberal conversion of the Left’ is therefore not explained exclusively by the ideological campaigns of the Right, or the latter’s ability to persuade. It is more fundamentally explained by the diffusion of a global rationality that operates as a widely shared self-

evident verity, pertaining not to a party logic, but to a technique, which is supposedly ideologically neutral, of governing human beings.

The most important thing is not so much the triumph of the neo-liberal vulgate as the way that neo-liberalism was translated into concrete policies. These policies were ultimately endured, and sometimes even accepted, by part of the wage-earning population, even though they were explicitly geared to a regression in established rights and solidarity between groups and generations, and even though they created difficulties for a significant percentage of social subjects and confronted them with increasing threats, systematically and explicitly integrating them into a logic of 'risks'. Neo-liberalism is much more than a partisan ideology. Moreover, the political leaders who implement neo-liberal practices generally deny any ideology. When it inspires concrete policies, neo-liberalism denies it is an ideology because it is *reason* itself.

Thus, very similar policies can be cast in the most diverse rhetorics (conservative, traditionalist, modernist, republican, depending on the situation and case), therewith manifesting their extreme malleability. Alternatively put, neo-liberal dogma presents itself as a *general pragmatics* that is indifferent to partisan origins. Modernity or efficiency is neither left-wing nor right-wing, in the formula of those who 'don't do politics'. The main thing is that 'it works', as Blair often repeated. This also makes it possible to measure the distance between the *militant* period of Reagan's and Thatcher's political neo-liberalism and the *managerial* period, when it was now simply a matter of 'good governance', 'good practice' and adapting to 'globalization'. During this period of neo-liberalism's maturity, the old opponents have had to largely abjure their old critique of capitalism; they have finally had to acknowledge the 'market economy' as the most efficient way of coordinating economic activities. In short, the great ideological victory of neo-liberalism has consisted in 'de-ideologizing' the policies pursued, to the point where they are no longer subject to any debate.

Here we have one of the causes of the complete doctrinal collapse of the Left in the 1990s. If it is accepted that the practical apparatuses of neo-liberal management of individuals are the only effective ones, even the only possible ones – at any rate, the only imaginable ones – it is hard to see how one can genuinely oppose the principles underpinning them (e.g. the hypothesis of rational choice), or really challenge their outcomes (greater exposure to competition and the 'accidents' of the global conjuncture). Nothing remains but the logic of rhetorical persuasion, which consists in firmly denouncing what one accepts under one's breath. This is something the most 'adroit' of the Left's leaders have known how to do when necessary.⁹⁶ Furthermore, however, political neo-liberalism as it was rolled out had a major impact on the actual conduct of individuals by stimulating them to 'stand on their own

two feet'; to no longer rely on collective solidarity; and to calculate and maximize their interests by pursuing more individual logics in a context of more radical competition with one another. In other words, neo-liberal strategy consisted, and still consists, in constantly and systematically guiding the conduct of individuals as if they were always and everywhere engaged in relations of transaction and competition in a market.

1 For a synthetic view of these policies, we need look no further than the 1979 manifesto of the Conservative Party on which Thatcher was elected. Its programme envisaged controlling inflation, reducing trade-union power, restoring incentives to work and get rich, strengthening Parliament and the law, supporting family life through a more effective social services policy, and reinforcing defence. Cf. Andrew Gamble, *The Free Economy and the Strong State: The Politics of Thatcherism*, Durham NC: Duke University Press, 1988.

2 This term refers to the political formations, associations and media that have articulated neo-liberal and conservative discourse since the 1980s.

3 Hubert L. Dreyfus and Paul Rabinow, *Michel Foucault: Beyond Structuralism and Hermeneutics*, 2nd edn, Chicago: University of Chicago Press, 1983, p. 224.

4 'Le jeu de Michel Foucault', in Michel Foucault, *Dits et écrits II*, Paris: Gallimard, 2001, pp. 306–7.

5 Dreyfus and Rabinow, *Michel Foucault*, p. 187.

6 The content of this section in part resumes a paper given to the 'Question Marx' seminar by El Mouhoub Mouhoud and Dominique Plihon. It was completely revised for the present publication by the authors with the help of El Mouhoub Mouhoud.

7 This aspect is very one-sidedly stressed in Naomi Klein's *The Shock Doctrine: The Rise of Disaster Capitalism*, London: Penguin, 2008.

8 As its charter indicated, the Trilateral Commission, founded in 1973 by David Rockefeller, brought together 200 'distinguished citizens' – that is, carefully selected members of the global political and economic elite hailing from the 'triad' (United States, Europe, Japan), who sought to 'develop practical proposals for joint action'.

9 Michel Crozier, Samuel Huntington and Joji Watanuki, *The Crisis of Democracy: Report on the Governability of Democracies to the Trilateral Commission*, New York: New York University Press, 1975.

10 *Ibid.*, p. 114.

11 *Ibid.*, p. 115.

12 This term makes it possible to define a macro-economic circuit centred on the territorial basis of the nation-state.

13 In economic terminology, the price elasticity of demand refers to the sensitivity of demand to price variation.

14 Cf. Gérard Duménil and Dominique Lévy, *Capital Resurgent: Roots of the Neoliberal Revolution*, trans. Derek Jeffers, Cambridge MA and London: Harvard University Press, 2004.

15 With the turn to stringency made by the Delors government in 1983.

16 Cf. Dominique Plihon, *Le Nouveau Capitalisme*, Paris: La Découverte, 2003.

17 Among the ten prescriptions comprising the new global norm, we find: budgetary and fiscal discipline (observance of budgetary balance and reduction in compulsory levies and tax rates); trade liberalization with the abolition of customs barriers and setting of competitive exchange rates; opening up to foreign capital; privatization of the economy; deregulation and establishment of competitive markets; protection of property rights, especially the intellectual property of international oligopolies.

18 Quoted in Klein, *The Shock Doctrine*, p. 164. We might note in passing that here we have a good illustration of the first meaning of the term ‘strategy’, as a selection of means making it possible to achieve an end determined in advance.

19 Cf. Dominique Plihon, ‘l)État et les marchés financiers’, *Les Cahiers français*, no. 277, 1996.

20 Cf. François Chesnais, *La Mondialisation financière. Genèse, coût et enjeux*, Paris: Syros, 1997.

21 Plihon, *Le Nouveau Capitalisme*, p. 67 ff.

22 Cf. on this point Randy Martin, *The Financialization of Daily Life*, Philadelphia: Temple University Press, 2002. On what we shall call ‘financial subjectivation’, see Chapter 9.

23 Scott Lash and John Urry, *The End of Organized Capitalism*, Cambridge: Polity Press, 1987.

24 As Dominique Plihon, Jézabel Coupey-Soubeyran and Dhafer Saïdane put it, ‘consequently, the goal of regulation was no longer to subtract banking activity from competition, but to create a level playing field’ (*Les Banques, acteurs de la globalisation financière*, Paris: La Documentation française, 2006, p. 113).

25 *Ibid.*, pp. 18–19.

26 In France, for example, the ‘law on the new economic regulations’ of May 2001.

27 It will be recalled that these measures in favour of financial capitalism were consensual among the political and economic elites. In France, they were implemented by a left-wing government.

28 On the mechanisms of the financial crisis, readers are referred to Paul Jorion, *Vers la crise du capitalisme américain*, Paris: La Découverte, 2007, and Frédéric Lordon, *Jusqu’à quand? Pour en finir avec les crises financières*, Paris: Raisons d’agir, 2008.

29 Mortgage loans have thus been massively guaranteed in the US by the two public agencies charged with housing loans, Fannie Mae and Freddie Mac.

30 Cf. his lecture on ‘The Invisible Hand in Economics and Politics’, Institute of Southeast Asian Studies, 1981.

31 See, for example, in the US, George Gilder, *Wealth and Poverty*, New York: Bantam Books, 1981; or, in France, Henri Lepage, *Demain le capitalisme*, Paris: Hachette, 1978.

32 Frédéric Bastiat, *Oeuvres économiques*, ed. Florin Aftalion, Paris: Presses Universitaires de France, 1983, p. 207.

33 ‘Milton Friedman: le triomphe du libéralisme’, interview with Henri Lepage, *Politique internationale*, no. 100, summer 2003.

34 Milton Friedman, *Capitalism and Freedom* (1962), Chicago: University of Chicago Press, 2002.

35 Milton and Rose Friedman, *Free to Choose: A Personal Statement* (1979), San Diego and New York: Harvest, 1990, p. 214.

36 Other arguments arrived to back up this challenge to public intervention. The so-called Public Choice economic school in the US developed a more elaborated point of view, by applying the logic of

individual economic calculation to public activities. We shall examine this doctrine in Chapter 9.

37 Cf. one of the first critical dossiers produced in France: Lepage, *Demain le capitalisme*, Chapter 6, 'l'État-providence démystifié'.

38 Albert O. Hirschman, *The Rhetoric of Reaction*, Cambridge MA and London: Belknap Press, 1991.

39 Charles Murray, *Losing Ground: American Social Policy*, New York: Basic Books, 1984.

40 Gary Becker, *A Treatise on the Family*, Cambridge MA: Harvard University Press, 1981.

41 An example of such an argument can be found in Philippe Bénéton, *Le Fléau du bien. Essai sur les politiques sociales occidentales*, Paris: Robert Laffont, 1983, p. 287.

42 George Gilder, *Wealth and Poverty*, Washington DC: Regnery, 2012, pp. 108–9.

43 *Ibid.*, p. 103.

44 *Ibid.*, p. 90.

45 *Ibid.*, p. 102.

46 Milton and Rose Friedman, *The Tyranny of the Status Quo*, London: Secker & Warburg, 1984, p. 132.

47 *Ibid.*, pp. 134–5.

48 For Gary Becker all human action is economic: 'The economic approach provides a valuable unified framework for understanding all human behavior', he writes in *The Economic Approach to Human Behavior*, Chicago: University of Chicago Press, 1976, p. 14. This means that all aspects of human behaviour can be translated into prices (cf. p. 6). Becker began his work with a thesis on *The Economics of Discrimination* (1957), which deals with phenomena of discrimination in the US labour market. He pursued it with an analysis of the impact of education in his book on human capital in 1964 (*Human Capital: A Theoretical and Empirical Analysis with Special Reference to Education*). He has theorized his method in *Economic Theory* (1971) and *The Economic Approach to Human Behavior* (1976).

49 Becker, *A Treatise on Family*, p. 24.

50 As in Gary Becker and Kevin M. Murphy, *Social Economics: Market Behavior in a Social Environment*, Cambridge, MA: Harvard University Press, 2000.

51 This is the meaning of the formulation: 'the panopticon [is] a general formula of liberal government' (Michel Foucault, *The Birth of Biopolitics*, p. 24).

52 Foucault, *Dits et écrits II*, p. 1056 ff.

53 Here the term is to be understood in its first sense (cf. the distinction between two meanings of 'strategy' discussed above).

54 Similarly, but in a very different context, Bentham had distinguished between the normalizing structuration of spontaneous actions in the market and the more fine-grained monitoring of behaviour in institutions intended to educate or re-educate those who were unable to function on their own in the space of market exchange.

55 Bernard Élie, 'Milton Friedman et les politiques économiques', in Marc Lavoie and Mario Seccareccia, eds, *Milton Friedman et son oeuvre*, Montreal: Presses de l'Université de Montréal, 1993, p. 55.

56 Later on, we shall analyse the arguments of the Public Choice School.

57 Readers may recall the brutality with which Reagan sacked the air traffic controllers following their strike in 1981, replacing them with non-union labour. This was only the start of a general offensive against

the social compromises born at the time of the New Deal. The same occurred in Britain, where Thatcher conducted a head-on offensive against the unions and brought them to heel through drastic restrictions.

58 For an analysis of the development of labour legislation in the United States, cf. Isabelle Richet, *Les Dégâts du libéralisme. États-Unis: une société de marché*, Paris: Textuel, 2002.

59 On this point, cf. Mark Considine, *Enterprising States: The Public Management of Welfare-to-Work*, Cambridge: Cambridge University Press, 2001. Thus, conditions of insurance have become harsher nearly everywhere. In France, for example, in 2005 a system of penalties was established that reduced benefits by 20 per cent for an initial rejection of a job offer, by 50 per cent for a second, and 100 per cent for the third. In 2008, this punitive policy, which had already made possible an increase in the number of exclusions from the files of the Agence nationale pour l'emploi, was tightened.

60 Gerhard Schröder, *Ma Vie et la politique*, Paris: Odile Jacob, 2006, p. 295.

61 Milton Friedman, 'The Role of Government in Education' (1955), reprinted in *Capitalism and Freedom*. The idea was then taken up and developed by John E. Chubb and Terry M. Moe, *Politics, Markets and America's Schools*, Washington: The Brookings Institution, 1990.

62 Catherine Sauviat quite correctly speaks of financial capital as a 'machine for disciplining wage-earners': 'Les fonds de pension et les fonds mutuels: acteurs majeurs de la finance mondialisée et du nouveau pouvoir actionnarial', in François Chesnais, ed., *La Finance mondialisée, racines sociales et politiques, configuration, conséquences*, Paris: La Découverte, 2004, p. 118.

63 Michel Aglietta and Laurent Berrebi, *Désordres dans le capitalisme mondial*, Paris: Odile Jacob, 2007, p. 34.

64 Cf. Michel Gollac and Serge Volkoff, 'Citius, Altius, Fortius. L'intensification du travail', *Actes de la recherche en sciences sociales*, no. 114, September 1996.

65 Cf. on this point Michel Lallement, 'Transformation des relations du travail et nouvelles formes d'action politique', in Pepper D. Culpepper, Peter A. Hall and Bruno Palier, eds, *La France en mutation, 1980-2005*, Paris: Presses de Sciences-Po, 2006.

66 Thomas Coutrot, *L'Entreprise néo-libérale, nouvelle utopie capitaliste. Enquête sur les modes d'organisation du travail*, Paris: La Découverte, 1998.

67 Benchmarking is a management method that consists in selecting standard benchmarks for performance, making it possible to compare the results of a productive entity (subsidiary, department, enterprise), to determine 'good practice' and to fix higher performance objectives.

68 Peter Drucker, *The Essential Drucker*, Oxford: Butterworth-Heinemann, 2007, p. 90.

69 *Ibid.*, p. 94.

70 *Ibid.*

71 Cf. Nicole Aubert and Vincent Gaulejac, *Le Coût de l'excellence*, Paris: Seuil, 1991.

72 The transformation of individuals into risk-lovers was the basis of the 'social refoundation' desired by the Mouvement des entreprises de France (MEDEF). The contrast between two kinds of human being – risk-lovers, who are courageous, dominant types, and risk-fearers, who are sensitive, dominated types – was theorized in 2000 by François Ewald and Denis Kessler in 'Les noces du risque et de la politique', *Le Débat*, no. 109, 2000. In *Le Monde*, Robert Castel offered a biting rejoinder ('"Risquophiles", "risquophobes": l'individu selon Medef', *Le Monde*, 6 June 2001): 'Once, the "undeserving poor" had only

themselves to blame for their lot because they were do-nothing, intemperate, lascivious, dirty and nasty. In a modernized and somewhat euphemized version of the same moral good conscience, today, those who merit social disqualification are the risk-averse, the sensitive, and all those who remain so stupidly attached to the gains of the past that they are incapable of participating in the advent of the radiant future being prepared for us by tomorrow's capitalism. This is precisely a discourse of the dominant for the dominant.'

73 Here it would be worth considering the personal trajectories of actors involved in the practical implantation of neo-liberal schemas. We might ask, for example, whether some of the 'second Left' in France did not represent a 'footbridge' facilitating the transition from political or trade-union commitment to active participation in the 'reform' of the apparatuses of the social and educational state.

74 Bruno Jobert, ed., *Le Tournant néo-libéral en Europe. Idées et recettes dans les pratiques gouvernementales*, Paris: L'Harmattan, 1994, p. 15.

75 There have been many others – among them, the policy of Gerhard Schröder and the grand alliance between German Right and Left, and, in France, the success of Nicolas Sarkozy's opening to a number of 'personalities' from the Socialist Party. These have demonstrated the extent to which the new ideological course has deconstructed the intellectual and political framework of social-democracy.

76 For an analysis of the US Left's 'fascination' with the Right's way of thinking, see James. K. Galbraith, *The Predator State: How Conservatives Abandoned the Free Market and Why Liberals Should Too*, New York: Free Press, 2008.

77 However, it should not be forgotten that the parties of the Left have been marked by more or less violent internal struggles. Opponents of the neo-liberal orientation have been put on the defensive, accused of being supporters of the old administrative management, which was expensive, inefficient and demoralizing.

78 On this point, cf. Keith Dixon's demonstration in *Un digne héritier. Blair et le thatchérisme*, Paris: Raisons d'agir, 1999.

79 Tony Blair provides an excellent definition in an interview: 'I would say the activities of government shouldn't be designed to prevent firms competing in the global market. That is not an intelligent response in the end and it won't work, because the global market is upon us. If you try to shelter companies from the global market then all that will happen is that they may survive better for a few years but then they will go under eventually because the pressures of global competition are such that that will happen. What you can do is to equip them and the individuals working for them better to survive the rigours of that global market. That's to me what the third way is ...' ('Why We Can Make a Difference', *Guardian*, 15 May 1998).

80 Peter Mandelson, 'Europe's Openness and the Politics of Globalisation', Alcuin Lecture, Cambridge, 8 February 2008.

81 Michael Freeden, 'True Blood or False Genealogy: Michael Labour and British Social Democratic Thought', in Andrew Gamble and Tony Wright, eds, *The New Social Democracy*, Oxford: Blackwell, 1999, p. 163.

82 Tony Blair and Anthony Giddens, *La Troisième voie. Le Renouveau de la social-démocratie*, Paris: Seuil, 2002, p. 10. Delors adopts the classic argument and lexicon of opponents of welfarism when he argues that 'traditional policies of social security often created a culture of dependency and irresponsibility' (p. 12). It

is interesting to note, if only to avoid the hypocrisy of a French socialism or a European construction that have supposedly miraculously escaped the ascendancy of neo-liberal rationality, that Delors inscribes his own European project in the framework of the Third Way. His 1993 White Book, published by the European Commission (*Croissance, compétitivité, emploi*), summarizes its main lines.

83 Anthony Giddens, *The Third Way: The Renewal of Social Democracy*, Cambridge: Polity Press, 1998, p. 66.

84 *Ibid.*, p. 100.

85 Antony Giddens, *Europe in the Global Age*, Cambridge: Polity Press, 2007, p. 96.

86 *Ibid.*, p. 105. We might note in passing that the phrase ‘overseeing the general framework’ is highly ordo-liberal in inspiration.

87 *Ibid.*, p. 108. On the ‘new public management’, see Chapter 8.

88 Giddens takes as his examples the privatization of schools in Sweden and education vouchers in the US (*ibid.*, p. 112).

89 *Ibid.*, p. 110.

90 *Ibid.*, p. 109. Giddens would like to distinguish between what he calls ‘everyday democratization’, which strengthens the power of users, and pure and simple neo-liberal ‘consumerism’. But it is hard to see what distinguishes them. For example, when it comes to education (primary, secondary and tertiary), Giddens evinces the new consensus between the modern Left and the New Right that students should finance their studies themselves, by resorting to loans.

91 *Ibid.*, p. 74.

92 In *The New Labour Experiment* (trans. Gregory Elliott, Stanford, CA: Stanford University Press, 2010, pp. 8–9), Florence Faucher-King and Patrick Le Galès forcefully underscore the point: ‘New Labour adopted a vision that values winners, entrepreneurs (whatever their color, background, or age), and security of property and persons; the issues of integration into society and redistribution or discourse on solidarity and public space were set aside.’

93 Keith Dixon, *Un abécédaire du blairisme*, Bellecombe-en-Bauges: Le Croquant, 2005, p. 15.

94 We find its expression in the fallacious form of the ‘neither-nor’, which puts *laissez-faire* and the old social-democratic compromise on the same footing. Blair formulated things thus prior to his arrival in office: ‘I reject the rampant *laissez-faire* of those who believe government has no role in a productive economy; and I reject too, as out of date and impractical, the re-creation or importation of a model of the corporate state popular a generation ago. Today the role of government is not to command but to facilitate’ (Tony Blair, *New Britain: My Vision of a Young Country*, Boulder: Westview Press, 2004, p. 109).

95 Faucher-King and Le Galès, *The New Labour Experiment*, p. 7.

96 Mitterrand’s ‘socialist’ France was immersed in a rhetorical bath very hostile to neo-liberalism, even though, well before Blairism, it had already adopted a number of neo-liberal methods.

The Ordo-Liberal Origins of the Construction of Europe

The great global turn that occurred in the 1980s and '90s followed the powerful conservative wave deriving from Britain and the United States. As a result, a kind of golden legend was born about the construction of Europe, regarded as a bastion of resistance to Anglo-American 'ultra-liberalism'. This is one of the antiphonies of left-neo-liberalism. The real history is much more complex, at once less linear and less Manichaeian. In truth, as the US academics of the Retort collective correctly argue, 'the idea of a politically autonomous Europe - a Europe opposed to American "barbarism" and playing a relatively positive role within capitalism and modernity - is largely illusory'. In gazing at the 'self-satisfied image' of an alleged European 'exception', 'the Left abandons any possibility of genuine resistance'.¹ For, while it is true that the construction of Europe is the product of several traditions, including the powerful one of Christian democracy, it also results from one of the oldest neo-liberal strategies whose basic principles we examined above when analysing ordo-liberalism. This original strategy, often misrecognized as such, *predated* the diffusion of neoliberal ideology in the 1970s and Fordist capitalism's crisis of regulation. In fact, neo-liberalism did not wait to triumph intellectually before gradually becoming institutionalized thanks to policies pursued with a great sense of continuity. The legal and political construction of a competitive market was progressively achieved amid the continued dominance of an administrative and bureaucratic rationality, and the prevalence of Keynesian interventionism or (as in France) of various forms of 'Colbertism'. This is certainly not to make Europe the test bed of a neo-liberal experiment that subsequently won over the rest of the world in a ripple effect. But it is to give the ordo-liberal logic that early on impressed a certain course on the construction of Europe its due. As was noted in 1967 by an observer of its first steps, '*competitivism* is replacing the former liberalism'. This, he added, was 'the basic idea of contemporary neo-liberalism'.²

The construction of the 'common market' in Europe affords a particularly interesting example of the implementation of this 'competitivism'. The treaty establishing the European Coal and Steel Community (ECSC) in 1951, and then

the Treaty of Rome in 1957, began to establish strict rules to prevent competition being distorted by discriminatory measures, abuses of dominant position, and state subsidies. Thereafter, the European Commission, with the firm support of the European Court of Justice, developed a set of tools that have formed the basis (according to an OECD report) of a veritable 'economic constitution'.³ Moreover, this competition policy, which has been continually extended and deepened,⁴ is regarded as one of the most powerful levers of economic integration: 'The Court's encouragement of the Commission in setting the terms of market integration gave the Treaty rules about competition a quasi-constitutional status', the OECD stresses.⁵

This political neo-liberalism did not come out of the blue. Ordo-liberalism provided the basics of the doctrinal foundation of current European construction, before it became subject to the new global rationality. For avowed European neo-liberals, the filiation between ordo-liberalism and the spirit that informed the establishment of the Common Market and then the European Union is not in doubt. It is even invoked by some of them. One of the most convincing testimonies in this regard is the lecture given by Frits Bolkestein at the Walter-Eucken Institute in Freiburg on 10 July 2000. The speaker, who was presented as the member of the Commission 'responsible for the internal market and taxation', entitled his lecture 'Building a Liberal Europe in the 21st Century'.⁶ Having recalled the role of ordo-liberals in the economic and monetary policy of the Federal Republic of Germany (FRG) and, more particularly, Walter Eucken's eminent role in the doctrine, Bolkestein asserted: 'Eucken's idea of freedom in security should surely, therefore, be central to a view of the Europe of the future. In European practice, the ideal of freedom is embodied in the Four Freedoms of the Internal Market: freedom of movement of persons, goods, services and capital.' And he added:

there is no getting away from the fact that anchoring these freedoms in certainties is going to demand a great deal of work. The European Commission and the Council have recognised this challenge and have reacted with an ambitious programme of deregulation and increased flexibility, as summed up in the final declaration of the Lisbon Summit of March this year. If it proves possible to introduce the entire package proposed in Lisbon, this will be a major step in the direction of an ordo-liberal Europe.

The sequel is even more explicit: 'A particular challenge is Economic and Monetary union. This ambitious project not only aims at increasing the freedom of citizens; it is also one of the most important policy instruments for stabilising the vast free-market economy that Europe constitutes and, as such, is a typical product of ordo-liberal thinking.'

Bolkestein spelt out the programme of reforms that would make it possible to attain this 'ordo-liberal' Europe in full. Four points were stressed:

1. Making wages and prices flexible by reforming labour markets. ('It is absolutely vital that ... [we increase] the flexibility of the labour market'; 'One of the major challenges facing us therefore is to increase the flexibility of both the labour market and the capital market.')

2. Reforming pensions by encouraging individual saving. ('If we are to prevent the pensions time-bomb from actually going off, we will have to seriously set about reforming pension legislation. Pension funds must be free to take advantage of the new scope for investment offered by the euro.')

3. Promoting the spirit of enterprise. ('Europeans are clearly lacking in the spirit of enterprise. The problem of Europe is not so much a shortage of venture capital for new business projects. The money is there, but not enough people are prepared to take the plunge and set up a business of their own. Structural reforms will therefore need to go hand-in-hand with a change of outlook on the part of citizens.')

4. Defending the civilizational ideal of a free society against 'nihilism'. ('Moral and epistemological relativism is threatening to undermine the central values of the liberal movement – things such as a critical and rational approach and the belief in the fundamental dignity of the free individual'; 'The shaping of the liberal Europe of the future is under threat from the way in which the Europeans of the future are being shaped by their schools or universities ... The role of the teachers is to promote in their work the values on which this free society is built, or at least to oppose views that aim to undermine a free society.')

Bolkestein did not conceal the fact that in his view the construction of Europe had been an anti-socialist project from the outset, and even a project directed against the social state. Thus, he recalled that 'socialism for Eucken was a disturbing model not only of inefficiency but also, and above all, of denial of freedom'.

'Liberal Europe' is therefore a clearly delineated programme, as Bolkestein had the great merit to recall. He was also right to stress that its construction pertained to the tradition of German ordo-liberalism, thus countering the idea that Europe represents a 'social model' opposed to Anglo-American 'ultra-liberal' globalization. The confusion, which is largely intentional, revolves around the meaning of the typically ordo-liberal term 'social market economy'. In a 2005 interview, Jacques Delors, answering a question from a journalist who asked him 'how will the new treaty make it possible to struggle

against market perversions?’, replied as follows:

As early as 1957, the European countries believed that if they had a common market, they would increase both their efficiency and their solidarity with one another. This is not easy to do. The same principles were adopted by the treaty. It is not innovative in that regard. What is new is the rise of political forces that reject the intervention of the state and institutions to balance market forces. In the name of a monetarism I have always opposed, balancing between the economic and the monetary is rejected ... The treaty does not settle the issue. It allows political forces to go in one direction or the other. Without the treaty, we dispose of fewer assets to defend the legitimate interests of France and move towards the renovated *social market economy* that is a response to globalization and the power of finance.⁷

This response is fairly characteristic of a certain reading of European history, which tends to draw a veil over the fact that ‘social market economy’ was the formula of German ordo-liberalism before becoming that of European neo-liberalism. Delors is not the only one to maintain the fiction. Nearly all the supporters of the European Constitutional Treaty (ECT) defended similar interpretations. In an opinion column published by twenty-six European newspapers on the eve of the Hampton Court summit on 27 October 2005, Jacques Chirac declared that Europe’s model was ‘the social market economy. Its contract is an alliance between liberty and solidarity. It is the public power as guarantor of the general interest.’ And he continued: ‘That is why France will never accept seeing Europe reduced to a mere free-exchange zone’; ‘that is why we must re-launch the project of a political and social Europe, based on the principle of solidarity’.

These few quotations underscore the need for clarification both of the sources of European neo-liberalism and of the ways in which it was imposed.

ARCHAEOLOGY OF THE PRINCIPLES OF THE EUROPEAN CONSTITUTIONAL TREATY

Let us turn for a moment to the 'European Constitution', in whose development the European liberal and Christian democratic parties played a fundamental role. The referendum campaign that occurred in France in 2005 raised the problem of the 'constitutionalization' of a number of economic policy lines: the European Central Bank's monetarism; competition as the principle of economic activity; the reduced, secondary role accorded 'economic services in the general interest'. These options raised the issue of the nature of the 'social market economy', which was the official standard formula for the new constitution for the whole Union.

The Treaty, which became the 'Lisbon Treaty' in 2007 after tinkering, contained from its outset a series of basic principles about the nature of European construction – principles that were spelt out in Part III. In particular, as early as article 3 we find a formulation of the objective to be pursued, which is regarded as clear to everyone: 'a highly competitive social market economy'. The whole economic policy defined in Part III aims to organize Europe around the few basic principles of an 'open market economy where competition is free', as is constantly repeated in the parts and articles of the constitution. The latter establishes two pillars of the 'social market economy': the supreme principle of competition in economic activity and price stability, guaranteed by an independent Central Bank.

The Union thus disposes of exclusive competence for 'the establishing of the competition rules necessary for the functioning of the internal market' (article I-13). Articles III-162 and III-163 apply this principle by prohibiting all practices that might distort competition in the internal market and all practices regarded as abuses of dominant position. More particularly, article III-167 prohibits state aid that might distort competition.

Currency stability is the second decisive principle. In Part I-Title III dealing with 'Union Competences', we find in article 30 the definition of the duties and statute of the European Central Bank. Paragraph 2 declares:

The European System of Central Banks shall be governed by the decision-making bodies of the European Central Bank. The primary objective of the European System of Central Banks shall be to maintain price stability. Without prejudice to that objective, it shall support the general economic policies in the Union in order to contribute to the achievement of the latter's objectives.

And paragraph 3 specifies:

The European Central Bank is an institution. It shall have a legal personality. It alone may authorise the issue of the euro. It shall be independent in the exercise of its powers and in the management of its finances. Union institutions, bodies, offices and agencies and the governments of the Member States shall respect that independence.

These principles are not new. The 1992 Maastricht Treaty, which created the European Union, had already in article 3 introduced the objective of ‘a system ensuring that competition in the internal market is not distorted’. And in article 3A, which was not anodyne, it stated the objective of ‘the adoption of an economic policy which is based on the close coordination of Member States’ economic policies, on the internal market and on the definition of common objectives’, conducted in conformity with respect for the principle of ‘an open market economy with free competition’. The latter phrase, employed as a veritable slogan thereafter, is repeated in the Maastricht Treaty on numerous occasions, as it would be in the Constitutional Treaty.

But the Maastricht Treaty itself formed part of an older logic. The 1957 Treaty of Rome proclaimed the need for ‘the establishment of a regime ensuring that competition is not distorted in the common market’ (I-3). In article 29, it was specified that the Commission monitored the progress of ‘the development of conditions of competition within the Community, in as much as this development will have the effect of increasing the competitive strength of enterprises’.

The third part devoted to the Community’s policy carefully defined the ‘rules of competition’. In article 85, we read that

incompatible with the common market, and prohibited, are all agreements between enterprises, all decisions for associations between enterprises and all organized practices, which are liable to affect trade between Member States, and whose objective or effect is to prevent, restrict or distort the operation of competition within the common market.

Article 86 delineated the image of a competitive economy without private or public monopolies: ‘incompatible with the common market, and prohibited, in so far as trade between Member States is liable to be affected, is one or several enterprises unfairly exploiting a dominant position in the common market or in a substantial part thereof’. Already proscribed at the same time was dumping, but also state aid. Article 92 indicated that ‘Other than in the case of derogations provided for by the present treaty, incompatible with the common market, in as much as it affects trade between Member States, is aid given by States or by means of State resources in any form whatsoever, which distorts, or threaten to distort, competition by favouring certain enterprises or certain products.’

The Treaty of Rome establishing a European Economic Community already contained the essentials of the doctrine of European construction. From 1957, the basic economic liberties (the ‘four liberties of circulation of persons, goods, services and capital’) assumed a constitutional value, recognized by the European Court of Justice as fundamental rights of European Citizens.⁸ This was confirmed in the ECT in the numerous articles dealing with the ‘principles of an open market economy where competition is free’.⁹

Since 1957, the logic of ‘constitutionalizing’ the social market economy has become ever clearer. Thus it emerges that the main element in European construction is not sectoral cooperation and the organization of specific policies, but the incorporation into constitutional law of the basic principles of the social market economy.¹⁰ In this regard, the ECT marks the zenith of a gradual evolution towards a supreme economic norm regarded as an essential component of the political constitution in the broader sense of the term.

Such ‘constitutionalization’ of economic liberties is largely commensurate with the realization of the basic principles of *ordo-liberalism* as defined between 1932 and 1945 and, more generally, of European neo-liberalism.¹¹ Certain political leaders and economists of a liberal persuasion, notably in France and Italy, consciously encouraged this construction, which they viewed as the adoption of the principles of competitiveness. The case of Jacques Rueff, whose role in challenging Keynesian-style interventionist policies was noted above, is very illuminating in this respect.

In 1958, Rueff showed that what was specific about the Treaty of Rome signed a few months earlier was that it created an ‘institutional market’, to be carefully distinguished from the ‘Manchester market’. While it possessed the same qualities of equilibrium as the latter, and ‘while it too was a zone of “laissez-passer”, it was not a zone of “laissez-faire”’.¹² State power was called on to intervene to protect the market from ‘private interests’ that would soon have entered into understandings, and to control reserved outlets. It was also called on to attenuate the social consequences of the opening of markets up to competition. Rueff explained that the main stamp of the institutional market was what he called its ‘fundamental realism’. The founders had ‘preferred a market restricted by intervention that would give it a chance of being morally acceptable and politically accepted’.¹³ This did not entail any impediment to the market since, as he also stressed, admissible intervention should consist exclusively in procedures ‘respecting the price mechanism’ and in no wise disrupting the free formation of prices in the market.

According to Rueff, this ‘institutional market’, of which European construction was the prototype, had a great future ahead of it. Its realization would reunite all the liberal and socialist parties, and it would be extended to global economic relations in their entirety. While for Rueff neo-liberalism already formed the basis of European construction, it would not fail also to be the foundation of the global market, which ‘tomorrow will unite in a shared civilization all individuals and all peoples who want to give human beings freedom without disorder and well-being without servitude, while reducing inequality and injustice as much as is humanly possible’.¹⁴ Half a century later, one can only be amazed by the premonitory character of

Rueff's statement, when he announced that liberals and socialists would end up agreeing on the objective of constructing an 'institutional market', resuming his pre-war antiphony according to which liberalism is neither right-wing nor left-wing.¹⁵

But whence derives this idea of a market constructed and monitored by the political authorities? For Rueff, as for other observers at the time, there is no doubt that what animates the 'common market' is a pure product of the neo-liberalism that emerged in the late 1930s:

The institutional market is thus the result and culmination of the endeavour to renew liberal thinking, which emerged two decades ago, and which, under the name of neo-liberalism, or social liberalism, or even liberal socialism, has gradually become conscious of its aspirations and the appropriate ways to satisfy them, finally recognizing itself in the community formulas of the European Coal and Steel Community and those whose general application will be represented by the European Economic Community tomorrow.¹⁶

If, as we have amply seen, ordo-liberalism enjoyed no monopoly, it must be admitted that it constituted the most coherent body of doctrine in European neo-liberalism. The homage rendered it by Rueff, and the influence it had in France on leaders like ex-President Giscard d'Estaing or ex-Prime Minister Raymond Barre, are so many indications.¹⁷

THE HEGEMONY OF ORDO-LIBERALISM IN THE FRG

To understand how these principles were able to win over Europe, we must return to the way in which they were imposed in the FRG after the Second World War and have formed the basis for a consensus that includes the most important German political formations. However, it is important not to confuse, as is too often done, what in Germany pertains strictly to the ordo-liberal filiation and what stems from a much older heritage (the 'Bismarckian' social state), or the social and political conditions of the compromise between trade-union forces and employers ('co-management'). 'Rhenish capitalism' is not the 'social market economy' as defined by the German liberal theoreticians. It refers to a hybrid reality, fruit of history and the social and political balance of power.

The initial success of German neo-liberalism is attributable to several factors. For the FRG it was a question of re-founding the legitimacy of the new state and integrating itself into the free world, of distancing itself from the nationalist, totalitarian past.¹⁸ Mention must also be made of US influence on reconstruction and the fear of the inflation that had destroyed the economy in 1923. All these factors were conducive to a radical change in the situation in a country long hesitant about liberalism. Ordo-liberalism could become established because after Nazism it combined rejection of autarchic statism and rejection of the pure liberalism of classical and neo-classical political economy, which was implicated in the chaos of the inter-war period. It promised an organized liberalism that adapted to a 'strong' but impartial state, capable of imposing itself on private interests in coalitions and enforcing universal respect for the rules of the game of competition.

Historically and practically, ordo-liberalism's 'opportunity' was the creation in 1948 of an economic council to the occupation bodies responsible for economic policy, at the instigation, it would seem, of Ludwig Erhard. It was a council dominated by ordo-liberals. Often presented as the 'father of the German miracle', Erhard was not a theoretician, but a practitioner of economics sticking to the 'needs of the system' and refusing any economic dirigisme. He was the architect of the economic reform of 21 June 1948 that created the Deutsche Mark. Shortly afterwards, he abruptly freed prices. Again, he it was who had the 'anti-cartel' law of 1957 passed,¹⁹ and decided on the independence of the Bundesbank the same year. His dogma was 'competition above all': 'To maintain a competitive economy is ... a social obligation', he wrote in his bestselling *Prosperity through Competition*,²⁰ echoing a work by a disciple of Walter Eucken who in the 1930s had published a book on 'competition as a social duty'. Erhard was helped in this task by semi-theoreticians and semi-practitioners like Alfred Müller-Armack, to whom we apparently owe the phrase *Sozial Marktwirtschaft*.²¹

The success of ordo-liberalism was first evident in the conversion of the

major German parties to the 'social market economy'. From 1949, under the influence of Erhard, the Christian Democrats adopted the essentials of the ordo-liberal doctrine in its programme. The Christian Democrats were divided between two reference-points: the social Christianity that inspired the Ahlen Programme of 1947 and the more liberal Düsseldorf Directives.²² It was the latter that prevailed over the more social Ahlen programme. As is underscored by Joachim Starbatty, the link between these two Christian and ordo-liberal orientations was the principle of subsidiarity: 'Within the bounds of possibility, initiative and responsibility are consigned to every citizen. This determines decentralized decision-making and the formation of a private estate: the components of the market economy.'²³ The reconciliation of Christianity and liberalism was made possible by the fact that social objectives were depicted as a 'just' consequence of fair economic competition; and by the fact that this neo-liberalism criticized the hedonistic Anglo-American tradition and identified with an 'economic ethic' inspired by Kant.

For its part, the Social-Democratic Party (SPD) made its official conversion to the market economy exactly ten years later, in 1959, at its Bad-Godesberg conference. If it spoke of a 'directed' market economy, the SPD quickly rallied to the established term *Sozial Marktwirtschaft*. The main parties of government thus identified with the doctrine from the 1960s onwards. This was also true of the trade unions, since the powerful Deutscher Gewerkschaftsbund (DGB) declared its support for the market economy in 1964. In the space of twenty years, ordo-liberalism became a 'national credo', in François Bilger's powerful phrase.²⁴

The doctrine was implemented in large part, even if social policy was more 'global' than anticipated and the co-management of enterprises was a practice foreign to the ordo-liberal programme. The latter came up against a more complex social and historical reality that dictated social and political compromises. During the whole phase of industrial reconstruction, the Christian Democrats, who were in power until the mid-1960s, had to compromise with a welfare state inherited from the Bismarck era and with a highly organized, very powerful working class. From the late 1960s, the 'German model' was 'social-democratized' and 'Keynesianized' when the SPD was in government. In 1967, the law on the 'promoting the stability and growth of the economy' illustrates this unanticipated combination of ordo-liberalism and Keynesian conjunctural policy.²⁵ From 1965–75, the 'social market economy' acquired a 'left-wing' image, which is doubtless the source of the ongoing confusion.²⁶

It is important not to confuse ordo-liberal doctrine with the 'German model' of capitalism. In a book that had a big impact in France in the early 1990s, Michel Albert contributed to spreading a now habitual confusion

between the 'social market economy' and 'Rhenish capitalism' – that is, a model of nationally organized capitalism.²⁷ Albert regards the social market economy as a 'composite ensemble' in which he includes welfare measures and co-management.²⁸ Intent on constructing a 'model of capitalism' opposed to that prevalent in the Anglophone countries, he blends inputs of liberal provenance and social-democratic correctives to them. Whereas the term 'social market economy' was coined in 1947, the phrase 'German model' came later, in the 1970s, at a time when social-democracy had succeeded in inflecting German policy in favour of wage-earners and had also switched to much more active conjunctural state support. This took the form of an expansion of social benefits, a more redistributive policy, and increased taxes, thus aligning the FRG with the other European countries as regards social protection.

One of the most notable aspects of the 'German model' in terms of industrial relations is the importance of bargaining between employers and trade unions, restricting purely market relations between employers and wage-earners.²⁹ The Social-Democrat Kurt Schiller, who succeeded Erhard, sought to push 'concerted action' between unions, employers and government in social policy and wages much further. A number of laws symbolized this structured, institutionalized 'consultation': the law on co-management (1976, modifying that of 1951) and the law on the status of enterprises (1972), governing the participation of workers' in administrative and supervisory councils and in elected enterprise councils. The participation of wage-earners in enterprises' decision-making processes was capped by collective agreements over wages and working hours at sectoral and territorial level. The state theoretically leaves the unions and employers free in their negotiations, in line with the principle of the partners' autonomy. As Peter Wagner once again has shown, it was indeed the law that structured these relations and imposed 'social peace', prohibiting recourse to strike action prior to conciliation procedures.

In Germany, as elsewhere, the late 1970s were a period of challenges to the social and Keynesian management of capitalism. From the 1980s onwards, with the advent of the Christian Democratic Union (CDU) in power, we observe a 'return to the sources', accompanied by a challenge to the 'social drift of the social market economy', as Patricia Commun has put it.³⁰ This return to the principles of *ordo-liberalism* signified that social advances must now be regarded as effects of the competitive order and monetary stability, not as ends in themselves.

EUROPEAN CONSTRUCTION UNDER THE INFLUENCE

This is the context in which we must understand how ordo-liberalism, veritable ‘hidden tradition’ of Europe, was to become standard doctrine for the governmental elites of the Union from the 1980s, with some reservations here or there, particularly from France. Here we must beware of a certain nationalist reflex that attributes to Germany responsibility for low growth and high unemployment, as a result of its attachment to a strong currency. In reality, it is not German economic power that imposed its ‘Rhenish model’ of capitalism, but European leaders who conferred on European construction a logic largely influenced by ordo-liberalism. It is to be noted, moreover, that the ‘German model’ of nationally organized capitalism is precisely challenged by European unification, if only because the ‘European social dialogue’ is very far removed from the highly formalized and constraining rules of ‘concerted action’. It can even be said that the transfer of social negotiation to a European level, as towards the infra-national level, is a way for German employers to jettison the constraints of national negotiation, as established in an earlier state of the balance of power between employers and wage-earners. Further still, with European integration increasingly being implemented by introducing competition between institutional systems (as we shall see later), in the name of ‘mutual recognition’,³¹ the very idea of an autonomous national concertation is challenged by ‘competitive deregulation’.

The other curiosity stems from the fact that reference to the ‘German model’ occurred at the very time when it was under challenge from Christian and social democrats alike – and this in the name of the need for European structural reforms. More striking still is the attempt to extend throughout Europe budgetary and monetary rigidities that have demonstrated their inefficacy in Germany itself when it comes to growth and jobs, while European construction is regarded as one of the ‘levers’ making it possible to re-import the competitive principles of ordo-liberalism into Germany. Globalization is posited as the main constraint condemning Germany, along with the whole European Union, to increase flexibility and to reduce enterprises’ wage bill.³²

The history of the relations between ordo-liberalism and European construction is a complex business, extending over four decades from resistance by the ordo-liberals to their ideological victory. From the outset, the ordo-liberals, whether theoreticians or practitioners like Erhard, were distrustful of what might turn out to be administrative control and economic planning. Moreover, anything hailing from France was suspected of harbouring an intolerable dirigisme. Thus, when in 1950 Konrad Adenauer submitted the Schuman Plan for the European Coal and Steel Community to Röpke, the latter sent him a note strongly advising him against extending this

dangerous initiative to other sectors, because it was necessary to avoid 'placing the European economy under the supervision of omnipotent planning'.³³ In his desire to restrict the supposed dirigisme of the French, Erhard at the Finance Ministry opposed the policy of Jean Monnet and the High Authority in Luxemburg, which aimed to extend administered economic collaboration to other sectors. The German government's strategy initially consisted in integrating the country's economy into a system of global free trade. The European common market must not be conceived as a fortress, but as a step along that road.

In May 1955, in a text entitled 'Considerations on the Problem of Cooperation or Integration', Erhard wrote that Europe must aim at 'functional integration' – that is, a general liberalization of goods, services and capital, and currency convertibility – but not the 'creation of ever new institutions'. In reality, the German government was divided between federalists and ordo-liberals. The former sought political unification taking the form of gradual economic integration, while the latter opted for a European market economy and integration into the great global market.

The Common Market of 1957 was in fact the result of a dual compromise – between France and Germany, and between currents within the German government. France secured the establishment of common policies, including the agricultural policy to which it remains attached to this day, regarding it as one of the main community gains. It also obtained certain social alignments, in particular on wage-earners' holidays, a fairly high common external tariff (against the German view), as well as a kind of preference for imports from colonial or excolonial countries. As we know, in addition to the benefits it wished to preserve for its farmers, the logic of the French position consisted in conferring sufficient power on the European entity to guarantee its independence from the 'blocs'.

But the Treaty of Rome also derived from a compromise within the German government between the federalist current (Etzel) and the ordo-liberal current (Müller-Armack). On the one hand, sectoral enlargement of markets was advocated; on the other, 'functional integration'. The compromise was symbolically sealed on 22 May 1955 in Müller-Armack's country house, where representatives of the two currents had gathered.³⁴ On the basis of this compromise between German officials,³⁵ the two Rome treaties on the Common Market and the Atomic Energy Community were prepared and signed on the same day. Avoiding the establishment of supra-national administrative bodies, other than for energy, Germany ensured the success of its conception of a horizontal, 'functional' integration and the principle of free, undistorted competition. Erhard emerged victorious, even if Monnet and the federalists thought that they too had won. For Erhard, as he put it the day after the Messina conference in 1955, European cooperation must occur in a

‘system of free economies’ and the only conceivable supra-national bodies were ‘supervisory bodies to guarantee that national states respect the rules of the game they have fixed’.³⁶

The treaty establishing the European Economic Community (EEC) might seem like a compromise between the need for common policies (agriculture, transport) and measures aimed at creating a free market in persons, goods, services and capital. But the common market possessed a strange status from the outset. This ‘European economic community’ was one ‘community’ among others (coal and steel, atomic energy, agriculture), but it also encompassed them by subjecting them to a general principle, of which the others were merely parts or exceptions. The principle of competition was written into it at the outset as a structuring principle: the treaty established a ‘regime ensuring that competition is not distorted in the common market’.

TOWARDS ESTABLISHING COMPETITION BETWEEN SYSTEMS OF LEGISLATION?

The main ordo-liberal principles are operative in the European logic of constitutionalizing the liberal order, in the strict application of competition policy, and in the independence of the European Central Bank (ECB). We can still identify them today in a policy favouring enlargement of the Union, as in the defence of global free trade – positions that are almost replicas of the battles waged by German political leaders in favour of British membership, lowering the common external tariff, and participating in the great world market.

These principles are also at work in applying the disciplinary rules intended to restrict governments' budgetary activity and, more widely still, in ruling out conjunctural policy in favour of a policy of 'structural reforms' – reforms creating more flexible labour markets and greater 'individual responsibility' as regards training, saving and social protection. Hans Tietmeyer delineated the ordo-liberal line to be followed in Europe, anticipating the 'Lisbon strategy' formulated in 2000 in his oral and written interventions. According to him, the imperative thing was to restrict attempts at distribution and protection that hamper the economy and social progress. The argument of under-employment must no longer serve to encourage public expenditure and create money. Security consists in jobs for all, not social aid.³⁷

European neo-liberalism was thus constructed and diffused via the construction of Europe, a veritable large-scale laboratory of 1930s ordo-liberalism. Certainly, it will be said that it is not a pure model; that ordo-liberal principles have had to compromise with quite different social, national and political logics. Increasingly, however, they have prevailed, as is attested better than anything else by the Constitutional Treaty and its attempt to constitutionalize the market economy.

The defeat of Gaullism and its strategic options (foreign policy of rejecting the blocs, military independence through nuclear weapons, 'political' model of constructing a Europe of nations and fatherlands)³⁸ was taken for granted in the 1970s by Giscard d'Estaing and Raymond Barre. Jacques Chirac's rallying in October 2005 to the 'social market economy', four months after his defeat over the Treaty's ratification, symbolically expressed the definitive collapse of a political construction of Europe *à la française*. But we have also seen that this domination resulted from the defeat of European 'social-democracy' and its rallying to the neo-liberal model, courtesy of a few social adjustments.

The strength of the ordo-liberal model is especially clear as regards monetary policy. In conformity with the 'Maastricht criteria', the line followed in theory prohibits any fine-tuning of the conjuncture with the help of monetary and budgetary tools – that is, a Keynesian-style policy mix.

Tietmeyer's typically ordo-liberal idea that price stability is a 'basic right of citizens' has become a shared conviction. This doctrinal logic is also on display in competition policy, which, since the Treaty of Rome and its article 3, has been at the heart of European construction.³⁹ All the objectives set are bound up with this primacy: optimal allocation of resources, price reduction, innovation, social justice, decentralized *modus operandi*, de-compartmentalization of national economies – everything is regarded either as a cause, or effect, of the competitive order pursued by the Commission.⁴⁰

The Commission possesses exceptional power, albeit in perfect conformity with ordo-liberal logic, which consists in conferring power to establish the 'rules of the game' on a 'technical' body situated above governments. In accordance with this logic of 'government by rules', the Commission's Directorate General for 'Competition' undertakes its work of monitoring and sanctioning with respect to agreements, abuses of dominant position, and concentration. It is further in accordance with this logic that the Commission takes preventive measures allowing it to prohibit, for example, a merger which it deems inconsistent with its principles – something that gives the European authorities power of oversight and control of the structures of the economy.⁴¹

The Commission also monitors state aid and grants of public capital that might be interpreted in some cases as subsidies. Here too it provides authorization by granting derogations. This represents a kind of 'industrial policy', which is at the same time a non-policy, since it is decided in accordance with *rules*, not *ends*, unlike US policy, which in this respect is much more 'utilitarian' – i.e. less formalistic. It is precisely a policy of the *framework*, which allocates to the Commission very considerable powers to interpret the legitimate or illegitimate character of the aid – a power that is at once administrative in kind (investigation, file, application of penalties) and legal, since it judges and imposes sanctions. Without being quite as independent as the German Cartels Office (*Bundeskartellamt*), the Commission asserts the superiority of competition law over any other consideration – in particular, social and political. This legal supremacy raises numerous problems. For example, the very complex one of market analysis: What is a dominant position? Is it in itself an obstacle to competition? What is the appropriate scale of analysis – a country, Europe, the world? It seems fairly obvious that, in the phase of capital's globalization-concentration, the ordo-liberal criterion of a 'humane economy' composed of small and medium-sized enterprises is a largely defunct myth.

However, if there is one area where the Commission appears to be almost perfectly loyal to ordo-liberal doctrine, it is 'services of general economic interest', which must likewise be subject to the supreme rule of competition, since by definition competition law is superior to any other.⁴² What occurred

in the cases of transport, telecommunications, energy and postal services is a perfect illustration. In practice, Europe is conforming to the ideal of the 'consumer-sovereign' who must always be able to choose his services enterprise.

Today, the enlarged Europe is proceeding still further in the logic of competition, to the extent that the old ordo-liberalism as inscribed in the treaties seems overrun by 'ultra' conceptions. A more radical logic seems to be emerging today, which is based on *establishing competition between the institutional systems themselves*, whether taxation, social protection, or teaching. What, in order to criticize it, is called 'social and fiscal dumping' does not come under the liberal critique of distortion of competition; and if state subsidies are prohibited, this does not apply to lowering taxes on companies to attract capital from investors or savers in neighbouring countries. In this respect, Ireland has shown the way. All the European countries – especially the new members – have embarked on this new stage in the 'competitive order', which appears to be the preferred means as regards economic integration.

It is as if the changes affecting the management of capitalism on a global scale since the 1970s and '80s have induced an inflection of European neo-liberalism, by inverting the terms that characterized it: no longer fashioning the order of competition through European legislation, but fashioning European legislation through the free operation of competition. What seems to be foreshadowed today is a kind of *mutation of certain currents of ordo-liberalism*, attesting to an ever great convergence between the two main 'strains' of neo-liberalism: the German and the Austro-American.

This mutation corresponds to the desire of a number of currents to return to the sources of European neo-liberalism and even to radicalize it, so as to defeat what it had been necessary to compromise with: the social state, public services supplying social goods, and trade-union power.⁴³ It seems, moreover, that the 'static' and statist conception of the first-generation ordo-liberals has now been superseded by the dynamic, evolutionist conception of the second-generation 'neo-ordo-liberals', one of whose key concerns is European integration, which they would like to achieve through the '*principle of competition between systems*'. In other words, rather than fashioning a framework through legislation, they would like this framework to be produced by competition between institutional systems.

Outsourcing, migration of workers, changes of residence – such are the vectors of the new European integration through competition. The criterion of 'country of origin', opposed to that of destination, seems to be fundamental. For it is by this means that competition can be established between national regulations and issue in a harmonization that is no longer *preliminary* to exchange, but *subsequent* to it – a harmonization that derives

not from above, but from below, through the free operation of markets. If we can put it like this, it is the consumer of regulations and institutions who is the final arbiter.⁴⁴ This harmonization through competition is to operate in public services and social security and taxation systems, in labour law as in trade and financial legislation.⁴⁵ For the new generation of ordo-liberals, many obstacles still remain, some of them thrown up by the Commission itself when it seeks to establish uniform social rules, as was still the case in the 1980s. The Commission must therefore fix clearer rules facilitating competition between systems, by generalizing the principles of ‘country of origin’ and ‘mutual recognition’, and allowing economic agents to freely decide between systems through their total mobility. In the new ordo-liberals’ view, this is the only way to prevent Europe become a ‘cartel of welfare states’.

However, for ‘neo-ordo-liberals’ ‘the establishment of this competition between jurisdictions must be consecrated in a *European constitution of liberty*’.⁴⁶ The phrase, which obviously echoes Hayek, seems precisely to indicate a decisive rapprochement between the two variants of neo-liberalism, German and Austro-American. In any event, this radical orientation makes it possible to highlight the direction taken by Europe under the guidance of the Commission from the 1990s onwards.

Foucault was right when he detected in ordo-liberalism a highly original, even exceptional, ambition of legitimating political institutions exclusively on the basis of the economic principles of the free market. There is a homology between German reconstruction – the myth of ‘year zero’ – and Europe as a *tabula rasa* of existing political institutions. Constructing a minimal political edifice on the basis of the market economy and competition by establishing the economic constitution emerged as the mainspring of ordo-liberalism’s success. However, whereas the original ordo-liberalism sought to supervise the market through laws made by states and European bodies, the new ordo-liberalism seeks to make the market itself the principle of selection of the laws made by states. In this perspective, the role of the European Commission is reduced to sanctioning the judgement rendered by the market in legislative matters – something that has the advantage, in the view of the new ordo-liberals, of curbing the overly zealous regulatory activism displayed by this body in the past. In this way, a set of European laws will be established that will end up imposing themselves on the legislative powers themselves, national and European alike; and in a way that will be all the more incontestable for being consecrated by the verdict of the market.

Were it to occur, such a development would cast a singularly harsh light on neo-liberalism’s original ideal of a ‘private law society’ (Böhm adopted by Hayek). That states must apply the rules of private law to themselves reaches a kind of culmination in the proposal to make the principle of competition

the principle for harmonizing national systems of legislation – and hence the principle for developing European legislation itself. Such a trend indicates that certain forces within European neo-liberalism intend to *evacuate liberal democracy of all its substance* by depriving legislative powers of their main prerogatives. However, it can be predicted that such a project will not progress without encountering resistance in European bodies – in particular, on the part of those who remain attached to the ‘European’ specificity of ordo-liberalism. The financial crisis that began in 2007, whose first effect has been to shift lines within political neo-liberalism, might well restore an unexpected lustre to the old formulae of the most classical tradition of ordo-liberalism.

1 Retort, ‘Note aux lecteurs de la traduction française’, in *Des Images et des bombes. Politique du spectacle et néolibéralisme militaire*, trans. Rémy Toulouse and Nicolas Vieillescazes, Paris: Les Prairies Ordinaires, 2008, pp. 8–9.

2 Louis Franck, *La Libre concurrence*, Paris: Presses Universitaires de France, 1967. Franck spelt things out as follows: ‘It is now accepted that public intervention is necessary to maintain certain forms of free competition; that this free competition is not, or is no longer, in the nature of things; that the two notions of free competition and laissez-faire must be uncoupled. This, as we know, is one of the teachings of the new liberalism. But by comparison with the classical school, it is rather revolutionary’ (p. 7).

3 OECD, *Competition Law and Policy in the European Union*, Paris, 2005, p. 11.

4 Free, undistorted competition, regarded as a source of economic efficiency, grounds the legitimacy of the highly normative directives and jurisprudence of European institutions. The legal norms defined by the Directorate General for Competition, and supported by the jurisprudence of the Court of Justice, all conform to economic objectives of well-being and competitiveness. On this point, the Commission has remained completely faithful to the neo-liberal programme. Initially striving to control the conditions of competition in the private sector, the Commission and Court began to attack the monopolies of public enterprises in the 1980s in the telecommunications sector. In 1988, generalizing its objectives in the struggle against distortions of competition, the Commission began its prolonged battle in favour of liberalizing public services through a directive that aimed to eliminate all public monopolies which violate competition law. Energy, transport, insurance, postal services, radio broadcasting – vast are the domains where public enterprises have been put on notice to conform to the law of competition that applies to the private sector.

5 OECD, *Competition Law and Policy in the European Union*, p. 11.

6 Bolkestein is a Dutch politician, a long-time leader of the People’s Party (liberal), president of the Liberal International in London from 1996–99, author of the directive on ‘services’ which he developed during his term at the European Commission between 1999 and 2004.

7 Nord-Éclair, 14 May 2005, our emphasis.

8 Cf. Laurence Simonin, ‘Ordoliberalisme et intégration économique européenne’, *Revue d’Allemagne et des pays de langue allemande*, vol. 33, no. 1, 2001, p. 66.

9 French socialists who were in favour of ratification, and whose habit of denying the facts was

especially evident during the referendum episode, argued on the contrary that the treaty marked the end of ‘everything’s economic’, thus showing how little they grasped, or wanted to grasp, the ‘ordo-liberal’ logic of the process underway. Thus, to take but one example, Dominique Strauss-Kahn and Bertrand Delanoë wrote in a column in *Le Monde*: ‘Hitherto the history of the Union has largely been written around economic construction ... The new treaty marks the end of this unduly monolithic approach and diversifies the ambition of the European Community. In addition to the social rights of citizens, it consecrates the European model of society, which has at its heart the *model of social justice* – the “social market economy” – to which we are attached’ (*‘Il faut ratifier le Traité’*, *Le Monde*, 3 July 2004).

10 Moreover, this is fully acknowledged by specialists who defend its legitimacy and necessity. Francesco Martucci writes in connection with what he calls the ‘European economic constitution’: ‘The European Community possesses an economic constitution based on a market economy’; and he spells out its objectives, instruments and principles (*‘La Constitution européenne est-elle libérale?’*, supplement to *Lettre de la Fondation Robert-Schuman*, no. 219, 2005, at robert-schuman.eu).

11 See [Chapter 3](#).

12 Jacques Rueff, ‘Le marché institutionnel des Communautés européennes’, *Revue d’économie politique*, January–February 1958, p. 7.

13 *Ibid.*, p. 8.

14 *Ibid.*

15 Rueff asserted that ‘if they wish to achieve their ends, liberals and socialists alike are condemned to the disciplines of the institutional market’ because both supported the same ‘market civilizations’ against planned totalitarianism (*ibid.*).

16 *Ibid.*, p. 8. At the start of the 1960s, other authors made the connection between the principles of the Common Market and neo-liberalism. This was true of Louis Franck in *La Libre concurrence*: ‘There is no doubt either that neo-liberalism profoundly influenced the policy of safeguarding competition, adopted by the treaties of Paris and Rome that respectively established the European Coal and Steel Community and the European Economic Community itself’ (p. 20).

17 It should not be forgotten that the construction of Europe consciously, and very early on, served as a lever for challenging ‘rigidities in the social and economic structures’ of member states. In 1959, the *Rapport sur les obstacles à l’expansion économique*, known as the ‘Armand-Rueff report’, based its recommendations on preparing the French economy and society for European competition.

18 *Cf.*, on this point, Foucault, *The Birth of Biopolitics*, p. 82.

19 According to Jean François-Poncet, the 1957 anti-monopoly law is regarded as a ‘basic law’ and the pendent of the constitution in the economic sphere (*La Politique économique de l’Allemagne contemporaine*, Paris: Sirey, 1970, p. 156). The author clearly shows that it was the product of a laborious compromise between pragmatic employers concerned with economic power and a government influenced by ordo-liberalism.

20 Ludwig Erhard, *Prosperity through Competition*, trans. Edith Temple Roberts and John B. Wood, New York: Praeger, 1958, p. 159.

21 According to some evidence, the phrase was at least suggested to him by Erhard as early as 1945. Müller-Armack was initially appointed by Erhard ‘director for questions of principles’ in the Finance Ministry – a title that is a whole programme in itself – before becoming secretary of state for European

problems, participating as such in the drafting of the Treaty of Rome in the Val-Duchesse château near Brussels.

22 Joachim Starbatty, 'l' économie sociale de marché dans les programmes de la CDU/CSU', in *Les Démocrates chrétiens et l'économie sociale de marché*, Paris: Economica, 1988, p. 91. The CDU's interpretations of the concept of 'social market economy' reflect the programmatic tensions between two source texts. One, called the *Ahlen Programme*, was influenced by Catholic social doctrine, while the other, entitled *Directives d'Düsseldorf*, is more clearly ordo-liberal in inspiration.

23 *Ibid.*, p. 92.

24 François Bilger, 'La pensée néolibérale française et l'ordolibéralisme allemand', in Patricia Commun, ed., *L'Ordolibéralisme allemande, aux sources de l'économie sociale de marché*, Cerge-Pontoise: CIRAC/CICC, 2003, p. 17.

25 We may note that this is doubtless what French socialists sought to repeat when, in the late 1990s, they sought to introduce conjunctural flexibility into the European Stability Pact.

26 The change was such that in 2004 Chancellor Schröder invoked the social market economy, whereas the Christian Democrats tended to repudiate a notion that had become too proximate to the image of the social state. On these points, see Fabrice Pesin and Christophe Strassel, *Le Modèle allemande en question*, Paris: Economica, 2006, p. 14.

27 Michel Albert, *Capitalism against Capitalism*, trans. Paul Haviland, Oxford: Blackwell, 1992.

28 *Ibid.*, p. 118.

29 Peter Wagner, 'Le "modèle" allemande, l'Europe et la globalisation', 2004 (1995), at <http://multitudes.samizdat.net>

30 Commun, ed., *L'Ordolibéralisme allemande*, p. 9.

31 According to this principle, which applies to products and qualifications alike, anything that is permitted in one country must likewise be in the other countries of the European Union.

32 As Hans Tietmeyer, the former president of the Deutsche Bundesbank, puts it: 'globalization rewards those who are flexible, but penalizes the lack of flexibility' (*Économie sociale de marché et stabilité monétaire*, p. 81).

33 Quoted in Andreas Wilkens, 'Jean Monnet, Konrad Adenauer et la politique européenne de l'Allemagne fédérale. Convergences et discordances (1950–1957)', in Gérard Bossuat and Andreas Wilkens, *Jean Monnet, l'Europe et les chemins de la paix*, Paris: Publications de la Sorbonne, 1999, p. 154.

34 Wilkens describes this episode as follows: 'Agreement was reached, on the one hand, on accepting the principle of creating in successive stages a "common market of free trade", within which free circulation of persons, goods, services and capital was to be guaranteed; on the other hand, on accepting participation in the project of a European community in the domain of atomic energy and – a supplementary concession by the Federal Economics Ministry to Monnet's friends – on the creation of a European fund intended to support productive investment by the countries in the community. The fact that Müller-Armack had been won over at an earlier stage to the principle of an institutionally structured common market played an important role in achieving this compromise' ('Jean Monnet, Konrad Adenauer et la politique européenne de l'Allemagne fédérale', p. 181).

35 It should be noted that the SPD rallied to Monnet's federalism and his action committee for a United

States of Europe.

36 Quoted in Wilkens, 'Jean Monnet, Konrad Adenauer et la politique européenne de l'Allemagne fédérale', p. 186.

37 Tietmeyer, *Économie sociale de marché et stabilité monétaire*, p. 39.

38 De Gaulle had always criticized a Europe of markets directed by 'some technocratic, stateless and irresponsible conclave', and declared himself in favour of 'organized cooperation of states evolving, no doubt, towards a confederation' (press conference of 9 September 1965).

39 Fabrice Fries, *Les Grands débats européens*, Paris: Seuil, 1995, p. 186.

40 Fries clearly shows that this policy of 'pure competition' is formal, even formalistic, unlike the more 'substantive' US practice, which concedes 'efficiency excuses', or what might be called *exceptions for reasons of efficiency*.

41 *Ibid.*, p. 192.

42 From this point of view, the compromise of the 'simplified mini-Treaty' strictly changes nothing. In a sense, the formula employed – competition as 'objective', no longer as 'principle' – only further accentuates the *constructivist* dimension of the approach of Europe's leaders.

43 Patricia Commun refers in this connection to a 'new social market economy', doubtless far removed from the dreams of renewal of a Jacques Delors (*L'Ordolibéralisme allemande*, p. 11). Cf. also Patricia Commun, 'Faut-il réactualiser l'ordolibéralisme allemande? Réflexions sur la dimension historique, philosophique et culturelle de la pensée économique allemande', *Allemagne aujourd'hui*, no. 170, 2004. Commun refers to the attempted return to the sources of those grouped in the *Initiative Neue Soziale Marktwirtschaft*. These new neo-liberals redefine the 'social' thus: 'Social is someone who displays personal initiative and responsibility, essential qualities for a genuine solidarity.'

44 According to Laurence Simonin, 'the possibility of emigrating gives citizens additional power, since a threat of emigration is perfectly sufficient to discipline a government' ('Ordolibéralisme et intégration économique européenne').

45 *Ibid.*, p. 85.

46 Quoted in *ibid.*, p. 84.

Entrepreneurial Government

For opposite reasons, ‘liberals’ and ‘anti-neoliberals’ always seem to ratify the traditional separation between the sphere of private interests and that of the state, as if the former could operate in autonomous, self-regulated fashion. Thus, the ‘anti-neoliberal’ critique constantly falls into the trap of representing the market as a closed, natural system prior to political society. Better still, this interpretation of neo-liberalism as pure *laissez-fairism* has allowed a ‘modern Left’ to cast itself as an alternative to the neo-liberal Right solely by dint of the fact that it claims to want to endow the market economy with a ‘robust framework’. It is also thus that Polanyi’s mistaken historical diagnosis – his belief that the return of the state betokened the definitive end of the liberal utopia – is perpetuated.

In fact, the major waves of privatization, deregulation and tax reduction that have spread throughout the world since the 1980s have lent credence to the idea of a withdrawal of the state, if not that of the end of the nation-state, liberating the activity of private capital in fields hitherto governed by non-market principles.

Yet doubt was long ago cast on the fable of the immaculate conception of the spontaneous, autonomous market. Repetition of the same observation several decades later is a cause for surprise: what some like to call the ‘free market’ is a myth which, while not without high-risk effects, is very far removed from actual practice. In 1935, in a short but remarkable text, Walter Lippmann explained the decline of belief in the self-regulation of markets in public opinion thus:

those who preach this gospel do not practice it. It is no longer the rule of their own conduct. They argue zealously that the economy is automatically self-regulating – that the free play of supply and demand will regulate the production and distribution of wealth more efficiently than conscious and concerted management and administration. But they do not in fact apply this principle. Those who are most insistent upon the ideal of *laissez faire* are the very men who by means of tariffs and combinations have organized the industrial life of the country into corporate systems subject to highly centralized control. In their articulate thinking they are free traders. In their actual practice they suspend the free play of supply and demand and substitute for it, whenever it is practicable to do so, the conscious management of production and the administrative determination of prices and wages.¹

Thus, as long ago as the 1930s, it seemed that the issue was no longer posed in terms of the simplistic alternative of self-regulating market or state intervention, but revolved around the nature of government intervention and its goals. According to Lippmann, 'the truth is that in the modern state even a policy of laissez-faire would have to be deliberately administered, the free play of supply and demand would have to be deliberately maintained'.² It is worth noting here that James K. Galbraith makes the same observation in *The Predator State* (2008). The so-called market economy, he argues, could not function without the dense network of social, educational, scientific and military apparatuses inherited from earlier periods of US capitalism – what, in a formula curiously proximate to Lippmann's, he calls 'the enduring New Deal'.³

But it is not enough to register the permanency of state intervention. It is further necessary to examine its objectives and methods more closely. It is too often forgotten that neo-liberalism seeks not so much the 'retreat' of the state, and an expansion of the spaces of capital accumulation, as the *transformation of state action* by making the state itself a sphere governed by rules of competition and subject to efficiency constraints similar to those experienced by private enterprises. The state has been restructured in two ways that tend to be confused: from without, by massive privatization of public enterprises, putting an end to the 'producer state'; but also from within, by the institution of an evaluating, regulating state that mobilizes new instruments of power and, along with them, structures new relations between government and social subjects.⁴

The main criticism levelled at the state is its *general lack of efficiency and productivity* in the context of the new constraints imposed by globalization. It is too costly for the benefits it affords the collective and impedes the economy's competitiveness. State action must therefore be submitted to economic analysis, in order to discriminate not only between *agenda* and *non-agenda*, but also between ways of accomplishing the *agenda*. Such is the objective of the line of the 'efficient state' or 'managerial state' as it began to be formulated from the 1980s onwards. In practice, the neo-liberal Right, like the modern Left, has accepted that government cannot ignore managing the population when it comes to its security, health, education, transport, housing and, obviously, employment. All the less can it do so in as much as the new global norm of competition dictates that administrative and social apparatuses should cost less and be mainly geared to the exigencies of economic competition. The difference these policies seek to make consists in the efficiency of such management and, therewith, in the method employed to provide the population with goods and services. According to the 'verities' of the new orthodoxy, when this management is in the hands of the civil service, it stymies market logic as regards the role of prices and the pressure of

competition. Such is the basis of the anti-bureaucratic posture of the 'modernist' fraction of leading civil servants and their accredited experts. Contempt for public service employees on the ground, the low wages paid them, but also the chronic shortage of staff and resources affecting these services, not to mention media campaigns against bureaucratic administration and the 'tax burden', have done much to devalue anything pertaining to state action and social solidarity. The paradox is that such denigration has frequently come from some of the administrative elites themselves, who have discovered it to be a way of strengthening their power in the bureaucratic field. Above all, however, conceptions of state action have changed under the impact of the logic of global competition. If the state is regarded as an instrument tasked with reforming and managing society to place it at the service of enterprises, it must itself conform to the rules of efficiency of private enterprises.

This desire to establish the values, practices and *modus operandi* of private enterprise at the heart of state action leads to the institution of a new practice of government. Since the 1980s, the new paradigm in all OECD countries would have the state be more flexible, reactive, based on the market, and oriented towards consumers. Management is presented as a 'generic' mode of administration, which is valid in any and every domain, like some purely instrumental and formal activity that can be transposed to the public sector in its entirety.⁵ This entrepreneurial mutation not only aims to enhance efficiency and reduce the costs of state action, but also radically subverts the modern bases of democracy – that is, recognition of the social rights attaching to the status of citizen.

The reduction of political intervention to horizontal interaction with private actors brings about a change of perspective. It is no longer merely the general issue of the utility of its action that is posed to the state, as at the time of the original utilitarians, but the *question of the quantified assessment of its efficiency compared with that of other actors*. The new, 'disenchanted' conception of public action leads to a view of the state as an enterprise on a par with private entities. This 'state enterprise' has only a diminished role in creating the 'general interest'. In other words, just because we assume that the market does not give rise to a natural harmony of interests, it does not follow that the state is in a position to create an artificial harmony, unless it too is subject to extremely strict control.

The institution of the market governed by competition – a construct desired and supported by the state – has therefore been encouraged and extended by an orientation that consists in 'importing' the competitive market's rules of operation into the public sector, in the widest sense, to the point of conceiving the exercise of government power in accordance with the rationality of the enterprise. We thus see that the phrase 'institutional

market' has become particularly ambiguous over time: it no longer merely involves the political institution of the market, but, conversely, *marketization of the public institution*, which is enjoined to operate according to entrepreneurial rules. From this angle, neo-liberalism has undergone a very clear practical inflection, which can be identified with a rebound onto itself of the logic of competition that state power sought to construct. Developments over the last twenty years have ended up refuting Léon Walras, for whom 'the principle of free competition applicable to the production of things of private interest is not applicable to the production of things of public interest'.⁶ For that is precisely what the advocates of the new 'governance' claim to have achieved. From this point of view, political neo-liberalism underwent a radicalization when it regarded competition as the best tool for improving the performance of state action.

FROM 'ENTERPRISE GOVERNANCE' TO 'STATE GOVERNANCE'

The change in the conception and action of the state has already been registered in political vocabulary. The term 'governance' has become the key word of the new neo-liberal norm globally. The word 'governance' (*gubernantia*) is an old one. In the thirteenth century, it referred to the fact and art of governing.⁷ The word progressively opened out into the notions of *sovereignty* and *government* during the period of nation-state formation. Returned to circulation in the French language in the late twentieth century by the Senegalese President Léopold Sédar Senghor, it regained currency in the Anglophone countries. There it initially signified an alteration in the relations between managers and shareholders, before assuming a political meaning and normative significance when applied to the practices of governments subject to the constraints of globalization. It then became the main category employed by the major bodies responsible for diffusing the principles of neo-liberal discipline globally – especially by the World Bank in the countries of the South. The word's polysemic character is indicative of its usage. In effect, it makes it possible to combine three increasingly intertwined dimensions of power: the conduct of enterprises, states and, finally, the world.⁸

The political category of 'governance', or, more precisely, 'good governance', plays a central role in diffusing the norm of generalized competition. 'Good governance' is that which respects the administrative conditions placed on structural adjustment loans – in the first instance, opening up to commercial and financial flows – so that it is intimately bound up with a policy of integration into the world market. It thus gradually supplants the outmoded, disvalued category of 'sovereignty'. A state will no longer be judged on its capacity to ensure its *sovereignty* over a territory, in accordance with the classical western conception, but on its respect for the legal norms and economic 'good practice' of *governance*.⁹

The governance of states adopts a major feature of the governance of enterprises. Just as the managers of enterprises have been subjected to the monitoring of shareholders in the framework of predominantly financial *corporate governance*, so for the same reasons the rulers of states have been placed under the control of the international financial community, bodies of experts, and ratings agencies. The homogeneity in ways of thinking, the identity of the tools for evaluating and validating public policy, the audits and reports of consultants – everything indicates that the new way of thinking about government action has drawn widely on the managerial logic that prevails in the major multinational groups. The success of a tool like benchmarking¹⁰ in analysing and conducting public policy indicates how an instrument that makes it possible to control and stimulate the activity of big multinationals' subsidiaries could graduate from the sphere of enterprise to

government. And this loan from private management has made it possible to introduce into the very definition of ‘good governance’ ‘stakeholders’ that are utterly foreign to the entities classically included in the principles of sovereignty. These ‘stakeholders’ are the country’s creditors and foreign investors, who have to assess the quality of state action – that is, its compliance with their financial interests. Once foreign investors respect the rules of *corporate governance*, they expect local rulers to adopt the rules of *state governance*. We thus see that the latter consists in the invigilation of states by a set of supra-governmental and private bodies deciding the objectives and means of the policy to be pursued. In this sense, states are regarded as ‘productive units’ like the others, within a vast network of politico-economic powers subject to similar norms.

‘Governance’ has often been described as a new way of exercising power that comprises international and national political and legal institutions, associations, churches, enterprises, think tanks, universities, and so forth. Without entering into an examination of the nature of the new global power here, it has to be said that the new competitive norm has involved the increasing development of multiple forms of concession of authority to private enterprises, to the point where we might speak of *public-private co-production of international norms* in many areas. This is the case, for example, with the internet, telecommunications or international finance. Such private-public co-governance of economic policy leads to measures and apparatuses in tax and regulatory affairs that are systematically favourable to the major oligopolistic groups. One manifestation of this process is the delegation of the drafting of accountancy norms to a global private body (the International Accounting Standards Board), which is itself significantly influenced by the accountancy principles in force in the United States.¹¹

The enterprise becomes one of the organizational bases of the ‘governance’ of the global economy with the support of local states. The imperatives, priorities and logics of private enterprises now directly command the state’s *agenda*. This does not mean that multinational enterprises are all-powerful and are unilaterally organizing the ‘withering away of the state’, or even that the state is a mere ‘tool’ in their hands, as a still widespread Marxist trope would have it. It does mean that macro-economic policies are largely the fruit of public and private joint decision-making, while the state retains a certain autonomy in other areas, even if this autonomy is likewise dented by the existence of supra-national powers and the delegation of numerous public responsibilities to overlapping networks of NGOs, religious communities, private enterprises, and associations.

It is precisely this new generalized *hybridization* of so-called ‘public’ action that explains the promotion of the category of ‘governance’ to think state functions and practices, instead of the categories of public law, starting with

sovereignty. It refers to a privatization of the *fabrication* of international norms and a private normalization required for coordinating trade in goods and capital. It does not signify that the state is beating a retreat. But it is exercising its power more indirectly by incorporating the codes, standards and norms defined by private agents (consulting agencies, ratings agencies, international trade agreements). Just as private management aims to make wage-earners work as hard as possible through a system of incentives, so 'state governance' officially aims at having goods and services produced by private entities in allegedly more efficient fashion; it concedes the capacity to produce *norms of self-regulation*, in place of *law*, to the private sector. The state now expects national or transnational private agents to act towards coordinating international activities. It is therefore a state that is *more of a 'strategist' than a direct producer of services*. Such, for example, was the significance of the Basel II Accord, which left it to international financial institutions to define their own criteria of self-supervision.

The failure of the Basel Committee, brutally exposed by the financial crisis of 2007, is above all that of a typically neo-liberal hybrid governance, involving both public authorities and the system's major private actors. We should first of all recall that the financial sector was not left completely to its own devices. In this respect, we must not confuse an *absence* of rules with a *failure* of rules. Global competition between banking groups and stock markets gradually made new international rules necessary. From 1974, in a context marked by the end of the international monetary system and increased risks bound up with floating currencies,¹² the Basel Committee for banking control was created under the auspices of the Bank of International Settlements. It was charged with developing what is called 'prudential supervision' of the financial system. This involved a set of norms responding to the generalized establishment of competition between financial institutions.¹³ The new regulation aimed not only to compel banks to obey legal rules, but also to exercise stricter self-control (internal control) and to submit to stricter norms of transparency vis-à-vis other market actors.

In the edifice of the sector's supervision, the Basel Committee is responsible for defining the standards that can be adopted in national regulations. Moreover, the supervisory authorities delegate responsibility for internal control to the banks, requiring them to separate risk-related activities and risk-control activities. These authorities have gradually codified the procedures of internal control at all levels.¹⁴ In 1988, the so-called Basel I accords had fixed norms of capital stock that soon proved to be ill-adapted to the rise in market risks and operating risks. At the end of 2006, new agreements, called Basel II, were put in place, following long negotiations in which banking establishments exerted all their influence. These accords fixed new rules of solvency, stricter methods of internal control, and duties

of managerial transparency. These three ‘pillars’ of regulation were complemented by already existing national provisions. In the United States, following the Enron affair, the Sarbanes-Oxley law of 2002 sought to strengthen the monitoring mechanisms of financial establishments, just as in France the 2003 law on financial security increased operational transparency and set up a supervisory body for the market (the Financial Markets Authority).

This normative public/private combination proved a failure. It permitted the development, via securitization of debts and derivative products, of a systematic practice of offloading elsewhere of the risks taken by banks. In fact, the latter circumvented the rules on solvency ratios laid down in the Basel II accords, in plain view of the supervisory authorities (in the first instance, those of the United States). They did so by transferring, in unregulated markets, risks to other actors who were less monitored and supervised than the banks themselves (e.g. hedge funds and insurance companies). The error consisted in believing that spreading risks between more holders of credit risk in the market was a stabilizing factor in the international financial market. The supervisory authorities thus permitted the installation of a mechanism of systemic destabilization. Through all sorts of extremely complex ‘vehicles’, the risks bound up with ‘toxic’ debts were transferred along a very long chain, so that those at the end of the chain were no longer able to assess the potential loss represented by securitized – i.e., in fact, contaminated – portfolios.¹⁵ This mechanism of risk transfer, based on optimistic theories of market efficiency,¹⁶ mechanically increased risk-taking in as much as the more banks are in a position to transfer risks outside, the more they relax their vigilance.

The financial crisis thus dramatically highlighted the dangers inherent in neo-liberal governmentality, when this leads to entrusting part of prudential supervision at the very heart of the capitalist economic system to the ‘actors’ themselves, on the grounds that they directly experience the constraints of global competition and know how to govern themselves by pursuing their own interests. It was precisely these logics of hybridization that lulled vigilance and led to extremely destabilizing conduct. Among the private actors who played the most pernicious roles, we find, in particular, the small number of ratings agencies responsible for evaluating banking establishments. Charged with monitoring – a highly strategic role – these actors escape any monitoring themselves and are shot through with acute problems of conflicts of interest, in so far as the evaluations are requested and remunerated by the enterprises being rated. The flaws in the supervisory apparatus were obviously very diverse. But the rules themselves were the decisive factor. In addition to being drafted and implemented by the ‘supervisees’, they only concerned establishments taken individually, which

immediately rendered them ineffective in the case of a systemic crisis. What is therefore at stake is the capacity of private actors to discipline themselves by taking into account the interests not only of their own establishment, but also of the system itself.¹⁷

We find the same logic of indirect, hybrid regulation in all the procedures of technical specification necessary to world trade, which are left to negotiation between the professionals of each sector. This development obviously takes us back to economic and financial changes themselves. Competition has intensified to such an extent that it prompts various responses in production and marketing – for example, the accentuation of ‘product differentiation’ by enterprises as the main mode of their competition with one another. Oligopolistic competition between large global groups has encouraged them to make alliances for ‘research and development’ (R&D), in order to pool resources and risks. In this set-up, states have no more than a subordinate or subsidiary role; and they internalize this role to the extent that they are no longer in a position to define social, environmental or science policies without the at least tacit agreement of the oligopolies.

The state is not retreating.¹⁸ It is conforming to new conditions that it has helped to create. The political construction of global finance affords the best proof of this.¹⁹ It is with state resources, and in accordance with an often very traditional rhetoric (the ‘national interest’, the ‘security’ of the country, the ‘good of the people’, etc.), that governments, in the name of a competition they have themselves constructed, pursue policies favourable to enterprises and disadvantageous to the wage-earners of their own countries. When reference is made to the growing influence of international or inter-governmental bodies, such as the IMF, the WTO, the OECD or the European Commission, it is forgotten that governments which feign *passive* submission to the audits, reports, injunctions and directives of these bodies, are *actively* involved in them. It is as if neo-liberal discipline, which imposes social regression for much of the population and organizes a transfer of income to the best-off, presupposes a ‘game of masks’ that makes it possible to shift onto other bodies responsibility for dismantling the social and educational state by laying down competitive rules in all areas of existence.

The major international institutions created after the Second World War (IMF, World Bank, GATT) have been the main vectors for imposing the new neo-liberal norm. They have taken over from the United States and Britain without encountering major resistance. For this, the Bretton Woods institutions have had both to redefine their role and to make space for new nongovernmental institutions and agencies. The rise to power of the World Trade Organization (WTO) is a major sign of this. It would be erroneous to view the latter as the mere tool of universal market rules, free of state and oligopolistic pressures and interests; and, even more so perhaps, to regard it

as the main defender of the countries of the South by virtue of the shift in the content of trade negotiations to priorities linked to development. The logic of oligopolistic interests is most openly expressed in the area of technological innovation. In the framework of WTO negotiations, the countries of the North are more inclined to serve the interests of oligopolies in sectors with high R&D expenditure, by enabling them to achieve an extension of intellectual property rights. Through international organizations, the pressure groups of knowledge oligopolies organize the *protection of innovation rents* in order to recover the fruits of private R&D expenditure and help to confine developing countries to under-development.

Another inflection in government action is even more directly bound up with the norm of global competition. It relates to the refocusing of state intervention on factors of production.

The state now has an important responsibility for logistical and infrastructural support for oligopolies, as for attracting these big oligopolies to the national territory it administers. This affects a great variety of areas: research, universities, transport, tax incentives, cultural environment and urbanization, guarantee of outlets (public markets open to small and medium-sized enterprises in the US). In other words, government intervention takes the form of a policy of production and economic environment factors. The competitive state is not the state as *arbitrator* between interests, but the state as *partner* of oligopolistic interests in the global economic war. This is clear in the area of trade policy. Free trade changes its meaning. As a result of the fragmentation of productive processes, the products exported by a country contain an increasingly large proportion of imported components. States are therefore led to replace *tariff* protectionism by *strategic* protectionism, protection of *products* by a logic of subsidizing *factors of production*.

The norm of generalized competition impels states, or other public bodies, to create the optimal local conditions for capital valorization – what, paradoxically, might be called the ‘common goods of capital’. Such goods are the product of the investment in infrastructure and institutions required to attract capital and skilled workers in a regime of intensified competition. Research structures, taxation, universities, roads, banking networks, residential zones and leisure areas for managers – these are some of the goods necessary for capitalist activity. This tends to show that the precondition of capital mobility is the creation of fixed, immobile infrastructure by the state.

The state is no longer so much directed to ensuring the integration of the different levels of collective existence as to aligning societies with the constraints of global competition and finance. Population management changes in meaning and method. Whereas, in the Fordist period, the

predominant idea was (in the established formula) 'harmony between economic efficiency and social progress' in the framework of a national capitalism, this same population is now perceived merely as a 'resource' for enterprises, in a cost-benefit analysis. The logic of the policy still referred to as 'social' out of semantic inertia is no longer a distribution of productivity gains intended to maintain a sufficient level of demand for mass production outlets. It aims to *maximize the population's utility*, by increasing 'employability' and productivity and reducing its cost through 'social' policies of a new kind, which consist in weakening the bargaining power of unions, downgrading labour law, reducing labour costs, and lowering the level of pensions and the quality of social protection in the name of 'adapting to globalization'. The state is therefore not abandoning its role in managing the population, but its intervention no longer responds to the same imperatives or the same springs. In place of 'welfare economics', which emphasized the harmony between economic progress and the equitable distribution of the fruits of growth, the new logic views populations and individuals from the narrower angle of their contribution and cost in global competition.

The conditions in which social groups come into conflict also change with entrepreneurial government. Thus, neo-liberal rationality rings the death-knell of the 'inclusive' regime of class opposition established after the Second World War in the liberal democracies. What has been called the 'integration' of trade unions, pendent of social-democratic administration, made conflict of interests one of the motors of capital accumulation and class struggle a functional factor in growth. The classical scansion of union-supervised conflict, bargaining, and the 'social progress' that resulted from it was often the expression of this conflictual inclusion. This is no longer the case when the population is viewed from the vantage-point of 'human resource' and 'social burden'. The only acceptable form of relations with unions and, more generally, wage-earners is 'dialogue', 'convergence', and 'consensus' on universally desirable objectives. Anyone who refuses to respect managerial principles; any trade union that does not from the outset accept the results to which 'dialogue' must necessarily lead, and which thereby refuses to act in 'concert' with the rulers, sees themselves immediately excluded from the 'game'. The new regime of government only recognizes 'stakeholders', who are directly interested in the success of the business in which they are voluntarily engaged. The most symptomatic fact is doubtless the compulsory unity of the discourse used. Whereas, in the old regulation of social relations, logics that were regarded as different and divergent had to be reconciled, implying the search for a 'compromise', in the new regulation the terms of agreement are fixed from the start, and once and for all, since no one can be an enemy of performance and efficiency. Only the practical modalities, pace and various marginal arrangements can still be the subject of discussion. We

know that this is the very principle of 'courageous reforms' – in particular, those that aim to degrade the general situation of the majority. Thus we see that the modes of conflictuality are set to change in enterprises, institutions and society as a whole. Two major transformations emerge. On the one hand, managerial logic unifies the economic, social and political arenas and creates the preconditions for a transversal struggle. On the other, by systematically deconstructing all the institutions that pacify class struggle, it 'externalizes' the conflict by giving it the character of a general contestation of the entrepreneurial state and, thereby, of the new capitalism itself.

GLOBAL GOVERNANCE WITHOUT GLOBAL GOVERNMENT

An unprecedented form of 'global power' adapted to the characteristics of the globalized economy has been put in place. Economic competition now assumes the shape of a confrontation between states that make alliances and form coalitions with enterprises whose networks of action are increasingly globalized. What is called the 'global market' constitutes a vast, *mobile interlace of coalitions of private and public entities*, playing on all the springs and registers (financial, diplomatic, historical, cultural, linguistic, etc.) to promote the inter-mingled interests of state and economic powers. To this picture must be added the increasing role of sub-state public entities, such as regions or towns, which enjoy a greater or lesser margin of manoeuvre to engage in different forms of competition with one another in order to secure greater advantages.

One of the main features of the period is not exactly the 'end of the nation state', in Kenichi Ohmae's phrase,²⁰ but the relativization of its role as the entity integrating all the dimensions of collective existence: organization of political power, development and diffusion of national culture, relations between social classes, organization of economic life, level of employment, local development, and so on. States tend to delegate many of these functions to private enterprises, which are often already globalized or obey global norms. They entrust them in part with the task of ensuring the country's socio-economic development, as in private media taking responsibility for 'mass culture'. As a result, we witness a *partial privatization of the functions of integration* - functions that conform to different constraints and temporalities depending on whether they come within the competence of private enterprises or the prerogatives of public authority. This is the case with employment, with subsidies to enterprises only tenuously accomplishing the remit of developing and planning the territory over the long term. It is also true of 'culture' or teaching, where private enterprise does not pursue the same objectives as those classically assigned the state.

This situation ends up creating a complex of state and private interests that undermines the old division between particular interests and the general interest. The state not only experiences constriction of its room for manoeuvre, but is at the service of specific oligopolistic interests and does not hesitate to delegate to them much of the sanitary, cultural, touristic, and even 'ludic' management of the population.

In this unprecedented situation, no shadow of a global government is emerging, whose vocation would be to shelter national and local societies from the competition in which global oligopolies engage, any more than a European government is emerging that would protect populations from the social and fiscal dumping of the member-states of the European Union. No regulation of trade is therefore guaranteed, either as regards social

conditions, taxation, or currency matters beyond the euro zone. Nor, it goes without saying, has any global body proved capable of preventing financial crises and protecting economies and societies from the increasing instability of a capitalism wherein finance is dominant.

Certainly, this contrast between the easy circulation of capital throughout territories and the weakness of regulatory bodies is in part attenuated by the growing role of international institutions like the IMF, the World Bank, the WTO, the G-8 or the G-20, which ensure a minimum of coordination globally. The global structure of power has less and less to do with the old representation of the 'law of peoples' (the old *jus gentium*), in the age of the blossoming of national sovereignties. This transformation fuels the postmodern thesis of the death of state sovereignty and the emergence of new forms of global power.²¹ According to this thesis, there has been a shift from state power to the multiple, fragmented power of 'hybrid' – semi-public and semi-private – agencies and bodies. If such concessions to the enterprises that codify norms are real, as we have recalled, it should not be forgotten that the change underway is more global. In fact, with the growing ascendancy of the enterprise model, it is the principles and modes of state action that change, including in the most classical 'sovereign functions'. Thus, Naomi Klein recalls how the Bush administration exploited the context of the 'war on terrorism' to externalize, without any debate, 'many of the most sensitive and core functions of government – from providing health care to soldiers, to interrogating prisoners, to gathering and "data mining" information on all of us'. In so doing, she continues, government acts 'not as an administrator managing a network of contractors but [as] a deep-pocketed venture capitalist, both providing its seed money for the complex's creation and becoming the biggest customer for its new services'.²² The extension of the field of 'governance' therefore does not exclusively consist in creating multiple relations with non-state actors; it is not simply an index of the decline of the nation-state. More profoundly, it signifies a transformation of the 'format' and role of the state, which is now perceived as an *enterprise in the service of enterprises*.²³ This transformation of the state is doubtless the best indicator of the new articulation of the global norm of competition with the neo-liberal art of governing individuals.

THE MODEL OF THE ENTERPRISE

Neo-liberal interventionism does not aim to systematically correct 'market failures' in accordance with political objectives deemed desirable for the population's well-being. It first of all aims to create competitive situations supposed to benefit the 'fittest' and strongest, and to adapt individuals to competition, regarded as the source of all benefits. It is not that the market is in itself always preferable to public management. But 'state failures' are supposed to be more deleterious than those of the market. Moreover, technologies of private management are regarded as more effective remedies for the problems posed by administrative management than the rules of public law.

In this respect, the British example is remarkable. As Jack Hayward and Rudolf Klein emphasize,

What had begun as a return to an opinion evoking the eighteenth century, according to which 'governing better means governing less', increasingly became a quest for managerial efficiency based on substituting the methods of private enterprises (scarcely renowned, however, for their efficiency in Britain) for those of public administration.²⁴

For the new Conservatives, it was not enough to impose automatic curbs on the growth of public expenditure; the way of managing state action had to be profoundly altered. Thatcherism launched a profound movement of administrative recentralization at the expense of local communities, in a tendency clearly contrary to the doctrinal principles of some neo-liberals favourable to decentralizing power, at the same time as a managerial reformation of modes of administration. Public services were thus divided into independent agencies, given specific objectives, governed by norms fixed by the 'control centre', exposed to competition, and subjected to the 'sovereign' decisions of consumers. In the event, this involved replacing an administration obeying the principles of public law by a management ruled by the common law of competition.

In the 1980s, priority was given to the enterprise, vector of all progress, condition of prosperity, and, above all, provider of jobs. This cult of enterprise and the entrepreneur is not unique to employers' lobbies and dogmatists. It was the administrative elites, management experts, economists, pliant journalists and political leaders who endlessly celebrated it in virtually every country. Ideological homogenization was combined with the internationalization of economies: competitiveness became a political priority in the context of 'openness'. Compared with the enterprise invested with every virtue, the welfare state was presented as a 'burden', a brake on growth, and source of inefficiency.²⁵ 'Rolling back the boundaries of the welfare state', as the Thatcherite slogan had it, gave rise to a set of beliefs and

practices – managerialism – which presented itself as a universal cure for all the ills of society, reduced to issues of organization to be resolved by techniques systematically pursuing efficiency. Such managerialism obviously attributed an important role to the manager and his knowledge, making him a veritable hero of the new times.²⁶

The postulate of the new ‘governance’ is that private management is always more efficient than public administration; that the private sector is more reactive, more flexible, more innovative, and technically more effective because more specialist, less subject to statutory rules, than the public sector. We saw above that for neo-liberals the main factor in this superiority is the disciplinary impact of competition as a stimulant of performance. This hypothesis underlay all the measures aiming to ‘outsource’ public services to the private sector, sometimes in their entirety, sometimes segments of them; or to multiply relations of contractual association with the private sector (e.g. in the form of ‘public-private partnerships’); or to develop systematic sub-contracting links between departments of state and enterprises. The ‘regulatory’ state is one that has contractual relations with enterprises, associations, or public agencies enjoying managerial autonomy for the attainment of specific objectives.²⁷

In Britain, as in the United States, conservatism changed face and sought to appear as a ‘revolution’ or a ‘rupture’ with the past in the name of the values of modernity. The New Right strove to present itself as an anti-conservative, ‘anti-systemic’ force, possessing a monopoly on reform and change, systematically turning popular discontent and fractions to its advantage by an anti-elitist, anti-state populism, often tinged with xenophobia. A constant in the rhetoric of the New Right has been the mobilization of opinion against ‘waste’, ‘abuse’ and the ‘privileges’ of the parasites who throng the bureaucracy and sponge off the honest, hard-working, decent population. As Christopher Pollitt notes, managerialism thus became ‘the acceptable face of the New Right’s thinking on the state’. Presenting this reform as a surgical, ideologically neutral operation of universal benefit, it received support from well beyond the conservative camp and permeated the representations of the modern Left. The latter, going one up in the ‘modernity’ whose authentic embodiment it would like to be, sought to show that left-neo-liberalism was no less ‘audacious’ than right-wing neo-liberalism. The ‘technical’ and ‘tactical’ aspect of the new public management made it possible to conceal the fact that the main point was precisely to introduce private-sector disciplines and categories, to increase political control throughout the public sector, to reduce budgets and civil service numbers as much as possible, to restrict the professional autonomy of a number of professions (doctors, teachers, psychologists, etc.), and to weaken public-sector trade unions – in a word, to realize in practice the neo-liberal restructuring of the state.²⁸

THE HYPOTHESIS OF THE EGOTISTICAL AND RATIONAL ACTOR

The restructuring of state action is based on the postulate that civil servants, like users, are economic agents who only respond to the logic of their self-interest. Improving the efficiency of state action consists in employing constraints and incentives which will inform the way that individuals behave, seeing to it that the decisions they are led to take reduce costs and maximize outcomes. The Public Choice current, already referred to, played a pioneering role in this type of methodology, advancing the hypothesis that nothing proves *a priori* that voters' choices and civil servants' decisions result in optimal measures for the population. For their part, a large number of works produced by the economists of the Chicago School have sought to show that social programmes and regulations are far from having the results anticipated by their promoters, particularly as a result of the existence of perverse effects or hidden costs that had not been taken into account when they were decided on.

This body of research links up with the first steps in the quantitative evaluation of public decisions made by Bentham in his *Theory of Punishments and Rewards*. Like Bentham's analyses, it is based on the idea that all the agents concerned (beneficiaries, payers, civil servants) pursue specific interests and adopt a rational line of conduct to satisfy them, like any enterprise or consumer in the market.²⁹ In addition, basing its analysis on the logic of individual calculation, the research aimed to show that some 'get more for their money' than others. Thus, an abundant literature, aiming to strip welfare and distributive policies generally of any legitimacy, strove to show that these apparatuses tend to have effects contrary to the equality sought.

Generally speaking, the application of cost/benefit analysis tends to show that 'consumers' always pay more for a public good than a private good; that they also pay more for a private good whose production is regulated than a private good that is not. However, this type of analysis of 'political production' is also important for the kind of conception of the state that it presupposes. The latter comes within the remit of standard economic analysis only in as much as it is conceived *a priori* as one agent among others in the economic system, pursuing its own objectives, having to respond to demand by supply, whose output is comparable to that of other private economic agents.

This neo-classical interpretation of state action emerged as something relatively new in the official history of economic theory. It no longer regards the state as an entity 'exogenous' to the market order, having to respect external limits, but as an entity completely integrated into the space of exchange, into the interdependent system of economic agents.

Starting from the hypothesis that any public servant is a being who will put his self-interest before the general interest is, in truth, scarcely novel. We

noted above that the first person in the history of political theory who made it a principle of analysis and reform was Bentham. Today, we shall not understand the relations between the promotion of the market, on the one hand, and the principles of the 'new management', on the other, if we do not go back to this key source. Bentham sought to rationalize state action to increase its efficiency, by employing subtle, strict control and incentive mechanisms, intended to guide the conduct of individuals in a direction conducive to the general interest or, at the very least, to reduce the gap between the interests of each agent and what is collectively expected of him in terms of useful services.

Understanding that the state must intervene in the economy and society, at once directly through legislation and indirectly to manage and monitor populations, so as to guide interests and actions in the direction most conducive to 'the greatest happiness of the greatest number', Bentham sought throughout his long career as a thinker and technologist to reflect on the coercive and incentivizing apparatuses that make it possible to compel public servants to combine their self-interest and the collective interest, in accordance with the 'principle of the junction of self-interest and duty'.³⁰ His originality, which makes him one of the neglected precursors of what has since been called the 'new public management', consists in the fact that he did not make do with appealing to the market to combat bureaucratic waste. He sought to discover alternative means of control over public servants, which would have the same efficacy as the market does over individuals who participate in it. The objective was to abolish all abuses, incompetence, vexation, delays, oppression and fraud perpetrated on the administered by civil servants and politicians, who were spontaneously corrupted by their 'sinister interest' opposed to that of the greatest number. In a large number of texts, but especially in his *Constitutional Code* written in the 1820s, he drew a vast picture of a bureaucratic apparatus entirely aligned with the principle of controlling the conformity of civil servants' actions to the public interest.³¹

Via this set of apparatuses, public intervention would meet the government objective of 'the greatest happiness of the greatest number'. As regards organization of the state, the objective was defined by applying two subordinate principles: the principle of 'official aptitude maximized' and the principle of 'expense minimized'. The principle of utility made it possible to think both spontaneous private actions in the market and the need for strict control of the activities of those who are liable to put their own private interests before the collective interest. The primacy of self-interest in fact leads in two directions that are not as contradictory as they might seem. On the one hand, it leads to allowing agents who pursue their own goals in the market maximum freedom; on the other, it dictates exercising minute control over those who, supposedly working in the collective interest, are inevitably

tempted to work for their own satisfaction when inadequately monitored. The trust, albeit relative, reposed in the former is coupled with absolute distrust of the latter. The same principle – interest – therefore leads to the discovery of normative apparatuses that will generate outcomes in the public sphere as desirable as those produced in the private sphere by the market.³² To counter abuses of power, which are the structural maladies of any political relationship, Bentham suggested the universal remedy of transparency, which prevents civil servants and elected representatives from working for themselves or wasting public funds. Bentham is one of those who made control of public servants by the public a golden rule. Inverting the panopticon apparatus, wherein a small number of inspectors could monitor a large number of individuals, in his *Constitutional Code* Bentham describes architectural arrangements that enable the public, placed in boxes distributed throughout administrative work areas, to observe the diligence of civil servants from behind one-way mirrors. As in the panopticon prison, it is enough for public servants to believe themselves to be under constant surveillance for the apparatus to produce the desired effect. By means of such surveillance, hopes for gain from misdemeanours are counter-balanced in the mind of the civil servant under observation by the strong probability of punishment. ‘On architecture good Government has more dependence than men have hitherto seemed to be aware’, Bentham wrote.³³ The whole Benthamite bureaucratic edifice is conceived as a system of control with which everything must be aligned: the precise definition of posts, duties and the requisite competences; the fixing of norms in the relations between civil servants and the public; the rigorously exhaustive maintenance of accounts; the regular publication of work reports; a constant regime of inspection of services; and, above all, control over the action of public servants exercised by public opinion.

But monitoring is not everything. Positive incentives to encourage the performance of duty must also be used. In the *Theory of Punishments and Rewards*, Bentham made equal wages mainly responsible for the lethargy and idleness prevalent in public offices. To ensure the junction of interest and duty, it was necessary to attempt to make wages a reward proportionate to diligence and the way in which services are provided. This was particularly recommended for the remuneration of a service head. In hospitals or houses of correction, in workplaces, in the army and navy, the head was to be punished or rewarded according to the number of wounded, ill, or dead, so that his interests were in tune with those entrusted to him.

Bentham’s analyses anticipate those of ‘Public Choice’ in that they start from the same postulate of the calculating agent who will always let himself be guided by his self-interest. As we shall see, however, there is a major difference with Public Choice analyses as regards the role attributed to the

mechanisms of democracy. Nevertheless, we shall not grasp the relationship between the two approaches if we do not situate them in a specific *governmentality based on interests*; if we do not appreciate that practices of appraisal and incentivization geared to inflecting conduct are an integral part of the way of governing human beings in market societies. The measurement of impacts – what is today called evaluation – is not external to modern governmental practice. It is not a belated addition; it has characterized it from the outset, as indicated by the attention paid it by the technology of Benthamite utilitarianism. It certainly took time for this dimension of evaluation and efficiency to assume the scope it possesses today and to appear as the ‘obvious’ way of regulating state activity. In this regard, neo-liberal practice is a powerful indicator of the slow changes that have affected modes of government since the eighteenth century.

PUBLIC CHOICE AND THE NEW PUBLIC MANAGEMENT

The consensus in favour of a reform of state action inspired by neo-liberalism derives from belief in the end of the 'age of bureaucracy'.³⁴ In other words, the restructuring of government action that we are witnessing, to different degrees and at varying pace depending on the country, must not be interpreted by its own criteria (the three Es: effectiveness, economy, efficiency), but by the anthropological logic it forms a part of, and whose main theoreticians have been the Public Choice economists – especially James Buchanan and Gordon Tullock.

The Public Choice School, whose historical centre is the University of Virginia at Charlottesville, has produced an analysis of government by considering not the *nature* of the goods that it produces, but the *way* it produces them. Applying economic theory to collective institutions, the school believes that, if the unified character of humanity's *modus operandi* in all areas is assumed, there is no reason not to homogenize the functioning of the state and the market, theoretically and practically. Civil servants are human beings like any others. They are calculating, rational and egotistical individuals, who seek to maximize their self-interest at the expense of the general interest. Notwithstanding their virtuous declarations, private interests alone are real and meaningful for public servants. The state does not maximize the general interest. Public servants pursue their private interests most of the time, at the cost of considerable social wastage:³⁵ 'if bureaucrats are ordinary men, they will make the most of (not all) their decisions in terms of what benefits them, not society as a whole. Like other men, they may occasionally sacrifice their well-being for the wider good, but we should expect this to be exceptional behaviour.' The bureaucrat seeks to increase the credits of his division and the number of his subordinates, or to rise in the hierarchy.³⁶ Very loosely defining an office is any organization that does not pursue profit, and whose agents do not derive their income from the sale of a product, William Niskanen claims that the bureaucrat's utility function is bound up with expanding his departmental budget. While a private enterprise seeks to maximize profit, the department seeks to maximize its budget.³⁷ Tullock says the same thing:

As a general rule, a bureaucrat will find that his possibilities for promotion increase, his power, influence, and public respect improve, and even the physical conditions of his office improve, if the bureaucracy in which he works expands ... Almost any bureaucrat gains at least something if the whole bureaucracy expands. He gains more, however, if his Ministry expands, and more yet if the sub-division in which he is employed expands.³⁸

Corresponding to this automatic tendency to a growth in supply is a tendency to growing demand. As the social state drums up numerous demands for

intervention, the parasitic bureaucracy swells. A kind of grand alliance is formed between civil servants and members of the middle classes who profit from public services, causing inflation in staff numbers and public expenditure. The beneficiaries organize themselves into internal pressure groups (bureaucrats), or external pressure groups (lobbies), at the expense of the atomized tax-payers. This phenomenon is compounded by the conduct of parliamentarians, who seek to 'buy' the key votes of mobilized fractions of the electorate and win the support of increasingly numerous civil servants. The more bureaucrats there are in the electoral body, the more voters there are favourable to taxation and expenditure. As a result, the bureaucracy tends to 'over-produce' services relative to the real needs of the population. Possessing sizeable resources that are not returned to the collective, administrators spend them by hook or by crook to justify their existence and expansion. As Jean-Jacques Rosa put it, 'the political market is a place where votes are exchanged for promises of public intervention'.³⁹ This critique of bureaucracy therefore deduces from the axiom of agents' rational egotism a set of negative effects to which such absence of competition in the production of public services leads.⁴⁰

As the principal lever of structural change, Niskanen proposes creating competition between offices for the provision of similar services, so as to break the public monopoly and increase the efficiency of production.⁴¹ He also suggests alterations in work incentives – for example, the introduction of a system of profit-sharing based on the appropriation by the service heads of part of the difference between the budget allocated and actual costs; or a system of promotion in which rapidity would be proportionate to the reduction in the budget spent. The normative objectives of Public Choice are clear:

In general the constraints put upon people's behaviour in the market are more 'efficient' than those in government, with the result that individuals in the market are more likely serve someone else's well-being when they seek to serve their own than they are in government. Indeed, one of the objects of the economic approach to politics is to invent reforms that would raise the 'efficiency' of government closer to that of the private market.⁴²

While we shall never attain this, because 'government bureaus, even when placed in this ... situation [of competition], are almost *never as efficient as private companies in a competitive industry*', we can hope to improve the situation with various levers.⁴³ The first is obviously creating competition between public and private services by permitting private companies under contract to help provide services hitherto exclusively supplied by the state. But it can also take the form of creating competition between bureaucratic services themselves. For that, explains Tullock, it is sufficient to devise an administration 'in smaller areas with separate budgets', whose performance

would be compared.⁴⁴

As we can see, the analysis by the Virginia School economists coincides at numerous points with Bentham's diagnosis and prescriptions. In both cases it is a question of creating positive or negative incentives, similar to those of the market, to guide the interests of civil servants. Nevertheless, there is a major difference in the conception of democracy. In the radical Bentham of the 1820s, the 'principle of the junction of interest and duty' was to be implemented through electors' strict control of representatives and civil servants. By contrast, Public Choice, coinciding here with the critiques of a Hayek, is a movement very hostile to representative democracy, which is accused of being the principal factor in the development of bureaucracy. In a democratic regime, citizens cannot exercise real control over bureaucrats. Instead, they seek to ally with them when they succeed in organizing. For their part, parliamentarians encourage bureaucratic over-production in order to get re-elected. And the poor who do not pay taxes use and abuse an electoral power which is greater than that of the less numerous rich, to make the latter carry the main burden of taxation. It is thus that James Buchanan, in his symptomatically entitled *The Limits of Liberty* (1975), pleads for the abolition of the welfare state and its replacement by a new social contract in which the rich would pay financial compensation to the poor in exchange for the abolition of the services received. Buchanan militates more generally for a 'constitutional revolution' that would compel governments to respect limits to debt, deficits and tax levels:⁴⁵ 'Democracy may become its own Leviathan unless constitutional limits are imposed and enforced.'⁴⁶ Such a revolution would aim to reconstruct the 'foundations of the constitutional order itself' – a radical measure that is indispensable given the impasses of Americans' traditional pragmatism.

Here we come to the heart of the new modes of government peculiar to neo-liberal rationality, one of whose major principles can be encapsulated in Bentham's formula: 'The more strictly we are watched, the better we behave.'⁴⁷ The postulate of the fundamentally self-interested conduct of public servants leads to reformation of the means of controlling and guiding them. This supervision, which has assumed the massive, diffuse shape of quantitative evaluation of every act of public servants and users, is the principle implicit in public sector reform, presented as the only possible one. This reform takes its cue from the private managerial practices based on efficiency.⁴⁸ If it is necessary to privatize as much as possible, it is also necessary to break the logic that has hitherto led to the growth of bureaucracies and public expenditure – that is, the alliances of self-interest between internal pressure groups, external lobbies, and elected representatives. The enterprise must replace bureaucracy wherever possible and, when this is not possible, bureaucrats must as far as possible conduct

themselves *like entrepreneurs*.

We saw above that, according to the Public Choice economists, private interests alone are real and meaningful for maximizing individuals. The assumption that every public servant is an opportunistic calculator lies behind the control mechanisms put in place. The standard models of the new public governance, derived from the economics of the firm, have re-posed the question of the opposition and reconciliation between the interests of the organizer and those of the executor. The 'principal/agent' model, which emerged in the 1970s, is employed in the economic literature to think the relations between hierarchical levels. This model is based on rational choice: the principal is the one who has authority, while the agent is the one who must execute. The problem consists in ensuring, via monitoring and incentivizing mechanisms, that agents act in conformity with the interests of the principal, given that individuals seek to maximize their utility and seek to benefit from the fact that contracts do not prescribe the content of the tasks to be performed in detail (postulate of the incompleteness of contracts). This model, initially used to analyse the relations between shareholders and managers, has become the grid for interpreting the relations between the policy 'decision-making centre' and the organs of execution, given managerial autonomy and subject to evaluation. This is now the most common way of thinking the relations between hierarchical levels: increasingly sophisticated evaluation is supposed to resolve the 'problem of agency' – that is, the opportunistic behaviour of the executant, who has information not possessed by the decision-maker.

The new political economy has served as the 'common sense' of a vast wave of civil service reorganization, to which Christopher Hood gave the generic name of 'new public management' in 1991. It aims to transform the state by systematically drawing inspiration from the logic of competition and methods of government in force in private enterprises.⁴⁹ The new public management seeks to 'reinvent government' in the light of what seemed like the failure of the hopes invested in the major programmes of the 1950s and '60s – and this in a political context where governments claimed to be able to restrict costs while improving the satisfaction of users regarded as customers.

This 'global paradigm' for reinventing government assumed various guises depending on the countries, governments or interpreters concerned, who stressed sometimes the importation of the enterprise model, sometimes the need for democratic participation in decision-making, or a blend of both. But the main trend in the developed countries consisted in imposing on civil service departments a new mode of rationalization conforming to entrepreneurial logic. Competition, downsizing, outsourcing, audits, regulation by specialist bodies, the individualization of remuneration, staff flexibility, decentralization of profit centres, performance indicators and

benchmarking – these represent so many tools which zealous administrators and political policy-makers in want of legitimacy were to import and spread in the public sector, in the name of adapting the state to ‘market realities and globalization’.

The new public management consists in ensuring that public servants no longer act in mere conformity with the bureaucratic rules, but are intent on maximizing outcomes and respect for clients’ expectations. This assumes that administrative units are responsible for their specific output and enjoy a certain autonomy in realizing their own project.⁵⁰ Management techniques are based on the triptych ‘objectives-evaluation-penalties’. Each entity (production unit, collective or individual) is made ‘autonomous’ and ‘responsible’ (in the sense of accountability). Within the framework of its remit, it is allocated objectives to achieve. It is regularly evaluated on the realization of these objectives and is ultimately rewarded or penalized depending on its performance. Effectiveness is supposed to be enhanced as a result of the constant, objective pressure put on public servants at all levels, so that they are artificially placed in the same situation as wage-earners in the private sector exposed to the requirements of clients, relayed by their own hierarchy.

In addition to the stress on ‘performance’, an important aspect of this new management is the importation of the ‘quality of service approach’ used by private enterprises that intend to submit their activity to consumer satisfaction.

COMPETITION AT THE HEART OF STATE ACTIVITY

Competition is the key word of the new public management. In this sense, it embodies Friedman's dogma:

The great danger to the consumer is monopoly – whether private or governmental. His most effective protection is free competition at home and free trade throughout the world. The consumer is protected from being exploited by one seller by the existence of another seller from whom he can buy and who is eager to sell to him. Alternative sources of supply protect the consumer far more effectively than all the Ralph Naders of the world.⁵¹

If state activity is to be a 'policy of competition', the state itself must become an actor competing with others, especially at a global level. Two operations, which seem homogeneous by dint of the identity of the categories employed, have to be juggled: on the one hand, constructing the most competitive markets possible in the market sphere; on the other, introducing the logic of competition into the very framework of state activity. Thus, competition lies behind the liberalization of network industries, such as the sectors of telecommunications, electricity, gas, railways, or postal services – a liberalization which, without being confused with privatization or deregulation, clearly attests to new forms of public intervention by creating markets or quasi-markets in sectors deemed monopolistic or operating on criteria foreign to cost considerations. To adopt the title of Israel Kirzner's book, 'competition and entrepreneurship' are the two key words of neo-liberal government practice.

One of the first important measures of the Thatcher government was the institution of Compulsory Competitive Tendering (CCT) – a system that made competitive bids for any provision of local services, and selection of the most competitive bid by the criterion of 'value for money', compulsory. This amounted to establishing competition between private enterprises and local authorities.⁵²

The institutionalization of competition is supposed to encourage better attainment of the objectives assigned public services, by giving greater satisfaction to clients who have free choice of their service-provider and by reducing costs. This assumes that the form of the provision, public or private, does not affect its content and impact. By improving the effectiveness of public services, the policy of choice is supposed to give them a new legitimacy. This idea is central in the rhetoric of the modern Left, as Tony Blair has stressed:

Choice is an important principle for our reform programme. We need far more choice – not only *between* public service suppliers but also *within* each public service. Where appropriate, choice enhances quality of provision for the poorest, helping to tackle inequalities, while it also strengthens

the middle-class commitment to collective provision. In education, greater choice means choice *between* schools, so that more parents can choose a school that fully meets their child's needs.⁵³

The reality is rather different: 'free choice' is highly inegalitarian, since not all families have the same abilities to exercise it with the same assets, as numerous studies have shown in the area of education.⁵⁴

Competition must also underlie 'human resources management'. The creation of internal markets in goods and services is accompanied by creating competition between agents themselves within the public sector. The new public management leads to a profound change in the old ways of appraising and remunerating, in favour of evaluation focused on individual performance and personalized financial incentives. The managers at the head of services will thus be assessed *ex-post*, not *ex-ante*, according to their accomplishment of the objectives to which they committed themselves. Given that they evaluate their subordinates, services and departments more than ever resemble extended chains for monitoring and controlling individual performance.⁵⁵

This 'performance management' forms part of a kind of 'dis-establishment' of public service, which includes relaxing or abolishing the rules of public law that civil servants used to have to obey; replacing appointment exams by private law employment contracts; mobility between services and between public sector and private sector; and facilitating the dismissal of civil servants deemed incompetent.⁵⁶ While the traditional statutory dimension of public employment has been subject to challenge, we are far from some 'de-bureaucratization', as we shall see below.

A new model for the conduct of public servants tends to become established: entrepreneurial government. It is based on the principles of 'performance management'; it mobilizes tools imported from the private sector – outcomes indicators and management of motivation through an incentives system – that make 'hands-off management' of conduct possible. Such government assumes strict control of the work of public servants through systematic evaluation and their submission to the demands of 'citizens-customers', who are invited to exercise their capacity to choose from a diversified supply, in accordance with the principle of 'control by demand'. This strategy has a dual character, financial and normative. It makes it possible to get users to contribute directly to the cost of the service by 'making them responsible' financially – something that answers to the search for a reduction in fiscal pressures – and it is also a way of altering the conduct of 'consumers' of public services, who are invited to regulate their demand. The best collation of the features of the new governmental practice is the bestseller published in 1992 by David Osborne and Ted Gaebler, *Reinventing Government*.⁵⁷ For these authors, no kind of government is a

fixture in history. Just as forms of state action were renewed during the New Deal, today a new government is being invented, one adapted to the 'new world' of the 'information age', globalization, and the 'fiscal crisis'.⁵⁸ The production of public services must obey the same rules as those that governed the reorganization of enterprises: reduction in size, concentration on a 'core business', decentralization of authority, and flattening of the chain of command.⁵⁹ It is not so much a question of altering the volume of expenditure more or less, as of reinventing public policies and public bodies. We are living, Osborne and Gaebler write, at a time when the Weberian bureaucratic model must be abandoned and a transition made to a post-Weberian model. The phrase in which they seek to encapsulate their aim is 'entrepreneurial government'.⁶⁰

The two authors do not propose to offer a new model dreamt up in their imaginations; they claim to explain what is underway in the United States. The reinvention of entrepreneurial government is a process which, according to them, began when Californian electors voted on 6 June 1978 for the celebrated 'proposition 13', which halved local property taxes. This 'tax revolt' extended to every US state, until Reagan made it the major focus of his policy. Registering the reduction in their resources, mayors and governors were obliged to develop new ways of organizing and encouraging 'public-private partnerships' in the 1980s. These new practices enabled the invention of 'entrepreneurial governments' at a local level.

The latter followed ten principles that the authors analyse in detail. Most entrepreneurial governments promote competition between service providers. They take power away from the bureaucracy and give it back to citizens. They measure the performance of their agencies by concentrating not on resources, but on outcomes. They are guided by the pursuit of their objectives and not by respect for rules and regulations. They regard users as consumers and offer them opportunities to choose between schools, training programmes, and types of housing. They anticipate problems before they emerge, rather than making do with supplying services after the event. They put their energies into avoiding expenditure, rather than finding funds. They decentralize power, by encouraging participatory management. They prefer market mechanisms to bureaucratic mechanisms. They do not concentrate exclusively on providing public services, but on activating every sector – public, private, community – to resolve the community's problems.⁶¹

Summarized thus, entrepreneurial government is not to be confused with the free market of conservatives: 'Structuring the market to achieve a public purpose is in fact the opposite of leaving things to the "free market"; it is a form of intervention in the market.'⁶² In any event, the free market does not exist, if by that is to be understood a market free of any government intervention. All legal markets are structured by rules laid down by

governments, with the exception of black markets controlled by force and governed by violence.⁶³ According to Osborne and Gaebler, entrepreneurial government, which uses public levers to guide private decisions in the direction of collective goals, makes it possible to mark out a 'third way' between the free market of conservatives and the bureaucratic programmes of the big government of 'liberals' (in the US sense of the term).

The theme of entrepreneurial government has not been without its sequel. Under Bill Clinton, the National Performance Review inspired by Osborne and Graeber's book was launched. Following a 1993 report by Al Gore, whose programme was 'creating a government that works better and costs less',⁶⁴ the Clinton administration organized a massive communications operation and established 'teams' and 'laboratories' for reinventing government.⁶⁵ According to Gore, the National Performance Review made it possible to reduce public sector employment by 351,000. A similar initiative in Canada in 1994 led to a reduction in the number of civil servants by 45,000. This general auditing procedure, strongly encouraged by institutions of international expertise like the OECD, has spread everywhere under different names but following the same logic.

A LEFT POLITICS?

The 'reinvention of government' is often depicted as a reinvention of left-wing politics. In truth, it is only the most striking example of the domination of the new neo-liberal rationality. In the late 1990s, reform of the instrument of public intervention became the basis of the agreement between Clinton and Blair and various other leaders of the European Left. The theoretician of the Third Way, Giddens, described the new directions in 'reforming the state' as follows: 'Most governments still have a good deal to learn from business best practice – for instance, target controls, effective auditing, flexible decision structures and increased employee participation.'⁶⁶

However, what is happily presented as a 'renewal' of the Left tended to make people forget that the managerial mutation in state action was merely the development of a policy initiated by the neo-liberal governments of the 1980s. The British Conservatives were in fact pioneers on this road. From 1980, a series of apparatuses were put in place to systematically apply in the public sector the principle of efficiency dear to the consultants of the auditing companies that advised the government:⁶⁷ the Efficiency Unit, the Scrutiny Programme, the Financial Management Initiative, and the National Audit Office.

In 1988, a report to the British Prime Minister launched the ambitious and systematic 'next steps' initiative,⁶⁸ which treated the civil service as a set of 'production units' or 'agencies' with their own autonomy, pursuing their own objectives and obeying performance indicators. Several options were available to improve the productivity of public services: privatization, outsourcing to the private sector, or making agencies autonomous.⁶⁹ The last of these involved breaking up a highly unified and standardized public service into numerous decentralized entities responsible to the relevant minister. British public service was thus gradually divided into some 110 autonomous agencies containing nearly 80 per cent of public servants. Each agency is directed by a head recruited for his or her managerial competence and paid according to performance. Given a free hand in their management, these heads are at liberty to sub-contract to the private sector if they deem this solution more efficient.

Blair's Britain persisted with the orientation of Thatcherism. The Private Finance Initiative, also called the Public-Private Partnership (PPP), allowed private sector enterprises to finance and manage public services in education, health and security. The contract gave the private sector the right to run a service for an extended period (twenty or thirty years) in exchange for financing and maintaining the infrastructure. But private enterprises did not necessarily provide a service of equivalent quality and the state is obliged to share in the costs by subsidizing the private firms.⁷⁰ A programme restructuring the public sector was also implemented in Canada from 1988

(Public Service 2000), as well as Australia, New Zealand, Denmark and Sweden. In France, Michel Rocard wished to encourage this kind of orientation in 1991 (the 'renewal of public service'). In 1992, he published the 'Public Services Charter' introducing managerial logic by creating 'centres of responsibility' in devolved state services – centres that were to establish 'service projects' with their responsible minister. The two key categories of this 'renewal' – 'instilling responsibility' and 'evaluation' – were scarcely original.⁷¹ This initial graft of the new public management was not on the same scale as elsewhere, probably because resistance to regarding the public sector as a producer of services supplied to a customer has remained so culturally and politically powerful in France.

Managerial reform, a theme long brandished by the modernizing elites at the head of the French state,⁷² was re-launched in the late 1990s and early 2000s, with the drafting and voting of the institutional law on finance laws (LOLF) in August 2001. It was intended to introduce a duty of performance into the financial management of the state. Budgetary financing would no longer depend on the nature of the expenditure, but on the outcomes of 'programmes', which were required to state precise objectives subject to evaluation. As we can see, there is nothing very original about this new practice, which aims to 'replace a logic of resources by a logic of results'.

A second phase, described as involving acceleration, was initiated in July 2007, shortly after the election of Nicolas Sarkozy, under the name of 'General Review of Public Policy' (a title that calls to mind Gore's National Performance Review). Drawing up a highly qualified balance sheet of the initial 'modernizing' measures, the government wanted to make a real 'break'. Once again, the practice is hardly novel relative to what has occurred elsewhere, since it involved carrying out a systematic audit of all public policies and social expenditure, so as to 'reduce public expenditure while improving the efficiency and quality of the service provided by departments'. The approach consists in establishing the 'pertinence' of each public activity 'without taboos or preconceptions', and then fixing the level of material and human resources required to accomplish its remit, taking into account ways of improving the productivity of services. Perhaps the originality consists in the extremely centralized procedures of this 'general review', controlled by those closest to the President of the Republic, thereby marginalizing all the institutions and bodies that had hitherto had a role in controlling the budget and administration.

The new model of government has spread to many other countries. The themes and terms of 'good governance' and 'best practice' have become mantras of government action. International organizations have widely disseminated the new norms of state action, especially in under-developed countries. Thus the World Bank, in its *World Development Report 1997*, proposed

to replace the phrase 'minimum state' by 'better state'. Rather than systematically encouraging privatization, it now wished to view the state as a 'regulator' of markets. The state must have authority; it must concentrate on the essentials; it must be capable of creating the regulatory frameworks indispensable to the economy. According to the World Bank, the effective state is a strong central state whose priority is regulatory activity guaranteeing the rule of law and facilitating the market and its operation.⁷³ The OECD was not to be outdone. Since the mid-1990s, it has multiplied recommendations for reforming regulation and opening public services up to competition, through the activities of its Public Governance Committee. The same is true of the European Commission with its White Paper on 'European governance' in 2001, though the latter mixes the functioning of institutions and the promotion of the entrepreneurial and competitive model in public services.

Reform of public administration is part of the globalization of forms of the art of governing. The same methods are advocated everywhere, whatever the local situation; a standard lexicon is employed (competition, process engineering, benchmarking, best practice, performance indicators). These methods and categories are valid for all problems and all spheres of action, from national defence, via legal activities, to managing hospitals. This 'generic' reform of the state in conformity with private sector principles is presented as ideologically neutral. It aims solely at efficiency or, as British auditing experts put it, 'value for money' – that is, optimization of the resources employed. We saw above that adherence to the new public management superseded partisan cleavages to the point of constituting a major axis of the 'Third Way', which is supposed to unite US New Democrats and a renovated European social-democracy. In reality, it involves an extremely significant rationality that is all the more powerful for encountering few critiques and opponents. So universally accepted, the new public management operates much more effectively than any radical discourse by undermining ethical and political resistance in the public and community sectors. This is because with this lexicon, and the rationality it secretes, a utilitarian conception of human beings is diffused that now spares no area of activity. The civil servant is a rational agent who only reacts to material incentives. The codes of honour specific to professions, professional identities, collective values, the sense of duty and the public interest, which inspire many public servants and give meaning to their commitment, are deliberately ignored. Everywhere, in all sectors, the motives for action are the same, as are the evaluation procedures that determine rewards and punishments. A formidable endeavour to deplete the meaning of state action and the work of public servants is underway: only the most self-interested motives, and only monetary incentives supposed to guide them, have

relevance.

With entrepreneurial government, the market is not imposed simply because it 'eats into' state or community sectors, but because it has become a universally valid model for thinking state and social action. Hospitals, schools, universities, courts and police stations are all regarded as enterprises susceptible to the same tools and the same categories. The work of depletion specific to public management is naturally connected with the anthropological mutation that characterizes western societies. It is not only its reflection, but also an extremely effective vector when it affects areas that might seem alien to the quantitative logic of performance. One thinks of education, culture, health, justice, or the police.⁷⁴ But in these areas the changes are no less noticeable than in others. Notions such as 'management of judicial flows', which spread in the 1990s, tend to make magistrates into managers obliged to increase their 'portfolio of proceedings' every year – and all the more imperatively in that their salary and promotion will increasingly depend on their meeting targets. The predominantly quantitative understanding of judicial, medical, social, cultural, educational or policing activity has not insignificant consequences for perceptions of the 'customers' of these services governed by new managerial principles, as it does for the way that public servants live the tension between the logic of accountancy and the meaning they attribute to their profession.⁷⁵

Accountability norms do not so much constitute an 'ideology' as a specific form of rationality imported from the economic. On this basis, 'management by performance' raises formidable problems that it generally tends to evade: the problem of fixing performance indicators; the problem of formatting results; and the problem of circulating information between 'summit' and 'base'. The issue is what the 'culture of results' means in justice, medicine, culture or education, and by what values it can be judged. In reality, an act of judgement, involving ethical and political criteria, is replaced by a measure of efficiency that is alleged to be ideologically neutral. The purpose of each institution thus tends to be obscured in favour of an identical accounting norm, as if each institution did not possess constitutive values that are peculiar to it.⁷⁶

A TECHNOLOGY OF CONTROL

The managerial reformation of state action is based on credence in the virtues of a general, exhaustive evaluation process capable of ‘rationally’ and ‘scientifically’ accounting for the impact of a policy programme, the activity of a department, and the work of every public servant.⁷⁷ This logic of generalized evaluation is championed by social groups whose actual power and legitimacy are increasingly based on their conception and mastery of practical tools of observation, examination and judgement. The recruitment, training and socialization of service heads have everywhere assumed great importance, all the more so in that they are regarded as the main ‘agents of modernization’. The senior civil service, which is increasingly trained in the framework of business schools, in ever greater symbiosis with private enterprise milieus, has found it to be a source of supplementary legitimacy blending ‘modernity’ and ‘scientificity’, at the expense of democratic institutions, which are stripped by this power of expert evaluation of their role in proposing and controlling the administration.

The new public management aims to strictly control public servants, in order to increase their commitment at work. They are now expected to achieve results, readily quantified as in private enterprise, rather than to show respect for operating procedures and legal rules. Measuring performance has become the elementary technology of power relations in public services, a veritable ‘obsession with controlling’ public servants, the source of significant bureaucratization and normative inflation.⁷⁸ It tends to shape the activity itself and aims to produce subjective changes in the ‘evaluated’, so that they meet their ‘contractual commitments’ to higher bodies. This involves reducing the autonomy acquired by a number of professional groups, such as doctors, judges and teachers, who are deemed expensive, lax or unproductive, by imposing on them the criterion of results constructed by a proliferating expert technostructure. Ideally, everyone must be their own monitor, by keeping accounts of their results, and their compliance with the objectives set them, up to date. One of the goals consists in performance norms being internalized and sometimes, even better, getting *evaluees to be the producers of the norms that will serve to judge them*.

Evaluation is a normalizing process that leads individuals to adapt to the new criteria of performance and quality, to respect new procedures that are frequently no less formal than classical bureaucratic rules. Unlike the latter, however, the new criteria can more directly touch the ‘heart of the profession’ – its social meaning and the values it is based on – as is the case in the most varied professional spheres, from researchers, via nurses or postal workers, to police officers. The standard ways of measuring performance and incentives peculiar to the new management make it a terrible war machine against the forms of professional autonomy and value systems adhered to by

wage-earners.⁷⁹

Management is based on an illusion of quantitative mastery of the effects of action. The purely quantitative interpretation of the results of an activity, which is dictated by the use of 'performance indicators' guiding the 'control' of these services, comes into contradiction with the experience of the profession and its non-quantifiable dimensions.⁸⁰ The efficiency sought can thus be thwarted by the conflict of values created by the 'managerial culture' in professional universes governed by different values. Effects of 'demoralization' are not without consequences for the quality of the service, all the more so in that professional dedication and conscience are regarded as misleading fictions or exceptions in the new *doxa*.

Moreover, the paradox is that the new public management alone escapes the evaluation of these effects. Who in effect evaluates the evaluation? When a reduction in the number of civil servants in Sweden or Canada is held up as proof of increased productivity, no one is in a position to say whether the impact on society is beneficial and whether there are unaccounted costs or transfers of charges onto certain social groups.⁸¹ A reduction in the number of civil servants and decline in their pay (as in the case of French civil servants since the de-indexing of pay in 1982) do not in themselves constitute conditions of better performance.

One verifies only what one has constructed; one measures only what can be reduced to being measurable.⁸² Evaluation is an enterprise of normalization in which the particular characteristics of the activities are erased in the homogenisation of standards (of the ISO 9000 variety).⁸³ Along with the new apparatuses of control develop new perceptions of the tasks to be performed and new relations to work and others. By selecting the criterion and the norm, evaluation has the effect of making certain aspects of a profession visible or invisible, valuing or devaluing them: what is visible in the activity assumes value at the expense of what is not visible. The oft-raised question of the 'objectivity' of the evaluation is beside the point. This technology of power aims to create a type of relationship that validates itself through subjects' compliance with the definition of the norm of legitimate conduct. It is therefore through its *construction of a subject*, whose conduct will be guided by evaluation procedures and the sanctions linked to them, that we must appraise this mode of government introduced into public service.

The internalization of performance norms, constant self-monitoring to comply with the indicators, and competition with others – such are the ingredients of the 'revolution in mentalities' that the 'modernizers' want to effect. This general regime of inspection, modernizing the old Benthamite dream, has its own logic, which can turn into a bureaucratic nightmare, as British local authorities have found out, especially under New Labour governments seeking to perfect the auditing system by multiplying the

criteria and the objectives to be achieved (Best Value for Money).⁸⁴

MANAGERIALISM AND POLITICAL DEMOCRACY

The new public management has two aspects: it introduces more subtle modes of control that form part of a more sophisticated bureaucratic rationalization; and it blurs the particular remits of public service by formally aligning them with private sector outputs. As a result, we can both underscore continuity with the old bureaucratic logic and highlight a number of points of rupture.

One of the main aspects is doubtless the increase in bureaucratic centralization in which the new inspection regime results, starting from national, uniform standards in countries where local liberties were strong. In Britain, for example, control by performance indicators has served very considerably to accentuate the control of central bodies over local communities since 1982, thanks to the establishment of a National Audit Commission. Far from giving more freedom to actors on the ground, the subjection of their behaviour to the constraints of sophisticated instruments tends to imprison them in a hyper-objectification of activity. Statistical norms have proved to be powerful means of standardization and normalization of behaviour, in line with the logic of bureaucracy of a 'Weberian' kind.⁸⁵ Thus, the tension between the centralization of auditing and regulatory bodies and the supposed autonomy of services subject to competition entails significant perverse effects, encouraging services to focus obsessively on their performance ratios without much concern for the real content of their remit. A success rate in exams, a rate of filling hospital beds, and a crimes reported/crimes cleared up ratio can betoken very different actual results and even very serious deviations from the reality of the service provided. The fetishization of figures prompts this hyper-rationalization to 'fabricate results', which are far from expressing real improvements, all the more so in that managers and their subordinates are obliged to 'play the game' and contribute to a collective production of figures. It can by no means be claimed that the reality always coincides with the managerial and commercial rhetoric. Quantitative evaluative criteria are far from always tallying with the qualitative criteria of attention to clients.

This new stage in bureaucratic rationalization is accompanied by a loss of the meaning peculiar to public services. One effect of the new public management is a blurring of the boundaries between public and private sectors. Furthermore, the very idea of a public sector whose principles differ from market logic is challenged with the multiplication of contractual relations and a stream of delegation, as with changes in public employment in the direction of more diverse forms and more developed casualization.⁸⁶ The promotion of competition, for example, is not easily reconciled with the obligations of public services to which many public servants and citizens remain attached. The new public management contrasts sharply with the

principles of civil service such as they have been established in France (primary of public law, equality of treatment of users, continuity of service, *laïcité*, and observance of political neutrality). The transformation of the user into a customer, to whom the maximum number of products is to be sold in order to increase profitability, is not as 'neutral' as the experts like to claim. As for evaluation procedures, they tend to confuse the measurement of results, which can be done internally, and the multiple, enduring effects on the whole of society that a policy might have.

The importation of accountancy logic from the economic world of the market tends not only to 'de-realize' activities and their results, but also to depoliticize the relations between state and citizens. The latter are regarded as purchasers of services who must get 'value for their money'. The priority given to the dimension of efficiency and financial return eliminates any conception of justice from the public space other than that of the equivalence between what tax-payers have personally paid and what they have personally received.

Distrust as a principle, and evaluative monitoring as a method, are the most characteristic features of the new art of governing human beings. The managerial spirit behind it is imposed to the detriment of the now downgraded values of public service and civil servants' devotion to a general cause that transcends them. In the old form of government, bound up with the ideal of democratic sovereignty, the relative autonomy of civil servants was based on the commitment they made to serve a cause that was imposed on them and for which they were required to respect public law and the professional values composing an 'esprit de corps'. This commitment, symbolized by a status, always had as its counter-part a certain trust, always counter-balanced by a concern for regulatory forms, in the virtuous conduct of public servants. Once the postulate of the new management has it that we can no longer trust 'ordinary individuals', who are intrinsically lacking in any attachment to a public 'spirit' and to values external them, the only solution is 'remote control' of private interests. Whether dealing with hospital staff, judges or fire fighters, the springs and principles of their professional activity are now solely conceived from the angle of their personal, corporative interests, therewith denying any moral and political dimension to their engagement in a profession based on specific values. The three Es of management - 'economy, effectiveness, efficiency' - have erased the categories of professional duty and conscience from the logic of power.

Distrust also characterizes the relations between public institutions and social and political subjects, likewise regarded as 'opportunists' in search of their maximum advantage and heedless of the collective interest. Neo-liberal restructuring transforms citizens into consumers of services who are only ever concerned with their selfish satisfaction, which results in treating them

as such through procedures of surveillance, restriction, penalization and ‘instilling responsibility’. This leads to ‘involving’ the sick by making them bear an increased share of medical costs and students by increasing university registration fees. The ‘control’ of departments, local authorities, hospitals and schools by synthetic performance indicators, whose results are widely broadcast by the national and local press in the form of ‘league tables’, invites citizens to base their judgement exclusively on a cost/benefit relation. The withering of any confidence in civic ‘virtues’ doubtless has performative effects on the way that the new citizens-consumers now regard their tax contribution to collective burdens and the ‘return’ they receive on an individual basis. The latter are not called upon to judge institutions and policies from the standpoint of the interests of the political community, but exclusively in accordance with their self-interest. *The very definition of the political subject finds itself radically changed.*

1 Walter Lippmann, *The New Imperative*, New York: Macmillan, 1935, pp. 43–4.

2 Ibid., p. 47.

3 James K. Galbraith, *The Predator State: How Conservatives Abandoned the Free Market and Why Liberals Should Too*, New York: Free Press, 2008.

4 Cf. on this point the remarks by Desmond King in ‘Une nouvelle conception de l’État: de l’étatisme au néolibéralisme’, in Vincent Wright and Sabino Cassese, eds, *La Recomposition de l’État en Europe*, Paris: La Découverte, 1996; and, on the structuring dimension of the instruments, Pierre Lascombes and Patrick Le Galès, eds, *Gouverner par les normes*, Paris: Presses de Sciences-Po, 2007.

5 Cf. Denis Saint-Martin, *Building the New Managerialist State: Consultants and the Politics of Public Sector Reform in Comparative Perspective*, Oxford: Oxford University Press, 2000.

6 Quoted by Louis Franck, *La Libre concurrence*, Paris: Presses Universitaires de France, 1967.

7 Cf. Jean-Pierre Gaudin, *Pourquoi la gouvernance?*, Paris: Presses de Sciences-Po, 2002.

8 The Commission on Global Governance, set up on the initiative of the former German Chancellor Willy Brandt in 1992, defined the notion as follows: ‘Governance is the sum of many ways individuals and institutions, public and private, manage their common affairs. It is a continuing process through which conflicting or diverse interests may be accommodated and co-operative action taken. It includes formal institutions and regimes empowered to enforce compliance, as well as informal arrangements that people and institutions have either agreed to or perceive to be in their interest’ (quoted in Jean-Christophe Graz, *La Gouvernance de la mondialisation*, Paris: La Découverte, 2008, p. 41).

9 The notions of ‘governance’ and ‘sovereignty’ are therefore antinomic in part. Governance firstly presupposes obeying the injunctions of the bodies that represent the major commercial and financial interests. Depending on the international balance of power and geostrategic interests, it also permits the right of interference by NGOs, foreign armed forces, or creditors, in the name of human rights or the rights of minorities, or, more prosaically, in the name of the ‘market freedom’.

10 Cf. Chapter 6, ‘Discipline (3): Neo-Liberal Management of the Enterprise’.

11 Cf. Nicolas Véron, 'Normalisation comptable internationale: une gouvernance en devenir', in Conseil d'analyse économique, *Les Normes comptables et le monde post-Enron*, Paris: La Documentation française, 2003.

12 Collapse of the Herstatt Bank in 1974 and the Franklin National Bank in the United States.

13 What Dominique Plihon, Jézabel Couppéy-Soubeyran and Dhafer Saïdane write of France equally applies to the financial system as a whole: 'The deregulation and privatization of the banking sector in France have sometimes been taken as signalling a disengagement of the state and the start of a veritable deregulation of the banking sector. They are often even held responsible for the problems experienced by banks during the 1990s. However, lifting restrictions does not mean deregulation. Restrictions did not disappear, but changed their character [our emphasis]. They involved prudential restrictions that no longer aimed to administer banking activity, but to guide it towards greater prudence, stressing, in particular, solvency norms. Thus, the conditions for a new regulation emerge. Restrictions no longer exclude the market, while the increase in risks has naturally sensitized the banks to internal management of their risks' (*Les Banques, acteurs de la globalisation financière*, Paris: La Documentation française, 2006, p. 113).

14 *Ibid.*, p. 109.

15 Cf. Michel Aglietta, *Macroéconomie financière*, Paris: La Découverte, Paris 2008, pp. 96–7, for the technical analysis of the regulatory escape-clauses that allowed banks to circumvent the rules of Basel II.

16 This is the theory that the sale of the risks themselves through sophisticated financial products enables a better assessment of them. By putting a market value on risks, the financial market is supposed to generate greater efficiency in allocating finance.

17 This was very belatedly admitted by Alan Greenspan at a Congressional hearing on 23 October 2008: 'I made a mistake in presuming that the self-interest of organizations, specifically banks, is such that they were best capable of protecting shareholders and equity in the firms. And it's been my experience, having worked both as a regulator for eighteen years and similar quantities in the private sector ... that the loan officers of those institutions knew far more about the risks involved in the people to whom they lent money than I saw even our best regulators at the Fed capable of doing. So the problem here is, something which looked to be a very solid edifice, and indeed a critical pillar to competition and free markets, did break down ... I still do not fully understand why it happened. And obviously, to the extent that I figure out where it happened and why, I will change my views. And if the facts change, I will change.' And he added in connection with 'liberal ideology': 'I've been very distressed by ... [this] flaw in the model that I perceived as the critical functioning structure that defines how the world works.'

18 Cf. Susan Strange, *The Retreat of the State: The Diffusion of Power in the World Economy*, Cambridge: Cambridge University Press, 1996.

19 Cf. Chapter 6, 'The Expansion of Financial Capitalism'.

20 Kenichi Ohmae, *The End of the Nation State: The Rise of Regional Economies*, London: Harper Collins, 1996.

21 The postmodern thesis, as advanced by Michael Hardt and Toni Negri in their book *Empire* (Cambridge MA: Harvard University Press, 2000), has it that state sovereignty is replaced by new forms of more direct subjection to capitalist productive order.

22 Naomi Klein, *The Shock Doctrine: The Rise of Disaster Capitalism*, London: Penguin, 2008, p. 12. By 'complex' the author means a tentacular entity that is much vaster than the military-industrial complex.

The figures convey some idea of the scale of the transformation: 'in 2003, the US government handed out 3,512 contracts to companies to perform security functions; in the twenty-two-month period ending in August 2006, the Department of Homeland Security had issued more than 115,000 such contracts' (pp. 12–13).

23 The phrase 'corporate state' used by Klein refers to this.

24 Jack Hayward and Rudolf Klein, 'Grande-Bretagne: de la gestion publique à la gestion privée du déclin économique', in Bruno Jobert and Bruno Théret, eds, *Le Tournant néo-libéral en Europe. Idées et recettes dans les pratiques gouvernementales*, Paris: L'Harmattan, 1994.

25 Cf., on this point, Jean-Pierre Le Goff, *Le Mythe de l'entreprise*, Paris: La Découverte, 1992.

26 Christopher Pollitt, *Managerialism and the Public Services: Cuts or Cultural Change in the 1990s?*, London: Blackwell Business, 1990, p. 8.

27 According to Luc Rouban, 'Contracts, whether signed between public collectives or with private sector enterprises, supply the new normative framework for state action' ('La réforme de l'appareil d'État', in Wright and Cassese, eds, *La Recomposition de l'État en Europe*, p. 148).

28 Pollitt, *Managerialism and the Public Services*, p. 49.

29 A number of Bentham's analyses anticipate the critics of bureaucratic expansion: 'The personal interest of the minister is to have as many individuals, that is to say, as many dependants, employed under him as possible – that their salaries should be as large as possible; and he will lose nothing by their negligence' ('The Rationale of Reward', in *The Works of Jeremy Bentham*, vol. VII, Edinburgh: William Tait, 1839, p. 251). For Bentham, however, the solution was very different from the recommendations of the neo-classical economists. It rested on the most radical democracy and the continuous monitoring of representatives and civil servants via panopticon devices.

30 Cf. on this point Christophe Chauvet's thesis, 'Les apports de Jeremy Bentham à l'analyse économique de l'État', Université de Picardie, UFR de sciences économiques et de gestion, 2006.

31 Cf. L.J. Hume, *Bentham and Bureaucracy*, Cambridge: Cambridge University Press, 2004.

32 Chauvet, 'Les apports de Jeremy Bentham à l'analyse économique de l'État', p. 22.

33 Jeremy Bentham, *Constitutional Code*, vol. 1, ed. F. Rosen and J.H. Burns, Oxford: Clarendon Press, 1983.

34 We have supposedly made the transition from the bureaucratic model as the centre and organization of society to a 'post-bureaucratic' paradigm (a notion attributed to Michael Barzelay, *Breaking Through Bureaucracy: A New Vision for Managing in Government*, Berkeley: University of California Press, 1992), based on the new political economy.

35 Cf. Xavier Greffe, *Analyse économique de la bureaucratie*, Paris: Economica, 1988, p. 13.

36 Gordon Tullock, *The Politics of Bureaucracy*, Washington: Public Affairs Press, 1965; William Niskanen, *Bureaucracy and Representative Government*, Chicago: Aldine, 1971.

37 Niskanen, *Bureaucracy and Representative Government*, p. 42.

38 Gordon Tullock, *The Vote Motive*, London: Institute of Economic Affairs/Profile Books, 2006, p. 64.

39 'Face-à-face Attali-Rosa', *L'Express*, 9 June 1979, quoted in Henri Lepage, *Demain le libéralisme*, Paris: Hachette, 1980, p. 60.

40 Cf. Lepage's summary of the theses of the Public Choice School in *ibid.*, pp. 202–6.

41 Niskanen, *Bureaucracy and Representative Government*, p. 195.

42 Tullock, *The Vote Motive*, pp. 39–40.

43 *Ibid.*, p. 73.

44 *Ibid.*, p. 75.

45 James Buchanan, *The Limits of Liberty: Between Anarchy and Leviathan*, Chicago: University of Chicago Press, 1975, p. 15.

46 *Ibid.*, p. 161.

47 Quoted in Florence Faucher-King and Patrick Le Galès, *The New Labour Experiment*, trans. Gregory Elliott, Stanford CA: Stanford University Press, 2010, p. 47.

48 The criterion of effectiveness is the best solution to a problem, whereas efficiency assumes financial evaluation of the most economic solution.

49 It will be said that attempts to improve productivity in the public sector are not new. The United States was a pioneer in this direction, as attested by the Hoover Commission which in 1949 recommended the creation of the ‘performance budgets’ underlying the Budget and Accounting Procedures Act of 1950. This work was continued in the 1960s by the Planning Programming Budgeting System (PPBS), giving rise to various kinds of ‘rationalization of budgetary options’. But these attempts did not possess the systematic, universal character assumed by the reform movement of the ‘new public management’ from the late 1980s and early 1990s. Nor was private sector management their exclusive model.

50 Christian de Visscher and Frédéric Varone provide an excellent synthesis: ‘The definition of quantitative objectives for the implementation of public policies, focusing on the services supplied, rather than the procedure followed, the reduction in the costs of producing public services, the management of an administrative unit by a manager free to allocate its resources, the motivation of staff by financial incentives, the guarantee of freedom of choice to users, and so forth. In a word, the new public management aims to make traditional administrations performance-orientated organizations. The state would thereby ensure itself a secondary legitimation, through the quality of public services and the efficient use of public money. This would strengthen its primary legitimacy, which is based on respect for the democratic rules framing the decision-making processes upstream’ (*‘La nouvelle gestion publique “en action”’, Revue internationale de politique comparée, ‘La nouvelle gestion publique’, vol. 11, no. 2, 2004, p. 79*).

51 Milton and Rose Friedman, *Free to Choose*, p. 226.

52 Cf. the analysis of CCT in Patrick Le Galès, ‘Contrôle et surveillance. La restructuration de l’État in Grande-Bretagne’, in Pierre Lascombes and Patrick Le Galès, eds, *Gouverner par les instruments*, Paris: Presses de Sciences-Po, 2004.

53 Tony Blair, *The Courage of Our Convictions*, London: Fabian Society, 2002, p. 28.

54 It should not be forgotten that the ‘marketization’ of service provision in Britain was conceived as a powerful means of controlling local authorities, with central government arming itself with sanctions to enforce application of the new procedures.

55 In the White Book written by Jean-Ludovic Silicani (*Livre blanc sur l’avenir de la Fonction publique, faire des services publics et de la fonction publique des atouts pour la France*, Paris: La Documentation française, 2008), we find a particularly uncluttered formulation of this kind of evaluative concatenation: ‘If the *managerial chain* has not been mobilized from top to bottom, without a break, the outcome will not be

achieved.’ Silicani adds: ‘It is thus essential that these managerial objectives are spelt out in the formal letter of engagement that each minister receives and that they too are judged on their results in this area. They will thus have an incentive to proceed in the same fashion with their directors, who will do likewise with their collaborators, and so on. The first condition for this virtuous managerial dynamic to be triggered, and thus rapidly generate a significant improvement in the effectiveness of the civil service, is establishing a direct relationship of trust between ministers and their directors of central administration.’ In this bureaucratic nightmare, from the minister to the lowliest public servant, a continuous chain of control is supposed to ensure the effectiveness of the administrative totality. Everyone is evaluator and evaluated. No doubt only the President, supreme Evaluator, is exempt.

56 B. Guy Peters, ‘Nouveau management public (New Public Management)’, in *Dictionnaire des politiques publiques*, Paris: Presses de Sciences-Po, 2006.

57 David Osborne and Ted Gaebler, *Reinventing Government: How the Entrepreneurial Spirit is Transforming the Public Sector, from Schoolhouse to State House, from City Hall to the Pentagon*, Reading: Addison-Wesley, 1992. Osborne is also the author of *Banishing Bureaucracy: The Five Strategies for Reinventing Government* and of *The Price of Government: Getting the Results We Need in An Age of Permanent Fiscal Crisis*.

58 Osborne and Gaebler, *Reinventing Government*, p. xvii.

59 *Ibid.*, p. 12.

60 For Osborne and Gaebler, the word ‘entrepreneur’ has a precise meaning which they take from Jean-Baptiste Say: an entrepreneur is someone who, whatever sphere he finds himself in, increases efficiency and productivity.

61 *Ibid.*, p. 20.

62 *Ibid.*, p. 283.

63 *Ibid.*, p. 284.

64 Cf. *From Red Tape to Results: Creating a Government that Works Better and Costs Less*, Washington DC: Government Printing Office, 2003.

65 Cf. Greffe, *Analyse économique de la bureaucratie*, p. 143.

66 Anthony Giddens, *The Third Way*, Cambridge: Polity Press, 1998, pp. 74–5.

67 Cf. Saint-Martin, *Building the New Managerialist State*.

68 ‘Improving Management in Government – the Next Steps’. Cf. Christopher Hood, ‘A Public Management for All Seasons?’, *Public Administration*, vol. 69, no. 1, 1991, pp. 3–19; Perry Anderson, ‘Histoire et leçons du néolibéralisme’, *Page 2*, November 1996, p. 2; Xavier Greffe, *Gestion publique*, Paris: Dalloz, 1999.

69 Xavier Greff refers to the 1991 White Paper *Competing for Quality*, which made ‘market testing’ one of the methods for opening up service provision to competition: ‘competing for quality: privatise if market solutions are better, but if not introduce market mechanisms as much as possible to increase customer control over services’ (*Gestion publique*, Paris: Dalloz, 1999, p. 151).

70 Philippe Marlière, *Essais sur Tony Blair et le New Labour. La Troisième Voie dans l’impasse*, Paris: Syllepse, 2003, p. 104.

71 It was then that an inter-ministerial evaluation committee, a scientific committee of evaluation and a national development fund for development and evaluation were set up.

72 Cf. the 'Picq report' on the duties and organization of the state (May 1994) – Jean Picq, *l'État en France. Servir une nation ouverte sur le monde*, Paris: La Documentation française, 1995. Cf. also Roger Fauroux and Bernard Spitz, *Notre État: le livre-vérité de la fonction publique*, Paris: Robert Laffont, 2000.

73 In its 1997 Report, the World Bank stated: 'we now see that markets and governments are complementary: the state is essential for putting in place the appropriate institutional foundations for markets. And government's credibility – the predictability of its rules and policies and the consistency with which they are applied – can be as important for attracting private investment as the content of those rules and policies' (*World Bank Development Report*, Washington DC, 1997, p. 4).

74 For entrepreneurial reform of public hospitals, cf. Frédéric Pierru, *Hippocrate malade de ses réformes*, Bellecombe-en-Bauges: Éditions du Croquant, 2007. For an analysis of the recent law on university reform entitled 'Law on the Responsibility of Universities', cf. Annie Vinokur, 'La loi relative aux libertés et responsabilités des universités: essai de mise en perspective', *Revue de la régulation*, no. 2, January 2008.

75 Cf., for example, for the new 'judicial economics', Gilles Sainati and Ulrich Schälchli, *La Décadence sécuritaire*, Paris: La Fabrique, 2007.

76 In Weberian terms, the ideal type of 'purposive rationality', governed by a logic of optimal adaptation of means to an end, tends to be confused with reality. It happens that no institution can altogether do without 'value-oriented rationality', which subordinates action to ethical, religious or philosophical principles.

77 The idea that the activity of ministers should henceforth be submitted to the logic of auditing, and no longer the public judgement of citizens – an idea implemented by a decision of Sarkozy's in December 2007 – is merely the caricatural culmination of the global dogma of the 'managerial spirit'.

78 Michael Power, *The Audit Society: Rituals of Verification*, Oxford: Oxford University Press, 1999. In practice, the new control techniques represent an expenditure of time, energy and money that calls into question the dogma of 'efficiency'. Audits, evaluations, time drafting 'projects', and the search for contracts can be particularly costly in time and a diversion from the main objectives of activities. This tends to be the case wherever these methods are adopted, especially in the area of higher education and scientific research.

79 Some theoreticians of organization, like Henry Mintzberg, have demonstrated the need to differentiate between modes of organization depending on the kind of activity involved. See Mintzberg, *The Structuring of Organizations*, New York: Prentice Hall, 1978.

80 This illusion has become very widespread in Britain with the construction of a single indicator for measuring local management on a scale of 1–4.

81 Cf., on this point, the analyses in Pollitt, *Managerialism and the Public Services*.

82 Power correctly notes that 'the efficiency and effectiveness of organizations is not so much verified as constructed around the audit process itself' (*The Audit Society*, p. 51).

83 Power's strong thesis is that the technology of power takes the form of a change of perception of the activity to make it 'auditable'. Such 'auditability' is a social and political construct.

84 Patrick Le Galès describes the Ubuesque situation of local officials spending their time writing complex reports to satisfy the controls of the Audit Commission which, in an inflationary spiral, has set about significantly increasing the number of repetitive inspections of local services ('Contrôle et surveillance. La restructuration de l'État en Grande-Bretagne', p. 52 ff).

85 This tends to show that the economic analysis of the Public Choice School, centred on the costs of bureaucracy, has left out one of the major aspects of rationalization processes highlighted by sociology.

86 For Luc Rouban, 'the administrative mutation of recent years tends to restrict not state action, but the public means of government action. This development leads to cancellation of the notion of "public sector" understood as encompassing activities with a legal and financial regime differing from the rules of the market' ('La réforme de l'appareil d'État', p. 147).

Manufacturing the Neo-Liberal Subject

The conception of society as an enterprise made up of enterprises comprises a new subjective norm, which is no longer precisely that of the productive subject of industrial societies. The neo-liberal subject in the process of being formed, some of whose main features we wish to delineate here, is the correlate of an apparatus of performance and pleasure that is currently the subject of numerous works. There is no absence of descriptions of 'hypermodern', 'uncertain', 'flexible', 'precarious', 'fluid', 'weightless' man today. These valuable, often convergent works at the intersection of psychoanalysis and sociology register a new human condition, which according to some even affects the psychic economy itself.

On the one hand, numerous psychoanalysts say that they are receiving in their consulting rooms patients suffering from symptoms that attest to a new era of the subject. The new subjective condition is often related in the clinical literature to broad categories like 'the age of science' or 'capitalist discourse'. That the historical should take possession of the structural should come as no surprise to readers of Lacan, for whom the subject of psychoanalysis is not an eternal substance or trans-historical invariant, but the effect of discourses that are inscribed in the history of society.¹ On the other hand, in the sociological field the transformation of the 'individual' verges on an incontestable fact. What is invariably referred to by the ambiguous term 'individualism' is sometimes related to morphological changes, as in the Durkheimian tradition, sometimes to the expansion of commodity relations, as in the Marxist tradition, and sometimes to the extension of rationalization to all areas of existence, as in a more Weberian strand.

In their fashion, psychoanalysis and sociology thus register a mutation in the discourse on man, which can be related (as in Lacan) to science, on the one hand, and capitalism on the other. It was indeed a scientific discourse which, from the seventeenth century, began to state what man is and what he must do; and it was in order to make man a productive, consuming animal, a being of toil and need, that a new scientific discourse proposed to redefine the measure of man. But this very general framework is insufficient to identify how a new normative logic came to be established in western societies. In particular, it does not enable us to pinpoint the reorientations undergone by the history of the western subject over three centuries, still

less the ongoing changes that can be related to neo-liberal rationality.

This is because, if there is a new subject, it must be grasped in the discursive and institutional practices that engendered the figure of the man-enterprise or 'entrepreneurial subject' in the late twentieth century, by encouraging the institution of a mesh of sanctions, incentives and commitments whose effect was to generate new kinds of psychic functioning. To achieve the objective of comprehensively reorganizing society, enterprises and institutions by multiplying and intensifying market mechanisms, relations and conduct – this involved a becoming-other of subjects. Benthamite man was the *calculating* man of the market and the *productive* man of industrial organizations. Neo-liberal man is *competitive* man, wholly immersed in global competition. This transformation has been at issue throughout the preceding pages. It is now a question of describing its many forms more systematically.

THE PLURAL SUBJECT AND THE SEPARATION OF SPHERES

Where do we start? For a long time, the so-called 'modern' western subject pertained to normative regimes and political registers that were heterogeneous and in conflict: the customary and religious sphere of old societies; the sphere of political sovereignty; and the sphere of commodity exchange. This western subject thus lived in three different spaces: that of the services and beliefs of a still rural, Christian society; that of nation-states and the political community; and that of the monetary market in work and production. From the outset, this apportionment was mobile; and fixing and altering its boundaries was at stake in power relations and political strategies. The great struggles over the very nature of the political regime gave singularly focused expression to it. More important, but more difficult to grasp, are the gradual alteration in human relations, the transformation of everyday practices induced by the new economy, the subjective effects of new social relations in the market space and of new political relations in the space of sovereignty.

Liberal democracies have been worlds of multiple tensions and contrasting growths. Without going into details that would exceed our aim, we can describe them as regimes which, within certain limits, enabled and respected a mixed functioning of the subject, in the sense that they guaranteed both the separation and the articulation of the different spheres of existence. This heterogeneity found expression in the relative independence of moral, religious, political, economic, aesthetic and intellectual institutions, rules and norms. This does not mean that the nature of the dynamic that inspired them is exhausted by this feature of equilibrium and 'tolerance'. Two major parallel growths occurred: political democracy and capitalism. Modern man was divided in two: the citizen endowed with inalienable rights and the economic man guided by self-interest; man as 'end' and man as 'instrument'. The history of 'modernity' has sanctioned an imbalance in favour of the second pole. Were we to foreground the development, albeit uneven, of democracy, as do some authors,² we would miss the major axis, which in their different ways, Marx, Weber or Polanyi highlighted: the spread of a general logic of human relations subject to the rule of maximum profit.

Readers will not be unaware of all the alterations produced by commodity relations in the subject. Along with others, but probably better than others, Marx indicated the corrosive effects of the market on human bonds. Together with urbanization, the commodification of social relations was one of the most potent factors in the 'emancipation' of the individual from traditions, roots, family attachments and personal loyalties. Marx's greatness consisted in showing that the price of subjective liberty was a new form of subjection to the impersonal, uncontrollable laws of capital valorization. Like the self-owning Lockean subject, the liberal subject might well believe that he

enjoyed all his natural faculties, the exercise of his reason and will, and might well proclaim his irreducible autonomy to the world. Nonetheless, he remained a cog in the great machine that classical political economy had begun to analyse.

This expansive commodification assumed the general form of *contractualization* in human relations. Voluntary contracts between free persons – contracts certainly always underwritten by the sovereign body – thus replaced institutional forms of alliance and filiation and, more generally, old forms of symbolic reciprocity. More than ever, the contract became the yardstick of all human relations. As a result, the individual increasingly experienced in his relation to others his full, complete freedom of voluntary engagement, perceiving ‘society’ as a set of relations of association between persons endowed with sacred rights. Here we have the core of what is commonly called modern ‘individualism’.

As Durkheim showed, this involved a singular illusion in as much as the contract always contains more than the contract: without the guarantor state, no personal liberty could exist. But it can also be said with Foucault that underlying the contract is something other than subjective freedom. There is an organization of normalizing processes and disciplinary techniques that constitute what might be called an *apparatus of efficiency*. Subjects would never have been voluntarily or spontaneously ‘converted’ to industrial and market society solely through free trade propaganda, or even exclusively by the attractions of private enrichment. Through ‘a strategy without strategists’, it was necessary to conceive and establish the kinds of education of the mind, control of the body, and organization of labour, habitat, rest and leisure that were the institutional form of the new ideal of man, at once a calculating individual and a productive worker. This apparatus of efficiency furnished economic activity with the requisite ‘human resources’; it has continually produced the bodies and souls apt to function in the great circuit of production and consumption. In a word, the new normativity of capitalist societies was imposed through a particular kind of subjective normalization.

Foucault provided an initial mapping of this process, which was problematic. Contrary to what is too often claimed, the general principle of the apparatus of efficiency is not so much a ‘training of bodies’ as a ‘management of minds’. Or rather, it should be said that disciplinary action on bodies was only one moment and one aspect of the moulding of a certain *modus operandi* of subjectivity. Bentham’s panopticon is especially emblematic of this subjective moulding. The new government of human beings penetrates their thinking, accompanies it, guides it, stimulates it, and educates it. Power is no longer merely the sovereign will, but (as Bentham so well put it) becomes an ‘oblique method’ or ‘indirect legislation’, intended to

conduct the interests. Postulating free choice, creating such freedom, and practically constituting it presupposes that subjects are led by an ‘invisible hand’ to make the choices that will be advantageous to each and every one of them. In the background of this representation is to be found not so much a great engineer, on the model of the great clockmaker, as a machine that ideally functions completely on its own and finds in each subject a cog ready to respond to the needs of the disposition of the whole. But this cog has to be manufactured and maintained.

The *productive subject* was the great work of industrial society. It was not only a question of increasing material production. Power also had to be redefined as essentially productive, as a spur to production, whose limits would be determined solely by the impact of its action on production. The correlate of this essentially productive power was the productive subject – not only the worker, but the subject who produces well-being, pleasure and happiness in all areas of his existence. Political economy very soon had as its guarantor a scientific psychology describing a psychic economy consistent with it. As early as the eighteenth century, the wedding of economic mechanics and the psycho-physiology of sensations was initiated. Doubtless this was the decisive intersection that was to delineate the new economy of man governed by pleasure and pain. Governed and governable by sensations: if individuals are to be considered in their freedom, they are also incorrigible rogues, ‘potential criminals’, beings predominantly motivated by self-interest. The new politics was inaugurated with the panoptical monument erected to the glory of the monitoring of each by all and all by each.

But, it will be asked, why monitor subjects and maximize power? The response dictates itself: to produce the greatest happiness. Greater effort and better results, the minimization of unnecessary costs – such is the law of efficiency. Manufacturing useful human beings who are submissive at work and quick to consume, manufacturing *efficient man* – that is what is already outlined, and in such striking fashion, in Bentham’s oeuvre. But classical utilitarianism, notwithstanding its formidable grinding of old categories, could not overcome the multiplicity internal to the subject,³ or the separation of spheres to which it corresponded. The utility principle, whose homogenizing vocation was explicit, did not succeed in subsuming all discourses and institutions, just as the general equivalent of money did not succeed in subordinating all social activities. The plural character of the subject and the separation of practical spheres are precisely what are in question today.

THE MODELLING OF SOCIETY BY THE ENTERPRISE

As we have said, the inaugural step consisted in inventing the man of calculation making the effort to maximize pleasure and pain required by the existence of self-interested relations between individuals. Institutions were constructed to train and supervise subjects somewhat recalcitrant to this existence and to make diverse interests converge. But the discourses of institutions, starting with political discourse, were far from univocal. Utilitarianism did not establish itself as the sole legitimate doctrine – far from it. A mixture of principles persisted and the late nineteenth century even witnessed the emergence in economic relations of ‘social’ concerns, ‘social’ rights and ‘social’ policies, seriously restricting the accumulative logic of capital and thwarting a strictly contractualist conception of social exchange. The building of nation-states continued to be written in the old lexicon of the tradition of jurists and to be embodied in political forms foreign to the order of production. In a word, the norm of economic efficiency remained contained by discourses that were inconsistent with it; the new rationality of economic man remained masked and blurred by a jumble of theories.

By contrast, the neo-liberal moment is characterized by a homogenization of the discourse of man around the figure of the enterprise. The new figure of the subject effects an unprecedented unification of the plural forms of subjectivity that liberal democracy allowed to survive, and which from time to time it knew how to exploit to perpetuate its existence.

Henceforth various techniques help to manufacture the new unitary subject, which we shall variously call the ‘entrepreneurial subject’ or ‘neo-liberal subject’, or, more simply, the *neo-subject*.⁴ We are no longer dealing with old disciplines intended to train bodies and shape minds through compulsion to render them more submissive – an institutional methodology that has long been in crisis. It is a question of governing beings all of whose subjectivity must be involved in the activity they are required to perform. To this end, the irreducible element of desire that constitutes them must be recognized. The teeming proclamations in the new management literature of the importance of the ‘human factor’ must be read in the light of a new kind of power. It is now not so much a matter of recognizing that a man at work remains a man, that he is never reduced to the status of a passive object, as of viewing him as an active subject who must participate fully, commit himself utterly, and engage completely in his professional activity. The unitary subject is thus the subject of total self-involvement. The target of the new power is the desire to realize oneself, the project one wishes to pursue, the motivation that inspires the ‘collaborator’ of the enterprise, and, ultimately, *desire* by whatever name one chooses to call it. The desiring being is not only the point of application of this power; it is the relay of apparatuses for steering conduct. For the aim of the new practices for manufacturing and

managing the new subject is that individuals should work for enterprises as if they were working for themselves, thereby abolishing any sense of alienation and even any *distance* between individuals and the enterprises employing them. The individual must work at his own efficiency, at intensifying his own effort, as if this self-conduct derived from him, as if it was commanded from within by the imperious order of his own desire, which there is no question of resisting.

The new techniques of 'personal enterprise' doubtless reach a peak of alienation in claiming to abolish any sense of alienation: following one's desire and obeying the Other who speaks softly within the self are one and the same thing. In this sense, modern management is a 'Lacanian' government: the desire of the subject is the desire of the Other. It is up to the new power to make itself the Other of the subject. That is precisely what construction of the tutelary figures of the market, the enterprise and money tends to do. Above all, however, it is made possible by subtle techniques of motivation, incentivization and stimulation.

‘ENTERPRISE CULTURE’ AND THE NEW SUBJECTIVITY

Entrepreneurial governmentality pertains to a comprehensive rationality that draws its strength from its own encompassing character, since it makes it possible to describe the new aspirations and conduct of subjects, to prescribe models of control and influence that are to be exercised over them in their conduct, and to redefine the remit and forms of state action. From the subject via the enterprise to the state, a single discourse makes it possible to connect a definition of man with the way in which he wants to ‘make a success’ of his life, as well as the way that he must be ‘guided’, ‘encouraged’, ‘trained’, and ‘empowered’ to achieve his ‘objectives’. In other words, neoliberal rationality produces the subject it requires by deploying the means of governing him so that he really does conduct himself as an entity in a competition, who must maximize his results by exposing himself to risks and taking full responsibility for possible failures. ‘Enterprise’ is thus the name to be given to self-government in the neoliberal age. This ‘entrepreneurial self-government’ is something other, and much more, than the ‘enterprise culture’ referred to above. Ideological promotion of the enterprise model certainly forms part of it. The enterprise is ubiquitously depicted as the site of individual flourishing, as the instance where individuals’ desire for self-realization, their material well-being, the commercial and financial success of the work ‘community’, and their contribution to the general prosperity of the population can finally be combined. Therewith the new management aspires to an imaginary resolution of the contradiction identified in his time by Daniel Bell between the hedonistic values of consumption and the ascetic values of work.⁵

However, it would be a serious error to allow ourselves to be seduced by the new management. Just as eighteenth-century philosophy accompanied the establishment of new technologies of power with soothing music, the humanist and hedonistic statements of modern man management accompany the use of techniques geared to producing new, more effective forms of subjection. However novel, the latter are stamped with the blindest, most classical form of social violence peculiar to capitalism: the tendency to transform the worker into a mere commodity. The progressive erosion of the rights attaching to the status of worker, the insecurity gradually created in the whole wage-earning class by ‘new forms of employment’ (casual, provisional, temporary), greater ease of dismissal, the undermining of spending power to the point of impoverishing whole sections of the popular classes – these are so many developments that have led to a significant increase in the degree of dependence of workers on employers. This context of *social fear* has facilitated the establishment of neo-management in enterprises. In this respect, the ‘naturalization’ of risk in neo-liberal discourse, and the increasingly direct exposure of wage-earners to market

fluctuations through diminished protection and collective solidarity, are simply two sides of the same coin. By transferring risks to wage-earners, by generating an enhanced sense of risk, enterprises have been able to demand more flexibility and commitment from them.

This does not mean that there is nothing new about neo-management and that capitalism is basically always the same. On the contrary, its major novelty consists in the moulding whereby individuals are rendered more capable of tolerating the new conditions created for them – and this even though they help to make these conditions increasingly harsh and abiding through their own conduct. In a word, the novelty consists in triggering a ‘chain reaction’ by producing ‘enterprising subjects’ who in turn will reproduce, expand and reinforce competitive relations between themselves. In accordance with the logic of the self-fulfilling prophecy, this requires them to adapt subjectively to ever harsher conditions which they have themselves created.

This is what is not sufficiently appreciated by Luc Boltanski and Ève Chiapello in *The New Spirit of Capitalism*. Taking as their subject the ideology which, according to their definition of the spirit of capitalism, ‘justifies engagement in capitalism’,⁶ they tend to accept the new capitalism’s claims about itself in the managerial literature of the 1990s as valid currency. Certainly, it is important to underscore the extent to which such literature recuperated a certain kind of critique of bureaucracy, organization and hierarchy, the better to discredit the old model of power based on managing qualifications, statuses and careers. Nor is it unimportant to highlight how far the apologia for uncertainty, reactivity, flexibility, creativity and networks constitutes a coherent representation, full of promise, which encourages wage-earners’ adhesion to the ‘connexionist’ model of capitalism.

But this is to stress only the seductive, strictly rhetorical aspect of the new modes of power. It is to forget that the effect of the latter is to constitute a particular subjectivity through specific techniques. In a word, it is to underestimate the specifically disciplinary aspect of managerial discourse by taking its arguments too literally. This under-estimation is the obverse of an over-estimation of the ideology of individual ‘flourishing’, in an ultimately very one-sided thesis that derives the ‘new spirit of capitalism’ from the ‘artistic critique’ issuing from May ’68. Yet what developments in the ‘world of work’ bring out ever more clearly is precisely the decisive importance of control techniques in the government of conduct. Neo-management is not ‘anti-bureaucratic’. It corresponds to a new, more sophisticated, more ‘individualized’, more ‘competitive’ phase of bureaucratic rationalization; and it is only in an optical illusion that it relied on the ‘artistic critique’ of May ’68 to ensure the mutation of one form of organizational power into another. We have not emerged from the ‘iron cage’ of the capitalist economy to which Weber referred. Rather, in some respects it would have to be said that

everyone is enjoined to construct their own individual little 'iron cage'.

The new government of subjects in fact presupposes that the enterprise is not in the first instance a 'community' or a site of human flourishing, but an instrument and space of competition. Above all, it is ideally depicted as the site of all innovation, constant change, continual adaptation to variations in market demand, the search for excellence, and 'zero defects'. The subject is therewith enjoined to conform internally to this image by constant work on himself. He must constantly strive to be as efficient as possible, to appear to be totally involved in his work, to perfect himself by lifelong learning, and to accept the greater flexibility required by the incessant changes dictated by markets. His own expert, his own employer, his own inventor, his own entrepreneur: neoliberal rationality encourages the ego to act to strengthen itself so as to survive competition. All its activities must be compared with a form of production, an investment, and a cost calculation. The economy becomes a personal discipline. Margaret Thatcher provided the clearest formulation of this rationality: 'Economics are the method. *The object is to change the soul.*'⁷

Management techniques (evaluation, projects, standardization of procedures, decentralization) are supposed to make it possible to objectify the individual's conformity to the behavioural norm expected of him, to evaluate his subjective involvement by means of grids and other recording instruments on the manager's 'control panel', on pain of penalization in his job, wage, and career prospects.⁸ This does not occur, one suspects, without the greatest arbitrariness on the part of a hierarchy tempted to manipulate psychological categories that are supposed to guarantee the 'objectivity' of the measurement of skills and performance. The main thing, however, is not the accuracy of the measurement, but the kind of power that is exercised 'in depth' over the subject invited to 'give himself unreservedly', to 'surpass himself' for the enterprise, to 'motivate himself' ever more the better to satisfy the client – that is, commanded by the kind of contract linking him to the enterprise, and by the mode of evaluation applied to him, to prove his personal commitment in work.

Entrepreneurial rationality has the incomparable advantage of linking all power relations in the framework of a single discourse. In this respect, the lexicon of the enterprise has the potential to unify different 'regimes of existence'; this explains why governments resort to it widely. In particular, it makes it possible to connect the goals of the policy pursued with every component of social and individual existence.⁹ Enterprise thus becomes not only a general model to be imitated, but also a certain attitude to be promoted among children and students, a potential energy to be tapped in wage-earners, a way of being at once produced by institutional changes and productive of improvements in all areas. By establishing a close

correspondence between self-government and the government of societies, it defines a new ethic – that is, a certain internal disposition, a certain *ethos*, which must be embodied by efforts to monitor the self and which evaluation procedures are responsible for reinforcing and verifying.

To this extent, it might be said that the first commandment of the entrepreneur's ethics is 'help thyself' and that in this sense it is an ethic of 'self-help'. It will rightly be said that this ethic is not new; that it forms part of the spirit of capitalism from the start. We already find it formulated in Benjamin Franklin and better still, a century later, in Samuel Smiles, the author of a global bestseller published in 1859 entitled *Self-Help*. The latter banked exclusively on the energy of individuals, who were to be left as free as possible. But he persisted with an individual ethic – the only decisive one in his view. He did not envisage 'self-help' becoming something other than personal moral strength, which everyone should develop for themselves. Above all, he did not envisage it becoming a political mode of government.¹⁰ He even thought the opposite, basing himself on strict definitions of the private and public spheres: 'It may be of comparatively little consequence how a man is governed from without, while everything depends on how he governs himself from within.'¹¹ The main innovation of neoliberal technology precisely consists in directly connecting the way a man 'is governed from without' to the way that 'he governs himself from within'.

PERSONAL ENTERPRISE AS AN ETHOS OF SELF-VALORIZATION

But this presupposes a whole labour of rationalization extending to the most intimate dimension of the subject: a *rationalization of desire*. Rationalization of desire is at the heart of the norm of personal enterprise. As underlined by one of its technologists, Bob Aubrey, a Californian international consultant, ‘to speak of personal enterprise is to express the idea that everyone can have a grip on their life: conduct it, manage it, control it in accordance with their desires and needs by developing appropriate strategies’.¹² As a way of being of the human ego, personal enterprise is a way of governing oneself according to principles and values. Nikolas Rose identifies some of them: ‘energy, initiative, ambition, calculation and personal responsibility’.¹³ It is the efficient, competitive individual who seeks to maximize his human capital in all areas, who not only seeks to project himself into the future and calculate his gains and losses like the old economic man, but above all seeks to *work on himself* so as constantly to transform himself, improve himself, and make himself ever more efficient. What distinguishes this subject is the very process of self-improvement to which he is prompted, leading him incessantly to perfect his results and performance. The new paradigms covering the labour market, like education and training, life-long learning and ‘employability’, are significant strategic modalities of it.

It would be a mistake to disparage this dimension of the entrepreneurial ethic as merely an imposture and fraud. It is the ethic of our time. But it is not to be confused with a weak existentialism or facile hedonism. The entrepreneurial ethic certainly contains these ethical forms when it vaunts the ‘man who makes himself’ and ‘integral flourishing’. But it is distinguished by other features. The ethics of the enterprise is more bellicose in kind; it extols combat, force, vigour, success. Thus, it makes work the privileged vehicle of self-realization: it is by succeeding professionally that one makes a ‘success’ of one’s life. Work ensures autonomy and liberty, in that it is the most beneficial way of exercising one’s faculties, expending one’s creative energy, and proving one’s value. This work ethic is not an ethics of self-renunciation; it does not make a virtue of obeying orders from a superior.

As such, it is at the antipodes of the ethic of ‘conversion’ (*metanoia*) of third- and fourth-century Christian asceticism, which was precisely an ethic of ‘a break with the self’.¹⁴ It is even profoundly different from the work ethic of early Protestantism. For if it likewise summons the subject to constant self-inquisition and ‘systematic self-control’, it no longer makes success in work the ‘sign of election’, which is supposed to provide the subject with certainty about his salvation.¹⁵ If work becomes the space of freedom here, it is on condition that everyone knows how to transcend the passive status of yesterday’s wage-earner – that is, becomes a personal enterprise. The major principle of the new work ethic is the idea that individual aspirations and the

enterprise's objectives of excellence, personal projects and the enterprise's project, can only be conjoined if everyone becomes a small enterprise. In other words, it assumes conceiving the enterprise as an entity made up of small personal enterprises: 'The enterprise in the economic sense of the word is the set of enterprises of the people who make it up. Today, working individuals must not be thought of solely as employees, but as persons with strategies, life goals.'¹⁶ The same meaning attaches to the claim that 'the enterprise in the classical and economic sense of the word rests above all on the juxtaposition of the "personal enterprises" of all its members, and even of all its stakeholders (including, for example, the wage-earners of its customers and suppliers, and its environment)'.¹⁷

Concerned to secure theoretical support for this new ethic, Aubrey claims to have adopted the formula of 'personal enterprise' from Foucault, making it a method of professional training.¹⁸ While it is rather curious to see a critical analytics of power being transformed into a set of prescriptive and performative proposals for wage-earners, the aim is nevertheless highly revealing. In the new world of the 'developing society', individuals must no longer regard themselves as workers, but as enterprises that sell a service in the market: 'Every worker must seek out a customer, position himself in a market, set a price, manage his costs, undertake research and development, and train himself. In short, I believe that from the individual's standpoint his work is his enterprise and his development is defined as a personal enterprise.'¹⁹ How is this to be understood? The personal enterprise is a 'psychological and social, even spiritual entity', active in all areas and present in all relations.²⁰ Above all, it is a response to new rules of the game that radically change the work contract, to the point of abolishing it as a wage relation. Individual responsibility for enhancing the value of one's labour in a market has become the absolute principle. The relationship everyone has with the value of their labour is an 'object of management, investment and development in a labour market that is now open and increasingly global'.²¹ In other words, labour having become a 'product' whose market value can be measured with increasing precision, the time has come to replace the wage contract by a contractual relationship between 'personal enterprises'. In this regard, use of the word 'enterprise' is no mere metaphor. For the individual's activity in its entirety is conceived as a *process of self-valorization*. The term actually signifies that 'the individual's activity, in its different facets (paid work, charitable work for an association, household management, acquisition of skills, development of a network of contacts, preparation for a change of activity, etc.), is conceived as entrepreneurial in its very essence'.²²

The equivalence between market valorization of one's labour and self-valorization leads Aubrey to identify personal enterprise with a modern form of 'care of the self', a contemporary version of *epimeleia*.²³ Today, *epimeleia*

supposedly consists in ‘managing a business portfolio’, developing strategies for learning, marriage, friendship, educating one’s children, and managing the ‘capital of personal enterprise’.²⁴ Drawing on Gary Becker, Aubrey thus seeks to integrate everything that expands capital, which is as much familial as individual: experience, education, wisdom and networks, but also energy and health, ‘customer base’, ‘income and assets’. The notion of ‘personal enterprise’ assumes an ‘integration of personal and professional life’, family management of the business portfolio, and a change in relations to time, which will no longer be determined by the wage contract but by projects to be carried out with various employers. But it goes well beyond the professional world; it is a personal ethic in uncertain times. ‘Personal enterprise is finding a meaning, an engagement in the totality of one’s life.’ And this happens very early on. At the age of fifteen, people are personal entrepreneurs as soon as they ask what they are going to do with their life. Any activity is entrepreneurial, for nothing is taken for granted any more. Everything is to be won and defended at any moment. Even the child must be an ‘entrepreneur of his knowledge’. In a sense, everything becomes an enterprise: work, but also consumption, not to mention leisure, since ‘one seeks to derive the maximum wealth from it, to use it for self-accomplishment as a way of creating’.²⁵

Hence a way of redefining ‘self-mastery’: ‘Today, a new idea is emerging: we are faced with ever more, and ever more rapid, choices, possibilities, and opportunities. Self-mastery therefore no longer consists in leading one’s life in a linear, rigid and conformist way, but in proving oneself capable of flexibility, of entrepreneurship.’ The more choices there are, the greater the obligation to enhance one’s value in the market. Yet the individual’s value no longer attaches to rights miraculously acquired at birth, Aubrey adds, but is gained by ‘the enterprise one has, by one’s wish not to make do with this world of rights in which everything is given, determined, inscribed, but to enter into a world that changes, a social world in which it is necessary to enhance one’s value through exchange. The labour market forms part of that world.’²⁶

What is interesting about Aubrey’s claims is that they relate this new figure of man to a set of practical techniques disposed of by individuals to attain the form of wisdom represented by ‘self-managed development of personal enterprise’.²⁷ If ‘personal enterprise is not immediately obvious’, new exercises must replace ‘the therapeutic approach of individual and family support by supplying it with pragmatic tools and strategies’.²⁸ For what is involved is a veritable *ascesis*: ‘The genuine personal enterprise is therefore work done on oneself and in the service of others.’²⁹ Aubrey specifies: ‘Personal enterprise is not a philosophy or ideology: it is a dynamic that organizes experiences and tools conducive to people’s development in their

life situations (enterprises, neighbourhoods, community associations, family, networks, etc.). It is a life-long technique of development.³⁰

This means that everyone must learn to become an 'active' and 'autonomous' subject in and through the action they must perform on themselves. They will thus learn by themselves to mobilize 'life strategies' to increase their human capital and enhance its value. 'Self-creation and self-development' are a 'social attitude' to be acquired, a 'course of action' to be pursued, 'in order to confront the triple necessity of positioning identity, developing one's human capital and managing a business portfolio'.³¹ The entrepreneurial attitude must apply to everyone, not only to heads of enterprises or the self-employed. Similar training in personal enterprise, with the help of 'life strategy advisers', applies to everyone – training that makes it possible to offer a 'self-diagnosis' in modular seminars on various aspects of the process: 'Me and my skills', 'Me and my way of acting', 'Me and my scenario of success', and so forth.³²

THE 'ASCESSES OF PERFORMANCE' AND THEIR TECHNIQUES

If the neo-liberal ethic of the self does not stop at the boundaries of the enterprise, it is not only because career success is conflated with success in life, but more fundamentally still because modern management seeks to 'enlist subjectivities' with the aid of inspections and evaluations of personality, character dispositions, ways of being, speaking, moving, not to mention unconscious motivations.³³

Managerial discourse involves multiple techniques that suggest work on the self geared to encouraging the 'emergence of human beings as the actors of their existence'. Life in enterprise is already regarded in itself as an 'education', as the site for acquiring practical wisdom. This explains why political and economic leaders lay so much stress on everyone's participation in enterprise from the earliest age. Aubrey has argued that enterprise represents an educational journey that confers legitimacy on those who succeed in it, so that managers may be regarded 'as the equivalent of sages or masters'.³⁴

This theme is consciously adopted from the works of Foucault and Pierre Hadot on the exercises or ascetes of ancient wisdom. It will be recalled that these practices consist in creating a self that approximates to an ideal proposed in discourse. This presupposes referring to one's duties in each determinate circumstance. Foucault expanded the analysis by establishing that a certain form of self-government, a certain subjectivation, was the very condition for exercising political and religious government. This particularly applies to the relationship between self-government and the government of others in the polity as conceived by classical Greek ethics. He who is incapable of governing himself is incapable of governing others.³⁵ The identification of practices from antiquity with managerial practices is obviously a fallacious move intended to give them greater symbolic value in the market for training wage-earners. Sufficient proof of this is that the ascesis of the personal enterprise is completed by the subject's *identification* with the enterprise. This is what it must yield – what above was called the subject of total involvement. This is quite the opposite of the exercises of 'self-culture' referred to by Foucault, whose object is to establish an ethical *distance* from oneself – a distance from any social role. Nevertheless, we are dealing with what Éric Pezet has judiciously called 'ascetes of performance', which represent a rapidly expanding market.³⁶

Different techniques – coaching, neuro-linguistic programming (NLP), transactional analysis (TA) – and numerous procedures associated with a 'school' or 'guru' aim at a better 'self-mastery' – of one's emotions, stress, and relations with customers or collaborators, superiors or subordinates. Their common objective is strengthening the ego, its better adaptation to reality, its greater operability in difficult situations. They all have their own history,

theories and corresponding institutions. But they have things in common; and that is what interest us here. Firstly, they present themselves as psychological knowledge, with a specialist vocabulary, standard sources, particular methodologies, and seemingly empirical and rational ways of arguing. Secondly, they present themselves as techniques for transforming individuals that can be used inside and outside the enterprise, starting from a set of elementary principles.

Each method has its instruments, modalities and hierarchy of technicians.³⁷ Above all, it is important to note that they are techniques geared to the 'conduct of the self and others'. In other words, they are techniques of governmentality mainly aimed at enhancing the effectiveness of relations with others. Thus, in a pedagogical presentation of NLP we read: 'It is not a question of stating what is true and what isn't. It is a question of asking what is the most effective and constructive way of communicating with someone.'³⁸ Stress is thus laid on the mastery of 'communication' through greater practical knowledge of the rules of communication, be it NLP or TA. These methods are closely linked to the requirements of individual performance, which takes the form of *powers of persuasion* in selling, directing subordinates, and succeeding in an application for a job or for promotion.

To get to know oneself better through a period of meditation, self-reflection or self-diagnosis, whether aided or not by a coach, alone or in a group, within or without the enterprise, is meaningful only for the sake of achieving a better understanding of what one is doing and what the other is doing in a 'process of communication'. TA presents itself as a theory and practice seeking to learn to construct communication between equals – that is, between people in the same 'ego state' – so as to avoid 'distorted communication, where the interlocutors are not really aware of the underlying motivations that inform their statements'.³⁹ It requires getting oneself into a good frame of mind, deciphering and sending signs of acknowledgement, but above all controlling 'transactions' – the elementary units of communication – in order to make sure of the 'states of the ego' that enter into relations in communication. To acquire greater knowledge of the 'states' of one's ego, one's 'life scenario', and the rules of the different 'social games' is to understand how one communicates and therefore to control communication itself. Similarly, NLP proposes exercises in 'synchronization' with others – a technique that aims to establish a relationship through the concurrence of different verbal and non-verbal parameters, in order to be able to 'conduct' the other in line with the principle of 'pacing and leading'.

The approaches proposed are 'pragmatic'; in the terms of the prevalent vulgate, they are 'solution-orientated'. They seek not so much to say why something works, but 'how it works'. To adopt the style of the formulas we encounter in this kind of discourse, 'finding the nail responsible for a

puncture tells us nothing about how to change the wheel'. According to another fashionable formula, their strong point is 'doing what is necessary to get what you really want ... on condition that you know what you want'.⁴⁰ One of the fullest definitions of NLP clearly summarizes what is involved: 'NLP is an approach in the human sciences geared to the effectiveness of our performance in the different areas where we decide to apply it. Essentially pragmatic, it provides concrete resources for effective communication as well for developing clear objectives and achieving them.'⁴¹ The psychological theory mobilized is always determined by practical usage, to the point that we can speak of a *pragmatics of communicative effectiveness* for which control of the emotions by the ego is only ever a means (which, let it be said in passing, restores the reference to the ideal of 'self-mastery' that abounds in all these discourses to its rightful place).⁴² All of NLP's principles aim to render the individual more effective, starting with the effort at self-persuasion whereby everyone is to believe that the 'resources' are to be found in themselves: 'To suppose that each of us possesses the resources required to develop, achieve our objectives or resolve problems, encourages taking responsibility and autonomy and is a basic vector of the development of self-esteem.'⁴³

These techniques of governmentality find their largest and, no doubt, most profitable field of application in the world of work. An 'open' and 'positive' relationship to others is the precondition of productivity. Relations in the enterprise, on which everything depends, are viewed in their exclusively psychological dimension. The basic postulate is that 'personal development', better communication at work, and the overall performance of the enterprise are closely linked. The 'development of one's personal potential' is regarded as the best way to improve quality and give the client greater satisfaction. NLP is presented as a 'model of adaptation and conduct of change' for the enterprise, in a context of global competition where change is obligatory. Addressing managers, the techniques aim to help them conduct others by strengthening their 'potential', 'confidence in themselves', and 'self-esteem'. NLP promises directors of enterprises 'to increase their charisma and stimulate their leadership'. In the first instance, it makes it possible to understand the *modus operandi* of 'the people around the manager and, equipped with this knowledge, to focus energies on a shared goal': 'By its effectiveness in terms of communication, NLP will provide the manager with effective tools for motivating his team towards customer satisfaction.' Setting clear objectives; understanding human relationships and 'activating the springs of motivation'; improving inter-personal communication in the enterprise, 'key to success' ('bad communication in the enterprise wastes energy'); 'managing feedback' well, so as to 'explain effectively to a person what she is doing and so that this person improves what she is doing' – such

are some of the contributions of NLP to effective management.⁴⁴

‘MANAGEMENT OF THE SOUL’ AND MANAGEMENT OF THE ENTERPRISE

All such practical exercises in self-transformation tend to transfer the whole burden of complexity and competition exclusively onto the individual. The ‘managers of the soul’, to use a phrase of Lacan’s adopted by Valérie Brunel, introduce a new form of government that consists in guiding subjects by making them fully endorse expectations of a certain conduct and subjectivity at work.⁴⁵ If everyone must develop their personal qualities so as to react rapidly, innovate, create, ‘manage complexity in a globalized economy’, as the stereotypical phrases in use have it, it is because everyone is ideally a manager who must be counted on to solve problems. Mastery of the self and of relations of communication appears to be the pendent of a global situation that no one can now control. If global control of economic and technological processes no longer exists, people’s behaviour is no longer programmable; it is no longer wholly describable and prescriptible. Self-control is cast as a kind of compensation for an impossible control of the world. The individual is the best, if not sole, ‘tracker’ of complexity and the best actor of uncertainty.

If what is involved is ‘work on oneself’, ‘self-realization’ and ‘instilling responsibility in the self’, this in no wise means a kind of closure of the subject, taking itself for its object without any relationship to any external instance or order. To put the point with Foucault, ‘care of the self’ – if there is ‘care of the self’ – is not an end in itself, in the sense that the self is not both the object and the end of the care.⁴⁶ One does not work on the self solely to create a certain relationship to the self – that is, exclusively *for oneself*.

Moreover, contrary to what Foucault’s interpretation might be taken to imply, Pierre Hadot stresses that the ‘culture of self’ in the Hellenistic epoch (first–second centuries) referred to a certain order of the world, to a universal reason immanent in the cosmos, such that the dynamic of internalization was at the same time self-transcendence and universalization.⁴⁷ In a way, the ‘ascetics of performance’ do not escape this logic. Obviously, this order is no longer that of Stoic ‘Nature’, any more than it is the order intended by the Creator with which the ‘inner-worldly asceticism’ of the Protestant ethic was bound up. But that does not prevent this ‘asceticism’ finding its ultimate justification in an economic order that transcends the individual, since it is expressly conceived to harmonize the individual’s conduct with the ‘cosmological order’ of global competition enveloping it. Certainly, one works on the self to render oneself more efficient. But one works to render oneself more efficient so as to render the enterprise, which is the benchmark entity, more efficient. Further still, the exercises that are supposed to bring about an improvement in the subject’s conduct aim to make of the individual a ‘microcosm’ in perfect harmony with the universe of the enterprise and, over and above that, with the ‘macrocosm’ of the global

market.

Ultimately, it is a question of creating a situation where the general norm of efficiency that applies to the enterprise as a whole is relayed to individuals, by putting their subjectivity to work to enhance their performance. Greater personal well-being and professional satisfaction are posited as consequences of such enhancement. The qualities to be developed by the subject therefore refer to a social universe where 'self-presentation' is a strategic issue for the enterprise. If it is obviously necessary to be 'open', 'synchronous', 'positive', 'empathic' and 'cooperative', this is not solely for the sake of individual happiness, but firstly, and above all, so as to obtain from 'collaborators' the performance expected of them. There might seem to be something perverse about the manipulation of themes at once moral and psychological. For it is precisely as an effective instrument that one is interested in the subject and wishes to dictate to him a certain 'correct' conduct towards others. Contrary to appearances, which, however, are an integral part of managing subjectivities, it is not a question of applying psychological knowledge or ethical problematics in the world of enterprise. On the contrary, what is involved, via recourse to psychology and ethics, is constructing techniques of self-government that are themselves part of the government of the enterprise.

Such is the basis of the theory of Will Schutz, the US psychologist who is the author of a theory called 'fundamental interpersonal relations orientation' (FIRO). In *The Human Element: Self-Esteem, Productivity and the Bottom Line*, he writes: 'I choose my own life – my behaviour, thoughts, feelings, sensations, memories, health, everything – or I choose not to know I have a choice. I am autonomous when I choose the whole of my life.'⁴⁸ In other words, when one cannot change the world, it only remains to invent oneself. Neither the enterprise nor the world can be altered; they are incorrigible givens. Everything is a matter of the subject's interpretation and reaction. Schutz further writes: 'stress is not only a function of "stressors" ... but also a function of how I interpret and react to them'.⁴⁹ Techniques of the self and techniques of choice are merged completely. Once the subject is fully conscious and in control of his choices, he is also fully responsible for what happens to him. The correlate of the 'irresponsibility' of a world that has become ungovernable by dint of its global character is the infinite responsibility of the individual for his own fate, for his capacity to succeed and be happy. Not being weighed down by the past, cultivating positive expectations, having effective relations with others: the neo-liberal management of oneself consists in manufacturing a high-performance ego, which always demands more of the self, and whose self-esteem paradoxically grows with its dissatisfaction at past performance. Economic problems are viewed as organizational problems and the latter, in turn, are reduced to

psychic problems linked to insufficient mastery of oneself and one's relations with others. The source of effectiveness lies within the self; it can no longer derive from an external authority. Intra-psychic work becomes necessary to seek out underlying motivations. Bosses can no longer dictate; they must elicit, strengthen and sustain motivation. Economic and financial constraints are thus transformed into self-constraint and *self-blame*, since we alone are responsible for what happens to us.

The self's new norm certainly consists in flourishing. To succeed, you must know yourself and love yourself. Hence the stress on the magical expression 'self-esteem', key to all success. But these paradoxical statements about the injunction to be oneself and love oneself as one is are inscribed in a discourse that sets legitimate desire in order. Management is an iron discourse in a velvet vocabulary. Its peculiar efficacy stems from the lexical, methodological and relational rationalization to which the subject is summoned. With these methods, which claim to 'develop the person', we are essentially dealing with managerial procedures and fully commercial products, as Valérie Brunel stresses. Their technical procedures, their presentational schemas, their division of labour between technicians and practitioners, their standardized, transmissible codes, their 'directions for use', their sales arguments, their methods of persuasion – these are different aspects of a human 'technology' conceived as such and sold as an approved consumer product. Intellectual products packaged to create the impression that they contain high value added, and thus are worth their price, they are also tools that are easy to use and produce rapid results.

Moreover, self-management is a matter of intense business, mobilizing large oligopolistic machines and small artisans seeking to carve out a niche in the 'personal development' market. There is nothing surprising about this commercial expansion. Let us not forget that techniques of self-management aim at a 'transformation' of the whole person in every area of his existence. And this for at least two complementary reasons. All areas of individual life potentially become indirect 'resources' for the enterprise, since they provide opportunities for the individual to improve his personal performance; all areas of existence are the responsibility of self-management. It is therefore *subjectivity in its entirety*, not only the 'person at work', who is summoned to this mode of management. All the more so in that the enterprise recruits and evaluates in accordance with increasingly 'personal', physical, aesthetic, relational and behavioural criteria.

RISK: A DIMENSION OF EXISTENCE AND AN IMPOSED LIFESTYLE

The new subject is regarded as the possessor of a ‘human capital’ – a capital to be accumulated through enlightened choices that are the fruit of responsible calculation of costs and benefits. The results achieved in life are the result of a series of decisions and efforts that come down exclusively to the individual and require no special compensation in the event of failure, other than that provided for by voluntary private insurance contracts. The distribution of economic resources and social positions is exclusively regarded as the consequence of trajectories, successful or otherwise, of personal realization. The entrepreneurial subject is exposed in all areas of life to vital risks from which he cannot extricate himself, their management being a matter of strictly private decisions. To be a personal enterprise assumes living entirely *in risk*. Aubrey establishes a close relationship between the two: ‘Risk forms part of the notion of personal enterprise’; ‘personal enterprise is reactivity and creativity in a world where one does not know what tomorrow will bring’.⁵⁰

This dimension is not new. Market logic has long been associated with the dangers of slump, loss and bankruptcy. The problematic of risk is inseparable from ‘market risks’, which have had to be protected against by resort to insurance techniques since the end of the Middle Ages. The novelty attaches to the universalization of a style of economic existence hitherto reserved for entrepreneurs. In the eighteenth century, the financier and physiocrat Richard Cantillon established as an ‘anthropological’ principle that a distinction was to be made between those ‘on fixed wages’ and those ‘on unfixed wages’ – that is, entrepreneurs:

By all these inductions, and an infinity of others that could be made to extend this matter to the entire population of the state, it may be established that, except for the prince and the property owners, all the inhabitants of a state are dependent. They can be divided into two classes, entrepreneurs and hired workers. The entrepreneurs are on unfixed wages while the others are on fixed wages while there is work, although their functions and ranks may be very unequal. The general who has his pay, the courtier his pension and the domestic servant who has wages, all fall into this last class. All the others are entrepreneurs, whether they are set up with capital to conduct their enterprise, or are entrepreneurs of their own labor without capital, and they may be regarded as living under uncertainty; even the beggars and robbers are entrepreneurs of this class.⁵¹

Henceforth every individual should be on ‘unfixed wages’, ‘beggars and robbers’ included. This is precisely the content of the political strategies actively encouraged by employers. The contrast between two sorts of human beings – the ‘risk-loving’, who are courageous and dominant, and the ‘risk-averse’, who are timid and dominated – was consecrated by two theoreticians connected to French employers, François Ewald and Denis Kessler.⁵² They

maintained that any 'social reformation' presupposed the transformation of the maximum number of individuals into 'risk-lovers'. In his turn, a few years later, Laurence Parisot, the French employers' leader, would put it more directly: 'Life, health, and love are precarious; why should work escape this law?'⁵³ By this we are to understand that legislation should conform to the new 'natural law' of precariousness. In this discourse, risk is projected as an ontological dimension that is the twin of the desire driving everyone. To follow one's desires is to run risks.⁵⁴

However, if, from this standpoint, 'living in uncertainty' appears to be a *natural* condition, things look quite different as soon as we situate ourselves on the terrain of actual practices. When reference is made to the 'risk society', we must be clear about the claim. The social state dealt with a number of professional risks bound up with the condition of wage-labour through compulsory social insurance. The production and management of risk now follow a quite different logic. In reality, what is involved is the social and political manufacture of individualized risks, such that they can be managed not by the social state, but by those increasingly numerous and powerful enterprises which offer strictly individual 'risk management' services. 'Risk' has become a full-fledged market sector, to the extent that it involves producing individuals who will decreasingly be able to count on forms of mutual aid from their local milieus or public mechanisms of solidarity. In the same way and by the same stroke as the subject of risk is created, the subject of private insurance is created. The way that governments reduce socialized cover of health expenses or retirement pensions, transferring their management to private insurance firms, unit trusts or mutuals required to operate in accordance with an individualized logic, makes it possible to establish that we are dealing with a genuine strategy.

In our view, this is what should be concluded from Ulrich Beck's work and his book *The Risk Society*. For Beck, advanced capitalism is essentially destructive of the *collective* dimension of existence. It destroys not only the traditional structures that preceded it – in the first instance, the family – but also the structures which it helped create, such as social classes. We are witnessing a radical individualization that leads to all forms of social crisis being perceived as individual crises and all inequalities being made the responsibility of individuals. The established machinery transforms external causes into personal responsibilities and 'problems of the system are lessened politically and transformed into personal failure'.⁵⁵ What Beck calls 'agents of their own subsistence mediated through the market' are individuals 'liberated' from tradition and collective structures, liberated from the statuses that assigned them a place. Now these 'free' beings must 'self-reference' – that is, equip themselves with social reference-points and

acquire social value at the cost of a social and geographical mobility without any assignable limits. While such individualization through the market is not new, Beck clearly shows that it has become more radical today. The 'welfare state' played a highly ambiguous role, aiding the replacement of community structures by the 'counters' of social provision. Its apparatuses played a major role in constructing 'social risks' whose cover was logically 'socialized'. But its methods of financing, like its principles of distribution, made it a reality that these 'social risks' derived from the functioning of economy and society, in their causes (unemployment) as in their potential effects (the state of health of manual labour).

The new norm as regards risk is the 'individualization of fate'. The extension of 'risk' coincides with a change in its nature. It is less and less 'social risk' taken care of by some policy of the social state; it is more and more 'life risk'. By virtue of the presupposition of the unlimited responsibility of the individual discussed above, the subject is regarded as responsible for this, as for his choice of cover. We find here the idea that he must prove himself 'active', be a 'manager' of his risks; and, consequently, that it is important to elicit and support an active approach to employment, health, and education and training. For some theoreticians of this new course, like Ewald, the society of individual risk presupposes an 'information society': the role of public authorities and enterprises should consist in providing reliable information on the labour market, the education system, the rights of patients, and so forth.⁵⁶

Here we find ideological complementarity between the market norm based on the rational subject's 'free choice' and the 'transparency' of social functioning, which is the precondition for optimal choice. Above all, however, this establishes a mechanism that identifies the *sharing* of risk and the *bearing* of risk. Once it is assumed that the individual is in a position to access the information required for his choice, we must assume that he becomes fully responsible for the risks run. In other words, establishing an information apparatus of a commercial or legal variety facilitates a transfer of risk to the sick person who 'chooses' a treatment or operation, to the student or 'unemployed person' who 'chooses' a form of training, to the future retired person who 'chooses' a savings scheme, to the traveller who accepts the conditions of travel, and so forth. We can then understand how the establishment of indicators and 'league tables' forms part of the extension of the neo-liberal mode of subjectivation. Any decision, be it medical, educational, or professional, belongs entirely to the individual. This, it must be remembered, has some resonance with the individual, in as much as he aspires to control the course of his life, his unions, his reproduction and his death. But it is as if this 'individualistic' ethics was an opportunity to put all the costs down *to the charge* of the subject through risk-transfer mechanisms

that have nothing 'natural' about them. Basically, the strategy consists in starting from aspirations to personal decision-making in life choices to reinterpret risks as life choices. Aubrey formulated this shift very clearly: 'Risk has become a very personalized micro-risk: as soon as I have a job, this job is at risk; as soon as I have health, this health is at risk; as soon as I am in a relationship, this couple is at risk.'⁵⁷

‘ACCOUNTABILITY’

The novelty of entrepreneurial government consists in the general, transversal, systematic character of the kind of leadership based on individual responsibility and self-control. This faculty of responsibility is not taken for granted, but held to be the result of an internalization of constraints. The individual must govern himself from within through a technical rationalization of his relationship to himself. Being a ‘personal entrepreneur’ means that one succeeds in making oneself the optimal instrument of one’s own social and professional success. But exclusive reliance on the technology of ‘training’ and ‘coaching’ will not do.

The establishment of auditing, monitoring and evaluating techniques aims to augment this requirement of self-control and individual performance. If coaches in effective subjectivity aim to make everyone a ‘self-expert’,⁵⁸ the main thing (as Éric Pezet has clearly seen) is to manufacture *accountable* man. Techniques for producing the high-performance ego are closely connected with this mode of control as so many preparatory moments or restorative sequences.

Following the various meanings of the English phrase, this means that individuals must be responsible for themselves, accountable for their actions to others, and wholly calculable. As Pezet writes, “the making accountable” of individuals not only makes them responsible, but they become accountable for their behaviour on the basis of scales of measurement set by human resources departments and managers’.⁵⁹ ‘Evaluation’ has become the principal means of inflecting conduct by incentivizing individual ‘performance’. It can be defined as a relationship of power exercised by superiors in the command chain, cast as experts in outcomes – a relationship whose effect is an *accountable subjectivation* of those evaluated. Agreeing to be judged by evaluations and to suffer the consequences, the subject thus becomes an evaluable subject at every instant – that is, a subject who knows he depends on an evaluator and the tools he employs, all the more so in that he has been trained to acknowledge in advance both the competence of the evaluator and the validity of the tools.

The neo-liberal subject is therefore not the Benthamite subject. The latter, we remember, is governable by calculation because he is calculating. Unlike in classical utilitarianism, it is no longer enough merely to possess a legal framework, and a set of universally known measures of ‘indirect legislation’, for everyone to calculate as well as possible. It is a question of using instruments that are much closer to the individual (the immediate superior), more constant (the continuous results of activity), and more objectifiable (the quantitative measurements done by IT records).

The neo-liberal subject is no longer exactly the man who can be located in administrative classificatory systems, distributed into categories according to

qualitative criteria, allocated to the compartments of the exhaustive charts of private and public industrial bureaucracy. The erstwhile 'organization man' was guided by the calculation he could make of his interests in accordance with a career plan that was relatively predictable, on account of his status, qualifications and place in a grid of qualifications. The old system of bureaucratic judgement was based on the statistical probability of a link between the situation of the individual in the classification and his personal effectiveness. Everything changes when one no longer seeks to prejudge the effectiveness of the subject by his titles, degrees, status and accumulated experience – i.e. his place in a classification – because things are left to the more subtle, more regular evaluation of his competence actually carried out at every instant. The subject is no longer valuable for the statutory qualities assigned him in the course of his educational and professional career, but for the directly measurable use-value of his labour-power. We therewith see that the human model of personal enterprise is required in this mode of power, which seeks to impose a regime of sanctions equivalent to the market's.

The ideal, which represents something like the model of this activity of evaluation, including in the sectors furthest removed from financial practice (mental health, education, home care, justice), would consist in being able to evaluate the profits generated by each team or individual regarded as responsible for the shareholder value created by their activity.⁶⁰ Transposition of the audit to which the enterprise's 'profit centres' are subject to the totality of economic, social, cultural and political activities triggers a veritable logic of *financial subjectivation* of wage-earners. Any product becomes a 'financial object' and the subject himself is established as a creator of shareholder value responsible to shareholders.⁶¹

Everything indicates that the principal change introduced by evaluation is subjective in kind. Whereas the new technologies focused on producing 'personal enterprise' seem to answer to wage-earners' aspirations for more autonomy at work, the evaluative technology accentuates dependence on the 'managerial chain'. Compelled to achieve 'his' objective, the subject of evaluation is also compelled to impose the enterprise's priorities on others – subordinate, customer, patient or pupil. The Post Office counter-clerk must increase sales of some 'product', exactly like the financial adviser of any bank. But the doctor too must sometimes prescribe profitable 'acts' and sometimes free up beds as quickly as possible. One of the most incontestable effects is that 'transactions' take up more and more space at the expense of 'relations'; that instrumentalization of others gains in importance, to the detriment of all other possible ways of relating to others. More fundamentally, however, the transformation consists in the way that subjects are required actively to participate in an apparatus which is decidedly different from the apparatus typical of the industrial era. The technique of

the self is a technique of performance in a competitive field. It aims not only at adaptation and integration, but also at enhanced performance.

THE NEW 'PERFORMANCE/PLEASURE' APPARATUS

We shall not understand the scale of the deployment of neo-liberal rationality, or the forms of resistance it encounters, if we regard it as the imposition of a mechanical force on a society and individuals who are its external points of application. As we have seen, the power of this rationality stems from establishing situations that force subjects to function in accordance with the terms of the game imposed on them. But what is it to function as an enterprise in the context of a situation of competition? How far does it lead us to a 'new subject'? Here we shall only deal with some of the elements that make up the performance/pleasure apparatus, and which directly demonstrate its novelty compared with the industrial apparatus of effectiveness.

The new subject is the man of competition and performance. The self-entrepreneur is a being made to 'succeed', to 'win'. Much more so than the idealized figures of heads of enterprises, competitive sport is the great social theatre that displays the modern gods, demi-gods and heroes.⁶² While the cult of sport dates from the early twentieth century, and proved perfectly compatible with fascism and Soviet communism, as well as Fordism, it experienced a major turning-point when it permeated the most diverse practices from within, not only by lending them a vocabulary, but, more decisively, through a logic of performance that transforms its subjective meaning. This is true of the professional world, but also of many other areas – for example, sexuality. In the vast 'psychological' discourse that analyses them, encourages them and surrounds them with advice of every kind today, sexual practices become exercises in which everyone is encouraged to compare themselves with the socially requisite norm of performance. Number and duration of relationships, quality and intensity of orgasms, variety and attributes of partners, number and types of position, stimulation and maintenance of the libido at all ages – these become the subject of detailed inquiries and precise recommendations. As Alain Ehrenberg has shown, above all since the 1980s, sport has become a 'ubiquitous principle of action' and competition a model of social relations.⁶³ 'Coaching' is simultaneously an index and means of the constant analogy between sport, sex and work.⁶⁴ More so, perhaps, than economic discourse on competitiveness, this model has made it possible to 'naturalize' the duty of performance, which has diffused to the masses a normativity centred on generalized competition. In this apparatus, the enterprise readily identifies with winners, whom it sponsors and whose image it uses, while the world of sport, as we know, is becoming an unabashed laboratory of business. Sportsmen and women are perfect embodiments of the self-entrepreneur, who have no hesitation in selling themselves to the highest bidder without any considerations of loyalty and fidelity. Furthermore, maintenance of one's

body, self-improvement, the search for powerful sensations, fascination with 'extremes', the taste for active leisure, and an idealized overcoming of 'limits' indicate that the sporting model is not reducible to the entertaining spectacle of the 'powerful' devouring one another. A number of so-called 'Reality TV' games also illustrate the 'struggle for existence', in which only the most malign and often the most cynical succeed in 'surviving' (*Survivor* and its French version, *Koh Lanta*), reactivating in a completely different context the myth of Robinson Crusoe and the 'survival of the fittest' in situations of extraordinary danger. No doubt this kind of contemporary robinsonnade radicalizes the new social norm, but it only brings out all the better an imaginary in which performance and pleasure are strictly inseparable.

The neo-liberal subject is produced by the 'performance/pleasure' apparatus. Numerous works stress the paradoxical character of the subjective situation. Sociologists multiply 'oxymorons' in an attempt to express how things stand with it: 'controlled autonomy', 'compulsory involvement.'⁶⁵ Yet all such phrases presuppose a subject external and prior to the specific power relationship that precisely constitutes it as a governed subject. However, when power and subjective freedom are no longer counter-posed, when it is argued that the art of governing consists not in transforming a subject into a mere passive object, but in leading a subject to do what he agrees to want to do, the question is seen in a different light. The new subject is no longer that of the production/saving/consumption cycle, typical of an earlier period of capitalism. Not without tensions, the old industrial model combined a Puritan asceticism of work, satisfaction of consumption, and hopes for peaceful enjoyment of accumulated goods. The sacrifices made in work ('disutility') were balanced against the goods that could be acquired thanks to income ('utility'). As recalled above, Daniel Bell had demonstrated the increasingly acute tension between this ascetic tendency and this consumerist hedonism – a tension which, according to him, reached a peak in the 1960s. Without yet being in a position to observe it, this was to glimpse a resolution of the tension in an apparatus identifying performance and pleasure, and whose principle is 'excess' and 'self-transcendence'. For what is involved is not doing what one knows how to do and consuming what one needs, in a kind of balance between disutility and utility. The new subject is requested to produce 'ever more' and enjoy 'ever more', and thus to be directly connected to a 'surplus-enjoyment' that has become systemic.⁶⁶ Life itself, in all its aspects, becomes the object of apparatuses of performance and pleasure.

This is the dual meaning of a managerial discourse that makes performance a duty and an advertising discourse that makes pleasure an imperative. To stress nothing but the tension between the two would be to neglect everything that establishes equivalence between the duty of performance and

the duty of pleasure. It would be to underestimate the imperative of 'ever more', which aims to intensify the effectiveness of every subject in all areas – educational and professional, but also relational, sexual, and so forth. 'We are the champions' – such is the hymn of the new entrepreneurial subject. From the song's lyrics, which in their way heralded the new subjective course, the following warning in particular must be retained: 'No time for losers'. What is new is precisely that the loser is the ordinary man, the one who in essence loses.

The social norm of the subject has in fact changed. It is no longer balance, the average, but maximum performance that becomes the focal point of the 'restructuring' of the self mandatory for everyone. The subject is no longer required simply to be 'conformist', to slip ungrudgingly into the ordinary garb of agents of economic production and social reproduction. Not only is conformism no longer enough. It even becomes suspect, in as much as subjects are enjoined to 'surpass themselves', to 'push back the limits', as managers and trainers say. More than ever, the economic machine cannot work at equilibrium, and still less at loss. It must aim at a 'beyond', a 'more', which Marx identified as 'surplus-value'. This exigency peculiar to the regime of capital accumulation had not hitherto exhibited all its effects. This occurs when subjective involvement is such that the quest for a 'beyond the self' is the precondition for the functioning of subjects and enterprises alike. Hence the interest in identifying the subject as personal enterprise and human capital. The extraction of a 'surplus-pleasure' from oneself, from one's pleasure in living, from the simple fact of being alive, is precisely what makes the new subject and the new system of competition function. 'Accountable' subjectivation and 'financial' subjectivation ultimately define a form of *subjectivation as an excess of self over self, or boundless self-transcendence*. In this way, an original figure of subjectivation is delineated. It is not a 'trans-subjectivation', which would involve aiming at a beyond the self that establishes a break with the self and self-renunciation. Nor is it a 'self-subjectivation' whereby one would seek to attain an ethical relationship to the self independently of any other goal, whether political or economic in kind.⁶⁷ In a way, it is an 'ultra-subjectivation',⁶⁸ whose goal is not a final, stable condition of 'self-possession', but a beyond the self that is always receding, and which is constitutionally aligned in its very regime with the logic of enterprise and, over and above that, with the 'cosmos' of the world market.

FROM EFFICIENCY TO PERFORMANCE

Wherein lies the difference with classical economic man? The soul remained dependent on the body as the material foundation of sensations, ideas, hopes and motivations. If Foucault at one point seemed to restrict the field of discipline to the training and management of bodies, it is precisely because corporeal characteristics had primacy in classifying and distributing individuals, as it did in the way they were managed. In a sense, the division of labour, which allocated bodies and distributed activities, was the paradigm for managing subjects. All of classical utilitarianism was governed by this precedence, even in the idea that the springs of motivation could be reached by means of words. The principle of utility itself was based on the idea that everything pertaining to corporeal and therefore psychic power should serve to the utmost, without any respite. The body as primary datum was to be rendered fully useful by the classical disciplines. 'The disciplines function increasingly as techniques for making useful individuals', Foucault stressed.⁶⁹

Things have moved on since then. The 'natural framework of the human body' fixed limits to pleasure and performance that have become unacceptable today. The body is now the product of a choice, a style, self-fashioning. Everyone is accountable for their body, which they reinvent and transform as they please. The new discourse of pleasure and performance obliges people to furnish themselves with a body that can always surpass its current capacities for production and pleasure. The same discourse *equalizes* everyone in the face of these new obligations: no handicap of birth or environment represents an insurmountable obstacle to personal involvement in the general apparatus. Such a turn only became possible once the 'psy' function, supported by 'psy' discourse, was identified as the motor of conduct and the target-object of a potential transformation by 'psy' techniques. Not that the neo-liberal subject is the direct product of this construction. But discourse on the subject has brought together psychological statements and economic statements to the point of fusing them. In reality, this subject is a *composite effect*, as was the individual of classical liberalism. The latter was the amalgamated product of a multiplicity of considerations of various kinds (anatomy and physiology were combined with political economy and moral science to furnish it with a solid intellectual basis). In the same way, the figure of the 'personal enterprise' was gradually constructed by combining the psychological conception of the human being, the new economic norm of competition, the representation of the individual as 'human capital', the cohesion of the organization by means of 'communication', and the social bond as a 'network'.

In works strongly influenced by Foucault's research, Nikolas Rose has shown that 'psy' discourse, with its power of expertise and scientific legitimacy, made a major contribution to defining the modern governable

individual.⁷⁰ Construed as an ‘intellectual technology’, ‘psy’ discourse made it possible to conduct individuals on the basis of knowledge of their internal constitution. In so doing, it formed individuals who have learnt to conceive themselves as psychological beings, to judge themselves and alter themselves by working on themselves, at the same time as it supplied institutions and rulers with resources for directing their conduct. By conceiving the subject as the site of passions, desires and interests, but also of norms and moral judgements, it was possible to understand how psychological forces are motives of conduct and how to act technically on the psychic terrain through tailor-made systems of stimulation, encouragement, reward and punishment. A whole set of techniques of diagnosis and ‘psychic orthopedics’, in the educational, professional and family spheres, was thus integrated into industrial societies’ major apparatus of effectiveness. The guiding idea was a mutual adjustment of psychological springs and social and economic constraints, which has learned to view the ‘personality’ and the ‘human factor’ as an economic resource to be properly ‘looked after’.

The psychologization of social relations and the humanization of work long went hand in hand, with the best of intentions. Ergonomists, sociologists and psychologists sought to respond to workers’ aspirations to live a more rewarding life at work and even find pleasure in it. By the same token, the subjective dimension became as much a reality in itself as an objective tool of the enterprise’s success. ‘Motivation’ in work emerged as the principle of a new way of directing human beings at work, but also pupils in schools, patients in hospitals, and soldiers on the battle field. Subjectivity, composed of emotions and desires, passions and feelings, beliefs and attitudes, was regarded as the key to the performance of enterprises. Work specifically geared to reconciling desiring subjectivity and the enterprise’s goals was undertaken by human resources departments, recruitment agencies and training experts. This entrepreneurial ‘humanism’ was supported from without by all well-intentioned reformers, who believed that a secure, flourishing worker was a more motivated, and therefore more efficient, worker. Hence the stress on group harmony, a ‘sense of belonging’, and ‘communication’, with its therapeutic virtues and powers of persuasion. As Rose notes, ‘democracy marched hand in hand with industrial productivity and human satisfaction’.⁷¹ Numerous accounts, at the intersection of psycho-sociology and trade-union and political engagement, even regarded the impact of a ‘democratic style of leadership’ on ‘collective subjectivity’ as a scientific argument in favour of self-managed socialism.

When it coincided with economic discourse, ‘psy’ discourse had other effects in everyday culture by conferring a scientific form on the ideology of choice. In an ‘open society’, everyone has the right to live as they wish, to choose what they want, and to follow their preferred fashions. Freedom to

choose was not initially received as a 'right-wing' economic ideology, but as a 'left-wing' norm of behaviour, according to which no one may oppose the realization of one's own desires. Economic formulations and 'psy' formulations intersected, making the new subject supreme arbiter between different 'products' and styles in the great market of codes and values. This conjunction also gave rise to techniques of the self geared to individual performance through a managerial rationalization of desire. But it was a different modality of this conjunction that made deployment of the performance/pleasure apparatus possible. It consists in asking not to what extent the individual and the enterprise can adapt to one another, but how the psychological subject and the subject of production can *identify*. To speak in Freudian terms, the issue is no longer that of getting individuals to make the transition from the pleasure principle to the reality principle – the therapeutic goal of supporters of an 'adaptive' psychoanalysis promising greater happiness to the best-adapted.⁷² The issue is getting them to make the transition from the pleasure principle to *beyond* the pleasure principle. The identification of the two subjects recedes from homeostatic horizons of equilibrium, occurring in a logic of intensification and boundlessness. No doubt it will be said that the illusion of healthy pleasure, of the adaptation of subject and object, in the form of 'self-realization' and 'self-mastery' is maintained.

But that is not the main thing. In this respect, while Rose is right to argue that 'psy' techniques and the governmentality peculiar to liberal democracies belong together, he does not sufficiently appreciate that the ideal of self-mastery no longer characterizes the specifically neo-liberal subjectivity.⁷³ Freedom has become an obligation of performance. Normality no longer consists in mastery and regulation of drives, but in their intensive stimulation as the primary source of energy. For it is around the norm of competition between personal enterprises that the fusion of 'psy' discourse and economic discourse occurs, that individual aspirations and the enterprise's aim to excel become identified – in short, that 'microcosm' and 'macrocosm' are harmonized.

Management is obviously not alone in ensuring this conjunction. Marketing is an incessant, ubiquitous *incitement-to-enjoy*, which is all the more effective in that, through the mere possession of the signs and objects of 'success', it promises some impossible ultimate pleasure. A vast magazine literature, a continuous outpouring of TV and radio broadcasts, a non-stop political and media theatre, and an enormous advertising and propagandistic discourse incessantly display 'success' as the supreme value, whatever the means. 'Success' as spectacle is valid in and of itself. It simply attests to a desire to succeed, despite the inevitable failures, and to contentment at having done so, at least for a moment in life. It is the very image in which the

performance/pleasure apparatus is distilled. In this regard, political leaders of a new type like Silvio Berlusconi or Nicolas Sarkozy are emblematic of the new subjective course.⁷⁴

CLINICAL DIAGNOSES OF THE NEO-SUBJECT

Such a subject invests his truth in the verdict of success; he submits to a ‘truth game’ in which he proves his value and his being. Performance is precisely the truth as defined by managerial power. This global apparatus generates pathological effects that no one escapes completely. Via the abundant contemporary clinical literature, we can distinguish a number of symptoms. They have something in common: they can all be related to the erosion of the institutional frameworks and symbolic structures in which subjects found their place and identity. Such erosion is a direct consequence of the general, explicit substitution of the enterprise for the institution or, more precisely, of the *mutation of the institution into the enterprise*. The latter now tends to be the main institution dispensing rules, categories and legitimate taboos. It is also qua enterprise that other institutions possess the legitimacy to fix rules and social identities. Finally, any institution shares in normativity in the manner of an enterprise, in accordance with the logic of efficiency and competition.

The paradox around which clinical diagnosis revolves is that the institutions which allocate places, fix identities, stabilize relations and impose limits, are increasingly governed by a *principle of continuous transcendence of limits* – a principle that neo-management precisely has the task of implementing. The ‘unbounded world’ does not pertain to some return to ‘nature’, but is the effect of a particular institutional regime that regards any limit as potentially already outmoded. Far removed from the model of a central power directly controlling subjects, the performance/pleasure apparatus is apportioned into diversified mechanisms of control, evaluation and incentivization and pertains to all the cogs of production, all modes of consumption, and all forms of social relations.

Here we propose to sketch an overview of the diagnoses made by the developing clinical research.

Suffering at Work and Thwarted Autonomy

The effects of management by objectives and projects have formed the subject of numerous sociological and psychological analyses, some of which have had considerable impact.⁷⁵ Along with a growth in suicides in the workplace, 'stress' and 'harassment' at work are now recognized as 'psycho-social risks' that are painful, dangerous and particularly costly for collective insurance.⁷⁶

While these symptoms are frequently dependent on an intensification of work, itself bound up with working to deadlines and the perverse effects of reduced working hours on productivity constraints, mental pathologies like stress are related to the individualization of responsibility in achieving objectives. Facing impossible tasks or two sets of imperatives on their own, wage-earners run a greater risk than before of losing the respect of their bosses or equals. The erosion of work collectives reinforces wage-earners' isolation. Increased controls call into question 'social interaction' in the organization – the margin of freedom permitted by the wage relation, which gives work meaning – just as it thwarts wage-earners' aspiration to greater real autonomy.⁷⁷ Having become normal, professional risk exposes the individual to constant vulnerability, which management textbooks interpret positively as an exciting, enriching condition ('a test that enhances you'). When the managerial subject has invested his narcissism in the conjoint success of self and enterprise in a climate of competitive war, the least 'reversal of fortune' can produce extremely violent effects. By internalizing market constraints, neo-liberal management of the enterprise introduces the uncertainty and brutality of competition and has them shouldered by subjects in the form of personal failure, shame and depreciation.

The contradictions of the new organization of work, evinced by the sociological oxymorons already referred to ('compulsory involvement', 'flexible constraint', etc.), serve only to compound professional disappointments and block any possibility of an open, collective conflict. Once the team and individual have agreed to accept the logic of evaluation and personal responsibility, there can no longer be any real contestation, precisely because subjects accomplish what was expected of them out of self-constraint.⁷⁸ In any case, subjects at work appear all the more vulnerable in that management has demanded of them complete commitment of their subjectivity.⁷⁹ Doubtless one of the paradoxes of the new managerial power, which demands this commitment, is the de-legitimation of conflict entailed by the fact that the constraints imposed are 'without a subject'; that they have no identifiable architects or sources; that they are given as wholly objective. Social conflict is blocked because power is illegible. No doubt this explains some of the new symptoms of 'psychic suffering'.

The Erosion of Personality

Following some observations by Marcel Mauss on the historical and cultural character of the person, a number of sociologists have highlighted the 'liquidity', 'fluidity', or 'evanescence' of contemporary personalities. For Richard Sennett, flexible organization, sometimes depicted as an opportunity to freely fashion one's life, in fact corrodes 'character' and erodes everything that is stable in the personality: its links to others, values and reference-points. The time of existence is less and less linear, less and less programmable. In this respect, the most tangible sign of the new normativity is 'no long term'.⁸⁰ Work no longer affords a stable framework, a predictable career, and a set of robust personal relations. Instability of 'projects' and 'missions', continual variation in 'networks' and 'teams': instead of social relations involving a minimum of loyalty and fidelity, the professional world becomes a set of one-off 'transactions'. This has an impact on private life, family organization and self-representation: 'short-term capitalism threatens to corrode ... character, particularly those qualities of character which bind human beings to one another and furnish each with a sense of sustainable self'.⁸¹ In particular, wage-earners no longer find support in the experience accumulated during their professional life.

This tendency to consider nothing but immediately utilizable competences explains their rapid obsolescence, as it does the eviction of 'seniors' from professional life. It has a complex relationship with the representation of life as a 'human capital' saved over time. In fact, the latter is subject to the same risk of depreciation as technical capital. This profoundly affects individuals faced, as they grow older, with a depressing sense of their social and economic uselessness. The practical principles are clearly stated in Sennett's inquiry among wage-earners: 'you've always got to prove yourself; it is necessary to 'start all over again'. The impact is multiple: accelerated professional attrition and relational and psychic 'chaos'. The new personality? In Sennett's words, a 'pliant self, a collage of fragments unceasing in its becoming, ever open to new experience'.⁸²

Demoralization

We saw above how far neo-management tended to control behaviour and attitudes by appealing for a constant effort of self-constraint.⁸³ Such 'asceticism' in the service of the enterprise's performance, combined with regular evaluation of wage-earners in the 'managerial chain', normalizes conduct, while at the same time destroying subjects' engagement with one another. Relations, feelings and positive emotions are mobilized in the name of efficiency. Eva Illouz stresses the extent to which the space of the enterprise and consumption is saturated with feelings that are instrumentalized by economic strategies.⁸⁴ The importance of the theme of 'emotions' in training and tests – emotional capital, emotional intelligence, emotional skills – refers to this obligation of well-being and love, which introduces constant doubt about the sincerity of the feelings expressed.

The erosion of social bonds is expressed in the questioning of generosity, fidelity, loyalty and solidarity – everything that pertains to social and symbolic reciprocity in workplaces. Since the main quality expected of the contemporary individual is 'mobility', the tendency to detachment, and the resulting indifference, stymies attempts to exalt 'team spirit' and solder the 'enterprise community'. But the promotion of teamwork in the new organization of work has nothing to do with constituting collective solidarity. The variously formed team is strictly operational and, vis-à-vis its members, operates as a lever to achieve the assigned objectives. More broadly, the ideology of the success of the individual 'who owes no one anything' – self-help – is destructive of the social bond, in as much as the latter is rooted in duties of reciprocity to others. How are subjects who owe no one anything to be held together? Mistrust, even hatred, of the undeserving poor, the lazy, the burdensome elderly and immigrants doubtless has its effects as a social 'glue'. But it has its pitfalls if everyone feels threatened with one day becoming inefficient and useless.

Generalized Depression

Living at the pace of the financial economy, deadline man is exposed to personal crashes.⁸⁵ For Alain Ehrenberg, the cult of performance leads to a majority of people feeling inadequate and generates widespread forms of depression. We know that there was a seven-fold increase in diagnoses of 'depression' between 1979 and 1996; it is the veritable 'fin-de-siècle' illness, just as 'neurasthenia' once was.⁸⁶ Depression is in fact the obverse of performance – a response by the subject to the injunction to realize and be responsible for himself, to surpass himself ever more in the entrepreneurial adventure.⁸⁷ 'The individual is confronted more by a pathology of inadequacy than a malady of fault, more by a universe of dysfunction than one of law: the depressed individual is a person out of gas.'⁸⁸ The depressive symptom now forms part of normativity as its negative element: subjects who cannot bear the competition through which they can come into contact with others are feeble, dependent beings, suspected of not being 'up to it'. The discourse of 'self-realization' and 'making a success of one's life' induces stigmatization of the 'losers', the 'drop outs' and the miserable – that is, those incapable of acceding to the social norm of happiness. 'Social failure' is almost regarded as a pathology.⁸⁹

When the enterprise becomes a life-form – a *Lebensführung*, as Weber would have put it – the multiplicity of choices to be made on a daily basis, the incitement to continual risk-taking, and the constant encouragement of personal capitalization are liable to entail a 'weariness of the self' in the long run. An increasingly complex commercial universe potentially makes each and every act the result of information-gathering and deliberation, which take time and require effort. The neo-liberal subject must become provident in all things (insurance of all kinds); he must choose in every area as if it was a question of investments (in an 'education capital', a 'health capital', an 'old-age capital'); he must rationally choose between a large range of commercial offers for the purchase of the simplest services (time and date of travel by train, sending mail, access to networks, gas and electricity supplier).

The most common remedy for this 'malady of responsibility', the attrition caused by constant choice, is generalized doping. Medicine takes over from institutions that no longer sustain, recognize, or protect individuals who are too lonely. Various addictions and dependency on visual media are among the artificial supports. Commodity consumption is likewise part of this social medication, as a substitute for enfeebled institutions.

This depressive symptomatology is often associated with an unsatisfied demand to employers for recognition. However, far from being ignored, the dimension of dignity, self-esteem and recognition is ubiquitous in managerial rhetoric. Such demands should probably be viewed as the expression of a major phenomenon: the subject's relationship to institutions that are no

longer in a position to endow him with the identities and ideals that would make him less doubtful of his value.

De-symbolization

According to some, the erosion of any ideal embodied by institutions – the ‘de-symbolization’ to which psychoanalysts refer – has given rise to a ‘new psychic economy’ that has less and less to do with the clinical diagnosis of Freud’s time.⁹⁰

To put it mildly, the relationship between generations, like that between the sexes, which were formerly structured and narrativized by a culture that allocated the different roles, have become uncertain. No ethical principle, no taboo, any longer seems to resist the glorification of infinite, unlimited choice. Placed in a condition of ‘symbolic weightlessness’, neo-subjects are obliged to base themselves on themselves, in the name of freedom of choice, to conduct themselves in life. This summons to constant choice, this solicitation of supposedly unlimited desires, makes subjects floating pawns. One day they are invited to change cars, the next to change partners, the next their identity, and another day their sex, in accordance with the mechanism of satisfaction and dissatisfaction. Should we therewith deduce a ‘de-symbolization of the world’?⁹¹ It would probably be more accurate to say that the symbolic structure is subject to instrumentalization by capitalist economic logic. This is the meaning of what Lacan called ‘capitalist discourse’. Identification with posts, functions and skills peculiar to the enterprise, like identification with consumer groups, and the signs and brands of fashion and advertising, function as substitute subjections for roles in kinship or statuses in the polity. The manipulation of identifications by the economic apparatus makes them ‘volatile ego ideals constantly being reshuffled’.⁹² In other words, identity has become a consumable product. If, as Lacan indicated, capitalist discourse consumes everything, and if it consumes as many natural resources as it does human material, it also consumes many institutional and symbolic forms, as Marx had noted in the *Communist Manifesto*. Not so as to make them all disappear, but to replace them by those that belong with it: enterprises and markets.⁹³

Such instrumentalization of the symbolic by economic institutions induces in the subject not only a ‘fluidity’ of ideals, but also a phantasy of omnipotence over things and beings. One has a purchase on everything, through word-tools at the disposition of individuals and their interests – words that are identified with things themselves. The world of taboos and boundaries, which established the separation of sexual and generational roles, is replaced by a universe of quantity, which is that of science and the commodity. Market discourse and the discourse of science complement one another to constitute what the psychoanalyst Jean-Pierre Lebrun calls a ‘boundless world’.⁹⁴ Subjects are thus constantly referred back to themselves, led to oscillate between the constant temptations encouraged by social instances of greed and the taboos they set for themselves, in the absence of a

credible proscriptive instance based on a social ideal. The formation of the new subject no longer follows the normative paths of the Oedipal family. The father is often no more than a stranger, disavowed for not being up to date with the latest market trend or for not earning enough money. The crux for psychoanalysts remains the unavailable character of a figure of the Other – the symbolic level – to detach the little human being from desire for the mother and help him accede via the Name of the Father to the status of a subject of law and desire. But with the breakdown of religious and political instances, the social no longer contains shared references other than the market and its promises. In many respects, capitalist discourse brings about mass psychosis by destroying symbolic forms. This was Deleuze and Guattari's thesis, as we recalled above. But – what is less well known – it was also Lacan's: 'What distinguishes capitalist discourse is this: *Verwerfung*, foreclosure, foreclosure of all the fields of the symbolic, with the result I have already referred to. Foreclosure of what? Of castration.'⁹⁵ Is this world of omnipotence, in which the unbounded subject is caught up, already characterized by mass psychosis, with its schizophrenic and paranoiac edges? Or is it still preserved from this drift by modes of defence of another kind – for example, a systemic perversion?⁹⁶

'Ordinary Perversion'⁹⁷

For some psychoanalysts, benefiting from a distance of thirty years from Lacan, we have instead entered a universe where the disappointment characteristic of neurosis, prey to the inadequacy of the object to one's desire, is replaced by a *perverse relationship to the object* based on the imaginary illusion of total pleasure. Everything is equivalent, can be converted into cash, and negotiated. But if everything seems possible, everything is doubtful, suspect, because nothing constitutes a law for anyone. The conversion of everything into business,⁹⁸ and the penchant for constant apologies for transgression as a new norm, are some of the putative indices of this general equivalence. Charles Melman has shown to what extent the challenge to all representations that prevented the work of direct, manipulative perversion is today hand in glove with economic expansion, which, 'in order to fuel itself, needs to see all timidity, all modesty, moral barriers, and taboos shattered. And this in order to create populations of consumers avid for pleasure that is perfect, boundless and addictive.'⁹⁹ The corrosion of ideals is said to bog desire down in sheer envy of the goods possessed by our fellows, in the *pleonexia* that Hobbes had already pointed to as the mark of his own society. However, the more human beings get caught up in this addiction to commodity objects, the more they themselves tend to become objects valued solely for what they produce in the economic field – objects that will therefore be consigned to the scrapheap when they cannot 'perform', when they are scrap.

In fact, neo-liberal subjectivation more and more openly institutes a relationship of compulsory pleasure with every other individual – a relationship that might be called a relationship of *objectification*. This does not simply involve transforming others into things in accordance with a mechanism of 'reification', to resume a favourite theme of the Frankfurt School. It is a question of being able to assign others, but also oneself as other, nothing but pleasure value – that is, a capacity to 'render' a *surplus*. Objectification, thus defined, assumes a triple form. By means of managerial techniques, subjects experience their own being as a 'human resource' consumed by enterprises to produce profit. Subjected to the norm of performance, they take one another in the diversity of their relations for objects to possess, mould and transform, the better to achieve satisfaction. Targeted by marketing techniques, in commodity consumption subjects pursue the ultimate pleasure, which recedes as they exhaust themselves attaining it.

This implacable logic exacts a very high subjective 'cost'. If losers suffer on account of their inadequacies, the winners tend to make others suffer as so many objects over which they ensure their sway. This is not new. But once installed in a 'boundless world', the minor everyday perversion or, more

exactly, the incitement to perversion inherent in the situation of general competition, finds unprecedented room for expansion. The perversion that is clinically characterized by consuming partners like objects, whom one chucks when one finds them inadequate, has arguably become the new norm of social relations.¹⁰⁰ The categorical imperative of performance is thereby reconciled with phantasies of omnipotence, with the socially widespread illusion of total, boundless pleasure. According to Melman, we are thus making the transition from a psychic economy organized by repression to an 'economy organized by the exhibition of pleasure'.¹⁰¹

THE SELF-PLEASURE OF THE NEO-SUBJECT

Psychoanalysis can help us to consider the way that neo-subjects function in the regime of *self-pleasure*. If Lacan is to be believed, such self-pleasure, construed as an aspiration to an impossible plenitude – and in this respect very different from mere pleasure – is invariably limited and partial in the social order. In a way, the institution is the agency responsible for limiting it and conferring a meaning on this limit. The enterprise, as the general form of the human institution in western capitalist societies, is no exception to this rule, but it now performs the task in *denegated* fashion. It restricts self-pleasure through the constraints of work, discipline and hierarchy, through all the renunciations that form part of an exacting asceticism. The loss of pleasure is no less marked than in religious societies; but it is *differently* so. Sacrifices are no longer administered and justified by a law depicted as inherent in the human condition, in its different local and historical varieties, but at the instigation of an individual decision ‘that owes no one anything’.

A whole social discourse, validating the self-constructed individual to excess,¹⁰² and functioning as a disavowal, makes such subjective pretensions possible: loss is not really a loss, since the subject himself decided on it. But this social myth, whose effects on familial and institutional education should not be neglected, is only one aspect of the functioning of neo-subjects. They must agree to engage in their work, to conform to the constraints of mundane existence. If they are required to do so, it is as a personal enterprise, so that the ego can sustain itself with plenary *imaginary* pleasure in a complete world. All are masters or, at any rate, believe themselves to be. Self-pleasure in the order of the imaginary, and the denial of limits, thus appear to be the very law of ultra-subjectivation.

In old societies, the sacrifice of an element of pleasure was productive. The major religious and political constructs, their dogmatic and architectural edifices, attested to this. In early capitalism, accumulated capital was still a product of this kind, fruit of the restrictions imposed on the consumption of the popular classes and bourgeoisie alike. Thus, for classical political economy loss was interpreted as a cost with an eye to a profit.

Today, things are different. If loss is denied, boundless pleasure can be mobilized on the imaginary level in the service of the enterprise, which is itself caught up in imaginary logics of infinite expansion and limitless stock-market value-creation. Certainly, it is not possible to avoid a technical rationalization of subjectivity, but this is only for the sake of its ‘fulfilment’. Work is not exertion; it is self-pleasure through the requisite performance. There is no loss, since one works directly ‘for oneself’. The object of the denial is therefore the hetero-normed character of ultra-subjectivation – that is, the fact that the boundlessness of pleasure in the beyond the self is aligned with the boundlessness of market accumulation.

What distinguishes the new normative logic is that it does not demand total renunciation by individuals for the benefit of an invincible collective force and radiant future, but aims to secure a no less total subjection from their participation in a 'win-win' game, in the eloquent formula that is supposed to describe professional and social existence. Whereas, in the old capitalism, everyone lost something – the capitalist, the guaranteed enjoyment of his goods as a result of risk-taking; the proletarian, the free disposal of his time and strength – in the new capitalism, no one loses and everyone wins. The neo-liberal subject cannot lose, because he is both the worker who accumulates capital and the shareholder who enjoys it. Being one's own worker and shareholder, 'performing' without limits and enjoying the fruits of one's accumulation unhindered – such is the imaginary of the neo-subjective condition.

The kind of uncoupling revealed by the clinical diagnosis of neo-subjects – their state of suspension outside symbolic frameworks, their floating relationship to time, their relations with others reduced to one-off transactions – is not dysfunctional for performance imperatives or new network technologies. The main thing to grasp here is that *the boundlessness of self-pleasure is the exact opposite in the imaginary order of de-symbolization*. The sense of self is supplied in excess, rapidity, the raw sensations supplied by commotion. This unquestionably exposes neo-subjects to depression and dependency. But it also allows them the 'connexionist' state from which, for want of a legitimate link to a third instance, they derive fragile support and the anticipated efficacy. Clinical diagnosis of neo-liberal subjectivity must never lose sight of the fact that the 'pathological' pertains to the same normativity as the 'normal'.

THE GOVERNMENT OF THE NEO-LIBERAL SUBJECT

If we follow the clinical chart of the neo-subject, personal enterprise has two faces: the triumphant face of unabashed success; and the depressed face of failure confronted with uncontrollable processes and techniques of normalization.¹⁰³ Oscillating between depression and perversion, neo-subjects are condemned to a double life: a master of performances to be admired and an object of enjoyment to be disposed of.

In the light of this analysis, the unduly frequent, tedious depictions of a 'hedonistic individualism' or 'mass narcissism' emerge as a covert way of appealing for the restoration of traditional forms of authority. Yet nothing is more mistaken than to regard the neo-subject in the manner of conservatives. He is not the man of anarchic pleasure 'who no longer has any respect for anything'. An equivalent, symmetrical error consists in exclusively denouncing commodity reification and the alienation of mass consumption. Certainly, advertising's injunction to enjoy forms part of this universe of elective objects which, through the aestheticization-eroticization of the 'thing' and magic of the brand, are made into 'objects of desire' and promises of pleasure. But we must also consider the way that neo-subjects, far from being left to their own devices, are *governed* in the performance/pleasure apparatus.

To perceive nothing but unhindered enjoyment in present social conditions, identified sometimes with the 'internalization of market values' and sometimes with the 'unlimited expansion of democracy', is to forget the dark side of neo-liberal normativity: the increasingly heavy surveillance of public and private space; the increasingly precise traceability of individuals' movements in networks; the increasingly punctilious and petty evaluation of individuals' activity; the increasingly significant impact of fused information and advertising systems; and, perhaps above all, the increasingly insidious forms of self-control by subjects themselves. In short, it is to forget the overall character of the government of neo-subjects which, in and through the diversity of its vectors, combines the obscene display of pleasure, the entrepreneurial injunction of performance, and the cross-linkage of generalized surveillance.

From the standpoint of the old frameworks, it might certainly seem as if the subject is no longer 'bound'. Such an error of perspective was already committed by nineteenth-century conservatives. The latter viewed the 'rights of man' as the advent of social anarchy. The mutation of western societies was interpreted as a crisis of traditional forms of authority, which could only be overcome by restoring the values of the *ancien régime*. This was to ignore the new forms of constraint that hemmed in the subjects of industrial societies, bound up with labour and its technical and social division. In a word, it was to ignore the new moral and political regime of the capitalist

societies of the time.

An analogous mistake obtains today, which hampers understanding the relationship between the conduct of neo-subjects (including manifestations of deviance and malaise, modes of resistance and escape) and all the forms of control and surveillance exercised over them. It is thus utterly pointless to deplore the crisis of supervisory institutions like the family, schools and trade-union or political organizations, or to lament the waning of culture and knowledge or the decline of democratic life. It is more worthwhile to seek to grasp how all these institutions, values and activities are today incorporated and transformed in the performance/pleasure apparatus in the name of their necessary modernization. It is preferable closely to examine all the technologies for controlling and monitoring populations and individuals – their medical care, their registration, the recording of their conduct, including the most precocious. It is better to appreciate how medical and psychological disciplines are combined with security discourse and economic discourse to strengthen the tools of social management. For nothing about the apparatus for governing neo-subjects is as yet definitively fixed. The impulses are diverse, candidate sciences are not wanting, and their merger is underway or to come.¹⁰⁴ The key question for the government of individuals remains how to programme individuals as early as possible, so that the injunction to boundless self-transcendence does not degenerate into unduly violent, openly criminal behaviour. It is how to maintain ‘public order’ when pleasure has to be encouraged, while avoiding excesses. The ‘social management of performance’ precisely answers to this governmental imperative.

1 Were we to linger over this, we could show that at several points in his writings and seminars Lacan indicated the importance of the utilitarian turn in western history. Cf., for example, *Écrits*, trans. Bruce Fink, New York: Norton, 2007, p. 112.

2 Cf. the discussion of Marcel Gauchet’s perspective in [Chapter 1](#).

3 Locke’s thought reflects this differentiation into a subject of interests, a legal subject, religious subject, and so forth. In its own way, the persistent influence of this thinking, despite the hegemony of utilitarianism, attests to a certain form of resistance to the subsumption of the subject under the exclusive regime of interests.

4 For our own purposes we adopt the neologism suggested by Jean-Pierre Lebrun in *La Perversion ordinaire. Vivre ensemble sans autrui*, Paris: Denoël, 2007.

5 Daniel Bell, *The Cultural Contradictions of Capitalism*, New York: Basic Books, 1976.

6 Luc Boltanski and Ève Chiapello, *The New Spirit of Capitalism*, trans. Gregory Elliott, London and New York: Verso, 2006, p. 8.

7 *Sunday Times*, 7 May 1988; our emphasis.

8 A number of works have particularly stressed the management tools that aim to base wage-earners’

obedience to the requirements of the enterprise on mechanisms of identification, internalization and guilt-inducement. Management by projects is a way of 'flexibly' compelling managerial staff, and wage-earners in general, to provide constant proof of their loyalty and respect for expectations about performance. Cf., for example, David Courpasson, 'Régulation et gouvernement des organisations. Pour une sociologie de l'action managériale', *Cahiers de recherches*, Groupe ESC Lyon, 1996, and *L'Action contrainte. Organisations libérales et domination*, Paris: Presses Universitaires de France, 2000.

9 Cf. Nikolas Rose, *Inventing Ourselves: Psychology, Power and Personhood*, Cambridge: Cambridge University Press, 1996, p. 154.

10 Samuel Smiles, *Self-Help, with Illustrations of Conduct and Perseverance*, London: John Murray, 1890. In his Introduction (p. 1) the author summarizes his intention: '[our] happiness and well-being as individuals ... must necessarily depend mainly on [ourselves] – upon [our] own diligent self-culture, self-discipline, and self-control – and, above all, on that honest and upright performance of individual duty, which is the glory of man's character'.

11 *Ibid.*, p. 5.

12 Bob Aubrey, *Entreprise de soi*, Paris: Flammarion, 2000, p. 11.

13 Rose, *Inventing Ourselves*, p. 154.

14 Michel Foucault, *The Hermeneutics of the Subject: Lectures at the Collège de France 1981-1982*, ed. Frédéric Gros and trans. Graham Burchell, Houndmills and New York: Palgrave Macmillan, 2005, p. 215.

15 Max Weber, *The Protestant Ethic and the Spirit of Capitalism*, p. 79.

16 'L'entreprise de soi, un nouvel âge', interview with Bob Aubrey, *Autrement*, no. 192, 2000, p. 97.

17 Aubrey, *L'Entreprise de soi*, p. 193.

18 *Ibid.* With Bruno Tilliette he had previously written *Savoir faire savoir*, Paris: Interéditions, 1990, and *Le Travail après la crise*, Paris: Interéditions, 1994.

19 Aubrey, *Le Travail après la crise*, p. 85.

20 *Ibid.*, p. 86.

21 *Ibid.*, p. 88.

22 Aubrey, *L'Entreprise de soi*, p. 15.

23 Aubrey, *Le Travail après la crise*, p. 103. We recall that *epim eleia heautou* is the formulation for 'care of the self' or 'concern for the self' in classical Greek culture. Cf. Foucault, *Hermeneutics of the Subject*.

24 'Working, learning, cultivating relations, ensuring the bon accord of one's marriage and bringing up one's children, participating in local life, doing charitable work, improving the quality of one's life: today, one can engage in such activities only by assuming one's responsibilities and developing strategies' (*Le Travail après la crise*, p. 105).

25 *Ibid.*, p. 101.

26 'L'entreprise de soi, un nouvel âge', p. 99 f.

27 Aubrey, *Le Travail après la crise*, p. 133 f.

28 *Ibid.*, p. 138.

29 *Ibid.*, p. 198.

30 Aubrey, *L'Entreprise de soi*, p. 9.

31 Ibid., p. 10.

32 Ibid., p. 22.

33 Cf. François Aballéa and Lise Demailly, 'Les nouveaux régimes de mobilisation des salariés', in Jean-Pierre Durand and Danièle Linhart, eds, *Les Ressorts de la mobilisation du travail*, Toulouse: Octares Éditions, 2005.

34 Aubrey and Tilliette, *Savoir faire savoir*, p. 265.

35 On this readers are referred to the lectures at the Collège de France devoted to a reading of Plato's *Alciades* in Foucault, *Hermeneutics of the Subject*, pp. 25–80.

36 Éric Pezet, ed., *Management et conduite de soi. Enquête sur les ascèses de la performance*, Paris: Vuibert, 2007.

37 For a critical analysis of coaching practices, particularly in the area of health, cf. Roland Gori and Pierre Le Coz, *L'Empire des coachs. Une nouvelle forme de contrôle social*, Paris: Albin Michel, 2006.

38 Antoni Girod, *La PNL*, Paris: Interéditions, 2008, p. 37.

39 Site for TA training at capitecorpus.com

40 NLP site at france-pnl.com

41 Girod, *La PNL*, p. 13.

42 Let us recall in this respect that *enkrateia*, or domination of the self by struggling against one's desires, was aligned from the classical era with an ideal of temperance and justice, which situates us at the antipodes of 'management of affects'.

43 Girod, *La PNL*, p. 21.

44 Quotations taken from the 'PNL et business' page at france-pnl.com

45 Valérie Brunel, *Les Managers de l'âme. Le Développement personnel en entreprise, nouvelle pratique de pouvoir?*, Paris: La Découverte, 2004.

46 Foucault, *Hermeneutics of the Subject*, p. 81 ff.

47 Pierre Hadot, 'Réflexions sur la notion de "culture de soi"', in *Exercices spirituels et philosophie antique*, Paris: Albin Michel, 2002, p. 330.

48 Quoted in Brunel, *Les Managers de l'âme*, p. 67. Cf. Will Schutz, *The Human Element: Self-Esteem, Productivity and the Bottom Line*, San Francisco: Jossey-Bass, 1994.

49 Ibid.

50 'L'entreprise de soi, un nouvel âge', p. 101.

51 Richard Cantillon, *An Essay on Economic Theory*, trans. Mark Thornton and Chantal Saucier, Ludwig von Mises Institute, Alabama 2010, p. 76.

52 See [Chapter 6](#), p. 181 n. 72.

53 *Le Figaro*, 30 August 2005.

54 On this precise point, Ulrich Beck is wrong to straightforwardly contrast classical liberalism's ontology of interests with the ontology of risk of contemporary capitalism, bourgeois society governed by self-interest with modern society governed by risk (*The Risk Society*, trans. Mark Ritter, London: Sage, 1992, p. 74). On the other hand, he is certainly right to emphasize the current stress on this obsession with 'risk' as danger or consciousness of danger. But is it thereby necessary to relate it, as he does, to major

changes in the technical domination of nature, now integrated into society (p. 81)? Should it not also, and perhaps above all, be related to the new norm of generalized competition? Indeed, that is precisely what the second part of his book tends to highlight.

55 *Ibid.*, p. 89.

56 'Entretien avec François Ewald', *Nouveaux regards*, no. 21, Spring 2003.

57 'L'entreprise de soi, un nouvel âge', p. 100.

58 Cf. Brunel, *Les Managers de l'âme*.

59 Éric Pezet et al., *Management et conduite de soi. Enquête sur les ascèses de la performance*, Paris: Vuibert, 2007, p. 8.

60 Cf. Nelarine Cornelius and Paul Gleadle, 'La conduite de soi et les sujets entrepreneurs: les cas Midco and Lbco', in Pezet et al., *Management et conduite de soi*, p. 139.

61 On all these points, see [Chapter 8](#).

62 Cf. Alain Ehrenberg, *Le Culte de la performance*, Paris: Hachette, 1999.

63 *Ibid.*, p. 14. Ehrenberg rightly notes that Max Weber had anticipated this trend: 'In the United States, on the very site of its paroxysm, the pursuit of wealth, stripped of its ethico-religious meaning, is today tending to become combined with purely agonistic passions – something that invariably endows it with the character of a sport' (quoted on p. 176).

64 Cf. Gori and Le Coz, *L'Empire des coaches*, p. 7 ff.

65 As Jean-Pierre Durand stresses in *La Chaîne invisible. Travailler aujourd'hui; du flux tendu à la servitude volontaire* (Paris: Seuil, 2004), the model of this paradox is identical to that formulated by Étienne de La Boétie under the rubric of 'voluntary servitude' (p. 373).

66 This intensification and acceleration gave Gilles Deleuze and Félix Guattari the initial idea for a different political economy, not separate from libidinal economy, set out in *Anti-Oedipus* and *A Thousand Plateaus*. For them, capitalism can only function by liberating desiring flows that exceed the social and political frameworks organized for the reproduction of the system of production. This is the sense in which the process of subjectivation peculiar to capitalism is characterized as 'schizophrenic'. However, if capitalism can only function by liberating ever stronger doses of libidinal energy that 'decode' and 'deterritorialize', it constantly seeks to reincorporate them into the productive machine: 'The more the capitalist machine deterritorializes, decoding and axiomatizing flows in order to extract surplus value from them, the more its ancillary apparatuses, such as government bureaucracies and the forces of law and order, do their utmost to reterritorialize them, absorbing in the process a larger and larger share of surplus value' (Gilles Deleuze and Félix Guattari, *Anti-Oedipus: Capitalism and Schizophrenia*, trans. Robert Hurley, Mark Seem and Helen R. Lane, New York: Viking Press, 1977, pp. 34–5). While in the 1970s Deleuze stressed the 'paranoiac' repressive machines that vainly attempt to master desire's lines of flight, he later came to emphasize the relationship between this liberation of flows of desire and apparatuses for directing flows in the 'society of control', between the mode of subjectivation by stimulation of 'desire' and the generalized evaluation of performance. Cf. Gilles Deleuze, 'Control and Becoming' and 'Postscript on Control Societies', in *Negotiations 1972–1990*, trans. Martin Joughin, New York: Columbia University Press, 1997.

67 The terms 'trans-subjectivation' and 'self-subjectivation' are proposed by Foucault to account for

the difference between third- and fourth-century Christian asceticism and the Hellenistic era's 'culture of self'. Cf. *The Hermeneutics of the Subject*, p. 214.

68 In the sense that the Latin *ultra* means 'beyond'. Ultra-subjectivation is therefore not an exaggerated or excessive subjectivation, but one that always aims at a beyond the self in the self.

69 Michel Foucault, *Discipline and Punish*, trans. Alan Sheridan, New York: Vintage, 1995, p. 211.

70 Nikolas Rose, *Governing the Soul: The Shaping of the Private Self*, 2nd edn, London: Free Association Books, 1999, p. vii. However, Rose makes an error in his dating. The 'psy' turn does not date from the late nineteenth century, but began earlier. Even if it was not detached from physiology at the time, the beginning of 'psy' discourse was contemporaneous with the birth of political economy and liberal governmentality. To govern conduct, it was necessary to know how to influence the formation of motives – that is, play on the 'psychological dynamic', in the phrase coined by Bentham.

71 *Ibid.*, p. 88.

72 Let us recall that for Freud adaptation to reality, far from signifying renunciation of any pleasure, itself generates a certain form of pleasure.

73 Rose, *Inventing Ourselves*.

74 Cf. Michaël Foessel and Olivier Mongin, 'Les mises en scène de la réussite. Entreprenre, entraîner, animer', *Esprit*, November 2007, pp. 22–42.

75 Cf. Christophe Dejours, *Souffrance en France. La Banalisation de l'injustice sociale*, Paris: Seuil, 2006.

76 Cf. the 'Rapport sur la détermination, la mesure et le suivi des risques psychosociaux au travail', delivered on 12 March 2008 by Philippe Nasse, honorary magistrate, and Patrick Légeron, psychiatric doctor, to Xavier Bertrand, Minister of Labour, Social Relations and Solidarity.

77 As Michel Gollac and Serge Volkoff write, 'over and above managerial modes and techniques, tapping the energy that individuals can invest in economically disinterested activities for the enterprise's benefit is a constant, declared concern of human resources management. When it is a question of increasing productivity, no resource must be neglected and such is the sense of "zero contempt". However, when the intensification of work makes it harder, downgrades the experience of the position, impedes apprenticeships, and disrupts collectives, the terms autonomy or participation change their meaning. Zero contempt is then combined with an infinite duplicity' (*Citius, Altius, Fortius. L'intensification du travail*, *Actes de la recherche en sciences sociales*, no. 114, September 1996, p. 67).

78 Durand, *La Chaîne invisible*, p. 309.

79 Cf. Nicole Aubert and Vincent de Gaulejac, *Le Coût de l'excellence*, Paris: Seuil, 1991.

80 Richard Sennett, *The Corrosion of Character: The Personal Consequences of Work in the New Capitalism*, New York: Norton, 1999, p. 22.

81 *Ibid.*, p. 27.

82 *Ibid.*, p. 133.

83 Cf. Gabrielle Balazs and Jean-Pierre Faguer, 'Une nouvelle forme de management, l'évaluation', *Actes de la recherche en sciences sociales*, no. 114, September 1996.

84 Eva Illouz, *Les Sentiments du capitalisme*, Paris: Seuil, 2006.

85 Nicole Aubert, *Le Culte de l'urgence. La société malade du temps*, Paris: Flammarion, 2004.

86 Cf. Philippe Pignarre, *Comment la dépression est devenue une épidémie*, Paris: La Découverte, 2001.

87 Cf. Alain Ehrenberg, *The Weariness of the Self*, trans. David Homel, Montreal: McGill-Queen's University Press, 2010.

88 *Ibid.*, p. 9.

89 Cf. Illouz's observations in *Les Sentiments du capitalisme*.

90 Cf. on this point Charles Melman's reflections in *L'Homme sans gravité. Jouir à tout prix*, interview with Jean-Pierre Lebrun, Paris: Denoël, 2002.

91 Dany-Robert Dufour, *L'Art de réduire les têtes. Sur la nouvelle servitude de l'homme libéré à l'ère du capitalisme total*, Paris: Denoël, 2003, p. 13: 'Commodity exchange today tends to de-symbolize the world.'

92 *Ibid.*, p. 127.

93 *Ibid.*, p. 137.

94 Jean-Pierre Lebrun, *Un monde sans limite. Essai pour une clinique psychanalytique du social*, Èrès, Toulouse 1997, p. 122.

95 In Lacan, castration is understood as separation from enjoyment of the mother by dint of entry into the symbolic order. Quoted in Dufour, *L'Art de réduire les têtes*, pp. 122–3 ('Ou pire' seminar, session of 3 February 1972; seminar at Saint-Anne, 'Le savoir du psychanalyse', session of 6 January 1972).

96 Some managerial apologies for the creation of paranoid behaviour are not without interest. In *Only the Paranoid Survive* (New York: Doubleday, 1996), Andrew Grove, the president of Intel Corporation, advocates a method of leadership directly linking the norm of competition to a 'psychotizing' management of the workforce: 'Fear of competition, fear of bankruptcy, fear of being wrong and fear of losing can be all powerful motivators. How do we cultivate fear of losing in our employees? We can only do that if we feel it ourselves' (p. 117).

97 This formula is borrowed from Jean-Pierre Lebrun, *La Perversion ordinaire. Vivre ensemble sans autrui*, Paris: Denoël, 2007.

98 On 'business' as a modality of the perverse relationship to objects, cf. Roland Chémama, 'Éléments lacaniens pour une psychanalyse au quotidien', *Le Discours psychanalytique*, Éditions de l'association freudienne internationale, 1994, pp. 299–308.

99 Melman, *L'Homme sans gravité*, pp. 69–70.

100 *Ibid.*, p. 67.

101 *Ibid.*, pp. 18–19.

102 Olivier Rey, *Une folle solitude. Le fantasme de l'homme autoconstruit*, Paris: Seuil, 2006.

103 In *L'Individu incertain* (Paris: Hachette, 1996), Alain Ehrenberg rightly notes that the triumphant individual and the suffering individual are the 'two facets of self-government' (p. 18).

104 After the rise of 'sociobiology', the birth of a 'neuro-economics' is not to be neglected. The merger of neurology and micro-economics doubtless holds out interesting possibilities for controlling behaviour.

CONCLUSION

The Depletion of Liberal Democracy

What are the principal features of neo-liberal reason? In conclusion to this study, we may identify four.

Firstly, contrary to what classical economists thought, the market arises not as a natural datum, but as a constructed reality which, as such, requires the active intervention of the state as well as the establishment of a specific system of law. In this sense, neo-liberal discourse is not directly articulated with an ontology of the market order. For, far from seeking the foundation of its own legitimacy in some 'natural order of things', it consciously and openly accepts its character as a 'constructivist project'.¹

Secondly, the essence of the market order consists not in exchange, but in competition, itself defined as a relationship of inequality between different units of production or 'enterprises'. Consequently, constructing the market involves asserting competition as a general norm of economic practices.² In this respect, it must be acknowledged that the main lesson of the ordoliberalists has prevailed: the state's mission, going beyond the traditional role of 'night watchman', is to establish the 'framework-order' on the basis of the 'constituent' principle of competition, 'to supervise the general framework',³ and ensure its respect by all economic agents.

Thirdly – an even greater novelty – compared with both original liberalism and the 'reformist' liberalism of 1890–1920, the state is not simply the vigilant guardian of this framework, but is itself subject to the norm of competition in its own action. According to the ideal of a 'private law society',⁴ there are no grounds for the state forming an exception to the rules of law for whose application it is responsible. Quite the reverse, any form of self-exemption or self-subtraction on its part can only disqualify it in its role as an inflexible guardian of such rules. The consequence of this absolute primacy of private law is a gradual hollowing out of all the categories of public law, which tends not towards their formal abrogation, but to defusing their operational validity. The state is now obliged to regard itself as an enterprise both in its internal functioning and in its relationship to other states. Thus, the state, on which it is incumbent to construct the market, must at the same time be constructed in accordance with market norms.

Fourthly, the desideratum of universalizing the norm of competition goes

well beyond the boundaries of the state. It directly affects individuals considered in their relationship with themselves. In fact, 'entrepreneurial governmentality', which must prevail at the level of state activity, finds a kind of continuation in the self-government of the 'individual-enterprise'. More precisely, like the private actors of 'governance', the entrepreneur-state must indirectly conduct individuals to conduct themselves like entrepreneurs. The mode of governmentality specific to neo-liberalism thus includes 'techniques of governing that exceed express state action and orchestrate the subject's conduct toward him- or herself'.⁵ The enterprise is promoted to the rank of model of subjectivation: everyone is an enterprise to be managed and a capital to be made to bear fruit.

AN A-DEMOCRATIC RATIONALITY

From constructing the market to competition as the norm of this construction; from competition as economic agents' norm of activity to competition as the norm for constructing the state and its action; finally, from competition as the enterprise-state's norm to competition as the behavioural norm of the enterprise-subject: such are the phases in which market rationality is extended to all spheres of human existence, and which make neo-liberal reason a veritable world-reason.

Readers should not be misled: there is no question here of reviving Habermas's theme of a 'colonization of the life-world', if only because something like a 'life-world' (*Lebenswelt*) that is not always-already caught up in discourses or invested by apparatuses of power has never existed. What is at issue is marking how far this extension, by erasing the separation between private and public spheres, erodes the foundations of liberal democracy itself. In effect, the latter presupposed an irreducibility of the political and moral to the economic, a direct echo of which is to be found in the work of Adam Smith and Adam Ferguson. In addition, it assumed a certain primacy of the law as act of the legislature and, to an extent, a form of subordination of executive power to legislative power.⁶ It also involved, if not a pre-eminence of public law over private law, then at least a clear awareness of the need to define their respective spheres. Correlatively, it lived off a certain relationship of the citizen to the 'common wealth' or 'public welfare'. It therewith presupposed promoting the citizen's direct participation in public affairs, especially when the very existence of the public community is at stake.

While adapting perfectly to the preservation of these distinctions at an ideological level, neo-liberal rationality effects an unprecedented deactivation of their normative character. Dilution of public law in favour of private law; configuration of public activity to the criteria of profitability and productivity; symbolic devaluation of law as the specific act of the legislature; strengthening of the executive; prioritization of procedure; a tendency for police powers to break free of any judicial control; promotion of the 'citizen-consumer' responsible for arbitrating between competing 'political offers' – these are so many proven trends attesting to the depletion of liberal democracy as a political norm.

A major symptom of this deactivation is the significance assumed by the theme of 'good governance' in administrative discourse. All thinking about administration is technicized, at the expense of political and social considerations that would make it possible to bring out both the context of public action and the multiplicity of possible options.⁷ The conception of public goods, like the principles of their distribution, is profoundly affected by this. Equality of treatment and universality of benefits are challenged both

by the individualization of provision and the selection of beneficiaries as samples of a 'target public' and by a consumerist conception of public services. Management categories tend to take the place of the shared symbolic principles that hitherto underlay citizenship.⁸ The sole issue authorized in public debate is the capacity to implement 'reforms' whose direction is not spelt out, without people really knowing what results are being sought by this social engineering.

Over and above the mode of management and its technical tools, the relationship between governors and governed is radically subverted. In effect, the whole of citizenship as constructed in western countries since the eighteenth century is called into question at its very roots. We see this, in particular, with the practical challenge to the rights hitherto attaching to citizenship, starting with rights to social protection, which were historically established as logical consequences of political democracy. 'No rights without responsibilities' is the refrain to compel the unemployed to take a worse job, to make patients or students pay in exchange for a service whose benefit is regarded as strictly individual, and make family allowances dependent on desirable forms of parental education. Access to a number of goods and services is no longer regarded as bound up with a status unlocking rights, but as the outcome of a transaction between a provision and expected conduct or a direct cost for the user. The figure of the 'citizen' invested with a directly collective responsibility is gradually erased from the scene, giving way to entrepreneurial man. The latter is not only the 'sovereign consumer' of neo-liberal rhetoric, but the subject to which society owes nothing, the one who 'does not get something for nothing' and must 'work more to earn more', to adopt some of the clichés of the new mode of government. The referent of state action is no longer the subject of rights, but a self-enterprising actor who enters into the most diverse private contracts with other self-enterprising actors. Modes of transaction negotiated on a case-by-case basis to 'resolve problems' thus tend to replace the rules of public law and the procedures of political decision-making legitimated by universal suffrage. Far from being 'neutral', such managerial reform of state action inflicts direct damage on the *democratic logic of social citizenship*. By reinforcing social inequality in the distribution of service provision and access to resources in employment, health and education,⁹ it strengthens social logics of exclusion that manufacture a growing number of 'sub-citizens' and 'non-citizens'.

However, it would be mistaken to view neo-liberal rationality simply as a challenge to the 'third phase' of democratization, which saw the adoption of a 'social citizenship' in the twentieth century completing eighteenth-century 'civil citizenship' and nineteenth-century 'political citizenship'.¹⁰ Welfarism was not a sheer bio-political management of populations; it not only had the effect of mass consumption in post-war Fordist regulation. As Robert Castel

has underscored, its rationale was the integration of wage-earners into the political space by establishing the concrete conditions of citizenship.¹¹ The gradual erosion of the social rights of the citizen therefore not only affects so-called 'social' citizenship, but also paves the way for a general challenge to the foundations of citizenship as *such*, in as much as history has made these foundations interdependent. Therewith it heralds a new phase of the history of western societies.¹²

In this respect, it is striking to note to what extent the challenge to social rights is closely connected with the practical challenge to the cultural and moral, not merely the political, foundations of liberal democracies. Cynicism, lies, contempt, philistinism, lax language and behaviour, ignorance, the arrogance of money, and the brutality of domination – these are regarded as credentials for governing exclusively in the name of 'efficiency'. When performance is a policy's sole criterion, what price respect for conscience, freedom of thought and expression? What price respect for legal forms and democratic procedures? The new rationality promotes its own criteria of validity, which no longer have anything to do with the moral and legal principles of liberal democracy. A strictly managerial rationality, it views laws and norms merely as tools whose utterly relative value depends solely on achieving objectives. In this sense, we are not dealing with some passing 'democratic disenchantment', but with a much more radical mutation whose scope is conveyed, in its own way, by the de-symbolization affecting the political.

This is where Wendy Brown is wholly justified in employing the neologism 'de-democratization'. The practical neutralization of the founding categories of liberal democracy, as notably manifested in the suspension of law and transformation of the state of exception into a permanent state (so well analysed by Giorgio Agamben),¹³ is not equivalent, or even the prelude, to the establishment of a new political regime.¹⁴ Instead, it betrays a pronounced bias in the new normative logic towards blurring the differences between political regimes to the point of relegating them to a relative *non-differentiation*, which ultimately threatens the very pertinence of the notion of 'political regime' inherited from the whole classical tradition.

However, it must be appreciated that this indifference, far from being a mere 'setback', formed part of neo-liberalism's intellectual and political project from the outset. The Cold War opposition 'democracy versus totalitarianism', of which Raymond Aron provided the fullest formulation,¹⁵ concealed another opposition, which was just as important, between two forms of democracy. In fact, for Hayek the only relevant opposition was between liberalism and totalitarianism, not democracy and totalitarianism. To ground this new opposition required first of all reducing democracy to a procedure for selecting rulers that must predominantly be judged on its

practical results, not on the values that supposedly founded it.¹⁶ Whereas democracy only concerns the manner of choosing rulers (via elections), liberalism is essentially defined by the exigency of a limitation of power (if needs be, that of the majority). Consequently, even if rulers are elected by a majority, it is enough for the power exercised by that majority to be unlimited for us to be in the presence of a 'totalitarian democracy'. Conversely, liberalism can be democratic or authoritarian, depending on the manner of appointing rulers. This does not prevent liberalism, whether democratic or authoritarian, from always being preferable to the 'tyranny of the majority'.¹⁷

At stake here is the idea that democracy is identified with popular sovereignty. For Hayek, this is a typically 'constructivist' confusion between the *origin* of the choice of representatives and the legitimate *field* of exercise of power. In reality, the doctrine of popular sovereignty can only result in granting government a right of unlimited intervention in the affairs of the collective according to electoral majorities. It is therefore hardly surprising if the direct attribution of freedom to a people, so essential to the specificity of the concept of political liberty, appeared suspect as such to Hayek. To say of a people that it is free is ultimately merely 'an application of our concept to groups of men as a whole'. Or, as Hayek also observed, 'a free people in this sense is not necessarily a people of free men'.¹⁸ An individual can be oppressed in a democratic system, just as he can be free in a dictatorial system. The highest value is therefore precisely individual liberty, understood as a faculty left to individuals to create a protected domain for themselves (their 'property'),¹⁹ and not political liberty, as people's direct participation in selecting their rulers. The main thing here is that reducing democracy to a technical way of appointing rulers makes it possible no longer to regard it as a political regime distinct from others and, in this sense, already paves the way for relativizing the criteria of differentiation commonly accepted in classifying political regimes. If, conversely, democracy is held to be based on popular sovereignty, then it appears that as a doctrine neo-liberalism is not accidentally, but essentially, an *anti-democratism*. In particular, this is what irrevocably separates it from the liberalism of a Bentham, who was in favour of radical democracy.

AN APPARATUS OF A STRATEGIC KIND

The key fact is that neo-liberalism has become the *dominant* rationality today, leaving behind only an empty shell of liberal democracy condemned to survive in the degraded form of an alternatively ‘commemorative’ or ‘martial’ rhetoric. As such, this rationality has taken material form in a set of institutional, political, legal and economic apparatuses that constitute a complex, mobile network, which is open to resumption and adjustment on the emergence of unintended effects, sometimes in contradiction with initial intentions. In this sense, we may speak of a *global apparatus* which, like any apparatus, is essentially ‘strategic’ in kind, to borrow one of Foucault’s favourite terms.²⁰ This means that the apparatus is constituted on the basis of concerted intervention in given power relations, aiming to alter them in accordance with a ‘strategic objective’.²¹ This objective in no way pertains to a stratagem devised by a collective subject with expertise in manipulation. It is imposed on the actors themselves and, by imposing itself on them, produces its own subject. As we saw above,²² precisely this occurred in the 1970s and ’80s with the connection of a political project onto an endogenous dynamic of regulation – a connection of two logics that had the effect of imposing the strategic objective of generalized competition. Even so, there was no conscious project of effecting a transition from the Fordist model of regulation to another model, which first had to be conceived intellectually before subsequently being adopted in a planned way.

As we can see, the strategic character of the apparatus assumes taking account of the historical situations that enable its deployment and which explain a series of readjustments altering it over time and the variety of forms it takes in space. Only on this condition can we understand the ‘turn’ imposed on the rulers of the dominant capitalist countries by the scale of the financial crisis. As we have seen, the latter has initiated a *crisis of neo-liberal governmentality*. Over and above the initial emergency ‘repairs’ (adoption of new accountancy norms, minimal control of fiscal paradises, reform of ratings agencies, etc.), what beckons is very probably an *overall readjustment* of the state/market apparatus. To ponder with some economists the possibility of a new ‘regime of capital accumulation’, replacing the financial regime based on excessive household debt, is only natural. To take the risk of deducing from this that a new regime of growth, exploiting mechanisms other than the inflation of property prices and financial assets, will spontaneously coincide with a direct challenge to neoliberal rationality is decidedly imprudent. But to forecast the imminent advent of a ‘good capitalism’ with healthy operational norms, durably anchored in the ‘real economy’, respectful of the environment, attentive to the needs of populations and, why not, concerned for the common good – such unquestionably verges on, if not an edifying tale, than at least an illusion that is just as pernicious as the utopia

of a self-regulating market. We are definitely entering a *new phase of neo-liberalism*. It may be that this phase will be accompanied, ideologically, by a kind of ‘return to the sources’. After all, do not appeals for the ‘restoration of regulated capitalism’ rediscover the accents of the re-founders of the 1930s, counter-posing the good ‘highway code’ of legal rules to the blind ‘natural law’ of the old *laissez-fairists*? Perhaps – one never knows – under the cover of one of those swings of the pendulum typical of ideology, we shall witness a strong resurgence of the specifically *ordo-liberal* variant. This is all the less implausible in that, when not purely and simply ignored, it has long been relegated to a subordinate position by its Austro-American competitor.²³

We would equally miss the strategic character of the neo-liberal apparatus were we to assimilate it to the *Gestell* of late Heidegger, or the *oikonomia* of second-century Christian theology, as Agamben indirectly invites us to in *What is an Apparatus?*²⁴ To speak of a ‘theological genealogy’ of Foucault’s ‘apparatuses’ is to miss the fact that, if the apparatuses actually have ‘no foundation in being’, and if as a result they are fated to ‘produce their subject’, they do not thereby repeat ‘the division ... in God between being and action, ontology and praxis’.²⁵ Unlike the government of men by God, which refers to the theological problem of incarnation, they are constituted on the basis of historical conditions that are always *unique* and *contingent* and therefore possess an exclusively ‘strategic’, not ‘destinal’ or ‘epochal’, character. On this point we should recall Foucault’s remark about the specificity of the new problematization of government as it emerged between 1580 and 1660. If the activity of governing became a theme, it is because it could no longer find a model ‘outside of God, outside of nature’.²⁶ In other words, far from it being the ‘theological inheritance’ of the government of men *and the world by God* which explains why the government of men by men becomes a problem, it was in fact the crisis of the model God’s ‘pastoral government’ of the world that freed up reflection on the art of governing men. What is valid for the emergence of the general problem of government also applies to the constitution of the specifically neo-liberal form of governmentality. The latter is neither the inevitable sequel to the regime of capital accumulation, nor an avatar of the general logic of the Incarnation, nor a mysterious ‘*envoi of Being*’, any more than it is a mere intellectual doctrine or an ephemeral form of ‘false consciousness’.

Nevertheless, neo-liberal rationality can be combined with ideologies that are alien to pure market logic, without thereby ceasing to be the dominant rationality. As Wendy Brown aptly puts it, ‘neoliberalism can become dominant as governmentality without being dominant as ideology’.²⁷ No doubt this does not occur without tensions or contradictions. In this regard, the US example is rich in lessons. There neo-conservatism has become established as the standard ideology of the New Right, even though ‘the high

moral tone' of this ideology seems incompatible with the 'amoral' character of neo-liberal rationality.²⁸ A superficial analysis might suggest that we are in the presence of 'double dealing'. In reality, there is an accord between neo-liberalism and neo-conservatism that is by no means fortuitous. If neo-liberal rationality promotes the enterprise to the rank of model of subjectivation, it is only to the extent that *the enterprise-form is the 'cell-form' for moralizing the working individual*, just as the family is the 'cell-form' for moralizing the child.²⁹ Hence the non-stop eulogizing of the calculating *and* responsible individual, invariably in the shape of the working, thrifty and provident father of a family, which aids dismantlement of pension, public education and health systems. Much more than a mere 'zone of contact', the articulation of the enterprise with the family represents the point of convergence or overlap between neo-liberal normativity and neo-conservative moralism. That is why it is always dangerous to criticize moral and cultural conservatism in the name of the alleged 'liberalism' of its supporters in economic policy. For, in seeking to expose their 'inconsistency', one ends up revealing incomprehension of the difference between neo-liberalism and 'laissez-fairism' and, in addition, runs the risk of having to assume a kind of integral, systematic laissez-fairism to salvage the coherence of the critique.

However, the accord between neo-conservatism and neo-liberalism in no way entails that an ideological amalgam, combining ingredients from different sources, might not turn up to take over from an intellectual current that is largely anaemic today. The Blairite Left has already shown in the past that lyrical celebration of modernity in all its aspects, including the liberalization of mores, can perfectly well be combined with neo-liberal rationality. The possibility cannot be excluded that on another level – economic policy – certain elements of Keynesian doctrine will supply the practice of entrepreneurial government with reinforcement: temporary budgetary reflation, provisional bracketing of the criteria of monetary stability, measures aimed at checking market speculation, and so forth – all of them elements that do not involve touching the basic distribution of income between capital and labour and thereby reactivating a wage compromise comparable to the post-war one. By itself, however, such purely circumstantial and 'pragmatic' cooperation is not such as to dent the normative logic of neo-liberalism, so true is it that the latter can only be defeated by large-scale upheavals.

INVENTING A DIFFERENT GOVERNMENTALITY

The new rationality confronts the Left with a formidable challenge. Unable to make do with a snap critique of ‘generalized commodification’, it must come up with a political response ‘commensurate’ with the originality of the dominant normative regime. In as much as the latter involves an irreversible withering of liberal democracy, the Left cannot, as it often tends to, fall back on defending liberal democracy. Not that it should abandon the defence of public liberties. But it must refrain from doing so in the name of *that* democracy – for example, by counter-posing ‘liberal democracy’ to ‘neo-liberal authoritarianism’. To cite Wendy Brown once more,

not only does defending liberal democracy in liberal terms sacrifice a left vision, but this sacrifice discredits the Left by tacitly reducing it to nothing more than a permanent objection to the existing regime. It renders the Left a party of complaint rather than a party with an alternative political, social, and economic vision.³⁰

For the same reason, we cannot revert to the Marxist critique of ‘formal democracy’, since this would be to ignore the fact that the depletion of liberal democracy deprives such a critique of any foundation. Neo-liberal governmentality is precisely not democratic in form but anti-democratic in substance – it is no longer democratic at all, *even in the formal sense*, without thereby being tantamount to a dictatorial or authoritarian exercise of power. It is a-democratic. The division between ‘citizen’ and ‘bourgeois’ is at an end; and with it goes appeals for man’s reunification with himself. For the same reason, the Left cannot propose ‘breathing new life into old systems’ by seeking to shore up failing representative democracy with the wobbly stanchions of ‘participatory democracy’.³¹ Nor can it adopt the fall-back position of contrasting ‘political liberalism’ with ‘economic liberalism’, which would involve failing to appreciate that the very bases of ‘purely political’ liberalism have been undermined by a neo-liberalism that is anything but ‘purely economic’. More generally, the whole space occupied by what used to be called ‘social-democracy’ is subject to direct and radical challenge, since this denomination derived its meaning solely from the possibility of extending political democracy by recognizing social rights that defined a social citizenship, as a complement and reinforcement of classical political citizenship.

In this respect, we must note how far a certain vocabulary contributes to blurring the issue. There is not, and cannot be, a ‘social-liberalism’, quite simply because neo-liberalism, being a global rationality that directly invests all dimensions of human existence, rules out any possibility of an extension of itself socially. The analogy which suggests that ‘social-liberalism’ is to neo-liberalism what ‘social-democracy’ was to political democracy, is therefore

misleading.³² On the other hand, what does indeed exist is a *left-neo-liberalism* that no longer has anything to do with social-democracy or liberal political democracy. In reality – something ill-concealed by the prefix ‘social’ – it is the perfunctory equation whereby liberalism is incorrectly identified with economic laissez-fairism. The same might be said of the label ‘ultra-liberalism’, generously applied by much of the Left – all the more generously in that it is tempted sheepishly to follow the prevailing neo-liberal orthodoxy.³³ Once again, it must be recalled that neo-liberalism is not the same as ‘all the world’s a market’, so that it makes no sense to refer to it as ‘ultra-liberalism’ in order to intimate the existence of a ‘respectable’ liberalism which does not renounce the tools of state intervention. It cannot be reiterated often enough that Hayek is not an ‘ultra-liberal’, but a ‘neo-liberal’ who is a supporter of a strong state, like many other neo-liberals.³⁴ As to libertarianism, whether it argues for a minimal state or demands the abolition of the state, it is not an ‘ultra-liberalism’, but a *different* liberalism, whose relationship to neo-liberalism is irreducible to a mere difference of degree.

The only question that is really worth posing is whether the Left can counter pose an alternative governmentality to neo-liberal governmentality. At the end of his lecture of 31 January 1979 on *The Birth of Biopolitics*, Foucault asked if something like an ‘autonomous socialist governmentality’ had ever existed. His answer was unambiguous: such a form of governmentality has always been wanting. What the historical record reveals is that socialism has always been ‘connected’ onto other governmentalities. Thus, it has been connected onto a ‘liberal’ governmentality or an ‘administrative’ governmentality. Hence the question: what might an intrinsically socialist governmentality consist in? What Foucault claims is that it is *not to be found* within socialism and its texts. And since it cannot be found, ‘it must be invented’.³⁵

To understand the need for this invention, we shall have to take a brief second look at the very idea of ‘government’. According to Foucault, governing precisely consists in ‘disposing things’ – it being understood that by ‘things’ is meant not things as opposed to people, but every ‘intrication of people and things’.³⁶ The idea of governmentality is therefore bound up in a certain way with the idea of the government of men and the idea of the administration of things, whereas the paradigm of sovereignty foregrounds the direct relationship between the sovereign and his subjects.³⁷

This correlation between a government of men careful not to counteract the nature of things, and an administration of things playing on the liberty of men, gave a decisive impetus to reflection on the art of government, by enabling it to free itself of the old legal framework of sovereignty. For within the latter the primacy of law merely reflects the direct relationship between

the sovereign's will and the will of his subjects, which is always suspected of seeking to disobey and always reminded its duty of obedience. Thus, all attempts to re-found the theory of sovereignty on new bases have been fated to renew this sovereignty, even to accentuate it into a veritable sacralisation of the law. This especially applies to Rousseau's endeavour. While seeking to make space for the administration of things and the government of men, he attempts to subsume the latter under the principle of sovereignty. Thus, in the article on 'Political Economy' in the *Encyclopédie*, he distinguishes between 'public economy', or 'government', and 'supreme authority' or 'sovereignty'. Government, to which the government of persons and the administration of things alike pertain, must be strictly subordinated to the sovereign who alone possesses the power to make laws. Hence the problem which, according to Rousseau, is to politics what the 'squaring of the circle' is to geometry: 'placing the law above man'.³⁸ There is only one way of achieving this goal and that is 'substituting the law for man'.³⁹ The ideal would therefore be for political laws to acquire the same inflexibility and immutability as the laws of nature, so that it is impossible for men to disobey them, dependence on laws then being purely and simply identified with dependence on things.⁴⁰ The principle of the sovereignty of the law, rendered absolute in a kind of going to the limit, thus tends to make the government of men wholly *superfluous*. In as much as government consists in ensuring the execution of laws, we are entitled to ask what kind of activity would remain for a government that no longer had to fear violation of the law. The ultimate ideal would be the invincibility of laws enabling men to *dispense with any government*.

It will probably be asked what this recognition-disavowal of governmentality by Rousseau has to do with the need to invent a left-wing governmentality. Albeit indirect, there is a genuine relationship. In effect, the Left has historically been constructed around the reference to Marxism. Yet the latter is indebted to Saint-Simon for a certain conception of government. In *Socialism: Utopian and Scientific* (1883), Engels refers in glowing terms to Saint-Simon's work, *L'Industrie*: 'what is here very plainly expressed is the idea of the future conversion of political rule over men into an administration of things and a direction of process of production – that is to say, the "abolition of the state", about which recently there has been so much noise'.⁴¹ In fact, it was Saint-Simon who developed the fundamental distinction between *government* and *administration*. It involves a veritable opposition between two types of regime: the 'governmental or military' regime, on the one hand, and the 'administrative or industrial regime', on the other.⁴² In pre-industrial societies, also called 'military', the social order proceeds entirely from commands and this explains the predominance of government. The action of governing consists in the exercise by some men of the power to command other men and, as such, it is necessarily arbitrary. This definitely does not

stem from the form of government (absolute monarchy or parliamentarism), but from the essence of such action: the arbitrariness resides in the very essence of any will and the action of governing consists in some men giving orders to other men.⁴³

Things are quite different in modern industrial societies. Now, scientists and industrialists are invested with leadership roles, not by virtue of their aptitude for getting others to obey their will – i.e. their power – but simply because they know more than the rest. In these conditions, it is no longer men who rule men. It is the truth, which speaks directly through the mouths of scientists and industrialists; and we know that nothing is less arbitrary than the truth. The truth cannot be resisted; it can only be approached. For it does not command, but imposes itself by getting itself acknowledged. Governmental compulsion is therefore destined to disappear with arbitrariness. In industrial society, government action is reduced to a minimum and tends towards zero, so that the government aligned with the truth is the government that governs as little as possible and *tends towards its own abolition*. Saint-Simon's ideal is precisely a total substitution of administration, based on knowledge of the truth, for government, based on the arbitrariness of commands.

Adopted by Marxism, this ideal presupposes a radical dissociation between the action of human beings on *things*, or 'administration', and the action of human beings on *human beings*, or 'government': 'It cannot be repeated too often that the only useful action done by man is that of man on things. The action of man on man is always, in and of itself, harmful to the species, through the double destruction of forces that it entails.'⁴⁴ We can see that this utterly negative conception of government only stands up by untying the knot between action on men and action on things tied by the very idea of governmentality, reducing the action of governing to coercion and command.

Once again, as in Rousseau, the specificity of the art of governing is spirited away. Certainly, Saint-Simon happily attacks Rousseau, whom he counts among the 'jurists' who subject society to the arbitrariness of laws. In his view, in the new order of things, 'there is no longer any place for the arbitrariness of men, *or even for that of laws*, because both can only operate in the wave that is, as it were, their natural element'.⁴⁵ This 'wave' is precisely what is eclipsed by the truth of science and that is why 'the action of governing is then null, or virtually null, as "action of commanding"'. If there is sovereignty, it can therefore only consist 'in a principle derived from the very nature of things', and not 'in an arbitrary opinion erected into law by the mass'.⁴⁶ Nevertheless, in Rousseauism as in Saint-Simonianism, the activity of government is subaltern, either because sovereignty pertains to laws derived from the will, or because it falls to the truth itself. Marxism adopted two key ideas from Saint-Simonianism: firstly, that government has a predominantly

policing role, based mainly on violence and compulsion; and secondly, that government according to the truth is one that tends towards its own abolition in the administration of things. But by truth it would mean not the 'immutable principle derived from the nature of things', but the truth whose advent history brings about and which its rationality expresses. However that may be, the sovereignty of laws and the scientific administration of things both remove any real justification from the action of governing. To lead human beings is neither to make them bend under the inflexible yoke of the law, nor to make them acknowledge the force of a truth. Because it has never realized this, the Left has always been condemned to attune itself to borrowed forms of governmentality. It is precisely in this respect that left-wing governmentality remains to be invented.

'COUNTER-CONDUCTS' AS PRACTICES OF SUBJECTIVATION

Governmentality cannot be reduced to the government of others. In its other aspect, it comprises self-government. Neo-liberalism's tour de force consisted in uniquely linking these two aspects by making self-government the point of application and objective of the government of others. The effect of this apparatus was, and still is, the production of the neo-liberal subject or neo-subject. The Left cannot ignore this reality, but must recognize it the better to confront it. The worst attitude it could adopt would be to advocate a return to the social-democratic, Keynesian and Fordist compromise, in a national or European framework, without realizing that the scale of the problems has changed, that the forces in play are no longer the same, and that the globalization of capital has destroyed the very bases of such a compromise. However, such an attitude can often be sensed peeping out behind the reduction of neo-liberalism to a regression to some original 'pure capitalism'. Without daring openly to rejoice, people think they can make out the precursory signs of a swing of the pendulum back to direct government regulation. The fact that this 'swing' is occurring to the advantage of an entrepreneurial state is hardly noticed. The 'bad' rationality of competition is readily counter-posed to the 'good' rationality of state regulation. What gets neglected in the process is the fact that the rationality of neo-liberal capitalism is not *purely* economic and at the same time people lose sight of the difference in historical conditions, which rules out any return to an administrative, planning economic rationality (even supposing that such a return is desirable – which, to say the least, is debatable). The question is not: how do we impose on capital a return to the compromise that obtained prior to neo-liberalism? It is: how do we escape neo-liberal rationality?

However, we know that it is easier to escape from a prison than from a rationality, since escaping the latter involves emancipating oneself from a system of norms established through a whole labour of internalization. This especially applies to neo-liberal rationality, in as much as it tends to confine every subject in the little 'iron cage' they have themselves constructed. Thus, the issue is first and foremost how to pave the way for such an escape – that is, how to *resist* the dominant rationality in the here and now. The only practicable way is to promote in the present *alternative forms of subjectivation to the model of personal enterprise*. It will be asserted that the neo-subject was formed on the basis of conditions largely created by a radical reorientation of government policy. Allowing ourselves to fall into the trap of a misleading analogy, we might therefore be tempted to expect a change of policies in the wake of a change of government to create the conditions for constructing a different subject. This would be to ignore the fact that the reorientation effected by neo-liberalism, although voluntaristic, was in no wise a creation *ex nihilo*. It was based on the whole dynamic of the global economy, aligned

with the new norm of competition, such that subjects were internally 'bent' to this norm through multiple techniques of power. Moreover, it is to forget that one does not escape a rationality or an apparatus through a mere change of policy, any more than one invents a different way of governing human beings by changing governments. This is not to say that we should be indifferent to a change of government, or to the policies implemented by any new government. But it certainly does mean that the attitude to be adopted in such circumstances must be based on a single criterion: to what extent do the actions of this government favour or, on the contrary, impede resistance to neo-liberal rationality? Consequently, the issue of government as an *institution* is subsidiary here to the issue of government as an *activity* involving a relationship to the self at the same time as a relationship to others. This dual relationship precisely pertains to the constitution of the subject – in other words, practices of subjectivation.

Understanding it requires us to free ourselves from the illusion that the alternative subject is to be found 'already there' in one shape or another, in the manner of a given that at most has to be activated or stimulated. An initial form of this illusion, on which Marxism lived in the past, is ontological localization of the subject of human emancipation. According to it, there is a given site in social being that takes oppression to extremes, or a class that is at one and the same time a 'non-class' and a 'universal class' which, in its conditions of existence, experiences 'total loss of humanity', and to which it consequently falls to accomplish the 'total re-conquest' of man.⁴⁷ This illusion is under-pinned by the idea of an *ontological privilege of exteriority*, by dint of which such a social subject is situated in a radical 'outside' with respect to the power relations in which a society's agents are always trapped. We find a similar illusion of externality in the thesis of 'the multitude's ontological autonomy' advanced by Michael Hardt and Antonio Negri.⁴⁸ Certainly, the latter reiterate that no site internal to the space of 'Empire' escapes the investment of bio-power. But they do so in order to allocate the multitude a particular ontological site that enables it to subtract itself, at least in part, from imperial control.⁴⁹ The misreading of the process of subjectivation implemented by neo-liberalism is such that Negri goes so far as to assert that the 'new human beings' of communism are already present, created as they are by the very dynamic of the new 'cognitive capitalism'.⁵⁰

Another form of the same illusion of a pre-given subject has found a precise formulation in the renewal of 'critical theory' attempted by Axel Honneth in his analysis of 'reification'. In Chapter 5 of his treatise, Honneth undertakes an analysis of the phenomenon of self-reification. This term is to be used to conceive reifying conduct towards oneself, which is a 'kind of mistaking' of the relationship of recognition we have with ourselves from the beginning. What is therefore at stake is nothing other than the primacy of this

relationship to the self ‘in social-ontological terms’.⁵¹ Affirmation of this primacy underpins any analysis: ‘we have always already recognized ourselves’.⁵² Certainly, it is no longer a question of grounding such primacy in the privileged position of some social class. But the question persists as to whether ‘an “original”, normal form of self-relationship must be implied from which reification can be judged a problematic deviation’.⁵³ Alluding to the Heideggerian theme of ‘engaged concern’, Honneth refers to Foucault’s re-development of the concept of ‘care of the self’.⁵⁴ This is to fail to appreciate that for Heidegger ‘engaged concern’ is by no means the equivalent of an original relationship of familiarity with oneself, but rather a mode of dispersion and immersion in the world that makes appropriation to the self a task assigned to *Dasein*. ‘First and foremost, and invariably’ (to speak like Heidegger), with Honneth what prevails is self-forgetting, not self-recognition. The same is even truer of Foucault. Volume three of the *History of Sexuality*, entitled *Care of the Self* (1984), as well as the course at the Collège de France devoted to *The Hermeneutics of the Subject* (1981–82), stress the same point: care of the self pertains not to a primordial relationship to the self, but to a veritable *tekhnê*, the *tekhnê tou biou* (the ‘art of living’), which makes the ‘self’ the end-point of a whole ascesis (*askêsis*).

This indicates to what extent we must take on board in our own way the main lesson of neo-liberalism: *the subject is always to be constructed*. The whole question is then how to articulate subjectivation with resistance to power. Now, precisely this issue is at the heart of all of Foucault’s thought. However, as Jeffrey T. Nealon has recently shown, part of the North American secondary literature has, on the contrary, stressed the alleged break between Foucault’s research on power and that of his last period on the history of subjectivity.⁵⁵ According to the ‘Foucault consensus’, as Nealon aptly dubs it, the successive impasses of the initial neo-structuralism, and then of the totalizing analysis of panoptical power, led the ‘last Foucault’ to set aside the issue of power and concern himself exclusively with the aesthetic invention of a style of existence bereft of any political dimension. Furthermore, if we follow this de-politicizing reading of Foucault, the aestheticization of ethics anticipated the neo-liberal mutation precisely by making self-invention a new norm. In reality, far from being oblivious of one another, the issues of power and the subject were always closely articulated, even in the last work on modes of subjectivation. If one concept played a decisive role in this respect, it was ‘counter-conduct’, as developed in the lecture of 1 March 1978.⁵⁶ This lecture was largely focused on the crisis of the pastorate. It involved identifying the specificity of the ‘revolts’ or ‘forms of resistance of conduct’ that are the correlate of the pastoral mode of power. If such forms of resistance are said to be ‘of conduct’, it is because they are forms of resistance to power *as conduct* and, as such, are themselves *forms of conduct*

opposed to this 'power-conduct'. The term 'conduct' in fact admits of two meanings: an activity that consists in conducting others, or 'conduction'; and the way one conducts oneself under the influence of this activity of conduction.⁵⁷ The idea of 'counter-conduct' therefore has the advantage of directly signifying a 'struggle against the procedures implemented for conducting others', unlike the term 'misconduct', which only refers to the passive sense of the word.⁵⁸ Through 'counter-conduct', people seek both to escape conduction by others and to define a way of conducting themselves towards others.

What relevance might this observation have for a reflection on resistance to neo-liberal governmentality? It will be said that the concept is introduced in the context of an analysis of the pastorate, not government. Governmentality, at least in its specifically neo-liberal form, precisely makes conducting others *through* their conduct towards themselves its real goal. The peculiarity of this conduct towards oneself, conducting oneself as a personal enterprise, is that it immediately and directly induces a certain conduct towards others: competition with others, regarded as so many personal enterprises. Consequently, counter-conduct as a form of resistance to *this* governmentality must correspond to a conduct that is indivisibly a conduct towards oneself *and* a conduct towards others. One cannot struggle against such an indirect mode of conduction by appealing for rebellion against an authority that supposedly operates through compulsion external to individuals. If 'politics is nothing more and nothing less than that which is born with resistance to governmentality, the first revolt, the first confrontation',⁵⁹ it means that *ethics and politics are absolutely inseparable*.

To the subjectivation-subjection represented by ultra-subjection, we must oppose a subjectivation by forms of counter-conduct. To neo-liberal governmentality as a specific way of conducting the conduct of others, we must therefore oppose a no less specific *double* refusal: a refusal to conduct oneself towards oneself as a personal enterprise and a refusal to conduct oneself towards others in accordance with the norm of competition. As such, the double refusal is not 'passive disobedience'.⁶⁰ For, if it is true that the personal enterprise's relationship to the self immediately and directly determines a certain kind of relationship to others – generalized competition – conversely, the refusal to function as a personal enterprise, which is self-distance and a refusal to line up in the race for performance, can only practically occur on condition of establishing cooperative relations with others, sharing and pooling. In fact, where would be the sense in a self-distance severed from any cooperative practice? At worst, a cynicism tinged with contempt for those who are dupes. At best, simulation or double dealing, possibly dictated by a wholly justified concern for self-preservation, but ultimately exhausting for the subject. Certainly not a *counter*-conduct. All the

more so in that such a game could lead the subject, for want of anything better, to take refuge in a compensatory identity, which at least has the advantage of some stability by contrast with the imperative of indefinite self-transcendence. Far from threatening the neo-liberal order, fixation with identity, whatever its nature, looks like a fall-back position for subjects weary of themselves, for all those who have abandoned the race or been excluded from it from the outset. Worse, it recreates the logic of competition at the level of relations between 'little communities'. Far from being valuable in itself, independently of any articulation with politics, individual subjectivation is bound up at its very core with collective subjectivation. *In this sense, sheer aestheticization of ethics is a pure and simple abandonment of a genuinely ethical attitude.* The invention of new forms of existence can only be a collective act, attributable to the multiplication and intensification of cooperative counter-conduct. A collective refusal to 'work more', if only local, is a good example of an attitude that can pave the way for such forms of counter-conduct. In effect, it breaks what André Gorz quite rightly called the 'structural complicity' that binds the worker to capital, in as much as 'earning money', ever more money, is the decisive goal for both. It makes an initial breach in the 'immanent constraint of the "ever more", "ever more rapidly"'.⁶¹

The genealogy of neo-liberalism attempted in this book teaches us that the new global rationality is in no wise an inevitable fate shackling humanity. Unlike Hegelian Reason, it is not the reason of human history. It is itself wholly *historical* - that is, relative to strictly singular conditions that cannot legitimately be regarded as untranscendable. The main thing is to understand that *nothing* can release us from the task of promoting a different rationality. That is why the belief that the financial crisis by itself sounds the death-knell of neo-liberal capitalism is the *worst* of beliefs. It is possibly a source of pleasure to those who think they are witnessing reality running ahead of their desires, without them having to move their little finger. It certainly comforts those for whom it is an opportunity to celebrate their own past 'clairvoyance'. At bottom, it is the least acceptable form of intellectual and political abdication. Neo-liberalism is not falling like a 'ripe fruit' on account of its internal contradictions; and traders will not be its undreamed-of 'gravediggers' despite themselves. Marx had already made the point powerfully: '*History does nothing*'.⁶² There are only human beings who act in given conditions and seek through their action to open up a future for themselves. It is up to us to enable a new sense of possibility to blaze a trail. The government of human beings *can* be aligned with horizons other than those of maximizing performance, unlimited production and generalized control. It *can* sustain itself with self-government that opens onto different relations with others than that of competition between 'self-enterprising

actors'. The practices of 'communization' of knowledge, mutual aid and cooperative work *can* delineate the features of a *different world reason*. Such an alternative reason cannot be better designated than by the term *reason of the commons*.

1 Wendy Brown, 'Neo-Liberalism and the End of Liberal Democracy', in *Edgework: Critical Essays on Knowledge and Politics*, Princeton NJ: Princeton University Press, 2005, p. 40.

2 This norm in no way excludes – on the contrary, it involves – 'alliance' strategies, adopted by firms to strengthen their 'competitive advantages'. Hence the current vogue in management literature for the term 'co-opetition', which conveys recourse to a flexible combination of 'co-operation' and 'competition'. However, the informal relations whereby an 'exchange of knowledge' is made between competing firms does not pertain to genuine cooperation, in the sense of *non-transactional sharing*, any more than does the 'voluntary cooperation' lauded by Spencer in the form of the contract.

3 For the meaning of these terms, cf. [Chapter 3](#) for the first and [Chapter 6](#) for the second.

4 On this term of Franz Böhm's, see [Chapter 3](#). For its adoption and development by Hayek, see [Chapter 5](#).

5 Brown, *Edgework*, p. 43.

6 As can be confirmed in Locke (see [Chapter 5](#)).

7 See Patrick Le Galès, 'Gouverance', in Laurie Bousquet, Sophie Jacquot and Pauline Ravinet, eds, *Dictionnaire des politiques publiques*, Paris: Presses de Sciences-Po, 2004, p. 244.

8 Marc Hufty, ed., *La Pensée comptable. État, néolibéralisme, nouvelle gestion publique*, Paris: Presses Universitaires de France, 1998, p. 19.

9 Cf. Sharon Gewirtz, *The Managerial School: Post-Welfarism and Social Justice in Education*, London: Routledge, 2002. All the research on the impact of the 'managerial school' conducted in the countries most advanced on this road shows an increase in educational inequality and marginalization of the poorest fraction of the population in ghetto establishments.

10 This historical schema was presented by the sociologist T.H. Marshall in 1949, in a lecture entitled 'Citizenship and Social Class'; quoted in Albert O. Hirschmann, *The Rhetoric of Reaction*, Cambridge MA and London: Belknap Press, 1991, p. 1 ff.

11 Robert Castel, *From Manual Workers to Wage Labourers: Transformation of the Social Question*, ed. and trans. Richard Boyd, New Brunswick NJ: Transaction Books, 2003.

12 A phase that Colin Crouch proposes dubbing 'post-democracy'; cf. his *Post-Democracy*, Cambridge: Polity Press, 2004.

13 Giorgio Agamben, *State of Exception*, trans. Kevin Attell, Chicago: University of Chicago Press, 2005.

14 Contrary to Jean-Claude Paye, who holds that the suspension of the law signifies the constitution of a 'sovereign dictatorship' in Carl Schmitt's sense – that is, a dictatorship founding a new order of law (*La Fin de l'État de droit. La lutte antiterroriste, de l'état d'exception à la dictature*, Paris: La Dispute, 2004, p. 197 ff). Wendy Brown refers more prudently to a 'new political configuration', or 'a political and social form for which we do not yet have a name' (*Edgework*, p. 51).

15 Raymond Aron, *Democracy and Totalitarianism*, trans. Valence Ionescu, London: Weidenfeld &

Nicolson, 1968.

16 F.A. Hayek, *The Constitution of Liberty*, ed. Ronald Hamowy, Chicago: University of Chicago Press, 2011, p. 170.

17 This helps clarify the attitude of Hayek and Friedman to Pinochet's dictatorship (cf. [Chapter 5](#)).

18 Hayek, *The Constitution of Liberty*, p. 61.

19 F.A. Hayek, *Law, Legislation and Liberty*, p. 484.

20 On the expanded concept of 'apparatus' as a network of heterogeneous elements pertaining to both the discursive and the 'non-discursive social', see Foucault, *Dits et écrits II*, pp. 299–301.

21 *Ibid.*

22 Cf. [Chapter 6](#).

23 This neglect, which can extend to straightforward disavowal (ordo-liberalism is *not* liberalism), is unquestionably one of the reasons for the reduction of neo-liberalism to the ideology of the free market, the other being the inversion in the causal relationship between the globalization of finance and neo-liberal reason referred to above (cf. [Chapter 8](#) above). A dual identification is thus durably established: neo-liberalism is nothing other than the self-regulating market entailed by finance. Hence the hasty conclusion that the financial crisis signs the death certificate of neo-liberalism.

24 Giorgio Agamben, *What is an Apparatus? and Other Essays*, trans. David Kishik and Stefan Pedatella, Stanford CA: Stanford University Press, 2009, p. 12 ff. The term *Gestell* refers to the arrangement that disposes of man by enjoining him to unveil reality 'in the mode of the command', which for Heidegger defines the essence of modern technology. As for the theologians' *oikonomia*, it makes it possible to conceive government of men and the world as entrusted by God to his Son. It is significant that Agamben imparts to the concept of 'apparatus' an extension that is difficult to reconcile with Foucault's concern for historical singularity.

25 *Ibid.*, p. 16. This idea is taken up and developed in Agamben's *The Kingdom and the Glory*, trans. Lorenzo Chiesa (with Matteo Mandarini), Stanford CA: Stanford University Press, 2011, Chapter 3, 'Being and Acting'.

26 Michel Foucault, *Security, Territory, Population*, pp. 243–4.

27 Brown, *Edgework*, p. 49. The author adds: 'the former refers to governing practices and the latter to a popular order of belief that may or may not be fully in line with the former, and that may even be a site of resistance to it.'

28 *Ibid.*, p. 143 n. 5. It should be noted that the author refers in the same note to 'neo-conservatism' as an 'ideology': 'Neoliberalism and neoconservatism are quite different, not least because the former functions as a political rationality while the latter remains an ideology.' In the Preface to the French edition of her essays (*Les Habits neufs de la politique mondiale. Néo-libéralisme et néoconservatisme*, Paris: Les Prairies Ordinaires, 2007), and in the second text ('American Nightmare'), Brown refers to neo-liberalism and neo-conservatism as two 'political rationalities'. For our part, we think that no symmetry is possible between neo-liberal *rationality* and neo-conservative *ideology*.

29 The enterprise constitutes the 'ethico-political base' of neo-liberalism. In fact, from the origins of neo-liberalism in Röpke, the enterprise-form has been conceived as a form for 'moralizing and instilling responsibility' in the individual (cf. [Chapter 3](#)).

30 Brown, *Edgework*, p. 56.

31 As proposed by Loïc Blondiaux in *Le Nouvel esprit de la démocratie*, Paris: Seuil, 2008, p. 100.

32 Cf. Chapter 6.

33 As has correctly been observed by Gérard Desportes and Laurent Mauduit in *L'Adieu au socialisme*, Paris: Grasset, 2002, p. 290. In this respect, the stance adopted by Michel Rocard in the face of the financial crisis is very revealing: 'The current crisis does not put a question-mark over liberalism. But it sounds the death-knell of ultra-liberalism, that criminal intellectual school founded by Milton Friedman' (interview in *Le Monde*, 2–3 November 2008). The 'criminalization' of the Chicago School possesses a double advantage. First of all, it makes it possible to proceed as if there were nothing between Adam Smith and Milton Friedman, and hence to reduce neo-liberalism to its Friedmanite version! Secondly, it functions to cover the French Right, deemed 'still highly Gaullist' (*sic*) – something that indirectly speaks volumes on the underlying reasons for the French Left's impotence vis-à-vis the Right.

34 Cf. Chapter 5. Serge Audier scarcely avoids this over-simplification when he casts Hayek as the author of a 'new ultra-liberal utopia', the better to contrast him with the 'anti-capitalist' liberalism of Röpke. See *Le Colloque Walter Lippmann. Aux origines du néolibéralisme*, Latresne: Le Bord de l'eau, 2008, p. 234.

35 For this argument, see Foucault, *The Birth of Biopolitics*, pp. 92–4.

36 Foucault, *Dits et écrits II*, pp. 643–4.

37 Foucault, *Security, Territory, Population*, p. 66.

38 Jean-Jacques Rousseau, 'Considérations sur le gouvernement de Pologne', in *Oeuvres complètes*, vol. III, 'La Pléiade', Paris: Gallimard 1995, p. 955.

39 Jean-Jacques Rousseau, Émile, in *Oeuvres complètes*, vol. IV, p. 311.

40 *Ibid.*

41 Karl Marx and Frederick Engels, *Selected Works*, vol. 3, Moscow: Progress Publishers, 1977, p. 121.

42 In sum, Saint-Simon said that the human species 'is destined to pass from the governmental or military regime to the administrative or industrial regime'. Quoted by Emile Durkheim in *Socialism and Saint-Simon*, Abingdon and New York: Routledge, 2010, p. 152 (trans. modified).

43 Here we summarize Durkheim's argument in *ibid.*, pp. 150–1.

44 Saint-Simon, *Écrits politiques et économiques*, Paris: Agora, 2005, p. 327.

45 *Ibid.*, p. 330; our emphasis.

46 *Ibid.*

47 Readers will have recognized Marx's thesis on the subject of the proletariat in the *Contribution to the Critique of Hegel's Philosophy of Right* and in *The German Ideology*.

48 Michael Hardt and Antonio Negri, *Multitude*, Cambridge MA and London: Harvard University Press, 2000.

49 For a critique of this thesis, see Pierre Dardot, Christian Laval and El Mouhoub Mouhoub, *Sauver Marx?*, Paris: La Découverte, 2007.

50 'Nous sommes déjà des hommes nouveaux', interview with Jean Birnbaum, *Le Monde*, 13 July 2007.

51 Axel Honneth, *Reification: A New Look at an Old Idea*, ed. Martin Jay, New York: Oxford University Press, 2008, p. 66.

52 Ibid., p. 74.

53 Ibid., p. 66. This supposed 'originality' is not unrelated to the presupposition of freedom's externality to power relations, against which Foucault's notion of governmentality was constructed.

54 Ibid., p. 71, as well as p. 92 n. 97.

55 J.T. Nealon, *Foucault Beyond Foucault: Power and its Intensifications since 1984*, Stanford CA: Stanford University Press, 2008.

56 Foucault, *Security, Territory, Population*, pp. 191–226. On the key step constituted by this concept, see p. 217 n. 5.

57 Ibid., pp. 193–4.

58 Ibid., p. 201.

59 Ibid., p. 217 n. 5.

60 An attitude that would represent the pure negative of the 'passive obedience' to the established powers advocated by Bishop Berkeley in his time.

61 André Gorz, *Ecologica*, Paris: Galilée, 2008, pp. 115, 133.

62 Karl Marx and Frederick Engels, *The Holy Family*, in *Collected Works*, vol. 4, London: Lawrence and Wishart, 1975, p. 93.