

## Chapter 2: Neoliberalism [and higher education]

[Before this section I'll have written something about classical liberalism, the entangled histories of free market capitalism and participatory democracy, and liberal assumptions about what constitutes an 'open' way to organise society and the economy.]

Popper wrote *The Open Society and its Enemies* (1945) as a defence of democracy against the totalitarian regimes of fascism and communism which Popper saw as restricting freedom. Free markets, as conceived by Hayek and Popper, are meant to guarantee freedom for individuals – liberalism necessarily leads to freedom and any other form of political organisation leads to totalitarianism<sup>1</sup> and thus a closed society (Hayek 1944; Popper 1945; Foucault 2008: 110–11). This theory does not appear to have born out in reality as neoliberalism in its contemporary manifestation no longer upholds liberal ideals of freedom and some scholars such as Wendy Brown and William Davies claim that it threatens the very existence of democracy. Brown (2015) argues that neoliberalism's economization of all spheres of life results in a *closure* of political and social freedom, so all that remains is freedom restricted to the economic realm. If this argument is correct, then Hayek and Popper's belief that free markets will inevitably lead to a free democratic society is proven false. The de-linking of neoliberalism and openness would also have strong implications for the open access movement and the policies it pursues.

Neoliberalism is a complex and diverse phenomenon so any definition of it will of necessity be partial and contested. However, the term is often used ambiguously or erroneously so it is worth clarifying at the outset. The intellectual history of neoliberalism's emergence – from 1930s German ordoliberalism, the pioneering work of Hayek, the 1950s Chicago School, and onwards towards analyses of 'actually existing' neoliberalism and theorisations of post-crisis neoliberalism – has been explored by many scholars (e.g. Harvey 2005, Mirowski and Plewhe 2009, Davies 2014). I will begin with a discussion of this history and come to define neoliberalism as the expansion of *markets* and *market-derived forms of measurement and evaluation* into previously non-economic realms.<sup>2</sup> I will the move on to analysing the implications of a theoretical understanding of neoliberalism for discussions on *openness*, especially with regards to higher education and academic publishing.

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1 Hayek's *The Road to Serfdom* has a somewhat confused blend of decrying others' acceptance of inevitability (1944: 3), while also proclaiming the 'inevitable' nature of socialism's evolution into fascism (1944: 1–5). Hayek appears to state that nothing should be accepted as inevitable, but *if the path to socialism is pursued*, it will inevitably lead to totalitarianism.

2 [If in a capitalist society the logic of capital already structures all of social life (Winn 2015), then is the difference of neoliberalism just the prioritising of *market* logic over other aspects?]

## Neoliberalism in theory and practice

The emergence of neoliberalism was a continuation and adaptation of liberalism under new political conditions. One genealogy of neoliberalism that depicts the ways in which it was a continuation of liberalism can be found in Foucault's analysis given in the 1978–79 lectures at the Collège de France, published as *The Birth of Biopolitics* (2008), which focused on understanding liberalism as a form of political rationality. For Foucault, the key rationale of liberal political rationality was to set internal limits on the reach of government and find an optimal balance between state governance and individual freedom. Foucault places the historical emergence of liberalism as occurring in the mid-eighteenth century with the coupling of 'a regime of truth and a new governmental reason', or the market becoming 'a site of veridiction for governmental practice' (Foucault 2008: 33). Liberal political rationality refrained from interfering in markets in order to allow 'truth' ('true' or 'natural' prices) to emerge from the market.<sup>3</sup>

A version of this liberal political rationality was later pursued by early neoliberals: in post-war Germany by the ordoliberals in opposition to what they saw as the overreach of government under Communism, Fascism, and Keynesian economic policy, and by the Chicago School in opposition to US state planning of the Roosevelt era (Foucault 2008: 322). However, ordoliberalism was more than just a restating of 18<sup>th</sup>-century liberal ideas. The ordoliberal formulation of statehood was 'a state under supervision of the market' (Foucault 2008: 116) wherein the essence of the market was competition. They understood that there is nothing 'natural' about market competition so the formal conditions for it must be created and maintained. Under this logic the role of the state is to move ever closer towards pure competitive markets – an idea which contains the seeds of the expansion of economising logic to previously non-economic domains. Ordoliberals were wary of what they saw as the inflationary nature of the state (Foucault 2008: 187–89). They claimed that the state's 'natural' tendency is towards continuous concentration of power, culminating in totalitarianism; so free markets – free from state interference – must be created in order to keep this power in check. The importance of free markets as a site of resistance to totalitarianism was a cornerstone of the most influential economist on the development of American neoliberal theory: Friedrich von Hayek.

Hayek's writings span half a century but the key ideas relevant to us here were outlined in his explicitly political book *The Road to Serfdom* (1944). Hayek argued that fascism was the logical outcome of German socialism, and thus by extension if similar 'socialist' policies are pursued elsewhere the inevitable outcome is fascism. This argument relies on a historical analysis of German social and economic policy during the interwar years and an assumption that under similar enough conditions, the same outcome is inevitable (Hayek 1944, Ch.2). Such an analysis can be countered on both factual and logical grounds. The actual path taken

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3 [M.E.: 'What you might want to think is how certain sectors of the OA community also equate their open practices with truth. "If it isn't open, it isn't science" etc. in an era where science is the dominant paradigm of truth production.']

by Western liberal democracies after 1945 was a mix of liberalism and socialism, freedom and planning. [... post-war consensus ...] Nations which tended more towards the socialist end of the social democracy spectrum, such as Sweden, certainly did not end up as totalitarian regimes, while the explicitly neoliberal regime of Pinochet in Chile did. So we can see that actual history does not correlate with Hayek's argument.<sup>4</sup> It is also flawed on logical grounds. While it could be argued that the Nazi party co-opted collective means of production for their own ends because they saw the value of doing so, this does not mean there is an inherent link between collectivist means and totalitarian ends. [look up critiques of Hayek by people who know what they're talking about to make this argument stronger]

Hayek saw liberalism and socialism as the two major strands of political thought at that time and set them in opposition. Hayek argued that socialists and liberals both desired similar ends, but disagreed about the means of achieving them – liberals prioritise the market whereas socialists advocate collectivism. Hayek opposed collectivism because it is the same means used by authoritarian regimes (Hayek 1944: 33–35), claiming that it is not only economic freedom that collectivism stifles, but also freedom of thought (Hayek 1944: Ch.11). Hayek's argument assumes that there are only two ways of organising economic activity within society and names these two absolutes as central planning and market freedom (Hayek 1944: 36–37). Planning and competition are the two opposite poles and there is no room in his theory for coexistence or a mixture of the two – let alone alternative modes of organisation. Since all actually existing liberal democracies *are* a mixture of the two, Hayek's theory does not map neatly onto existing political experiences. Interestingly, Hayek advocates the purposeful construction of frameworks to support competition with a market (Hayek 1944: 37) and accepts that there are some areas in which competition cannot be usefully applied (Hayek 1944: 40). However, Hayek sees competitive system as the only means of decentralising power (Hayek 1944: 149). He assumes that if power is organised it must be organised hierarchically. Analyses of decentralised, non-hierarchical modes of collective organisation can counter this view.

Hayek argues that sufficiently complex systems, such as modern economies, cannot be adequately organised by central planning. Hayek claims that decentralisation is necessary to organise such complex systems and only competition can effectively manage decentralised systems (Hayek 1944: 51). This claim can be challenged by drawing on contemporary network theory such as that of legal scholar Yochai Benkler, who has written extensively about organisation within decentralised networks and how *cooperation* can co-ordinate action more effectively than competition in at least some circumstances (Benkler 2002; 2006). [If an economy is open, then as an open network it may be more effective to co-ordinate competition through cooperation than competition – especially in areas of resource abundance e.g. information now?] Hayek claimed that the price system under competition is the *only* system which can accomplish this organisation (Hayek 1944: 50–51) and much of his work hinges on this assertion so it is worth exploring contemporary alternatives to the claim. The

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4 [Is this too simplistic?]

third alternative to either competition or central planning (authority-based decision making [organisations, firms]) is decentralised cooperation.<sup>5</sup>

In the argument against planning as a form of co-ordinating the variety of specialist interests found in a society Hayek says: 'The economist is the last to claim that he has the knowledge which the co-ordinator would need. His plea is for a method which effects such co-ordination without the need for an omniscient dictator' (Hayek 1944: 58). The method Hayek seeks, as a formal structure of co-ordination, may perhaps be found not in market competition but in commons-based peer production. Commons-based peer production, as a way of structuring/organising activity, could be an alternative structure to theoretically replace competition in order to achieve an open society. We will return to these ideas in [Chapter 4] with a discussion of Ostrom and commons-based knowledge production.

[Popper and his congruity with Hayek.]

[The Chicago School and its difference from ordoliberalism.]

## Neoliberalism as closure

In *The Limits of Neoliberalism: Authority, Sovereignty and the Logic of Competition*, Davies (2014) discusses neoliberal *authority* – which is dependent on economics for legitimacy. With an emphasis on competitive markets and rational self-interest, Davies sees 'an attempt to replace political judgement with economic evaluation' (Davies 2014: 3) as the core political project of neoliberalism. This replacement obscures the fact that the authority of empirical claims cannot be exercised without the existence of shared assumptions about moral principles. Davies posits that the empirical claims of neoclassical economics rely on normative and tacit rules to underpin its authority; if these norms are no longer seen to be coherent then the authority and legitimacy of economic claims – and thus the entire neoliberal project – is challenged. [Here we can see a link with Foucault's analysis of liberalism mentioned above, in which the legitimacy of the liberal governing rationality is coupled with truth production – truth emerges as a product of market activity, and this capacity for truth generation imbues legitimacy on the governing rationality which enables it.]

Davies clarifies the distinguishing feature of *neoliberalism* as being the expansion of 'market-based principles and techniques of evaluation' into all areas of society (Davies 2014: 21–22). If neoliberalism is concerned not purely with the expansion of *markets* but with *market-derived forms of measurement and evaluation*, there are strong implications for understanding changes in higher education policy and management in recent decades. In order to make claims of legitimacy under neoliberal conditions an institution must be understandable in

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5 This may be a key point of the thesis: if Hayek and Popper are wrong that free markets lead to openness, then perhaps *decentralised cooperation* (commons-based peer production) is the logical mode of coordinating action in complex open systems. Hayek may be right about the limitations of planning, but wrong about liberal markets (price mechanism) as the answer. [Also: network effect as consolidation of power.]

market terms. The 'economisation of everything' described by both Davies (2014) and Brown (2015) builds on the work of Çalışkan and Callon's article *Economization, Part 1: Shifting Attention From the Economy Towards Processes of Economization* (2009) in which they consider the influence of economics as a discipline on the actual economy. [expand]

The 'totalising' effect of neoliberalism in applying market logic to all aspects of the political, economic, and social realms must be reconciled with its adaptability in applying economizing logic to institutions that exist under a variety of conditions. This explains how neoliberalism can be effective in holding sovereign power in very different political situations; hence Harvey's depiction of 'neoliberalism with Chinese characteristics' (Harvey 2005), and the fact that neoliberal doctrine has remained the dominant hegemonic position within contemporary politics despite the 2007–09 financial crisis.

Davies develops the idea that competition is the central organising principle of neoliberalism. Competition inherently results in an unequal outcome so neoliberal theorists encourage inequality as a hallmark of a well-functioning competitive system such as a market. Herein lies the 'paradox' of competition: neoliberals recommend active intervention by the state to promote competition, rather than a laissez-faire liberal view of letting competition arise as an emergent property of market relations. Foucault argued that liberalism already inherently fulfilled this function of creating and managing freedom (Foucault 2008: 63–65).

[Neoliberalism is heavily interventionist but at the level of social policy to support the market, rather than intervening in the market itself (Foucault 2008: Ch.6).]<sup>6</sup>

As neoliberal theory evolved in the decades following Hayek's early work, *competition* – rather than *competitive markets* – began to be seen as the primary organising principle of economic exchange. Davies outlines two theories which illustrate this point: Coase's work on transaction costs, and Schumpeter on entrepreneurship's ability to promote uncertainty in capitalist markets by 'creative disruption'. Both these theorists' work shift the discourse away from pure markets and towards a system where power and hierarchy can wield influence through competitive personalities. In these theories Davies identifies metaphysical assumptions which act as the tacit norms which neoliberal theory relies on for authority – if these assumptions fall short then this authority dissipates. The definition of 'competition' relies on competitors to have some degree of equality at the outset and some shared rules to abide by, and result in inequality. The two norms of justice (equality) and violence (inequality) must both be present and in tension in order for competition to exist.

Davies outlines how the neoliberal ideas of the Chicago School of Law and Economics, which under Director's leadership in the 1960s shifted theory away from 'market fundamentalism' by becoming increasingly sceptical of whether the state should play a prominent role in

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6 ME: 'the interesting thing here, I thought, is that theoretically if a free market really works, it's impossible to continue to generate profits off a single idea because the competition erodes the margin down to zero. It might be worth examining how some of the ideologies of right free-market economics actually correlate quite closely to social utopianism etc. (but how it never works in practice).'

intervening in the market in the name of efficiency, became normalised within law. In effect this influence sought to replace legal ideas of *justice* with neoliberal economic ideas of *efficiency* – a prime example of the expansion of 'market-based principles and techniques of evaluation' into a realm outside of economics. From the late 1970s Chicago School ideas became dominant within competition law in the US and from the 2000s in the EU, leading to a decline in regulatory intervention.<sup>7</sup>

As with the replacement of traditional legal authority with economic judgement, the rise of notions of 'national competitiveness' transformed state authority into a form of strategic decision-making imported from business strategy. Competitiveness became the measure of success at all levels of leadership, whether national/supranational or in the individual firm – representation and democratic accountability are no longer the primary sources of legitimating authority. We can see this process at work in the evolution of universities into corporations guided by principles of competitiveness, which according to the theory can only be measured in the quantitative categories determined by the experts and gurus of business strategy. The prioritising of university rankings in league tables over issues such as what is actually taught is perfectly in accord with Davies' depiction of the logic of competitiveness. [Open access finds itself entangled in similar issues.]

If Davies is correct about the role of sovereign power in post-crisis 'contingent' neoliberalism, that has strong implications for the openness of both markets and democracy. [need to clarify this statement!] Wendy Brown's *Undoing the Demos* takes the idea of neoliberalism's closing of democracy further. Brown outlines how neoliberalism, by reshaping all human conduct (of both state and persons) into economic terms, poses a threat to the future of democracy. The governing rationality of neoliberalism is actively turning us into the rational-actors of *homo oeconomicus* and democracy will not necessarily survive this process. Brown argues that an active fight for democracy is needed if we are to retain enlightenment values of equality, freedom, and democratic rule.

Like Davies, Brown sees the economisation of all realms of life, even those which are not explicitly monetised, as a defining feature of neoliberal rationality. It is the application of market-like logic to everything which takes neoliberalism beyond simply a 'market fundamentalism' and into the role of shaping individuals into *homo oeconomicus* as described by Foucault (2008). Brown extrapolates from this point to describe how the conversion of citizens to 'human capital' reconfigures individuals' relations to the state and to each other, with liberal values of freedom, equality, and popular sovereignty disappearing. Brown engages with Foucault's *The Birth of Biopolitics* (2008), in which Foucault depicted neoliberalism as remaking the liberal art of government; 'a normative order of reason that would become a governing rationality' (Brown 2015: 50). This framing takes a very different approach to understanding neoliberalism compared to that of scholars who focus on economic

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7 [ME: 'I suspect that these logics of "justice" vs. "efficiency" will be crucial for your future work and the ways in which the latter might be strategically used in the service of the former (or how it might corrupt it).']

policy and its effects. The specific implementations of neoliberalism as it was expressed through economic policy are a result of introducing this governing rationality to various extant political spaces.

'This subtle shift from exchange to competition as the essence of the market means that all market actors are rendered as little capitals (rather than as owners, workers, and consumers) competing with, rather than exchanging with each other' (Brown 2015: 36). This notion ties in with the apparent disappearance of equality from the neoliberal imaginary – Davies argues that neoclassical economics rests on a competition wherein participants are equal at the beginning and unequal at the end, whereas under neoliberalism, all individuals are included in the competition but with no protections to guarantee equality.

[Greece/Syriza can be used as an example of how neoliberal policy is leading to social and economic devastation for many.]

## Neoliberalism and higher education

[Brown argues that by ignoring the role of capital in organising relations, Foucault's analysis of neoliberalism is limited and needs modifying and updating.

Capital replacing labour – implications for higher education. Academic staff are themselves re-figured as competitive agents, whose job is to inculcate students with the knowledge and tools to become competitive players of the game themselves.

The current state of scholarly publishing is a symptom of the neoliberal university (see Readings 1996, Giroux 2014).]

Brown argues that neoliberalism's incompatibility with the kind of non-instrumental liberal education epitomised by the liberal arts tradition of higher education in the 20<sup>th</sup> century United States means that the value of a liberal education has eroded with neoliberal thought's ascension. Education which serves purely instrumental ends is not adequate for an understanding of contemporary power relations so it fails to instil the knowledge necessary to undertake informed political judgements. As an example of how this manifests, we can refer to Brown's earlier discussion of how the replacement of *government* with *governance* is a depoliticising move that hides power relations from view (Brown 2015: Ch.4). Without a theoretical understanding of neoliberal power this kind of analysis would not be possible.

Brown relies on a somewhat idealised image of liberal arts higher education, which by Brown's own admission was never fully realised [and in the support of liberal arts education as the *only* way to inculcate an informed citizenry there is an implicit elitist undercurrent, that without formal higher education people cannot become informed]. A more detailed analysis of the role of higher education under liberal democracy is offered by Readings in *The University in Ruins* (1996). Readings argues that the purpose of liberal higher education was to reproduce dominant culture. [Expand on Reading's analysis of the neoliberalisation of higher

education. See also Stefan Collini's *What are Universities For?*]

Brown's analysis is focused on the rise of neoliberal thought as a structuring principle of higher education and does not engage with the large body of work on critical pedagogy and resistances to the neoliberal academy [Giroux etc].

'Over the centuries, of course, there have been many accounts of democracy's superiority and advantages over other political forms. However, most of them have little or nothing to do with popular rule and instead attribute features to democracy that are not inherent to it' (Brown 2015: 204). Brown identifies openness as one of the facets that does not 'belong exclusively to democracy defined as the rule of the people ... [and] could be promulgated or secured by nondemocratic regimes' (Brown 2015: 204). Opposing *restrictions* on freedom (nonuniversal rights, restrictions on speech etc.) could be affirmed by the demos. As Foucault attests, democracy is not necessarily liberal and liberalism is not necessarily democratic (Foucault 2008: 321). Liberalism, capitalism, and democracy are all concepts with closely integrated histories but no intrinsic dependency on each other.

Davies describes the role of state authority within neoliberalism shifting from playing a supporting role in maintaining efficient markets to one of acting in a managerial capacity to promote the competitive interests of the nation. Under this paradigm, state investment in research and support of 'excellence' in higher education plays a logical and important role in maintaining a nation's competitive advantage. The UK government's support of gold open access is not only to introduce further elements of market competition into the scholarly communications market – although this is one effect, hence why no cap has yet been set on the price of an APC paid from RCUK funds because the market should decide on an 'appropriate' price – but also to increase levels of competition within industry. If research is open access then theoretically it can lead to higher levels of commercial exploitation by the private sector [reference Willetts]. Although, ironically, this process has not yet been subject to measurement, the idea is consistent with Davies' depiction of how neoliberal theory emphasises the *potential* of future competition (i.e. capacity for wealth generation) as the primary measure of competitiveness.

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[at the core of [Marx's] vision of a postcapitalist society is the historically generated possibility that people might begin to control what they create rather than being controlled by it. (Postone 1993, 373)

Postone, Moishe (1993) *Time, Labour and Social Domination*, Cambridge.]