

Chapter 3: Neoliberalism, Liberty, and Openness

Neoliberalism is a complex and diverse phenomenon, to the extent that it may be more accurate to speak of ‘neoliberalisms’. The intellectual history of neoliberalism’s emergence – from German ordoliberalism and the work of Hayek in the 1930–40s, through the second Chicago School of the 1950–70s, and onwards towards ‘applied’ neoliberalism from the Thatcher and Reagan administrations to the 2007–09 financial crisis and beyond – has been explored by many scholars (for example Davies 2014, Harvey 2005, Mirowski and Plehwe 2009, Peck 2010, Stedman Jones 2012). This chapter will discuss this history with a particular focus on a theoretical understanding of how *liberty* and *openness* are conceived within neoliberalism. The diversity of neoliberal thought means that any definition of it will necessarily be partial and contested. However, based on the following analysis, I will come to use a working definition of the political project of neoliberalism as the continual expansion of *markets*¹ and *market-derived forms of measurement and evaluation* into all areas of social life. This definition is strongly linked to the prioritisation of *economic freedom* over political freedom.

After beginning this chapter with a discussion of the origins of neoliberal ideas in Austria and Germany, I will analyse the writings of Friedrich Hayek and Karl Popper with a focus on their conception of *liberty*. Popper wrote *The Open Society and its Enemies* (2003 [1945], 2003a [1945a]) as a defence of democracy against the totalitarian regimes of fascism and communism which Popper saw as restricting freedom.² Hayek’s contemporaneous work *The Road to Serfdom* (2001 [1944]) placed free markets at the centre of liberal strategies for achieving democratic freedom. For Hayek, free markets will guarantee freedom for individuals – he believed that liberalism necessarily leads to freedom and any other form of political organisation leads inexorably to totalitarianism and thus a closed society³ (Hayek 2001 [1944], 2006 [1960]; Popper 2003 [1945], 2003a [1945a]; Foucault 2008: 110–11). Following further discussion of these ideas, I will move on to the Chicago School and the gradual adoption of neoliberal ideas by policymakers.

In the final section I will focus on the fact that early neoliberal theories concerning the connection between an open society and free markets do not appear to have borne out in reality. Neoliberalism in its contemporary manifestation no longer upholds liberal ideals of freedom and some scholars such as Wendy Brown and Will Davies claim that it threatens the very existence of democracy. Brown (2015) argues that neoliberalism’s economisation of all

1 A *market* is a mechanism for facilitating the exchange of commodities, in which a price is agreed by buyers and sellers (Callon 1998: 3).

2 The words *freedom* and *liberty* are used interchangeably by writers such as Hayek and Popper and the same applies to this chapter.

3 The term *closed society* is defined below in the discussion of Popper’s *The Open Society and Its Enemies*.

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 uncoupling of neoliberalism and openness would also have strong implications for the open access movement and the policies it pursues, as discussed in later chapters.

The birth of neoliberal theory

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. Although this chapter will primarily rely on more recent historical analyses, Foucault's work was important for drawing attention to neoliberalism as a concept in need of rigorous scholarly understanding. Later published as *The Birth of Biopolitics* (2008), in these lectures Foucault 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). The history of liberal democracy cannot be separated from the development of free market capitalism; liberal assumptions about what constitutes an 'open' way to organise society are imbued with notions of what constitutes economic freedom. Liberal political rationality refrained from interfering in markets in order to allow 'truth' ('true' or 'natural' prices) to emerge from the market through the price mechanism. Under this 'regime of truth' dominated by economics, with no space for alternative 'regimes of truth' (whether they be metaphysical or empirical), the market *is* truth and therefore unquestionable. A version of this liberal political rationality was later pursued in both 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 School⁴ in opposition to US state planning of the Roosevelt era (Foucault 2008: 322). However, the theoretical origins underpinning this resurgence of liberal rationality can be traced back even earlier.

The seeds of neoliberalism can be found in the work of economists in 1920s Vienna, in particular Ludwig von Mises and Friedrich August Hayek (Gane 2014; Plehwe 2009: 11) who were then constructing their ideas of a free market to counter the socialist economics and planning that had become popular across much of Europe (Peck 2010: 39–47; Plehwe 2009: 11). As neoliberalism evolved during the 1930s a strong critique of classical liberal economics was developed alongside the promotion of free markets, and as a result neoliberalism could be positioned as an alternative to the perceived failures of both liberalism and socialism (Denord

⁴ The 'Chicago School' is used as a shorthand to refer to economists who worked or trained at the University of Chicago. See the section 'The Chicago School and the construction of neoliberal reason' below for details.

2009: 46). Multiple strands of neoliberal theory were already emerging at this early stage with theoretical differences between the Austrian economists, German ordoliberalism, and more libertarian perspectives. The following analysis will explore the key ideas of these different strands of neoliberal thought – here referred to by the terms German ordoliberalism and Austrian neoliberalism – especially with regards to liberty. (The relationship between *freedom* and *openness* will also be discussed.)

Ordoliberalism was a school of thought which emerged in Germany from the early 1930s to the 1950s. (The term *ordoliberalism* itself was not used until 1950 (Ptak 2009: 108).) It was developed by economists including Alexander Rüstow, Wilhelm Röpke, and the Freiburg School led by Walter Eucken and Franz Böhm (Bonefeld 2012; Ptak 2009: 101). There may have been more similarities than differences between ordoliberalism and Austrian neoliberalism, but ordoliberalism was more concerned with maintaining social order and placed greater emphasis on the role of a strong state to intervene in the conditions which facilitate a free market, such as competition legislation (Ptak 2009: 101–02). Freiburg School economists believed that a liberal market society could only be guaranteed by embedding the necessary economic structures within a constitutional legal framework (Gerber 1994: 25–26, 44).

The term *neoliberalism* was not widely used in the 1930s. In Germany the phrase ‘new liberalism’ (‘Neuer Liberalismus’) was used to describe ideas of economists such as Walter Eucken, Alexander Rüstow, and Wilhelm Röpke (Plehwe 2009: 12), who after the Second World War would become the lead architects of the new German social market economy (Gerber 1994: 58–62). It was at the Colloque Walter Lippmann in Paris, 1938 – the first international meeting of the new free market adherents, which brought together economists from Austria, Germany, France, and the US (Plehwe 2009: 12–13; Stedman Jones 2012: 31) – that a definition of neoliberalism was first proposed:

- the priority of the price mechanism,
- [the] free enterprise,
- the system of competition, and
- a strong and impartial state.

(Plehwe 2009: 14)

Already by this time there was a division between the German ordoliberalism of Rüstow and Röpke, with its more interventionist bent and desire to leave behind much of classical laissez-faire orthodoxy, and the ‘old liberalism’ of Hayek and Mises whose views at this time were closer to a renewal of liberal ideas rather than a move beyond them to something altogether new (Denord 2009: 49).⁵ The Austrian economists focused on ‘the power of the price

5 Rüstow referred to Mises as a ‘paleo-liberal’ – an unreconstructed nineteenth-century laissez-faire liberal – ‘because of his seemingly unerring faith in the capacity of the market to self-regulate itself’ (Bonefeld 2012: 9, note 11).

mechanism to allow the spontaneous organization of the economic life of autonomous individuals' (Stedman Jones 2012: 49) and downplayed the importance of regulating any aspect of the market. Despite these differences there was a great deal of agreement at the Colloque Walter Lippmann, especially on the fundamental idea that 'the state creates the framework within which competition is free', thus a neoliberal state is 'a regulator that punishes deviations from the "correct" legal framework' (Denord 2009: 50). Many of the individuals present at the meeting would later become founding members of the Mont Pelerin Society, an organisation promoting neoliberal ideas that first met in April 1947 (Plehwe and Walpen 2006: 30–31; Plehwe 2009: 12–15; Stedman Jones 2012: 31). Plehwe argues that the Mont Pelerin Society was vital to the foundation of a coherent ideology that transcended any one particular domain of knowledge (Plehwe 2009: 5; see also Plehwe and Walpen 2006: 31–40) and that close personal ties between Society members were important to maintain cohesion and momentum over time (Plehwe 2009: 21). The presence of University of Chicago economists was key to cementing transatlantic relations, not least due to the influence of the meeting on Milton Friedman (Hammond 2007: 9; Peck 2010: 91).

In the 1930s prominent ordoliberalists such as Rüstow and Alfred Müller-Armack explicitly stated their belief that political freedom should be restricted in the service of the market economy (Ptak 2009: 110–11). Ordoliberalism became a coherent and significant school of thought during the Nazi era (1933–45) and some ordoliberalists were directly involved in the Nazi regime (Ptak 2009: 112–19).⁶ The authoritarian streak present in their writings is by no means unique to this particular strand of neoliberalism, as discussed below with reference to the Pinochet regime in Chile. On the other hand, many of the leading neoliberal intellectuals were forced to emigrate during the war, lending credence to the claim that 'neoliberalism was a political philosophy developed by uprooted intellectuals in exile following the rise of Nazism' (Plehwe 2009: 14). The three key books which introduced so many to neoliberal ideas – Hayek's *The Road to Serfdom*, Mises' *Bureaucracy*, and Popper's *The Open Society and Its Enemies* – were all written by central European authors in exile from the Nazi regime. The disruption of the Second World War and its aftermath put a stop to neoliberal developments in France (Denord 2009: 51) as the emphasis on *planning* in political discourse left little room for neoliberal ideas. In contrast, Germany in the immediate post-War period saw the construction of what could be claimed as the first neoliberal state – the Federal Republic of Germany. Here, the social market economy – which in part was designed by neoliberal economists – was presented as a 'third way' between capitalism and socialism (Bonefeld 2012; Ptak 2009: 120; Tribe 1995: 214–15) with a strong moral grounding to protect citizens from market forces (a hallmark of ordoliberalism). Ptak claims that the social market economy should really be understood as a strategy by ordoliberal economists to

6 Hayek himself commented that 'the way in which, in the end, with few exceptions, [Germany's] scholars and scientists put themselves readily at the service of the new rulers is one of the depressing and shameful spectacles in the whole history of the rise of National-Socialism' (Hayek 2001 [1944]: 196). The acquiescence to Nazi rule by some economists was likely opportunistic rather than due to support for Nazi racial policy, for example Müller-Armack saw National Socialism as a useful means of social cohesion to support the strong state which he believed was necessary for economic freedom (Bonefeld 2012: 12).

implement their ideas (Ptak 2009: 122–125). So neoliberal intellectuals have found ways to meld their ideas with both authoritarian and anti-authoritarian political regimes.

Foucault argued that ordoliberalism must be seen as more than simply a restating of eighteenth-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. Ordoliberals understood that there is nothing ‘natural’ about market competition so the formal conditions for it must be created and maintained.⁷ 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 idea that free markets are important as a site of resistance to totalitarianism was also a cornerstone of the work of Hayek, the most influential economist on the early development of American neoliberal theory.

Hayek and the neoliberal conception of freedom

Hayek’s most explicitly political work can be found in *The Road to Serfdom* (2001 [1944]) and *The Constitution of Liberty* (2006 [1960]). In *The Road to Serfdom*, 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.⁸ 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 2001 [1944]: 24–32).⁹ Since such an analysis relies on an argument by analogy, it can be countered on both factual and logical grounds by the presence of empirical evidence to the contrary. We now know that the actual path taken by Western liberal democracies¹⁰ after 1945 was one of mixed economies: a blend of liberalism and socialism, freedom and planning.

7 For more on the relationship between ordoliberal thought and the maintenance of social order via the rule of law and state security apparatuses, see Bonefeld (2012).

8 *The Road to Serfdom* contains a somewhat muddled blend of decrying others’ acceptance of inevitability (Hayek 2001 [1944]: 3) while also proclaiming the ‘inevitable’ nature of socialism’s evolution into fascism and totalitarianism (Hayek 2001 [1944]: 1–5). Hayek appears to state that nothing should be accepted as inevitable, but at the same time *if the path to socialism is pursued* it will inevitably lead to totalitarianism. (Totalitarianism can be defined as a political system that ‘aim[s] toward a total negation of the individual’ (Stedman Jones 2012: 68).) Alves and Meadowcroft (2014) try to address this contradiction by highlighting the nuances in Hayek’s views on the ‘inevitability’ of planning’s descent into totalitarianism and reminding us that Hayek did allow some role for a minimal social safety net, but this still leaves us without a clear answer to Keynes’ objection to *The Road to Serfdom* – that Hayek admits that some level of state intervention in the economy is necessary but does not provide a way to determine where the level is set (Stedman Jones 2012: 66–68) and therefore the boundaries of intervention remain subject to change and the supposed danger of sliding into totalitarianism is still present.

9 Not all neoliberals agreed with this analysis; see Denord (2009: 58–59).

10 Hayek only focused in any detail on Germany, France, the UK, and the US (with the Soviet Union providing a contrasting foil), so a refutation of his arguments can be similarly restricted.

Following the economic crisis of the 1930s and the devastation of the Second World War, politicians in the UK and US turned to Keynesian economic policies, with an emphasis on social security and full employment (Stedman Jones 2012: 22–24). In the UK, the word generally used to describe the political attitude towards the reforms inspired by the 1942 Beveridge Report¹¹ and Keynes' macroeconomic ideas¹² is *consensus*, because the general direction of policy was supported by all major political parties from 1945 to the 1970s (Toye 2013). However, the private market economy was still central to economic activity. Nations which tended more towards the socialist end of the social democracy spectrum during the same period, such as Sweden, did not become totalitarian or even authoritarian regimes, while the explicitly neoliberal regime of Pinochet in Chile did.¹³ So we can see that history does not correlate with Hayek's argument. Alves and Meadowcroft (2014) argue that the empirical evidence shows that mixed economies have in fact proven to be the most stable form of macroeconomic organisation. The analogy in Hayek's argument is also weakened by questioning whether it was correct to assert that fascism was the logical outcome of German socialism. Although 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. Hayek's argument from analogy would thus not pass Popper's own falsifiability criterion (i.e. that if a theory is to be regarded as scientific or rational, it may be disproved by a single counter-example – see Popper 2002 [1959]).

Hayek saw liberalism and socialism as the two major strands of political thought at the time he was writing and set them in opposition.¹⁴ 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 used *collectivism* as 'an all-encompassing term that included Nazi and Soviet totalitarianism, New Deal liberalism, and British social democracy' (Stedman Jones 2012: 4, 32).) Hayek opposed collectivism because it is the same means used by authoritarian regimes (Hayek 2001 [1944]: 33–35), claiming that it is not only economic freedom that collectivism stifles, but also freedom of thought (Hayek 2001 [1944]: 157–70).¹⁵ Hayek's argument, following Mises (see Gane 2014: 8), assumes that

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- 11 The Beveridge report was one of the founding documents of the welfare state in Britain, leading to reforms such as the creation of the National Health Service.
 - 12 Incidentally, Beveridge and Keynes were both members of the Liberal Party. The welfare state had begun to be constructed, albeit on a much smaller scale, by the New Liberal governments of Herbert Henry Asquith (1908–16) and David Lloyd George (1916–22) (Stedman Jones 2012: 26–27).
 - 13 Augusto Pinochet ruled Chile from 1973–89 after taking power in a military coup. This will be discussed further below in the section 'The emergence of neoliberal hegemony: moving from theory to policy'. By 'explicitly neoliberal' I do not mean that the regime referred to itself as neoliberal, but rather that they implemented policies that were explicitly based on the work of neoliberal economists.
 - 14 In the later (less polemical) work *The Constitution of Liberty* Hayek qualified this dichotomy and proposed that conservatism, socialism, and liberalism can be more accurately imagined as three points on a triangle (Hayek 2006 [1960]: 343–45). By this time (1960), Hayek claimed that there was no need to consider socialism as an immediate threat to liberty because unlike in 1944 it was no longer seen as a viable political project, although he believed that attempts by 'welfare liberalism' to enforce distributive justice through progressive taxation was still a threat to the free market (Hayek 2006 [1960]: 222–24).
 - 15 The fear of collectivism present in Hayek's writing was heavily influenced by the European experience of the 1930s and the Second World War.

there are only two ways of organising economic activity within society: central planning and market freedom (Hayek 2001 [1944]: 36–37).¹⁶ Planning and competition are regarded as 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 currently existing liberal democracies *are* a mixture of the two, Hayek’s theory does not map neatly onto the political experience of the Global North in the postwar period (Alves and Meadowcroft 2014). Interestingly, Hayek advocates the purposeful construction of frameworks to support competition with a market (Hayek 2001 [1944]: 37) and accepts that there are some areas in which competition cannot be usefully applied, such as basic primary education (Hayek 2001 [1944]: 40). However, Hayek sees competitive systems as the only means of decentralising power (Hayek 2001 [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 and will be discussed further in Chapter 6. (Karl Polanyi had refuted Mises’ assumption on the necessity of centralised planning to socialism as early as 1925, refusing to accept the ‘common assumption that socialism implies a centrally planned economy, instead focusing on a decentralised society with multiple units of decision-making’ (Hull 2006: 147).)

In the later work *The Constitution of Liberty* (2006 [1960]), Hayek writes at length on the problem of liberty and how best to sustain it. The first chapter is spent clarifying the meaning of freedom/liberty¹⁷ and uses the negative sense – in Isaiah Berlin’s terminology¹⁸ – of *freedom from* coercion (Hayek 2006 [1960]: 11–13), i.e. ‘independence of the arbitrary will of another’ (Hayek 2006 [1960]: 12). An apparent contradiction in Hayek’s logic demonstrates the profoundly political nature of choosing this particular definition of freedom. This contradiction is that in Hayek’s view, the number of choices available to an individual has no bearing on their freedom. If an individual has a very constrained set of possibilities to action – even if only *one* possibility – Hayek still considers them to be free if they are not being made to act against their will (Hayek 2006 [1960]: 12–13). There is no place in this logic for structural constraints (e.g. class, wealth, gender etc.) to be considered as acting against freedom, and therefore no place for action to be taken by society to address them at the level of government policy. In retrospect it is clear that the logic of this argument for freedom, which Hayek claims to be the ‘original’ meaning of liberty, was created in a specific cultural context. It is about individual power relations only – a profoundly conservative view that means accepting the world as it is and seeking freedom from direct coercion of other individuals within existing constraints. It says nothing about changing the boundaries within which freedom exists – the very point of collective action. The tension between this

16 Friedman (2002 [1962]: 13) makes this same assumption: ‘Fundamentally, there are only two ways of coordinating the economic activities of millions. One is central direction involving the use of coercion [...] The other is voluntary co-operation of individuals – the technique of the market place.’ Voluntary co-operation occurring outside of market transactions appears to be inconceivable in the versions of neoliberalism presented by both Hayek and Friedman’s populist works.

17 As noted above, Hayek uses the words *freedom* and *liberty* interchangeably (see Hayek 2006 [1960]: 11, n.1).

18 ‘What is the area within which the subject – a person or group of persons – is or should be left to do or be what he is able to do or be, without interference by other persons?’ (Berlin 2002 [1958]: 169).

conservative viewpoint and the possibility of change embodied by liberty is something which Hayek elides, simply claiming that ‘the result of the experimentation of many generations may embody more experience than any one man possesses’ (Hayek 2006 [1960]: 55). Isaiah Berlin, one of Hayek’s contemporaries, represents an alternative liberal tradition when he writes that ‘the extent of my social or political freedom consists in the absence of obstacles not merely to my actual, but to my potential, choices [...] absence of such freedom is due to the closing of such doors or failure to open them, as a result, intended or unintended, of alterable human practices, or the operation of human agencies’ (Berlin 2002 [1969]: 32).

Hayek contrasts his definition of freedom with three others: ‘inner freedom’, ‘freedom to do what I want’, and ‘political freedom’. It is the explicit differentiation of his version of freedom from *political freedom* (Hayek 2006 [1960]: 13) that is most relevant to this thesis. Hayek sees individual freedom and collective freedom – ‘national’ freedom, or ‘absence of coercion of a people as whole’ (Hayek 2006 [1960]: 14) – as related but distinct concepts. Excluding political freedom from his analysis requires ignoring a means by which people can collectively alter the conditions which structure their available options. In *The Road to Serfdom*, Hayek had claimed that political freedom cannot exist without economic freedom (Hayek 2001 [1944]: 13; Stedman Jones 2012: 68–71). When this argument is combined with the focus on a purely individualist definition of freedom,¹⁹ rather than collective freedom, Hayek essentially dismisses collectivist approaches to economic questions because collective political organisation is irrelevant to his core concern – individual liberty. If liberty depends on individual economic freedom then government policy should be directed towards maximising that freedom. Hayek reinforces the individual nature of freedom by using an individualist perspective in his definition of coercion:

By coercion we mean such control of the environment or circumstances of a person by another that, in order to avoid greater evil, he [*sic*] is forced to act not according to a coherent plan of his own but to serve the ends of another [...] Free action, in which a person pursues his own aims by the means indicated by his own knowledge, must be based on data which cannot be shaped at will by another.

(Hayek 2006 [1960]: 19)

To counter this view, it could be argued that almost everything about the conditions within which an individual acts are determined by others – all individual actions are constrained by socio-historical circumstances. Hayek’s definition of coercion ‘presupposes a human agent’ rather than being ‘compelled by circumstances’ (Hayek 2006 [1960]: 117), as though human agents do not together construct the circumstances.²⁰ This definition of coercion could in fact be altered to include structural oppression if the term *person* is expanded to include *persons*, and *environment or circumstances* is understood as including indirect power relations.

19 It should be noted that an individualistic definition of freedom is not unique to Hayek; it is a common element in the tradition of enlightenment rationality.

20 The individualist conception of liberty ignores race, gender etc., and the systemic oppression of *groups* of people. It refuses to understand power relations as anything other than relations between individuals.

Intriguingly, Hayek does once raise the issue of oppression, stating that it ‘is perhaps as much a true opposite of liberty as coercion, [and] should refer only to a state of continuous acts of coercion’ (Hayek 2006 [1960]: 119). Hayek appears to be strongly against what have subsequently become the oppressive contemporary neoliberal methods of control (such as surveillance). Alves and Meadowcroft have argued that ‘Hayek did not foresee that significant government intervention in the economy could be compatible with the preservation of political freedom because he employed a narrow conceptualisation of freedom which led him to misunderstand the nature of and the relationship between economic and political freedom’ (Alves and Meadowcroft 2014: 857). Therefore Hayek’s narrow and incomplete idea of the nature of power in society led him to distorted analyses regarding the role of government. To understand how power actually works in capitalist societies, it is important to recognise that liberty alone cannot lead to an end of power imbalances – liberty and equality are often in opposition. As Collier puts it, ‘we have to make up our minds which freedoms and which equalities we favour, and which of each we reject [...] liberty is not a coherent ideal, because it exists only as liberties (in the plural), and one liberty contradicts another’ (Collier 2007: 112–114). So favouring economic freedom for capital over other types of freedom, as Hayek did, is a choice to accept inequality.

Hayek believed that an essential condition of freedom is the ‘need for protection against unpredictable interference’ (Hayek 2006 [1960]: 141), and thus it is vital to maintain the rule of law. Hayek elucidated a difference between *law* and *commands* – abstract laws applying to all are different from commands issued by an individual (Hayek 2006 [1960]: 130–31). A central argument of *The Constitution of Liberty* is that laws cannot be considered to be restrictions on freedom – as long as they do not name individuals – because of this difference; they are not direct commands (Hayek 2006 [1960]: 134–35). A cursory understanding of the legislative process in Western democracies brings this claim into question; laws are created by individuals for particular ends which always have a political element. To state that legislators undertake their role with no intention to affect particular people once again relies on ignoring any collective element to society. For example, while it is true that legislation which reduces provision for disabled people and thus reduces their ability to access essential services is *not* a restriction on any *named individual’s* freedom, because no individual is targeted, it is still very clear that disabled people as a group (and many individuals within this group) will be negatively affected by the legislation. So whether a law is considered to be an abstract entity applying to all, or a command issued in order to affect a particular known group of people, relies on underlying assumptions about the collective nature of society.²¹ In this light,

21 This line of enquiry is relevant to Foucault’s interest in neoliberalism. According to Behrent, Foucault believed that ‘when power targets populations, it can be significantly more accommodating of individual freedom than when, as with discipline, it places the individual squarely within its cross hairs’ (Behrent 2016: 44). If Behrent’s analysis is correct then Foucault agreed with the fundamental point of liberal theory, that leaving decisions to the market rather than the state leads to an increase in individual freedom. In reality we can see that the adoption by neoliberal regimes of technologies of surveillance, and the prioritising of ‘compliance’ with the neoliberal order, means that under neoliberalism individuals are subject to strict intervention in their behaviour. Behrent points out that Foucault focused on texts rather than neoliberal policy in practice (Behrent 2016a: 178). Had Foucault lived through neoliberalism’s rise to global hegemony, he may have had a different view on whether neoliberalism produces an increase in individual

Thatcher's assertion that 'there is no such thing as society' can be understood as part of an individualist approach to the nature of law and government.²²

When considering the role of the state there is a direct link between freedom, as defined by Hayek, and free markets. As discussed above, for Hayek a state's role in a free society is to protect the conditions by which individuals can act freely without coercion (Hayek 2006 [1960]: 20). Similarly, the role of the state in a free market society is to protect the conditions by which individual actors can act freely within the market. This view understands freedom only in terms of individual market transactions. In fact, Mises took the correlation between freedom and free markets even further and argued for the market *as* democracy (Stedman Jones 2012: 56–57).

Part of Hayek's case for freedom is that we are ignorant of most things, so for society to progress we must leave as much room as possible for experimentation. In a similar way to Hayek's refusal in *The Road to Serfdom* to acknowledge alternatives beyond two opposing economic systems – free markets and centralised planning – his concept of freedom does not take into account alternatives beyond either absolute freedom or one person commanding another. When it comes to collaboration between equals to achieve a common end, or people working together to share knowledge and ideas, Hayek has nothing to say because he uses such a narrow definition of freedom (i.e. freedom from coercion) that the notion of *collective consensual control* does not occur in his argument. Hayek's argument is against monopoly and exclusive control,²³ rather than for or against a particular means of organisation (i.e. co-operation):

The endeavor to achieve certain results by co-operation and organization is as much a part of competition as individual efforts. Successful group relations also prove their effectiveness in competition among groups organized in different ways. The relevant distinction is not between individual and group action but between conditions, on the one hand, in which alternative ways based on different views or practices may be tried and conditions, on the other, in which one agency has exclusive right and the power to prevent others from trying.

(Hayek 2006 [1960]: 33)

Hayek writes as if the principles of liberalism are universal principles underpinning freedom

freedom.

22 A famous anecdote about Thatcher (see Ranelagh 1991) tells that at a meeting in 1975, she slammed a book down on the table and said 'this is what we believe'. The book was *The Constitution of Liberty*. Thatcher's relationship with neoliberalism will be discussed further below.

23 Hayek argues that the state must not have monopoly control of an industry and be able to set all prices (Hayek 2006 [1960]: 196–200). But this would only be possible in a national market with tough controls on imports, rather than part of an international market with porous borders and tariff-free trade. So globalisation through 'free trade' can be seen as a means of destroying the state's ability to assert monopoly control, and thus the neoliberal turn within international financial and trade organisations such as the WTO and IMF has played a significant role in the global spread of neoliberal ideology (see the section 'The emergence of neoliberal hegemony: moving from theory to policy' below).

in all societies, as opposed to a culturally and historically contingent ideology: ‘We must show that liberty is not merely one particular value but that it is the source and condition of most moral values’ (Hayek 2006 [1960]: 6). This claim has huge implications when we consider it alongside the narrow definition of freedom which he chooses: if liberty is society’s primary source of morality, and liberty only refers to individual economic activity in markets, then *market transactions* are the site of morality. It is clear that when Hayek writes ‘we’ in *The Constitution of Liberty* he means the ‘West’ (Western Europe and North America) and from this narrow perspective he attempts to justify global inequality (see Hayek 2006 [1960]: 42–43).²⁴ Hayek claims that the theory of liberty was invented in England and France in the eighteenth century (Hayek 2006 [1960]: 49) and *laissez-faire* is a product of the French rationalist tradition and not the empiricist tradition of the classical liberals David Hume and Adam Smith whom he prefers (Hayek 2006 [1960]: 54).

Understanding Hayek’s interpretation of the rule of law is key to understanding his claim that liberalism is the only way to oppose totalitarianism: if there are no limits to government action by a ‘higher’ natural law, then there is nothing to stop despotism (Hayek 2006 [1960]: 205–09). This strange logic leaves out the fact that firstly, ‘natural law’ is created by people – even if not necessarily a single individual – and is therefore subject to all the biases that entails; and secondly, a despot who is able to take power can simply destroy the legal basis of ‘natural law’ anyway. Hayek focused too much on Germany as if the economic and legal conditions were the *only things* that led to Hitler’s taking power and subsequent actions. Despotism is certainly present in non-socialist societies, and authoritarianism frequently occurs within capitalist/free market societies. So claiming that freedom for capital is the one vital key to prevent concentration of power is a weak argument.

Hayek uses a straw man argument about distributive justice – that it aims to judge how much each individual deserves. In fact, this is the exact opposite of socialist ideals of equality which aim to provide everyone with a roughly similar level of material comfort regardless of individual status. Hayek argues that the rule of law is necessary in order to have a free economy (Hayek 2006 [1960]: 195), but then falsely claims that only the free market is compatible with the rule of law, and that distributive justice is not impersonal so progressive taxation is incompatible with the rule of law.

The overall argument of the two books – *The Road to Serfdom* and *The Constitution of Liberty* – is that only a free market can provide liberty for all. For Hayek, economic policy is a means of achieving liberty. He claims that controlling inflation through monetary policy should be the prime objective of any government that wishes to protect liberty from the forces of authoritarian control (including itself) (Hayek 2006 [1960]: 294). The implementation of monetarist policies by the Thatcher government will be discussed in the section ‘The Chicago

24 Hayek believed that the best way to order human activity is not by planning but through uncoordinated individual actions by people acting in order to maximising their own self-interest – the free actions of the wealthy will subsequently benefit the masses (i.e. trickle down economics, the ‘rising tide lifts all boats’) so inequality is not only acceptable but necessary. Thatcher agreed with this position (McSmith 2011: 21).

School and the Birth of Neoliberal Hegemony' below.

Throughout this analysis so far, it has emerged that a key aspect of all schools of neoliberal thought is the relationship between political and economic freedom. Neoliberals believed that political freedom *arises out of*, and depends upon, economic freedom. This can be seen even as far back as Lippmann's *The Good Society* (1937), which 'discussed totalitarianism primarily with regard to the absence of private property, rather than the more commonplace reference to lack of democracy or countervailing political power' (Plehwe 2009: 13). In this view, the repressive aspect of totalitarian regimes was the absence of *economic* rather than *political* freedom. Ordoliberals, on the other hand, took a slightly different approach:

Economic freedom is not unlimited. It is based on order, and exists only by means of order, and freedom is effective only as ordered freedom. Indeed, laissez-faire is 'a highly ambiguous and misleading description of the principles on which a liberal policy is based' (Hayek 1944: 84). For the ordoliberals, the sanctity of individual freedom depends on the state as the coercive force of that freedom. The free economy and political authority are thus two sides of the same coin. There is an innate connection between the economic sphere and the political sphere, a connection defined by Eucken (2004) as interdependence. Each sphere is interdependent with all other spheres, so that dysfunction in one disrupts all other spheres – all spheres need to be treated together interdependently and have to operate interdependently for each other to maintain the system as a whole. There is thus need for coordinating the economic, social, moral and political, to achieve and maintain systemic cohesion. The organisational centre is the state; it is the power of interdependence and is thus fundamental as the premise of market freedom. That is, the economic has no independent existence. Economic constitution is a political matter (Eucken 2004).

(Bonefeld 2012: 8)

So the ordoliberals saw a different relationship between economic and political freedom to Hayek; they 'conceive of economic liberty as a construct of governmental practice. Economic freedom derives from a political decision for the free economy' (Bonefeld 2012: 6). Whereas Hayek, on the other hand, always placed economic liberty as a prerequisite for political decisions. And it was Hayek that eventually won this particular battle of ideas, as 'through the twentieth century the transition from political to economic freedom became the signature of a neoliberal agenda' (Tribe 2009: 71). While Hayek invoked the imagery of classical liberalism, this rhetorical device masked the fact that he was also making the transition to an economics-first perspective in which economic freedom subsumes political freedom.

For neoliberal thinkers of all persuasions, economic liberty is for the few, not the many. If the majority of people are working class then economic liberty for most would lead to increased power for labour (Tribe 2009: 75). But 'economic liberty' that prioritises freedom of markets (capital) rather than workers (labour) is a way of concentrating power in the hands of the

economic elite. The social advances in areas such as health and education from the mid-nineteenth to mid-twentieth centuries, due in large part to the work of trade unions and introduction of progressive legislation following greater enfranchisement, are notably absent from depictions of a ‘decline’ during this period claimed by neoliberal economists. The ‘small state’ of Britain in the early nineteenth century was a product of war and colonialism (Tribe 2009: 73). To pine for a return to the economics of this period (a period in which the bulk of public expenditure was on debt repayment and the military) while ignoring the social context is to distort history through a narrow economic lens.

Attempting to derive some kind of ‘essential’ philosophical core of neoliberal thought is perhaps futile, due to its seemingly endless capacity for adaptation (see below). However, understanding Hayek’s conception of liberty can at least provide a starting point for analysing the kind of neoliberal ideas that eventually came to hold such a strong influence on policy throughout the world in the final decades of the twentieth century. And in looking at the notion of *openness*, particularly as promulgated by Hayek’s close associate Popper, we can begin to see how the conception of openness that is now advocated by various open movements may bear some relation to the way openness is perceived in neoliberal thought.

Popper and the open society

Karl Popper’s work of political philosophy *The Open Society and Its Enemies* (2003 [1945], 2003a [1945a]) was written in political exile during 1938–43 and first published in two volumes in 1945.²⁵ It ‘sketches some of the difficulties faced by our²⁶ civilization’ in ‘the transition from the tribal or “closed society”, with its submission to magical forces, to the “open society”²⁷ which sets free the critical powers of man’ (Popper 2003 [1945]: xvii). The book is related to, and influenced, neoliberal ideas. By making its subject the history of political thought, rather than dealing directly with contemporary economic conditions, *The Open Society* provided intellectual depth to complement the more polemical nature of *The Road to Serfdom*. *The Open Society* is about the dangers of totalitarianism and the importance of resisting it. It is also about the development of *historicism*, i.e. the supposed inevitability of historical events proposed by social theories such as Marxism which claim to have found ‘laws of history’ (Popper 2003 [1945]: 3–5).²⁸

Volume 1 of *The Open Society* largely consists of repudiating the historicism in Plato’s theory of forms and thus the political theory derived from it. Popper uses the term *methodological essentialism* to describe the notion that ‘it is the task of pure knowledge or “science” to discover and to describe the true nature of things, i.e. their hidden reality or essence’ (Popper

25 Popper had written *The Logic of Scientific Discovery* and *The Poverty of Historicism* in the 1930s but they were not translated until the 1950s. *The Open Society* was his first book published in English.

26 ‘Our’ civilisation, to Popper, refers to ‘Western’ civilisation, i.e. Western Europe, the United States, and other anglophone countries.

27 The term ‘open society’ appears to have been coined by Henri Bergson in the 1932 work *The Two Sources of Morality and Religion* (see Ansell Pearson and Mullarkey 2002: 41).

28 See Popper’s *The Poverty of Historicism* (2002 [1957]) for further detailed argument against historicism.

2003 [1945]: 29). Popper focuses on Plato because that is where he identifies the earliest instance of a political philosophy which uses methodological essentialism as a justification for actively creating a particular kind of state. Plato proposed the existence of an ‘ideal form’ of society – a form which the utopian state described in *The Republic* is an attempt to return to – that has been inexorably decaying.

Popper argues that the distinction between natural law (unchanging scientific laws of the natural world) and normative law (ethical and legal laws created and changeable by humans) is key to understanding Plato’s theory.²⁹ What Popper terms *naïve monism* – the stage where ‘both natural and normative regularities are experienced as expressions of, and as dependent upon, the decisions of man-like gods or demons’ (Popper 2003 [1945]: 61) – is characteristic of a closed society, whereas *critical dualism* – ‘a conscious differentiation between the man-enforced normative laws, based on decisions or conventions, and the natural regularities which are beyond his power’ (Popper 2003 [1945]: 62) – is characteristic of an open society.

Plato uses history as method; in a naturalist theory, in order to understand the nature of a thing (when ‘nature’ is equivalent to Form) we must understand where it came from – its origins (Popper 2003 [1945]: 77). So understanding society becomes a process of seeking the original Form rather than trying to understand society as it is now. Plato’s utopian vision of the perfect state was reliant on his theory of the *biological* state, i.e. sustained by rigid class distinctions based on genetics and racial privilege – a clear precedent of the Nazi ideology that Popper was writing against (Stedman Jones 2012: 42). According to Popper, Plato’s political philosophy is derived from these essentialist and naturalist principles – all change is bad and all stasis is good, a return to ‘nature’/original Form – and as such is totalitarian (Popper 2003 [1945]: 91–94). Plato’s supposed totalitarianism is a result of his historicism. In Plato’s *Republic* individuals serve the state rather than the state serving individuals. Totalitarianism ‘is the morality of the closed society [...] it is collective selfishness’ (Popper 2003 [1945]: 114–15).

Popper’s defence of democracy is that it works by creating institutions to limit political power and thus avoid tyranny; democracy is a non-violent way of changing the institutions that wield power, and failures of democratic institutions are not failures of democracy but failures of the people who did not adequately manage or change them – the responsibility lies with people, not impersonal forces of history (Popper 2003 [1945]: 132–35). For Popper, a key difference between approaches to political reform is that between *utopian engineering* and *piecemeal engineering* (Gray 1976: 342–344; Popper 2003 [1945]: 166–69). Utopian engineering requires that ‘we must determine our ultimate political aim, or the Ideal State, before taking any practical action’ (Popper 2003 [1945]: 167). Piecemeal engineering, on the other hand, recognises that it may not be possible to construct an ideal state – or at least, not in a short space of time – so strives to remove sources of harm from the world rather than fight for some ultimate good (Popper 2003 [1945]: 167). Popper’s objection to utopianism is

29 Plato does allow that some social laws are natural rather than normative (Popper 2003 [1945]: 68).

that it requires ‘a strong centralized rule of a few, and which therefore is likely to lead to a dictatorship’ (Popper 2003 [1945]: 169).³⁰ Popper argues that since there is no rational method of determining what the ideal should be, any divergence of views can only be resolved by resorting to violence (Popper 2003 [1945]: 170–71). Democracy, on the other hand, is a piecemeal process.

Popper defines closed societies as equivalent to ‘magical or tribal or collectivist’ societies, and open societies as those ‘in which individuals are confronted with personal decisions’ rather than relying on magical rituals and taboos (Popper 2003 [1945]: 186). A closed society maintains a rigid social hierarchy – ‘the tribe is everything and the individual nothing’ (Popper 2003 [1945]: 203). In the open society, on the other hand, authority begins to disperse, and individualism and personal responsibility come to the fore (Popper 2003 [1945]: 189). Humanitarianism and reason are prominent virtues. By equating collectivist with ‘magical or tribal’ societies Popper is making a rhetorical move to claim that the rigid nature of small tribal societies also applies to all collectivist societies. An open society may, as in contemporary ‘Western’ democracies, become an ‘abstract society’ functioning largely through abstract social relations such as ‘division of labour and exchange of commodities’ (Popper 2003 [1945]: 186), rather than concrete personal contact (Popper 2003 [1945]: 186–88). A closed society cannot achieve this state. As such, Popper argues that commerce is key to pushing the transition from a closed to an open society (Popper 2003 [1945]: 188–190).

As with Hayek, Popper sees a dichotomy between two political systems, in this case closed (totalitarian/collectivist) and open. (Political systems beyond this binary will be discussed in depth in Chapter 6.) These opposing systems place different emphasis on the roles of competition and co-operation between citizens, where ‘one of the most important characteristics of the open society [is] competition for status among its members’ (Popper 2003 [1945]: 186). However, Popper does use the word ‘co-operation’ as an example of a kind of relationship within an abstract (and thus open) society. This means that co-operation and competition can at least co-exist to some extent, and competition does not need to define *all* relations within an open society. Popper’s definition of collectivism is ‘a doctrine which emphasizes the significance of some collective or group, for instance, ‘the state’ (or a certain state; or a nation; or a class) as against that of the individual’ (Popper 2003 [1945]: Ch.1 note 1, 216). Therefore Popper considers co-operation between individuals to be a valid part of a well-functioning open society, but not ‘collectivist’ co-operation between members of a group working for the good of the whole group (perhaps to the exclusion of other groups).

Popper’s reason for exploring the historicism of Plato so thoroughly in the first volume of *The Open Society* is that it directly impacted on Hegel, whose ideas in turn profoundly influenced both Marx and modern totalitarianism (Popper 2003a [1945a]: 30–34). The second volume focuses on Hegel, for whom ‘the state is everything, and the individual nothing’ (Popper

30 In a footnote to this statement Popper clarifies that his use of the term *utopian engineering* corresponds to Hayek’s depiction of centralised or collectivist planning (Popper 2003 [1945]: Ch.9 note 4, 318).

2003a [1945a]: 34–35), and Marx. In Hegel’s essentialism the overarching trend of history worked in the opposite direction to Plato’s, in that the true form, or essence, of the state was the *end* state that is being worked towards through history, rather than being an *original* state that subsequently degenerates (Popper 2003a [1945a]: 39–41). This idea is used to justify historical events – everything is part of inevitable progress towards perfection (which Hegel just so happens to believe to be the Prussian monarchy that employed him).³¹ Marx’s historicism was derived from Hegel and applied the idea to economic phases of history, resulting in a kind of economic historicism. For Marx, Hegel’s theory of a dialectical struggle between states was replaced with a struggle between classes, which are caught in a rigid system of social relations that is determined by the economic structure of society (the means of production). The class struggle is in a process of working towards an inevitable socialism.

Popper was far more sympathetic to socialist ideas than Hayek or Mises were, but although he agreed with the motives he was scathing about the means, particularly utopian planning (Stedman Jones 2012: 34). Popper believed that Marx ‘misled scores of intelligent people into believing that historical prophecy is the scientific way of approaching social problems. Marx is responsible for the devastating influence of the historicist method of thought within the ranks of those who wish to advance the cause of the open society’ (Popper 2003a [1945a]: 91). Furthermore,

For Popper, belief in historical inevitability was not simply wrong, it also raised a practical problem: it eradicated the incentive to behave responsibly. It was easier for people to do nothing. Such a view was anathema to a defender of individual choice and freedom.

(Stedman Jones 2012: 44–45)

Another way in which Popper’s views significantly differed from the neoliberal economists who claimed to be influenced by his work is that Popper argues against unlimited economic freedom. He agrees with Marx that an unrestrained capitalist system leads to exploitation of the economically weak by the economically strong, which thus takes away their freedom (Popper 2003a [1945a]: 135). But unlike Marx, Popper claims that a complete social revolution is not necessary to prevent such abuse of economic power; rather, democratic political intervention will do the job: ‘we must construct social institutions, enforced by the power of the state, for the protection of the economically weak from the economically strong. The state must see to it that nobody need enter into an inequitable arrangement out of fear of starvation, or economic ruin’ (Popper 2003a [1945a]: 135). In a strong argument for piecemeal engineering, Popper claimed that ‘Only by planning, step by step, for institutions to safeguard freedom, especially freedom from exploitation, can we hope to achieve a better world’ (Popper 2003a [1945a]: 158). Popper believed that by the time he was writing, such institutions to guarantee freedom had already been created, so the kind of capitalism Marx was writing against no longer existed. Popper thought that the Marxist focus on class struggle

31 According to Popper, Hegel developed a totalitarian theory of nationalism (Popper 2003a [1945a]: 67–70).

and (possibly violent) overthrow of the rulers, instead of concentrating on maintaining and strengthening democratic institutions, was a strategic mistake. He realised that ‘liberalism and state-interference are not opposed to each other’ (Popper 2003 [1945]: 117), contradicting the neoliberal ideal of ‘non-intervention’ in economics: ‘Which freedom should the state protect? The freedom of the labour market, or the freedom of the poor to unite? Whichever decision is taken, it leads to state intervention, to the use of organized political power, of the state as well as of unions, in the field of economic conditions’ (Popper 2003a [1945a]: 195–96).

So it is clear that, as Vernon (1976) has argued, Popper’s ‘open society’ differs in significant ways from the version of liberalism pursued by Hayek. The openness Popper prioritises requires plurality of thought (Vernon 1976: 267), which is a central tenet of liberalism from John Stuart Mill to Isaiah Berlin, but not for Hayek. Vernon argues that equating the freedom of exchange of *ideas* as directly analogous to freedom of exchange of *commodities in a market* – as Nik-Khah (2011: 139) points out, an equation that is also emphasised by Chicago economist Stigler³² (Stigler 1963: 87–88) – is a logical mistake (Vernon 1976: 268).³³ ‘If the market plays no part in Popper’s scheme, it is not merely because his focus of interest is different from Hayek’s, but because the logic of the market differs fundamentally from the model of action that Popper’s scientific paradigm assumes’ (Vernon 1976: 268). Unlike Popper, Hayek’s analysis of freedom – understood in primarily economic terms – requires free markets as the only possible way to sustain it. Popper, however, may have believed that liberal democracy is the best form of government but he did not prioritise free markets above all else.³⁴ Popper’s political position has often been seen as closer to social democracy than free market liberalism (Eidlin 2005; Shearmur 1996).

In light of the striking differences between the concept of liberty as understood by Hayek and by Popper, perhaps the historical context in which they were both working is the best explanation for why they saw each other as working towards the same goal. Eidlin argues that Popper’s primary concern in writing *The Open Society* was to provide a rational refutation of the claims of totalising political narratives such as that offered by Marxism (2005: 33). According to Hull, Popper and Hayek were inclined to support each others’ work because they were both determined to challenge the Positivism that they associated with Marxism and totalitarianism (Hull 2006: 149). At that particular moment in history, they saw the fight against totalitarianism as a singular priority that eclipsed any disagreements, however significant those differences may seem today.

32 See the following section for more on the Chicago School.

33 ‘If goods become objects of intrinsic value rather than exchange value, they are excluded from the economic market, which depends on the application of a common measure to all commodities; while if opinions become commodities, and lose their intrinsic value or truth-content, they cease to have any relevance for debate. Similarly, there is a distinction to be made between a result and a conclusion; in a market economy, price, ideally, is a result of multiple choices, and not a conclusion reached by any individual or group’ (Vernon 1976: 268).

34 To name but a few of the specific differences in their economic policy, Popper explicitly argued against the idea that the role of the state should be reduced to enforcement of contracts and the rule of law (Popper 2003a [1945a]: 135), and he also disagreed with the rejection of full employment as a fundamental aim of economic policy (Chmielewski and Popper 1999: 36; Popper 2003a [1945a]: 135, Stedman Jones 2012: 40).

Popper's focus on having liberal-democratic institutions and processes in order to maintain an area of life within which citizens have liberty is consistent with Berlin's negative liberty. In an introduction to his *Five Essays on Liberty* (2002 [1969]), Berlin set out a defence of his distinction between negative liberty (freedom from coercion – 'over what area am I master?') and positive liberty (freedom to act – 'by whom am I to be governed?'):

Legal liberties are compatible with extremes of exploitation, brutality and injustice. The case for intervention, by the State or other effective agencies, to secure conditions for both positive, and at least a minimum degree of negative, liberty for individuals, is overwhelmingly strong. [...] The case for social legislation or planning, for the Welfare State and socialism, can be constructed with as much validity from consideration of the claims of negative liberty as from those of its positive brother, and if, historically, it was not made so frequently, that was because the kind of evil against which the concept of negative liberty was directed as a weapon was not laissez-faire, but despotism. The rise and fall of the two concepts can largely be traced to the specific dangers which, at a given moment, threatened a group or society most: on the one hand excessive control and interference, or, on the other, an uncontrolled 'market' economy. Each concept seems liable to perversion into the very vice which it was created to resist.

(Berlin 2002 [1969]: 38–39)

Berlin argues that negative liberty cannot be used as an absolute principle to justify the construction of a particular political project, whether socialism or a market economy, without consideration of other factors. Liberal political philosophy generally accepts that this is the case and there are additional values – equity, fairness, justice – that are important and should not be ignored in favour of a total adherence to a singular conception of individual liberty. The neoliberal version of liberty, resting on absolute economic freedom above all else and rejecting the pluralism Berlin cherished, can thus be seen as an element of a political project to reshape society in market terms. Seen in this light, Popper's *The Open Society* is equally, if not more, at home in alternative liberal traditions to that occupied by Hayek and other neoliberals. Perhaps this is the reason why, despite the strong influence on Hayek, later neoliberal economists did not pay much attention to Popper³⁵ – or, for that matter, other political philosophers in the liberal tradition. Hayek helped to obscure and erase the diversity of liberal thought.

Hayek, Popper, and other Austrian and ordoliberal economists laid the foundations for neoliberal thought and rationality. Moving from these theoretical and ideological foundations to create a detailed body of policy was the result of sustained effort in the 1950–70s, much of which occurred in think tanks. In the postwar period 'the neoliberal center of gravity shifted

³⁵ According to Stedman Jones, Popper's scientific rationalism may have influenced Friedman's conception of Rational Economics (Stedman Jones 2012: 37–38), but if so this influence did not extend to Popper's work on liberty.

from Europe to the United States, especially the University of Chicago’ (Stedman Jones 2012: 4). So the next two sections will examine the Chicago School and how their version of neoliberalism was to become a dominant hegemonic political force.

The Chicago School and the construction of neoliberal reason

The ‘Chicago School’ is a label applied to economists who worked or trained at the University of Chicago and falls into two distinct periods. The first Chicago School, led by Frank Knight and Henry Simons during the 1920s and 1930s, propounded similar ideas to those of Hayek and his colleagues at the London School of Economics (Stedman Jones 2012: 87). They were heavily influenced by the ‘marginalist’ ideas of Alfred Marshall, Leon Walras, and William Stanley Jevons – the idea that ‘consumers would maximize their utility by matching their consumption to the prices of the various goods they wanted according to a rational order of preference’ (Stedman Jones 2012: 90). The second Chicago School – the focus of this section – was founded in 1946 with a political aim of providing a detailed corpus of research supporting free market principles (Van Horn and Mirowski 2009: 140–158). It was initially formed (and bankrolled) at the behest of the Volker Fund and its president Harold Luhnow. Notable figures associated with the school include Milton Friedman, George Stigler, Aaron Director, Gary Becker, and James Buchanan.

According to archival research by Van Horn and Mirowski based on correspondence between the people involved, Luhnow’s influence permeated the theoretical orientation of early participants in the Chicago School who had to adapt their liberalism to be more sympathetic to a corporatist agenda and, in contrast to earlier European neoliberals, accept centralised power and corporate monopoly (Van Horn and Mirowski 2009: 157–158; Stedman Jones 2012: 7, 88).³⁶ The Chicago School was intimately connected with the Mont Pelerin Society, with the same figures – notably Hayek³⁷ – instrumental in the founding of both (Van Horn and Mirowski 2009: 158–159). Defining features of the Chicago School include the drive to ‘reengineer the state in order to guarantee the success of the market’, equating freedom with self-interest, and seeing politics as a market process (Van Horn and Mirowski 2009: 161–163). Under this paradigm the tendency towards social regulation, already well-established by ordoliberal economists, was adapted in terms of *economizing* social regulation and pushing free market ideas into new areas, such as law and education (Stedman Jones 2012: 92–93). Chicago School economists’ thought was characterised by ‘more strident advocacy of free markets, deregulation, and the power for incentives of rational expectations’ (Stedman Jones 2012: 8). Social and economic inequality was seen as necessary for progress and Chicago economists were less concerned than their forebears about social safety nets (Stedman Jones 2012: 8–9). Their work privileged a specific form of classical liberalism and opposed welfare

36 For a detailed treatment of the conversion of Chicago neoliberals to accept monopoly, see Van Horn (2009). Gerber suggests that the German experience of cartel activity under the Weimar Republic is responsible for the ordoliberals’ tough anti-monopoly stance (1994: 28), so the differing situation in post-War United States may contribute to the lack of urgency among US-based neoliberal economists on this topic.

37 Hayek moved to Chicago in 1950 as a Professor in the Committee of Social Thought rather than in the Economics department (Stedman Jones 2012: 91).

liberalism. Friedman's critique of Keynesian economics, especially demand management,³⁸ became highly influential and his theories about inflation known as monetarism became a defining aspect of neoliberal economic policy. Monetarism is the idea that control of the money supply should be the central concern of macroeconomic policy, in order to produce stable markets and low inflation.

Friedman's *Capitalism and Freedom* (2002 [1962]) was a populist book that was the outcome of the project began over a decade earlier by Luhnnow at the University of Chicago to produce an American *Road to Serfdom* (Van Horn and Mirowski 2009: 141, 166). *Capitalism and Freedom* is about the connection between economic and political freedom, with Friedman claiming that economic freedom is 'a necessary³⁹ condition for political freedom' (2002 [1962]: 4). (Despite strong proclamations such as 'the greatest threat to freedom is the concentration of power' (Friedman 2002 [1962]: 2), Friedman doesn't actually define freedom.) By refusing to see the economic and political as distinct spheres, Friedman moved the policy discourse closer towards bringing economic logic to bear on previously non-economic domains (see the section 'Neoliberalism as closure' below). For example, with regards to education Friedman advocated a voucher system which he claimed would stimulate freedom of choice and drive standards higher (Friedman 2002 [1962]: 89–90). Friedman glossed over liberal concerns regarding the concentration of wealth, leading Smith (1998) to argue that Friedman should be more accurately considered a libertarian than a liberal – 'private property is itself a system of power which not only enlarges but also limits the range of choice. Liberals clearly understood this fact. It is clear that Friedman does not' (Smith 1998: 92). This has strong implications for the policies that were later developed under Friedman's influence.

The difference between the earlier Hayekian view of liberty and that of Friedman has been explored by Will Davies in *The Limits of Neoliberalism: Authority, Sovereignty and the Logic of Competition* (2014). Davies 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

38 The economic theories of Keynes had dominated economic policy in liberal democracies from 1945 until the 1970s. Keynesian economics is defined by concentrating policy towards full employment, and a strong welfare state. 'Demand management' is the idea that in a depressed economy, governments should increase expenditure and investment – using borrowed funds if necessary – to increase consumer demand in order to stimulate a recovery (Stedman Jones 2012: 184). Keynes had also been instrumental in setting up the Bretton Woods system of international finance based on fixed exchanged rates in the wake of the Second World War, leading to the construction of the World Bank and International Monetary Fund. (One of Friedman's distinctive policies was to end fixed exchange rates, which the US did in 1971.) Keynes died in 1946 so 'Keynesian' policies generally refer to later policies inspired by his work. For more on Keynes see Skidelsky (1983, 1992, 2000).

39 Necessary, though not sufficient. Friedman admits that it is 'possible to have economic arrangements that are fundamentally capitalist and political arrangements that are not free' (Friedman 2002 [1962]: 10). The extent to which Friedman's argument – that economic freedom is necessary condition for political freedom – is unsuccessful has been discussed further by Smith (1998).

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 between Davies’ argument and 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 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 emblematic 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.⁴⁰ Neoliberalism is heavily interventionist – the frequent denial of this is perhaps an instance of ‘strategic forgetting’ – but at the level of social policy to support the market, rather than intervening in the market itself (Foucault 2008: Ch.6). In order for the neoliberal project to be successful, on its own terms, ‘the conditions for its success must be *constructed*, and will not come about “naturally” in the absence of concerted effort’ (Van Horn and Mirowski 2009: 161). This is why Plehwe (2009: 10) argues that the primary concern of Mont Pelerin Society neoliberalism was ‘the problem of how to secure a free market and to appropriately redefine the functions of the state in order to attain that goal’; or as Peck put it, the state was to act ‘as the guarantor of a competitive order’ (Peck 2010: 42).

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 offers 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 that 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.

In the 1960s, the ‘rational choice theory’ of George Stigler, William Riker, James Buchanan and Gordon Tullock⁴¹ was influential in ‘extend[ing] the analysis of man as a utility-

40 Though note that Foucault argued that liberalism already inherently fulfilled this function of creating and managing freedom (Foucault 2008: 63–65).

41 Buchanan and Tullock were trained at the University of Chicago and then founded a research program at the

maximizing individual into the realms of politics, government bureaucracy, and regulation’ (Stedman Jones 2012: 126). This theory was instrumental in re-purposing rational choice models from neoclassical economics into new areas – a defining feature of later neoliberalism (Stedman Jones 2012: 88). Applying market-based approaches to non-economic spheres was also a key aspect of the ‘human capital’ ideas of Becker, which are discussed in more detail in Chapter 4 with relation to their effect on higher education.

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 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* – or to put it another way, judges should apply economic rationality rather than the rule of law (Plehwe 2009: 31) – 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 within the EU, leading to a decline in regulatory intervention.

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.

In light of all this, for Davies the distinguishing feature of neoliberalism is the expansion of ‘market-based principles and techniques of evaluation’ into all areas of society (Davies 2014: 21–22; see also Foucault 2008: 329). Neoliberalism is concerned not purely with the expansion of *markets* but with *market-derived forms of measurement and evaluation*. One of the main reasons Davies’ work is so useful for understanding contemporary neoliberalism is the focus on it as an ongoing process, of the continual ‘economisation of everything’ (see also Brown 2015),⁴² rather than a static ideology to be applied. As Ward and England argue, ‘rather than reifying neoliberalism as a monolithic entity, it may be more productive to speak of ‘neoliberalization’ as an always partial and incomplete process (Ward and England 2007, in Bell and Green 2016). So far this chapter has been primarily concerned with understanding what neoliberal ideas are and the historical conditions of their early development. In the late 1970s a transition began whereby neoliberal ideas moved from occupying a background niche within academia and think tanks to becoming the dominant policy perspective in liberal democracies (Stedman Jones 2012: 1). As Peck (2010: 4) argues, this ‘neoliberalisation’ was not inevitable. So how did the transition occur?

Virginia Polytechnic Institute, commonly referred to as the Virginia school (Stedman Jones 2012: 126–130).

42 See Çalıřkan and Callon (2009), discussed by both Davies and Brown, on the influence of economics as a discipline on the actual economy.

The emergence of neoliberal hegemony: moving from theory to policy

The rise of neoliberal hegemony from the end of the 1970s could be seen as a triumph of Hayek's long-term agenda of slowly establishing neoliberal ideas throughout academia, law, journalism, and policymaking via a transatlantic network with the Mont Pelerin Society and the Chicago School of economics at its heart. However, the contingent and opportunistic exploitation of specific political events in the 1970s was also crucial (Stedman Jones 2012: 179). Free market and monetarist ideas had started to move out of the theoretical arena and find their way into policy as early as the 1960s,⁴³ as dissatisfaction with social democratic ideas led to a greater willingness to countenance market-based solutions (Stedman Jones 2012: 5). This dissatisfaction increased during the 1970s, which were a time of political and economic turmoil in the US and UK. A combination of numerous factors – the end of the Bretton Woods agreement,⁴⁴ the first oil crisis in 1973,⁴⁵ stagflation (i.e. high inflation with high unemployment), significant industrial action in the UK, and Britain applying for a loan from the IMF at the end of 1976 – led to the collapse of the post-war settlement. In response, the Labour and Democratic Party administrations began implementing some neoliberal policies, with a symbolic shift occurring in the UK when the Labour Callaghan government in 1976 changed focus from full employment to tackling inflation – a hallmark of Friedman's monetarist policy (Stedman Jones 2012: 5, 179, 216–17, 241–42). The Callaghan government's experimentation with monetarism was not ideological but rather it was regarded as a practical solution to pressing economic problems. It later turned out that the economic information these decisions were based on was flawed (Childs 2012: 205).

The 1979 election of Thatcher in the UK, and 1980 election of Reagan in the US, brought neoliberal ideology to the forefront of policy-making. The link neoliberals made between economic and political freedom helped to sell their ideas. The Keynesian notions (such as demand management and high social spending) that had dominated economic policy from 1945 to the 1970s were jettisoned in favour of free market policies. However, it is important to recognise the slow pace of change in government policy, with any new administration maintaining significant continuity with many previous policies. Those politicians who actively supported Chicago School-style policies found support in think tanks, which played a leading role in spreading neoliberal ideas and converting them into implementable policy (Stedman Jones 2012: 134–35). In Britain this included institutions such as the Institute of Economic Affairs, Centre for Policy Studies,⁴⁶ and the Adam Smith Institute. It was the

43 Conservative MP Enoch Powell had unsuccessfully tried to introduce monetarism as early as 1957 (Stedman Jones 2012: 190–97). Links between the Conservative Party and Hayek go back even further, to the publication of *The Road to Serfdom* (Shearmur 2006).

44 The US abandoned a fixed exchange rate in 1971 and the UK followed suit in 1972.

45 The crisis was caused by the Organization of Petroleum Exporting Countries (OPEC) raising oil prices.

46 The Centre for Policy Studies demonstrates the closest relationship of all think tanks to a specific political party – it was founded to provide policy ideas for the Conservative Party (Stedman Jones 2012: 161). The majority of other think tanks were nominally 'party-neutral' albeit with a closer affinity to the political right.

successful merger of neoliberal economic policy with socially conservative ideas (e.g. anti-immigration, ‘family values’) within the Conservative Party in the UK and Republican Party in the US that finally brought neoliberal ideas into the mainstream. By this point it was the Chicago School ideas of Friedman, Stigler, Becker, and their colleagues that were on the ascendant in neoliberal circles – centred around think tanks and the Mont Pelerin Society – rather than Hayekian or ordoliberal ideas. Friedman himself had been an economic adviser to all Republican Party presidents and presidential candidates since 1964: Barry Goldwater, Richard Nixon, Gerald Ford, and Ronald Reagan (Stedman Jones 2012: 108–09).

Stedman Jones argues that while neoliberal policy was seen as a solution to particular political and economic problems of the 1970s, there was nothing inevitable about the subsequent rise of belief in free markets and deregulation to hegemonic status (Stedman Jones 2012: 5–6).⁴⁷ The initial introduction of neoliberal ideas into policy through technical economic measures to address the economic crises became the entry point for free market ideas as a whole to take centre stage in a wide range of areas of public policy (Stedman Jones 2012: 181). Under different economic or political conditions, the conjoining of these two strands of neoliberal thought – macroeconomic ideas about control of money supply, and the primary importance of economic liberty – may not have occurred in political discourse and the belief in free markets may not have risen to hegemonic status. The Chicago School’s emphasis on developing technical policies that were ready to be implemented when the opportunity arose proved to be an effective strategic move. As mentioned above, it was monetary policy in particular that became the vanguard of implementing neoliberal policies more widely:

Monetarist ideas seemed to offer an alternative way of running an advanced economy, one based on a return to purer free market economics. However, this hope largely rested on a conflation of monetarism with a theoretically separate set of arguments about the supposed superiority of markets over government intervention in the economy. The importance of freeing markets – through liberalization, lower taxes, deregulation, and privatization – became known as supply-side reform, so called in contradistinction to Keynesian demand management. [...] Market mechanisms were to be an alternative to public provision, benefits, and subsidies. These supply-side policies have been retrospectively allied to the monetarist analysis of the failures of demand management by observers of the programs of the Conservative and Republican administrations of Thatcher and Reagan. In fact, they should be seen as distinct.

(Stedman Jones 2012: 216)

Monetarist economic policy may have been introduced by the administrations of Callaghan and Carter, but it was the Thatcher and Reagan administrations that went beyond this and began the gradual application of the wider neoliberal philosophy – free markets, financial

⁴⁷ Even former Conservative Chancellor of the Exchequer Nigel Lawson claimed that ‘It is quite possible to be a monetarist and a central planner’ (Lawson 1992).

deregulation, privatisation, tax cuts – to public policy. Despite becoming synonymous with these ideas, Thatcher was a relatively recent convert to monetarism when she took office in May 1979 (McSmith 2011: 17–21). Privatisation and union reform did not become central to Conservative strategy until the mid-1980s (Stedman Jones 2012: 257–59), which may be linked to Thatcher’s increased popularity and confidence following the Falklands war. The fact that the beginning of the neoliberal trend towards introducing market mechanisms into more and more areas of public policy occurred via Friedman’s monetarism, which could be portrayed as technical and ‘apolitical’ (or at least beyond party politics), rather than Hayek’s passionate arguments for liberty, allowed neoliberalism to take hold. That these technical policies could to an extent be separated from the differing social policies of the left and right goes some way to explaining how neoliberalism can be compatible with authoritarian and anti-liberal regimes, as in the case of Chile.

In 1973 General Augusto Pinochet overthrew the democratically-elected government of Salvador Allende and established a military dictatorship in Chile. Pinochet’s economic policy was led by Chilean economists who had been trained at the Chicago School of economics (Fischer 2009; Valdés 1995). The changes that were implemented – removing tariffs, reforming economic institutions, controlling the money supply – were similar to those later enacted elsewhere by democratically-elected regimes, so did not *require* authoritarian or military rule to be introduced but the experience of Chile shows that neoliberal economic ideas are compatible with such regimes (Valdés 1995). This is another indicator that the neoliberal conception of freedom – which, after all, is supposedly the prime reason for neoliberalism – is highly divergent from conventional understandings of political freedom that focus on democratic participation.

From the brief historical context sketched so far, it is already clear that the common narrative that the election of Thatcher and Reagan signalled a definitive introduction of neoliberalism into policy is too simplistic. Not only had Chile implemented Chicago-style economic reforms and begun the expansion of market approaches to other areas of society (Fischer 2009: 324) many years before, but in post-War Germany ordoliberal ideas had been fundamental in founding the new democratic state (‘social market democracy’) under Chancellors Konrad Adenauer and Ludwig Erhard, which was in turn an inspiration to Thatcher-era Conservatives (Stedman Jones 2012: 125–26). The links between these different regimes were clear to some – one of the attendees at the Mont Pelerin Society meeting in Chile in 1981, Wolfgang Frickhöffer, ‘affirmatively linked Pinochet’s efforts to the post-World War II German efforts to secure a social market economy under Ludwig Erhard’ (Fischer 2009: 327). And these countries were not alone; France slowly began its own turn towards neoliberalism following the 1978 election, under the Prime Minister – and liberal economist – Raymond Barre (Behrent 2016: 33–34), and neoliberalisation was also underway elsewhere including in Turkey and Brazil (Connell and Dados 2014).

The complex international nature of this piecemeal adoption of neoliberal policy ideas means

it is important to be careful with the portrayal of the globalisation of neoliberalism. The spread of neoliberalism beyond Western Europe and North America was spearheaded by the ‘structural adjustment’ policies of the World Trade Organisation (WTO), World Bank, and International Monetary Fund (IMF) (Stedman Jones 2012: 8). In return for development loans, developing nations were required to implement policies of privatisation, deregulation, and trade liberalisation – a move perceived by critics in the anti-globalisation movement as a form of American ‘economic imperialism’.⁴⁸ However, this neoliberalisation was not simply the global imposition of Western ideology. The general outline within much of the literature cited in this chapter is that neoliberalism arose as an theoretical project of intellectuals in the global North and subsequently spread internationally as a one-way process of the North asserting its power over the global South in new ways. If we try to understand neoliberalism as praxis (mutually interacting theory and practice), rather than as a straightforward application of theory in different policy contexts, then the role of countries and peoples in the global South could be better understood as policymakers within each country coming to embrace neoliberalism as in their own interests. Bockman and Eyal refer to this co-production of neoliberalism as ‘dialogic’ (2002), which ties in with the work of Peck (2010: 24) on the shape-shifting nature of neoliberal policy and its ability to attach itself to a variety of political realities. Connell and Dados (2014) have argued that the development strategy applied *in* and not just *to* the global South from the 1970s was central to neoliberalism’s rise as a global hegemonic force and we must consider multiple perspectives on this process: ‘Neoliberalism is not a projection of Northern ideology or policy, but a re-weaving of worldwide economic and social relationships’ (Connell and Dados 2014: 124). The rise of neoliberal hegemony in various contexts had both domestic and transnational roots (Plehwe, Walpen, and Neunhöffer 2006: 19). Agriculture and land ownership were key sites of policy development, with structural adjustment programs contributing to ‘the restructuring of the post-colonial state’ (Connell and Dados 2014: 121). Just as Callaghan and Thatcher both saw expedient political reasons to enact elements of Chicago School ideas, so did politicians in the global South. If we keep in mind the difference between neoliberal ideology and actually existing neoliberalism (see Brenner and Theodore 2002), then ideology may simply play a supporting role in justifying intellectually the actions that are desired by the capitalist class.

The consolidation of neoliberal hegemony was cemented with the gradual adoption of neoliberal policy by the centre-left. Although, as noted above, centre-left parties in the UK and US had flirted with elements of monetarist policy in the late 1970s, it was under the Thatcher and Reagan governments that market logic began to be applied across all policy domains. In the UK, by the time the Labour Party returned to power in 1997 under the leadership of Tony Blair they had abandoned much of their socialist heritage and proclaimed a new centrist ‘third way’ that embraced the application of market logic to social life. Although the embrace of neoliberal policy by New Labour and Clinton’s Democrats was not completely out of step with their parties’ histories, their neoliberal turn can still be regarded as an

⁴⁸ The phrase ‘economic imperialism’ was in fact first coined by Virginia School economist Gordon Tullock (Fischer 2009: 324). So this term has two meanings – the imposition of economics *as a discipline* on other academic disciplines, and a ‘new imperialism’ of global economic exploitation.

example of ‘the hegemonic capacity of neoliberalism to absorb and neutralise potentially counter-hegemonic forces and ideas’ (Bieling 2006: 221). But despite the comprehensive reach of neoliberal ideas into all areas of policy by the first decade of the twenty-first century, the political project of neoliberalism has not reached an end point. As Plehwe and Walpen put it,

Neoliberal hegemony does not find expression in the achievement of a defined end state of ‘neoliberalism’; rather, neoliberal hegemony is better understood as the capacity to permanently influence political and economic developments along neoliberal lines, both by setting the agenda for what constitutes appropriate and good government, and criticizing any deviations from the neoliberal course as wrong-headed, misguided, or dangerous ... neoliberal networks of intellectuals and advocacy think tanks predominantly aim to influence the terms of the debate in order to safeguard neoliberal trajectories.

(Plehwe and Walpen 2006: 45)

So an open-ended process of neoliberalisation is still ongoing. Possible techniques of counter-hegemonic resistance to neoliberalisation, particularly with regards to higher education and scholarly knowledge, will be discussed in Chapter 6. The final section of this chapter will now turn to a discussion of how despite neoliberalism’s rhetoric of freedom, its policies have failed to produce a more free and open society.

Neoliberalism as closure

In the previous sections we have seen that neoliberal ideas were developed over the course of several decades, and were incrementally implemented through public policy until by the end of the twentieth century neoliberalism had become the dominant hegemonic political ideology across much of the world. A central aspect of neoliberal ideology is a particular conception of *liberty*, conceived wholly in economic terms. In the final section of this chapter, I will argue that rather than the promised freedom of the ‘open society’, neoliberalism has in fact resulted in a *closure* of political and social freedom. If we take a view of freedom that moves beyond individual economic freedom and incorporates collective and social action, the empirical evidence suggests that under neoliberal regimes freedom has increased for capital at the expense of political autonomy for the majority.

The 2007–09 financial crisis led to upheaval in the global financial system. Even though financial deregulation has been highlighted as a prime cause of the crisis,⁴⁹ the political response was not to reject the overall policy direction but rather to ‘double down’ and continue – and even expand in scope – market-centric policies. This response was not unprecedented; the ‘bail out’ of financial institutions followed a similar pattern to actions taken by the Chilean government during the 1983 financial crisis there (see Fischer 2009:

49 For a discussion of the causes of the crisis see Stedman Jones (2012: 338–41) and Mirowski (2014).

329). Theorisations of post-crisis neoliberalism have spoken of post-neoliberalism or even ‘zombie’ neoliberalism (Peck 2010), i.e. the ideology is clearly dead but somehow still lurching forwards. The continuation of neoliberalisation shows the strength of its hegemonic status and can be attributed to both a lack of perceived alternatives and also the belief in the free market as ‘utopian economics’ (Cassidy, in Stedman Jones 2012: 339). Exhortations that ‘there is no alternative’ and we have reached ‘the end of history’, culminating in perpetual liberal democracy, have been commonplace since the late 1980s (see Fukuyama 1992). But the ‘end of ideology’ is itself an ideological construct – ‘as the economic sociologist Jamie Peck has argued, the ideal of the pure free market has always been unobtainable, as utopian an idea in its own way as the Marxist illusion of a classless society’ (Stedman Jones 2012: 20). (Theoretically, in a true free market whereby all participants have full knowledge of everything taking place within the market, it is impossible to generate profits off a single idea after its initial introduction to the marketplace because competition erodes the margin down to zero. The ideology of free-market economics is rather utopian,⁵⁰ even if its practical results always fall short of the ideal.) Ironically, the exhortations of Popper against the dangers of historical determinism appear to not have been heeded by later advocates of neoliberal economics.

If neoliberal reason has indeed saturated political discourse to the extent that no alternative policy directions can be considered, this does not bode well for the idea of a plural democracy. In *Undoing the Demos* (2015), Wendy Brown develops the idea of neoliberalism’s closing of democracy. 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 (2014, see above), 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).⁵¹ 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).⁵² This framing reveals the specific

50 Friedman’s vision was ‘very much a utopian one, centered on a fantasy of the perfect free market’ (Stedman Jones 2012: 86).

51 See also Becker (1993) for the Chicago economics perspective on human capital.

52 For a closer look at Foucault’s reading of neoliberalism, in particular his apparent sympathies with some aspects of it, see Zamora and Behrent (2016).

implementations of neoliberalism as expressed through government policy to be the application of this governing rationality to various extant political spaces.

As Brown argues, the ‘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 (2014) 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 competitive process but with no protections to guarantee equality.

The political situation in Greece following the bail out and loans from the European Union and International Monetary Fund serves as a potent example of how political choice is restricted by the neoliberal reason at work in supranational institutions. A far-left government, Syriza, was elected with a mandate to end austerity but then forced to enact austerity policies at the behest of European Union institutions (Ovenden 2015), demonstrating clearly how neoliberal policy is leading to social and economic devastation for many. There are also examples of attempted political closure in the UK under recent Conservative governments, for instance suggesting the removal of Freedom of Information legislation (Martinson 2015) or undertaking electoral reforms that appear to be designed to make a Tory majority permanent (Beckett 2015). It is worth noting that as of 2014 Freedom House still rated all Western democracies as very free (see Alves and Meadowcroft 2014), although it is important to acknowledge the deep problems with biased metrics such as these that define freedom in terms of facets of liberal democracy.⁵³ It is too soon to say whether the turn towards nationalism and protectionism embodied by events such as the UK’s vote to leave the European Union or the victory of Donald Trump in the US presidential election will lead to a genuine rollback of neoliberal economic policies, but since even the global financial crisis did not achieve this, it is unlikely that the adaptability of neoliberal ideology has come to an end.

Stedman Jones argues that the formulation of the neoliberal critique by Hayek, Mises, and Popper was against ‘the encroachment of state intervention of every aspect of social and economic life [in which they saw] a creeping totalitarianism’ (Stedman Jones 2012: 36). Under actually existing neoliberal regimes, neoliberalism has itself become an instrument of intervention, with its co-option of the bureaucratic control of social life creating a mode of governance that imposes the same anti-liberal logic feared by early neoliberals. Mises cautioned against the perils of ‘collectivist’ government intervention, arguing that ‘there is no sphere of human activity that they would not be prepared to subordinate to regimentation by the authorities’ (Mises 2014: 4). By the end of the twentieth century the saturating of all society with a single logic had, instead, occurred in the name of free market capitalism.

53 Despite the problems with using quantitative metrics to ‘measure’ the amount of freedom in a country, such approaches do attempt to specify in detail particular aspects of social life which can be regarded as demonstrating freedom, something which Hayek did not do.

The combination of neoliberal reason with disciplinary apparatuses is a demonstration of how the ‘totalising’⁵⁴ effect of neoliberalism in applying market logic to all aspects of the political, economic, and social realms must be reconciled with its plural nature. Adaptability in applying economizing logic to institutions existing under a variety of conditions explains how neoliberalism can be effective in holding sovereign power in very different political situations, including ‘closed’ regimes. 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 global politics despite the 2007–09 financial crisis. This adaptability is also noticeable in neoliberalism’s ability to perpetually reinvent itself through strategic forgetting (see Mirowski 2013, Fisher 2009). The rhetoric of individual freedom which is used to sell neoliberal ideas diverges significantly from the authoritarianism of neoliberal regimes such as Pinochet’s Chile; market freedom has come to be reconciled with bureaucracy; and conservatism has been accommodated in order to appeal to the political right. ‘Truth’ and logical consistency do not appear to be of interest to current policy elites – though to regard the current political climate as one of ‘post-truth’ runs the risk of romanticising an imaginary past in which truth was sought above other priorities.⁵⁵

The neoliberalisms of Hayek and the Chicago School were on the surface antistatist in that they relegated the role of the state to merely an enforcer of the free market.⁵⁶ But by promoting market-based policy in all areas of government, neoliberals did not remove the influence of the state from people’s lives, rather they shifted the nature of the state-citizen relationship. The market-state now acts as enforcer of market logic in an attempt to regulate people’s thought and behaviour. For example, in education, the marketisation and ongoing erosion of ‘public good’ notions has not lessened the influence of the state in people’s education, but changed the nature of that influence to one of the state’s new role as enforcer of market principles, notably competition. By embedding market principles throughout all areas of the state’s influence on citizens, neoliberalism does not diminish the state’s power but diffuses it – changing the nature of that power to harness the potential of society’s more hidden, diffuse, and entrenched power relationships. Therefore far from increasing the liberty of citizens living under a neoliberal regime, all possibilities of alternative ways of living are systematically removed and an enclosure of thought is the result (‘there is no alternative’).

Tying together two of the key strands of neoliberal thought outlined in this chapter – a conception of freedom based solely on economic freedom, and the economisation of everything – leads to the idea that neoliberalism is bringing about an *economisation of freedom*. Freedom is itself only understood in market terms. When neoliberals talk about freedom and openness, they are talking about freedom for capital, not people. This is very

54 Although see Peck (2010: 16–20) on the dangers of seeing it as totalising.

55 As reading Arendt reminds us, an earlier form of post-truth was a crucial part of totalitarian propaganda: ‘Totalitarianism’s ‘supersense’ construes all factuality as fabricated, therewith eliminating the ground for distinguishing between truth and falsehood’ (Court [n.d.]).

56 Behrent argues that the antistatistism is what attracted Foucault, who understood power to be diffused throughout social relations rather than solely being embodied in top-down authority (Behrent 2016: 29).

different to the focus of the contemporary open movements discussed in Chapter 2. Herein lies a key question of this thesis: by bringing open access into the realm of government policy, to what extent has the openness of open access been co-opted by the openness of neoliberalism (i.e. freedom for capital)? The next chapter will examine the neoliberalisation of higher education, which will lead on to a discussion in Chapter 5 on the current state of open access policy in the UK with reference to this political background. Finally, in Chapter 6 a response will be made to the contention that there is no alternative to political closure – alternatives do exist but have not yet found their way into mainstream policymaking. One of these alternatives, the commons, is posited here as a potential direction for open access policy. As with the enclosure of commons land, fighting for a commons in the realm of ideas and knowledge is a means of ensuring that there is an alternative.

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