

An aerial photograph of a city, likely New York City, built on a massive, dark, and jagged cliffside. The city's skyscrapers and buildings are densely packed along the edge of the cliff, with some buildings appearing to be built on a flat, rectangular platform that extends from the cliff face. The sky is filled with heavy, grey clouds, and the overall atmosphere is dramatic and somewhat ominous. The text is overlaid on the right side of the image, in white, bold, sans-serif font.

**NEVER LET
A SERIOUS CRISIS
GO TO WASTE**

**HOW NEOLIBERALISM SURVIVED
THE FINANCIAL MELTDOWN**

PHILIP MIROWSKI

Never Let a Serious Crisis Go to Waste

How Neoliberalism Survived
the Financial Meltdown

Philip Mirowski



VERSO

London • New York

“positional good” especially prized by the idle rich with intellectual pretensions. As the composition of the membership skewed in the direction of the sort of persons more often found at Davos or the Bohemian Grove, the actual role of the core as a high-powered debating society has tended to ossify. That function, it seems, tended to migrate to outer layers of the Russian doll, such as certain key university centers and the larger established think tanks. When the crisis hit, the first tendency was to attempt a reversion to the older model of a Grand Conclave of the Faithful; but as we observed in chapter 1, the best that was mustered was a reiteration of doctrines developed a half-century previously. However, in chapter 6, we moot the possibility that the outer shells themselves have developed a generic full-spectrum pattern of political response to dire crises. If true, it means that neoliberalism has become *more coherent* in the face of the crisis, not more diffuse, as some authors maintain.

A Short Course in Neoliberal Economic Doctrine

Throughout the second half of the twentieth century, the neoliberal project stood out from other strains of right-wing thought in that it self-consciously was constituted as a multitiered *sociological* entity dedicated to the continued transnational development, promulgation, and popularization of doctrines intended to mutate over time, in reaction to both intellectual criticism and external events. It was a movable feast, and not a catechism fixed at the Council of Trent.⁶³ Much of the time the litmus test was shared political objectives inculcated through prolonged internship in the thought collective; but infrequently, even that was open to delicate negotiation. Nevertheless, it was a sociological thought collective that eventually produced a relatively shared ontology concerning the world coupled with a more-or-less shared set of propositions about markets and political economy. These propositions are, of necessity, a central focus of a book on the relationship of neoliberals to the crisis. It should be very important to have some familiarity with these ideas, if only to resist simple-minded characterizations of the neoliberal approach to the crisis as some evangelical “market fundamentalism.”

Although it is undeniably the case that all manner of secondhand purveyors of ideas on the right would wish to crow that “market freedom” promotes their own brand of religious righteousness, or maybe even the converse, it nonetheless debases comprehension to conflate the two by disparaging both as “fundamentalism”—a sneer

unfortunately becoming commonplace on the left. It seems very neat and tidy to assert that neoliberals operate in a *modus operandi* on a par with religious fundamentalists: just slam *The Road to Serfdom* (or if you are really Low-to-No Church, *Atlas Shrugged*) on the table along with the King James Bible, and then profess to have unmediated personal access to the original true meaning of the only (two) book(s) you'll ever need to read in your lifetime. Counterpoising morally confused evangelicals with the reality-based community may seem tempting to some; but it dulls serious thought. It may sometimes feel that a certain market-inflected personalized version of Salvation has become more prevalent in Western societies, but that turns out to be very far removed from the actual content of the neoliberal program.

Neoliberalism does not impart a dose of that Old Time Religion. Not only is there no ur-text of neoliberalism; the neoliberals have not themselves opted to retreat into obscurantism, however much it may seem that some of their fellow travelers may have done so. You won't often catch them wondering, "What Would Hayek Do?" Instead they developed an intricately linked set of overlapping propositions over time—for example, from Ludwig Erhard's "social market economy" to Herbert Giersch's cosmopolitan individualism, from Milton Friedman's "monetarism" to the rational-expectations hypothesis, from Hayek's "spontaneous order" to James Buchanan's constitutional order, from Gary Becker's "human capital" to Steven Levitt's "freakonomics," from Heartland's climate denialism to AEI's geoengineering project, and, most appositely, from Hayek's "socialist calculation controversy" to Chicago's efficient-markets hypothesis. Along the way they have lightly sloughed off many prior classical liberal doctrines—for instance, opposition to corporate monopoly power as politically debilitating, or skepticism over strong intellectual property, or disparaging finance as an intrinsic source of macroeconomic disturbance—without coming clean on their reversals.⁶⁴

Acknowledgment of neoliberalism as a living, mutating entity makes it hard for people who are not historians to wrap their arms around the phenomenon, and prompts those seeking a three-by-five-card definition to throw up their hands in defeat. Disbelievers and skeptics often scoff when they hear about the mutable character of neoliberal doctrine, but I think they ought to pay a little attention to science studies, which seems quite comfortable tracking functional identity-within-change by combining institutional data with a rotating yet finite roster of protagonists, with an old-fashioned history of ideas. For instance, what did it mean to be "doing quantum physics" in the 1960s

and '70s? It wasn't just big teams working on solid-state devices plus a few geniuses in pursuit of a Grand Unified Theory. It even extended to hippie communes and New Age consciousness. Or, in another case, the pursuit of cosmological theories has a colorful coherent history, even though it repeatedly transgressed the boundaries of existing sciences, and sometimes had trouble deciding if the object of its attentions typified stark stasis or dramatic metamorphosis.⁶⁵ As long as we possess similar multiple markers of participation and discernment of designated doctrines for the Neoliberal Thought Collective, from exclusive organizations like the MPS and certain designated think tanks, to denumerable membership lists to *vade mecum* texts covering keynote ideas and theories, to archival reflections of the principals, then a working characterization of neoliberalism is perfectly possible.

Quite a few perceptive historians of the NTC have worried that this Protean entity might be a little too variable to underwrite serious intellectual analysis.⁶⁶ “There may therefore be a certain degree of truth in what might otherwise seem to be a sloppy and unprincipled claim, that neoliberalism has become omnipresent, but it is a complex, mediated and heterogeneous kind of omnipresence, not a state of blanket conformity. Neoliberalism has not simply diffused as a (self-) replicating system.”⁶⁷ Granted, the ectoplasmic theory of mind control is usually a poor way to contemplate analysis of politics; yet the point remains that the neoliberal ground troops seem to be fully capable of recognizing kindred spirits, fostering intellectual interchange among allies, and more to the point, funding and organizing political movements with stable objectives and repetitive arguments even in the face of the global economic crisis. Here we point to bellwether phenomena to be addressed, from the demonization of Freddie Mac and Fannie Mae to the neutralization of financial reform at both national and international levels, the promotion of class warfare against public employees by “populist” right-wing politicians to the total control over framing the problem of global warming, from the best-sellerdom of *The Road to Serfdom* to the astrourfing of the Tea Party, and, most notably, the pronounced shift of public attention from the culpability of banks and hedge funds to the predominant conviction that the crisis has been attributable to governmental fiscal irresponsibility. These suggest a degree of coherence and stability deriving from both continuity of intellectual tradition and persistence of community boundary work, the sum total of which is capable of supporting analytical generalizations about the movement.

Clearly, neoliberals do not navigate with a fixed static Utopia as the astrolabe for all their political strivings. They could not, since they don't even agree on such basic terms as "market" and "freedom" in all respects, as we shall observe below. One can even agree with Brenner et al. and Naomi Klein that crisis is the preferred field of action for neoliberals, since that offers more latitude for introduction of bold experimental 'reforms' that only precipitate further crises down the road.⁶⁸ Nevertheless, Neoliberalism does not dissolve into a gormless empiricism or random pragmatism. There persists a certain logic to the way it approaches crises; and that is directly relevant to comprehending its unexpected strength in the current global crisis.

Under that supposition, we endeavor here to provide a telegraphed and necessarily non-canonical characterization of the temporary configuration of doctrines that the thought collective had arrived at by roughly the 1980s. It transgresses disciplinary boundaries, in precisely the ways the neoliberals have done. Furthermore, the Thirteen Commandments below are chosen because they have direct bearing upon unfolding developments during the period of the crisis from 2007 onwards. To elide issues of who said what to whom, in and out of Mont Pèlerin, we provide the tenets in an abridged format of stark statements, without much individual elaboration or full documentation.⁶⁹

[1] The starting point of neoliberalism is the admission, contrary to classical liberal doctrine, that their vision of the good society will triumph only if it becomes reconciled to the fact that the conditions for its existence must be *constructed*, and will not come about "naturally" in the absence of concerted political effort and organization. As Foucault presciently observed in 1978 "Neoliberalism should not be confused with the slogan 'laissez-faire,' but on the contrary, should be regarded as a call to vigilance, to activism, to perpetual interventions." The injunction *to act* in the face of inadequate epistemic warrant is the very soul of "constructivism," an orientation sometimes shared with the field of science studies, and the very soul of the Neoliberal Thought Collective. Classical liberalism, by contrast, disavowed this precept. As Sheldon Wolin once wrote, classical liberalism "conceived the issue as one of reconciling freedom and authority, and they solved it by destroying authority in the name of liberty and replacing it by society." The neoliberals reject "society" as solution, and revive their version of authority in new guises. This becomes transmuted below into various arguments for the existence of a strong state as both

producer and guarantor of a stable market society. As Peck puts it, “Neoliberalism was always concerned . . . with the challenge of first seizing and then retasking the state.” “What is ‘neo’ about Neoliberalism . . . [is] the remaking and redeployment of the state as the core agency that actively fabricates the subjectivities, social relations and collective representations suited to making the fiction of markets real and consequential.”⁷⁰

[2] This assertion of a constructivist orientation raises the thorny issue of just what sort of ontological entity the neoliberal market is, or should be. What sort of “market” do neoliberals want to foster and protect? While one wing of the MPS (the Chicago School) has made its career by attempting to reconcile one version of neoclassical economic theory with neoliberal precepts, other subsets of the MPS have innovated entirely different characterizations of the market. The “radical subjectivist” wing of the Austrian School of economics attempted to ground the market in a dynamic process of discovery by entrepreneurs of what consumers did not yet even know that they wanted, due to the fact that the future is radically unknowable.⁷¹ Perhaps the dominant version at the MPS (and later, the dominant cultural doctrine) emanated from Hayek himself, wherein the “market” is posited to be an information processor more powerful than any human brain, but essentially patterned upon brain/computation metaphors.⁷² This version of the market is most intimately predicated upon modern epistemic doctrines, which in the interim have become the philosophical position most closely associated with the neoliberal *Weltanschauung*.

Here we find the first intimate point of connection with the narrative of the global crisis. From this perspective, prices in an efficient market “contain all relevant information” and therefore cannot be predicted by mere mortals. In this version, the market always surpasses the state’s ability to process information, and this constitutes the kernel of the argument for the necessary failure of socialism. All attempts to outguess the market, even in the midst of crisis free fall, must fail. But far from a purely negative doctrine, another related version of the efficient-markets hypothesis underwrote much of the theories and algorithms that were the framework of the baroque financial instruments and practices which resulted in the crisis in the first place.

Another partially rival approach to defining the market emanated from German ordoliberalism, which argues that competition in a well-

functioning market needs to be directly organized by the state, by embedding it in various other social institutions.⁷³ Hence, contrary to much that has been written on the beliefs of our protagonists, neoliberals do not speak with one voice on the key concept of the nature of the market. They most certainly do not uniformly subscribe to neoclassical economic theory, nor do they all pledge their troth to the cybernetic vision of the market in lockstep. (This reiterates the analytical separation broached in chapter 1.)

It may seem incredible, but historically, both the neoclassical tradition in economics and the NTC have been extremely vague when it comes to analytical specification of the exact structure and character of something they both refer to as the “market” Both seem overly preoccupied with what it purportedly *does*, while remaining cavalier about what it actually *is*. For the neoliberals, this allows the avoidance of a possible deep contradiction between their constructivist tendencies and their uninflected appeal to a monolithic market that has existed throughout all history and indifferently across the globe; for how can something be “made” when it is eternal and unchanging? This is solved by increasingly erasing any distinctions among the state, society, and the market, and simultaneously insisting their political project is aimed at reformation of society by subordinating it to the market.

[3] Even though there has not existed full consensus on just what sort of animal the market “really” is, the neoliberals did agree that, for purposes of public understanding and sloganeering, neoliberal market society must be treated as a “natural” and inexorable state of mankind. Neoliberal thought therefore spawns a strange hybrid of the “constructed” and the “natural,” where the market can be made manifest in many guises.⁷⁴ What this meant in practice was that there grew to be a mandate that natural science metaphors must be integrated into the neoliberal narrative. (This is explored further in chapter 6.) It is noteworthy that MPS members began to explore the portrayal of the market as an evolutionary phenomenon long before biology displaced physics as the premier science in the modern world-picture.⁷⁵ If the market was just an elaborate information processor, so too was the gene in its ecological niche. Poor, unwitting animals turn out to maximize everything under the sun just like neoclassical economic agents, and cognitive science “neuroeconomics” models treat neurons as market participants. “Biopower” is deployed to render

nature and our bodies more responsive to market signals.⁷⁶ Because of this early commitment, neoliberalism was able to make appreciable inroads into such areas as “evolutionary psychology,” network sociology, ecology, animal ethology, linguistics, cybernetics, and even science studies. Neoliberalism has therefore expanded to become a comprehensive worldview, and has not been just a doctrine solely confined to economists.⁷⁷

With regard to the crisis, one wing of neoliberals has appealed to natural science concepts of “complexity” to suggest that markets transcend the very possibility of management of systemic risk.⁷⁸ However, the presumed relationship of the market to nature tends to be substantially different under neoliberalism than under standard neoclassical theory. In brief, neoclassical theory has a far more static conception of market ontology than do the neoliberals. In neoclassical economics, many theoretical accounts portray the market as somehow susceptible to “incompleteness” or “failure,” generally due to unexplained natural attributes of the commodities traded: these are reified under the rubric of “externalities,” “incomplete markets,” or other “failures.” Neoliberals conventionally reject all such recourse to defects or glitches, in favor of a narrative where evolution and/or “spontaneous order” brings the market to ever more complex states of self-realization, which may escape the ken of mere humans.⁷⁹ This explains why the NTC has rejected out of hand all neoclassical “market failure” explanations of the crisis.

[4] A primary ambition of the neoliberal project is to redefine the shape and functions of the state, *not to destroy it*. Neoliberals thus maintain an uneasy and troubled alliance with their sometimes fellow-travelers, the anarchists. The contradiction with which the neoliberals constantly struggle is that a strong state can just as easily thwart their program as implement it; hence they are inclined to explore new formats of techno-managerial governance that protect their ideal market from what they perceive as unwarranted political interference. Considerable efforts have been developed to disguise or otherwise condone in rhetoric and practice the importance of the strong state that neoliberals endorse in theory. As Peck puts it, the pursuit of neoliberal policies is “a self-contradictory form of regulation-in-denial.”⁸⁰ One implication is that democracy, ambivalently endorsed as the appropriate state framework for an ideal market, must in any case be kept relatively impotent, so that citizen initiatives rarely are

able to change much of anything.⁸¹ As Hayek said in an address before the MPS in 1966: “Liberalism and democracy, although compatible, are not the same . . . it is at least possible in principle that a democratic government may be totalitarian and that an authoritarian government may act on liberal principles . . . [A state] demanding *unlimited* power of the majority, has essentially become anti-liberal.”⁸²

One way to exert power in restraint of democracy is to bend the state to a market logic, pretending one can replace “citizens” with “customers” (see point 5). Consequently, the neoliberals seek to restructure the state with numerous audit devices (under the sign of “accountability” or the “audit society”) or impose rationalization through introduction of the “new public management”; or, better yet, convert state services to private provision on a contractual basis.⁸³

Here again our commandments touch directly upon the crisis. The financial sector was one of the major sites of the outsourcing of state supervision to quasi-private organizations, such as the Financial Industry Regulation Authority (FINRA) or the credit rating agencies such as Moody’s, Fitch, and Standard & Poor’s.⁸⁴ Indeed, the very “privatization” of the process of securitization of mortgages, which had started out in the 1960s as a government function, has become a flash point in explanations of how the financial sector lost its way. The willful blurring of the line between a private firm and a political instrument in the United States in the cases of Freddie Mac and Fannie Mae will be treated in chapter 5.

One of the great neoliberal flimflam operations is to mask their role in power through confusion of “marketization” of government functions with the shrinking of the state: if anything, bureaucracies become more unwieldy under neoliberal regimes.⁸⁵ Another is to imagine all manner of methods to “shackle” the state by reducing all change to prohibitive constitutional maneuvers (as with the “public choice” school of James Buchanan). In practice, “deregulation” always cashes out as “reregulation,” only under a different set of ukases.

[5] Skepticism about the lack of control of democracy is periodically offset by recognition of the persistent need for a reliable font of popular legitimacy for the neoliberal market state. This is a thorny problem for neoliberals: how to maintain their pretence of freedom as noncoercion when, in practice, it seems unlikely that most people would freely choose the neoliberal version of the state. As Hayek once wrote: “It would be impossible to assert that a free society will always

and necessarily develop values of which we would approve, or even, as we shall see, that it will maintain values which are compatible with the preservation of freedom.”⁸⁶ In one sense, the NTC is itself one practical political solution to this conundrum: the Russian doll exists, in part, as a conscious intervention to change the culture in a direction more favorable to the neoliberals by disarming political opposition. However, since the very project itself could be regarded as violating a precept of the inviolability of individual volition, the neoliberals also have proposed a conceptual “fix” for the audacity of intervention.

Neoliberals seek to transcend the intolerable contradiction of democratic rejection of the neoliberal state by treating politics *as if* it were a market, and promoting an economic theory of “democracy.” In its most advanced manifestation, there is no separate content of the notion of citizenship other than as customer of state services.⁸⁷ This supports the application of neoclassical economic models to previously political topics; but it also explains why the neoliberal movement must seek to consolidate political power by operating from within the state. The abstract “rule of law” is frequently conflated with or subordinated to conformity to the neoliberal vision of an ideal market. The “night watchman” version of the state is thus comprehensively repudiated: there is no separate sphere of the market, fenced off, as it were, from the sphere of civil society. Everything is fair game for marketization.

The neoliberals generally have to bend in pretzels to deny that in their ideal state, law is a system of power and command, and is, rather, a system of neutral general rules applicable equally to all, grounded in something other than the intentional goals of some (that is, their own) group’s political will. As Raymond Plant explains, for the Rothbard anarchists, this is something like natural law; for the Buchanan-style public-choice crowd, it is contract theory; for Chicago economics, it is a world where the economy is conflated with the universe of human existence; and for Hayek, it is his own idiosyncratic notion of cultural evolution.⁸⁸ In everyday neoliberalism, the Chicago story seems to win out. However, in the recent crisis, the evolution story has been brought out of mothballs, as we shall observe in chapter 6.

[6] Neoliberalism thoroughly revises what it means to be a human person. Many people have quoted Foucault’s prescient observation from three decades ago: “In neoliberalism . . . Homo Economicus is an entrepreneur, an entrepreneur of himself.”⁸⁹ However, they overlook

the extent to which this is a drastic departure from classical liberal doctrine.

Classical liberalism identified “labor” as the critical original human infusion that both created and justified private property. Foucault correctly identifies the concept of “human capital” as the signal neoliberal departure—initially identified with the MPS member Gary Becker—that undermines centuries of political thought that parlayed humanism into stories of natural rights. Not only does neoliberalism deconstruct any special status for human labor, but it lays waste to older distinctions between production and consumption rooted in the labor theory of value, and reduces the human being to an arbitrary bundle of “investments,” skill sets, temporary alliances (family, sex, race), and fungible body parts. “Government of the self” becomes the taproot of all social order, even though the identity of the self evanesces under the pressure of continual prosthetic tinkering; this is one possible way to understand the concept of “biopower.” Under this regime, the individual displays no necessary continuity from one “decision” to the next. The manager of You becomes the new ghost in the machine.⁹⁰

Needless to say, the rise of the Internet has proven a boon for neoliberals; and not just for a certain Randroid element in Silicon Valley that may have become besotted with the doctrine. Chat rooms, online gaming, virtual social networks, and electronic financialization of household budgets have encouraged even the most intellectually challenged to experiment with the new neoliberal personhood. A world where you can virtually switch gender, imagine you can upload your essence separate from your somatic self, assume any set of attributes, and reduce your social life to an arbitrary collection of statistics on a social networking site is a neoliberal playground. The saga of dot.com billionaires, so doted over by the mass media, drives home the lesson that you don’t actually have to produce anything tangible to participate in the global marketplace of the mind. This is the topic of chapter 3.

The Incredible Disappearing Agent has had all sorts of implications for neoliberal political theory. First off, the timeworn conventional complaint that economics is too pigheadedly methodologically individualist does not begin to scratch the neoliberal program. “Individuals” are merely evanescent projects from a neoliberal perspective. Neoliberalism has consequently become a scale-free Theory of Everything: something as small as a gene or as large as a nation-state is equally engaged in entrepreneurial strategic pursuit of

advantage, since the “individual” is no longer a privileged ontological platform. Second, there are no more “classes” in the sense of an older political economy, since every individual is both employer and worker simultaneously; in the limit, every man should be his own business firm or corporation; this has proven a powerful tool for disarming whole swathes of older left discourse. It also appropriates an obscure historical development in American legal history—that the corporation is tantamount to personhood—and blows it up to an ontological principle. Conversely, it denies personhood to government: “Government has no economic responsibility. Only people have responsibility, and government is not a person.”⁹¹ Third, since property is no longer rooted in labor, as in the Lockean tradition, consequently property rights can be readily reengineered and changed to achieve specific *political* objectives; one observes this in the area of “intellectual property,” or in a development germane to the crisis, ownership of the algorithms that define and trade obscure complex derivatives, and better, to reduce the formal infrastructure of the marketplace itself to a commodity. Indeed, the recent transformation of stock exchanges into profit-seeking IPOs was a critical neoliberal innovation leading up to the crisis. Classical liberals treated “property” as a sacrosanct bulwark against the state; neoliberals do not. Fourth, it destroys the whole tradition of theories of “interests” as possessing empirical grounding in political thought.⁹²

Clearly, we’re not in classical liberalism anymore.

[7] Neoliberals extol “freedom” as trumping all other virtues; but the definition of freedom is recoded and heavily edited within their framework. Most neoliberals insist they value “freedom” above all else; but more hairs are split in the definition of freedom than over any other neoliberal concept. This is probably a necessary consequence of the development of other neoliberal tenets, like that covered in thesis 6. It is a little hard to conceptualize freedom for an entity that displays no quiddity or persistence; and most neoliberal discussions of freedom have been cut loose from older notions of individualism.

Some members of the Neoliberal Thought Collective, like Milton Friedman, have refused to define it altogether (other than to divorce it from democracy), while others like Friedrich Hayek forge links to thesis 2 by motivating it as an epistemic virtue: “the chief aim of freedom is to provide both the opportunity and the inducement to insure the maximum use of knowledge that an individual can accrue.”

As this curious definition illustrates, for neoliberals, what you think a market really is seems to determine your view of what liberty means. Almost immediately, the devil is secreted in the details, since Hayek feels he must distinguish “personal liberty” from subjective freedom, since personal liberty does not entail political liberty. Late in life, Milton Friedman posited three species of freedom—economic, social and political—but it appears that economic freedom was the only one that mattered. Some modern figures such as Amartya Sen attempt to factor in your given range of choices in an index of your freedom, but neoliberals will have none of that. They seek to paint all “coercion” as evil, but without admitting into consideration any backstory of the determinants of your intentions. Everyone is treated as expressing untethered context-free hankering, as if they were born yesterday into solitary confinement; this is the hidden heritage of entrepreneurialism of the self. This commandment cashes out as: no market can ever be coercive.⁹³

In practice, neoliberals can’t let others contemplate too long that their peculiar brand of freedom is not the realization of any political, human, or cultural telos, but rather the positing of autonomous self-governed entities, all coming naturally equipped with some version of “rationality” and motives of ineffable self-interest, striving to improve their lot in life by engaging in market exchange.⁹⁴ It follows from the human-capital concept that education is a consumer good, not a life-transforming experience. Followers of Foucault are often strongest on the elaborate revision required in cultural concepts of human freedom and morality, although this may be attributed to Foucault’s own sympathies for elements of the neoliberal project.⁹⁵ Curiously enough, the fact that this version of “freedom” may escape all vernacular referent was noted when an argument broke out within the MPS in the 1970s, with Irving Kristol accusing Milton Friedman and Friedrich Hayek of depending upon a version of “self-realization” as the great empty void at the center of their economic doctrines.⁹⁶ You can’t realize a Kantian essence that is not there.

Whatever else it betokens in the neoliberal pantheon, it is axiomatic that freedom can only be “negative” for neoliberals (in the sense of Isaiah Berlin), for one very important reason. Freedom cannot be extended from the use of knowledge *in* society to the use of knowledge *about* society, because self-examination concerning why one passively accepts local and incomplete knowledge leads to contemplation of how market signals create some forms of knowledge and squelch others.

Meditation upon our limitations leads to inquiry into how markets work, and metareflection on our place in larger orders, something that neoliberals warn is beyond our ken. Knowledge then assumes global institutional dimensions, and this undermines the key doctrine of the market as transcendental superior information processor. Conveniently, “freedom” does not extend to principled rejection of the neoliberal insurgency. Neoliberals want to insist that resistance to their program is futile, since it inevitably appeals to a spurious (from their perspective) understanding of freedom.

[8] Neoliberals begin with a presumption that capital has a natural right to flow freely across national boundaries. (The free flow of labor enjoys no similar right.⁹⁷) Since that entails persistent balance-of-payments problems in a nonautarkic world, neoliberals took the lead in inventing all manner of transnational devices for the economic and political discipline of nation-states.⁹⁸ They began by attempting to reintroduce what they considered to be pure market discipline (flexible exchange rates, dismantling capital controls) during the destruction of the Bretton Woods system, but over the longer term learned to appreciate that suitably staffed international institutions such as the WTO, the World Bank, the IMF, and other units are better situated to impose neoliberal policies upon recalcitrant nation-states. Initially strident demands to abolish global financial (and other) institutions on the part of early neoliberals such as Friedman and some denizens of the Cato Institute were subsequently tempered by others—such as Anne Krueger, Stanley Fischer, and Kenneth Rogoff—and as these neoliberals came to occupy these institutions, they used them primarily to influence staffing and policy decisions, and thus to displace other internationalist agendas. The role of such transnational organizations was recast to exert “lock-in” of prior neoliberal policies, and therefore to restrict the range of political options of national governments. Sometimes they were also used to displace indigenous “crony capitalists” with a more cosmopolitan breed of cronyism. Thus it is correct to observe an organic connection between such phenomena as the Washington Consensus and the spread of neoliberal hegemony, as Dieter Plehwe argues.⁹⁹ This also helps address the neoliberal conundrum of how to both hem in and at the same time obscure the strong state identified in point 4, above.

The relevance of the rise of the neoliberal globalized financial regime to the crisis is a matter of great concern to the thought collective and to others (such as Ben Bernanke) who seek to offload responsibility for

the crash onto someone else. Because there was no obvious watershed linking policy to theory comparable to Bretton Woods, and the post-1980 infrastructure of international finance grew up piecemeal, the relationship between neoliberalism and the growth of shadow and offshore banking is only beginning to be a subject of interest. Evidence, by construction, is often inaccessible. However, the drive to offshore outsource manufacturing in the advanced economies, which was mutually symbiotic with the frustration of capital controls, was clearly a function of neoliberal doctrines concerning the unbounded benefits of freedom of international trade, combined with neoliberal projects to reengineer the corporation as an arbitrary nexus of contractual obligations, rather than as a repository of production expertise. The MPS member Anne Krueger was brought into dialogue with her fellow member Ronald Coase, and the offspring was the flight of capital to countries such as China, India, and the Cayman Islands. The role of China as beneficiary, but simultaneously as part-time repudiator of the neoliberal globalized financial system, is a question that bedevils all concerned.

While freedom of capital flows have not generally been stressed by neoliberals as salient causes of the crisis, they do manage to unite in opposition to capital controls as one reaction to the crisis.

[9] Neoliberals regard inequality of economic resources and political rights not as an unfortunate by-product of capitalism, but a necessary functional characteristic of their ideal market system. Inequality is not only the natural state of market economies from a neoliberal perspective, but it is actually one of its strongest motor forces for progress. Hence the rich are not parasites, but a boon to mankind. People should be encouraged to envy and emulate the rich. Demands for equality are merely the sour grapes of the losers, or if they are more generous, the atavistic holdovers of old images of justice that must be extirpated from the modern mind-set. As Hayek wrote, “The market order does not bring about any close correspondence between subjective merit or individual needs and rewards.”¹⁰⁰ Indeed, this lack of correlation between reward and effort is one of the major inciters of (misguided) demands for justice on the part of the hoi polloi, and the failure of democratic systems to embrace the neoliberal state, as discussed in tenet 5, above. “Social justice” is blind, because it remains forever cut off from the Wisdom of the Market. Thus, the vast worldwide trend toward concentration of income and wealth since the 1990s is the playing out of a neoliberal script to produce a more

efficient and vibrant capitalism.

Here again we touch upon the recent crisis. This particular neoliberal precept dictates that the widely noted exacerbation of income inequality in the United States since 1980 cannot possibly have played a role in precipitating the crisis in any way.¹⁰¹ Indeed, attempts by the state to offset or ameliorate the trend toward inequality of wealth—especially through attempts to expand home ownership and consumer credit—become themselves, for neoliberals, major root causes of the crisis.¹⁰² This then gets translated into the preferred neoliberal story of the crisis, which attributes culpability to the Democrats by lodging blame for the housing bubble via securitization with Fannie Mae and Freddie Mac (see chapter 5).

[10] Corporations can do no wrong, or at least they are not to be blamed if they do. This is one of the stronger areas of divergence from classical liberalism, with its ingrained suspicion of power concentrated in joint stock companies and monopoly stretching from Adam Smith to Henry Simons. The MPS set out in the 1950s entertaining suspicions of corporate power, with the ordoliberalists especially concerned with the promotion of strong antitrust capacity on the part of the state. But starting with the Chicago law and economics movement, and then progressively spreading to treatments of entrepreneurs and the “markets for innovation,” neoliberals began to argue consistently that not only was monopoly not harmful to the operation of the market, but an epiphenomenon attributable to the misguided activities of the state and powerful interest groups.¹⁰³ The twentieth-century socialist contention that capitalism bore within itself the seeds of its own arteriosclerosis (if not self-destruction) was baldly denied. By the 1970s, antitrust policies were generally repudiated in the United States, as neoliberals took the curious anomaly in American case law treating corporations as legal individuals and tended to inflate it into a philosophical axiom.¹⁰⁴ Indeed, if anything negative was ever said about the large corporation, it was that separation of ownership from control might conceivably pose a problem, but this was easily rectified by giving CEOs appropriate “incentives” (massive stock options, golden handshakes, latitude beyond any oversight) and instituting marketlike evaluation systems within the corporate bureaucracy, rectifying “agency problems.”¹⁰⁵ Thus the modern “reengineering of the corporation” (reduced vertical integration, outsourcing supply chains, outrageous recompense for top officers) is itself an artifact of

the neoliberal reconceptualization of the corporation.

This literature had a bearing on the crisis, since it was used to argue against aspersions cast that many financial firms were “Too Big to Bail,” and that the upper echelons in those firms were garnishing dangerously high compensation packages. Nothing succeeds like market success, and any recourse to countervailing power must be squelched.

[11] The market (suitably reengineered and promoted) can always provide solutions to problems seemingly caused by the market in the first place. This is the ultimate destination of the constructivist orientation within neoliberalism. Any problem, economic or otherwise, has a market solution, given sufficient ingenuity: pollution is abated by the trading of “emissions permits”; inadequate public education is rectified by “vouchers”; auctions can adequately structure exclusionary communication channels;¹⁰⁶ poverty-stricken sick people lacking access to health care can be incentivized to serve as guinea pigs for privatized clinical drug trials; poverty in underdeveloped nations can be ameliorated by “microloans”; terrorism by disgruntled disenfranchised foreigners can be offset by a “futures market in terrorist acts.”¹⁰⁷ Suitably engineered boutique markets were touted as a superior method to solve all sorts of problems previously thought to be better organized by governments: everything from scheduling space shots to regulating the flow through airports and national parks. Economists made money by selling their nominal expertise in setting up these new markets, rarely admitting up front that they were simply acting as middlemen introducing intermediate steps toward future full privatization of the entity in question. Economists also proposed to fix the crisis by instituting new markets, as we shall discover in chapter 5.

The fascinating aspect of all this is how this precept was deployed in what seemed its most unpropitious circumstance, the erstwhile general failure of financial markets in the global economic crisis. One perspective on the issue is to recall that, in the popular Hayekian account, the marketplace is deemed to be a superior information processor, so therefore all human knowledge can be used to its fullest only if it is comprehensively owned and priced. This was deployed in a myriad of ways to suggest what might seem a string of strident non sequiturs: for instance, some neoliberals actually maintained that the solution to perceived problems in derivatives and securitization was redoubled “innovation” in derivatives and securitization, and not their

curtailment.¹⁰⁸ Another variant on the Hayekian credo was to insist that the best people to clean up the crisis were the same bankers and financiers who created it in the first place, since they clearly embodied the best understanding of the shape of the crisis. The revolving door between the U.S. Treasury and Goldman Sachs was evidence that the market system worked, and not of ingrained corruption and conflicts of interest.

[12] The neoliberal program ends up vastly expanding incarceration and the carceral sphere in the name of getting the government off our backs. Members of the Mont Pèlerin Society were fond of Benjamin Constant's adage: "The government, beyond its proper sphere ought not to have any power; within its sphere, it cannot have enough of it." Although this might seem specious from the perspective of a libertarian, it is central to understanding the fact that neoliberal policies lead to unchecked expansion of the penal sector, as has happened in the United States. As Bernard Harcourt has explained in detail, however much tenet 11 might seem to suggest that crime be treated as just another market process, the NTC has moved from the treatment of crime as exogenously defined within a society by its historical evolution, to a definition of crime as inefficient attempts to circumvent the market. The implication is that intensified state power in the police sphere (and a huge expansion of prisoners incarcerated) is fully complementary with the neoliberal conception of freedom. In the opinion of the MPS member Richard Posner, "The function of criminal sanction in a capitalist market economy, then, is to prevent individuals from bypassing the efficient market."¹⁰⁹

This precept has some bearing on the unwillingness to pursue criminal prosecution against many of the major players in the global crisis. In this neoliberal perspective, there is also a natural stratification in what classes of law are applicable to different scofflaws: "the criminal law is designed primarily for the nonaffluent; the affluent are kept in line, for the most part, by tort law."¹¹⁰ In other words, economic competition imposes natural order on the rich, because they have so much to lose. The poor need to be kept in line by a strong state, because they have so little to lose. Hence, the spectacle of (as yet) no major financial figure outside of Bernie Madoff and Raj Rajnarathan going to jail because of the crisis, while thousands of families behind on their mortgages are turfed out into the street by the constabulary, is a direct consequence of this neoliberal precept.

[13] The neoliberals have struggled from the outset to have their political/economic theories do dual service as a moral code. First and foremost, it would appear that the thought collective worshipped at the altar of a deity without restraints: “individual freedom, which it is most appropriate to regard as a moral principle of political action. Like all moral principles, it demands that it be accepted as a value in itself.” However, Hayek in his original address to the first MPS meeting said, “I am convinced that unless the breach between true liberal and religious convictions can be healed, there is no hope for a revival of liberal forces.” The very first MPS meeting reflected that wish, and held a session called “Liberalism and Christianity”; but it revealed only the antagonisms that percolated just below the surface. As a consequence, the neoliberals were often tone-deaf when it came to the transcendental, conflating it with their epistemic doctrines concerning human frailty: “we must preserve that indispensable matrix of the uncontrolled and non-rational which is the only environment wherein reason can grow and operate effectively.”¹¹¹

The more sophisticated neoliberals understood this was rather thin gruel for many of their allies on the right; so from time to time, they sought to link neoliberalism to a specific religion, although they only ventured to do this sotto voce in their in-house publications:

All that we can say is that the values we hold are the product of freedom, that in particular the Christian values had to assert themselves through men who successfully resisted coercion by government, and that it is to the desire to be able to follow one’s own moral convictions that we owe the modern safeguards of individual freedom. Perhaps we can add to this that only societies which hold moral values essentially similar to our own have survived as free societies, while in others freedom has perished.¹¹²

Other MPS figures such as Buchanan entertained the notion that a certain specific type of moral order would support a neoliberal state, or that morals could reduce the costs of rent-seeking losers throwing monkey wrenches into government.¹¹³ It took a lot of effort, and a fair bit of pussyfooting around the danger of alienating the partisans of one denomination (often in some other part of the world) by coquetting with different denominations or versions of religion, but the project of intellectual accommodation with the religious right and the theocons within the neoliberal framework has been an ongoing project at the MPS, although one fraught with contradictions that have dogged the liberal project since the Enlightenment.¹¹⁴

These thirteen more or less echt-commandments gathered here characterize the rough shape of the program eventually arrived at by the Neoliberal Thought Collective. In this summary, I have sought to highlight the stark divergence from both classical liberalism and libertarianism; further, the individual tenets will also serve as touchstones for our account of the intellectual history of the global economic crisis in subsequent chapters. Yet, having strained to discern unity in what sometimes appears a free-for-all, we should now confront the contrary proposition—that neoliberalism, in some fundamental conceptual sense, does not hang together in actual practice.

Neoliberalism, the Crisis, and the Double Truth Doctrine

All political movements of whatever stripe frequently find themselves in the position of needing to deny something they have affirmed in the past. If politics were the realm of consistency, and consistency the bugaboo of small minds, then zealots would indeed inherit the earth. Acknowledging that, there seems to be nonetheless something a little unusual going on in the Neoliberal Thought Collective, and I think it can be understood, if not entirely justified, by recourse to the doctrine of “double truth.”

Just to be clear about the nature of what will be asserted, I am *not* referring here to the Platonic doctrine of the “noble lie,” nor the Latin Averroist precepts concerning the tensions between philosophic reason and faith. Neither is it the “doublethink” of Orewellian provenance, which has more to do with the state twisting the meaning of words. It may have some relationship to the thought of Leo Strauss—the hermeneutic awareness that “all philosophers . . . must take into account the political situation of philosophy, that is, what can be said and what must be kept under wraps,” as the *Cambridge Companion to Leo Strauss* puts it—but exploring the possible Chicago connections between his writings and the neoliberals would be too much of a distraction, given all the other topics we must cover.¹¹⁵ What I shall refer to here is the proposition that an intellectual thought collective might actually concede that, as a corollary of its developed understanding of politics, it would be necessary to maintain an exoteric version of its doctrine for the masses—because that would be safer for the world and more beneficial for ordinary society—but simultaneously hold fast to an esoteric doctrine for a small closed elite, envisioned as the keepers of the flame of the collective’s wisdom.