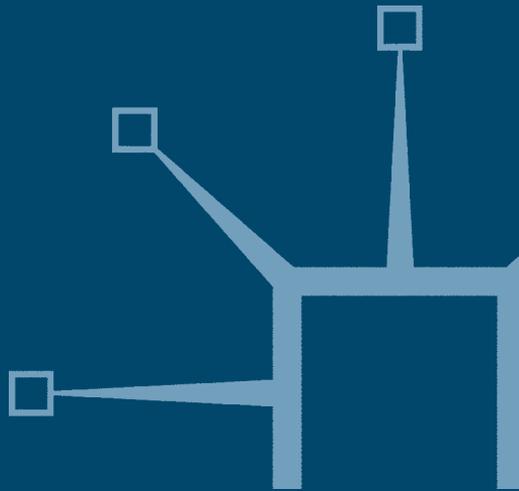


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The Neo-Liberal Revolution

Forging the Market State

Edited by
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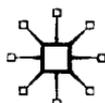
Forging the Market State

Edited by

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Preface

It is the intention of this volume to provide a comprehensive insight into the phenomenon of neo-liberalism; that shifting amalgam of ideas about markets, social order and political power that now constitutes nothing less than the defining movement of the age. It is addressed, at one level, at extending those ideas of neo-liberalism that go beyond the caricature of 'market fundamentalism', to a concept of a larger social and political agenda for revolutionary change. It examines, specifically, those political and ideological tensions and fragile and highly contingent alliances that are constantly driving and reshaping its advance across the world. At another level, authors from Europe, North America, Latin America, Asia and Australia place these 'hydra-headed' struggles into the context of the concrete hijackings and conflicts that are accompanying the neo-liberal transit across the globe. These include studies of its collisions with various populist and clientist regimes in Africa and Latin America, and with highly organized administrative states in Southeast Asia as well as the volatile processes of 'shock therapy' that have framed its entry into Russia or Indonesia and its strange engagement with the Chinese party-state. These fusions constitute the special feature of this volume, together with the emphasis placed on the future neo-liberal world, not least the seeming paradoxes of markets and highly illiberal forms of political and social authority.

RICHARD ROBISON
The Hague, 26 June 2005

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Introduction

Richard Robison

It is now more than three decades since those ideas and prescriptions for the organization and reform of economic and social life now generally known as neo-liberalism began to emerge as the defining policy orthodoxy of the age.¹ In that period, agendas, for economic deregulation, the retreat of the state, the dismantling of the public sphere and the ascendancy of the private interest, have become the currency of a reform process that has appeared inexorable. Although this process has been uneven and sometimes bitterly contested, the continuing retreat of the welfare state in Europe and in America, the dramatic collapse of the Soviet Union and the more recent Asian economic crisis has appeared to confirm that, in the broader scheme of things, attempts to bypass the assumed natural efficiencies of the market, either through the distributive arrangements of social democracy, the centralized co-ordination of the developmental state, or through the predatory rent-seeking of crony capitalism, are options now outmoded in a world of global markets.

Yet, even as the advance of markets and the consolidation of the private interest gather pace, there has been growing frustration within the neo-liberal camp because the deepening of market reform has appeared in important instances to offer new opportunities for populist oligarchies and political cronyism or the consolidation of various forms of illiberal politics. The task of unleashing the market has proven to be much easier than that of building the systems of social and political governance within which markets may be regulated and protected from what neo-liberals regard as the vagaries and uncertainties of politics. Forging the market state has now become the central problem for neo-liberals, not only in developing or post-crisis economies but within the very heartlands of modern market capitalism, in America and Britain where neo-liberals not only confront the tasks of protecting the market principles from those powerful interests who have been its primary beneficiaries but that of disciplining a society now increasingly disorganised by the market.

In Part I of this collection, it is argued, in chapters by Robison and Gamble, that the seeming paradoxes of the neo-liberal advance are not least the product of the 'hydra-headed' nature of neo-liberalism itself

and the highly contingent nature of those political and social alliances that are mobilized around its agenda, pulling, on the one hand, towards an abstracted techno-managerial system of authority and, on the other, towards a more instrumental harnessing of the market state to serve various institutional or private interests. At a more abstracted level, as Gamble argues in his chapter, the *laissez-faire* concern with liberating the magic of the market sits uncomfortably with a 'social market' strand within neo-liberalism; the Hobbesian realization that the exercise of state power is required both to 'roll back' the opponents of markets and to provide the general conditions and common goods that enable markets to function and that will contain their self-destructive tendencies.

The second part of this collection examines the global advance of neo-liberalism and how market reforms and the retreat of the public realm are being harnessed within varying systems of social and political governance across the developing and post-crisis world. In their respective chapters, Silva, Oversloot, Hadiz, Harrison and Breslin explain, for example, how a classical neo-liberal transition was achieved in Chile in contrast to the almost universal emergence of populist varieties of market state elsewhere in Latin America or why the advance of markets has been expropriated to consolidate and deepen systems of clientism and predatory authority in much of Africa. They ask why market reform in Russia unleashed such a period of 'savage capitalism' and how this has led a resurgent state to seize the market agenda whereas, for example, a similar descent into unconstrained markets in Indonesia led to the collapse of centralized authoritarian rule and the prospect of progressively unravelling forms of populist and even predatory governance.

The central concerns of these chapters are not the technical aspects of institutional capacity-building or 'political will' that are central to neo-liberal interpretations but how market states are forged in conflicts between, on the one hand, the new sources of private power and interest produced by the market and, on the other, those powerful forces set within the institutions and apparatus of the state. How, for example, has the market system been incubated so successfully within different systems of one party rule in such diverse places as China and Singapore and do these insulated political regimes, ironically, provide an ideal shell for the anti-politics of neo-liberalism rather than situations where powerful social forces command autonomy and ascendancy over the state?

As mentioned earlier, neo-liberal orthodoxy also confronts challenges within its own camp and the implications of these for the evolution of the market state are examined in the third part of the study. Thirkell-White considers the new internal politics of neo-liberalism that

accompanied revisionist attacks on the so-called 'market fundamentalism' of the Washington Consensus and its central institutions, especially the IMF, and whether these signal a retreat to more Keynesian and social democratic ideals of the past. At the same time, Tabb and Akram-Lodi examine how neo-liberal 'true believers' face a seeming drift to populism and cronyism from a Bush administration more assertive in its use of state power to advance powerful business interests, together with the threat of a neo-conservative juggernaut increasingly convinced that the fate of global markets is tied closely to the preservation of a wider political and military American hegemony in an increasingly hostile world.²

One of the contentious points addressed in these chapters is whether such dramatic confrontations represent shifts in power within the neo-liberal camp or whether they reflect a more structural challenge to the neo-liberal order. Whether, in the first case, a sort of Polanyian double movement now requires a retreat from the potential destructiveness of unconstrained market fundamentalism and, in the second, whether an increasingly fragile 'American primacy' requires ever-more intrusive state authority in both the domestic and global arenas? Does the neo-conservative agenda imply a threat to neo-liberalism, embracing budget deficits to undo progressive tax regimes or support war efforts or is this simply a third stage in the broader neo-liberal project, moving from market reform and institution building to the more political task of removing or reconstructing those very forces that might enhance or obstruct those interests now ascendant within the market state?

The final part of the study speculates upon the future neo-liberal world and the forms of governance within which its advance may be framed. While the deeper attachments of contemporary neo-liberalism towards various modes of insulated techno-managerial authority to protect the market from politics are recognised and drawn out by Rodan, the emerging strand of 'social market' thinking within neo-liberalism nevertheless takes seriously the task of incorporating and co-opting society into this grand market project. Yet, in his chapter, Hout argues that even the dramatic assaults on 'market fundamentalism' embodied in the post-Washington Consensus provides little prospect of any reassertion of social democratic influence on new development agendas brokered by European governments. Instead, as proposed by Jayasuriya in the final chapter, neo-liberals attempt to construct their brave new world; the 'social market', within a combination of insulated regulatory rule and populist forms of social contracts that by pass representative principles in favour of organic and functional processes of social co-option.

Notes

- 1 The complex and often internally inconsistent nature of neo-liberalism is explicitly addressed in most of the chapters in this collection. For some specific attempts at defining neo-liberalism see: Bourdieu (1998) Peters (2004) Treanor (2004).
- 2 An interesting survey of the basis of neo-conservatism from a neo-conservative viewpoint is that of Boot, 2004. Among surveys of its rise to political prominence in Washington is that of Fidler and Baker, 2003. Recent critical investigations of the definition and nature of neo-conservatism include Tabb and Akram-Lodi (this volume).

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Part I

Neo-liberalism and the Market State: Concepts and Issues

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1

Neo-liberalism and the Market State: What is the Ideal Shell?

*Richard Robison*¹

What sort of market state do neo-liberals want? Lenin once remarked that democracy was the ideal shell for capitalism (see Jessop 1983). But he was referring to the sort of propertied democracy emerging in the nineteenth century and to the task of dismantling various forms of absolutist mercantilism that confronted the rising bourgeoisies of Europe. However, the situation has been different for neo-liberals struggling to assert their ascendancy over the mass-based social democracies of the second part of the twentieth century. Neo-liberals like James Dorn of the Cato Institute now see democracies as potential threats to liberalism, incubators for the tyranny of a rent-seeking majority over the private interest. He noted that 'Democratic government is no substitute for the free market ...' (1993: 601). Thus, for neo-liberal 'true believers', the ideal market state was one that essentially guaranteed individual property rights and contracts, and that might not be a democratic state.² As we shall see, it was a vision in which the desire to dismantle the state sat uneasily with the perceived need to create an insulated system of techno-managerial governance that would protect the market from politics and possessed the authority to redefine society in terms of an ongoing series of highly functional voluntary transactions between rational individuals.

Protecting the market from politics

Neo-liberalism, ideology and the techno-managerial state

The rise of neo-liberalism began in the 1970s as inflation, unemployment and corporate failures were engulfing the advanced western industrial economies. Free market champions like Reagan and Thatcher were able