

# What is the Relation of Neoliberalism and the Liberal Script?

Tobias Rupprecht

*Two contradictory definitions of “neoliberalism” complicate the debate on its relationship with the liberal script. One refers to a presumed global retreat of the state from the economy from the 1970s; the other one sees it as a set of ideas that emphasise a central role for the state as creator and defender of a competitive market order. In the latter, analytically more useful definition, neoliberalism has been a key intellectual underpinning of both the liberal script, especially in the peripheries of the world economy, and some of its most powerful contestations in the West.*



Neoliberalism is often seen in opposition to the liberal script. In a large body of academic and activist literature, it has been presented as an external contestation of the postwar liberal order, a re-assertion of corporate power and an illiberal force to discipline labour (Harvey 2005; Foucault 2010). In a variant of this line of thought, Francis Fukuyama has recently suggested that neoliberalism was a right-wing deviation from within the liberal script, a sort of economic liberalism on steroids that forgot its emancipatory and egalitarian roots (Fukuyama 2022). Discarded of the term’s politically normative ballast, however, neoliberalism is not hostile to liberalism or its villain alter ego. It is rather a key intellectual underpinning of the liberal script.

In the popular understanding of “neoliberalism” as an anti-capitalist combat term, the “neo” refers to a presumed return to the laissez-faire ideas of classical liberalism. Neoliberal proselytisers and think tanks are believed to have spread their gospel of “free markets”, deregulation and privatisation around the world, allegedly shaping large scale economic transformations from the Atlantic West to Latin America and from Eastern Europe to East

Asia. While “neoliberal” may occasionally be a useful shorthand for such processes, it carries as such little analytical value, oversimplifies, neglects local agency, and often borders on the conspiratorial.

What is more, such usage has given us a misleading impression of the role of the state in these transformations. The focus on figures like the Chicago School economist Milton Friedman has resulted in a distorted vision of neoliberalism: his anti-government rhetoric, his equalising of capitalism and democracy, and his optimism of self-regulating markets and rational economic actors were not shared by most “neoliberal” reformers. Especially outside the West, states were usually seen as the agents of market reform, and their weakness was deplored. Parliamentarianism, the influence of interest groups, and “irrational masses” were often seen as a roadblock on the way to becoming efficient market economies.

A re-consideration of the thought of the original self-professed neoliberals in interwar Central Europe gets us closer to the worldview and the dilemmas of champions of the liberal script in transformation countries around the world. For them, the “neo-“ in neoliberalism meant a rejection of laissez-faire capitalism, and an embracing of the state as creator and defender of a competitive economic order. They were fairly sceptical of neoclassical economics and its notions of natural equilibrium, rational economic actors, and the calculability of complex national economies. Hence neoliberals were not economic libertarians; quite to the contrary, they were often invested in legal debates on how to curb the influence of interest groups and populists on the economy and the state budget (Slobodian 2018).

## THE NEOLIBERAL CONTRIBUTION TO THE LIBERAL SCRIPT

“Liberalism” more broadly, its ideals of equality before the law and individual rights and liberties, diffused into a wide social and political spectrum in the West in the 20th century. The economic order of the Cold War West, however, was underpinned by neoliberal ideas from the beginning. National economies and newly emerging international institutions did not strive for laissez-faire, but they sought to establish competitive orders by the means of a regulatory state as well as national and international legislation that protected market economies from the access of interest groups. Neoliberalism in this sense was not opposed to liberalism, but an

adaptation of liberalism's economic agenda to the political demands of the 20th century.

The extent to which “neoliberal” ideas shaped the liberal script becomes even clearer if we look beyond the West. Wherever pro-market activists thought about the particular challenges of creating efficient economies in the contemporaneous peripheries of the world economy, they would never talk about “liberating markets” from the state. Rather, those who turned against mixed and planned economies, suggested a repurposing of the state to create a (more) competitive market order. They were usually much less influenced by Western neoliberals than it is often presented. But their ideas on the role of the state as creator and defender of a rules-based competitive economic order were very similar indeed (Rupprecht 2020).

Chile under the military dictator Augusto Pinochet, for instance, is often presented as case of de-statisation and deregulation, following the recipes of the Chicago School. The intellectual underpinning of Pinochet's governments, however, was rather a case of peripheral liberalism that was “neo” in the sense that it incorporated other intellectual strands, such as Catholic social teaching and Chilean conservative corporativism (“Gremialismo”), but also the notion that a strong state was needed to create and defend the liberal order from its numerous opponents. To that end, the Chilean neoliberals took over the planning institutions of their socialist predecessors, they created a new constitution, founded new media platforms, and massively expanded tertiary education – with the goal to change mentalities from above, promote individual responsibility and a capitalist work ethic. Initially, they defended their collaboration with a military government with reference to the West German neoliberals, who had worked with the US military administration – the Chilean left then turned “neoliberalismo” into an anti-capitalist slogan (Boas 2009).

Russia's post-Soviet transition has also often been associated with an alleged “shock therapy” by liberal reformers that sought to push back the state in order for free markets and invisible hands to work their wonders (Stiglitz 2002). In fact, the Russian liberals, too, were “neo”-liberals in the original sense of the word (although they only occasionally self-identified as such): their main concern through the 1990s was the weakness of the new Russian state, and its inability to implement their liberal script. A liberal constitution, combining a strong executive with the institutional

setup of a market economy, was meant to overcome resistance to reform from interest groups in parliament and a hostile majority of the population – but eventually paved the way to Putin’s authoritarian capitalism.

A (neo-)liberal script was laid in China, too, although it never came to fruition: in the late 1980s, intellectuals with access to the Communist Party leadership founded the “New authoritarianism” movement. Often referencing Taiwan’s path from authoritarian capitalism to liberal democracy, they suggested intensifying the ongoing market reforms, expanding price liberalisation, but also ensuring the rule of law – while maintaining the vertical power apparatus and postponing democratisation, and thus using the state to provide political and social stability during the turmoil of marketisation. After the Tiananmen massacre in 1989, the new authoritarians and their supporters in the state apparatus were side-lined by conservative Communists (who eventually continued marketisation but insisted on the socialist nature of their reforms).

The liberal scripts in the peripheries of the world economy show, perhaps more clearly than examples from the Western core, how neoliberal ideas on the repurposing of the state shaped their economic agenda. They also remind us to keep in mind the limitations of neoliberals with respect to actual policy making, the contestations that they faced, and sometimes – as in the case of Russia and China – their failure to implement a lasting liberal script. Never and nowhere did neoliberals manage to “capture the state” like the Bolsheviks, with whom they have often been compared (Glinsky/Reddaway 2001).

As anti-capitalist buzzword, “neoliberalism” can be discarded. Rather than oppose a somewhat villainous (“market radical”, “individualistic”, “authoritarian”...) neoliberalism to the desirable (“progressive”, “egalitarian”, “democratic”, ...) liberal script, neoliberalism can be seen as the intellectual underpinning of the economic agenda of the liberal script since the early 20th century. By way of comparison: neo-Marxism, too, was an adaptation of a 19th century concept to new insights and challenges of the 20th century. Irrespective of our normative political evaluation of their ideas, we should still consider neoliberals as liberals, just as we see neo-Marxists as Marxists.

## THE NEOLIBERAL CONTRIBUTION TO CONTESTATIONS OF THE LIBERAL SCRIPT

Fukuyama is right in at least one respect, however: the liberal script has given birth to its own contestation. A popular notion is that the current wave of authoritarian populism has come as a counterreaction to neoliberalism. In this narrative, an impoverished working class is taking its revenge on a globalised elite, seeking refuge from the impertinences of globalisation in ethnic nationalism and economic protectionism. This may be partly true in some cases, as economic transformations around the world since the 1970s created relative losers; while economic inequalities shrunk at global level, they sometimes indeed increased within nation states. Whether such discontent is anything to do with neoliberal concepts, however, cannot simply be assumed but needs to be proven with empirical evidence in each case.

The evidence is much clearer for the contribution that some liberals themselves have made to the rise of contestations of the liberal script. On the right-wing fringe of the neoliberal spectrum, some have expanded their preference for a competitive order not only to extreme fiscal conservatism but also to an anti-egalitarianism concerning sex and race. Such thinking has led to a new form of social Darwinism that holds that not all cultures, or ethnic groups, are equally able to compete in a market economy and hence of different worth. Concerns about a stable order in which a market economy can thrive led some to an embracing of hard conservative social values, religion-based collective identities, and restrictive migration rules (Plehwe/Slobodian 2019).

At the root of many parties and movements that we usually think of as contesters of the liberal script thus stood an alliance of right-wing neoliberals with ethnic nationalists. Many of the European anti-EU formations do not question the economic underpinning of the liberal script. To the contrary, strong forces within the Brexiteers in the UK, the German Alternative für Deutschland (AfD), the Austrian Freiheitliche Partei Österreichs (FPÖ), the Hungarian Fidesz or the Czech Občanská demokratická strana (ODS) are enthusiastic supporters of a competitive order with free trade, free prices, and free currencies. Beyond Europe as well, authoritarian populist leaders from the United States to Brazil are closely connected to neoliberal economic advisors.

Such right-wing neoliberalism, to be sure, cannot not be equalised with neoliberalism, tout court. Conversely, neither did ethnic nationalism and populism feed exclusively on neoliberal ideas. Multiple economic, political and cultural shifts explain the popular support for such movements and parties, and the constellations vary considerably in different countries. But regarding the question of the relation of neoliberalism and the liberal script, it seems that the authoritarian wave has been less of a reaction in opposition to neoliberalism than result of a disagreement within the liberal camp. As much as neoliberalism has underpinned the economic agenda of the liberal script, it has also influenced many of its more prominent contesters on the right.

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