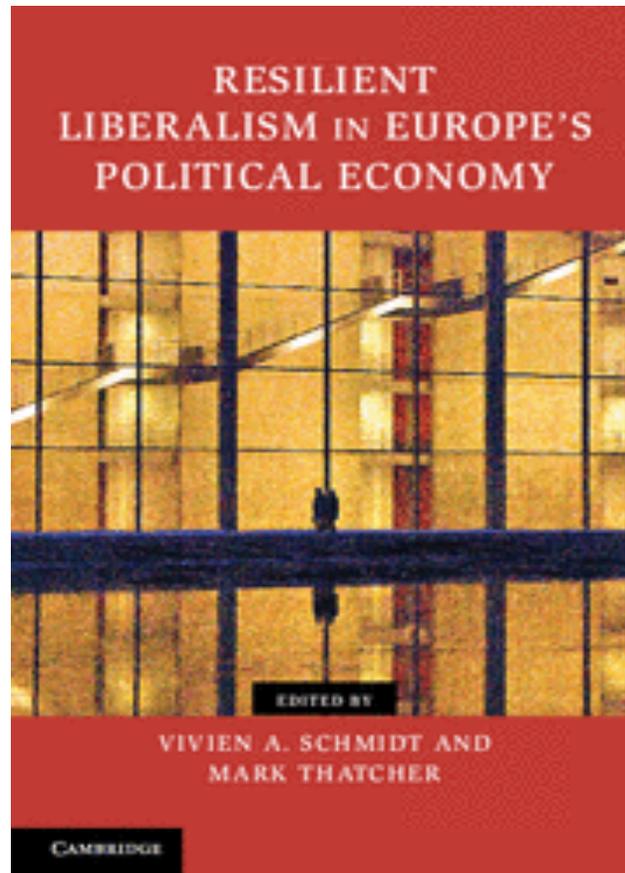


# Resilient liberalism

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# Resilient Liberalism in Europe's Political Economy



# Puzzle

- Spread of neo-liberal economic ideas in Europe since 1980s despite
- 1 'Cold climate'
- 2 Powerful academic and theoretical critiques
- 3 Economic crises- 2000s

Yet apparent continuation of NL ideas

# Focus

- Resilience of liberal economic ideas
- Focus especially on neo-liberal ideas, although place these in context of liberal ideas
- Exclusion of effects or implementation of neo-liberalism on policies except insofar as affect resilience of NL ideas
- Ideas (inc as 'mere rhetoric') as a phenomenon worth exploring in themselves- not just in terms of effects

# Structure

- 1 Definition of neo-liberal economic ideas
- 2 Definition of ideational resilience
- 3 ideas as objects of explanation
- 4 Five Lines of explanation

# Neo-liberalism- Hay's (2004) key elements

- 1 A confidence in the market as an efficient mechanism for the allocation of scarce resources
- 2 A belief in 'free trade' and free capital mobility
- 3 A belief in the desirability of a limited and non-interventionist role for the state -facilitator and custodian rather than a substitute for market mechanisms.

- 4 A rejection of Keynesian demand-management in favour of monetarism and supply-side economics.
- 5 Removal of those welfare benefits which might act as disincentives to market participation-principles of social justice less strong than perceived economic imperatives.

- 6 Labour-market 'flexibility' and the promotion of cost competitiveness.
- 7 A confidence in the allocative efficiency of market and quasi-market mechanisms in the provision of public goods.

# Ideational Resilience

- 3 key elements
- A) Continuity- in principles, even if adaptation
- B) Dominance in policy debates- ‘usual’ or ‘conventional’ analytical framework or values or aims, extension to new domains, exclusion of alternative ideas as ‘illegitimate’ or ‘impractical’
- C) Survival in face of challenges- (eg internal failure, alternatives)

- Variations in resilience possible by domain and country
- Process- so assessment over time
- Political process- struggles over agendas, goals and criteria

# Examples of resilience of NL ideas

- Fiscal policy
- Role of the state
- Welfare Policy
- EU Competition Policy
- Financial regulation
  
- Contrast with social or Christian democratic ideas

# Fiscal policy

- NL idea of 'austerity'- need to reduce state deficits and spending even in recessions/ depressions
- Based on treating state as if a household
- Long history- eg 'Say's law' of 1811 or Gold standard as 'store of value' or 'sound money' 1920s
- Today- idea of 'Maastricht targets' and then 6pack and two pack

# Problems with NL fiscal ideas

- Academic basis destroyed by Keynes
- Not followed in practice- even UK govt has failed to cut
- Attempts to cut deficit have led to negative growth, larger deficits, failure to meet targets, mass unemployment- eg Greece, France, Italy
- Alternative- Keynesian demand management (used in practice!)

# Why resilient?

- Article of faith
- ‘Not tried sufficiently in past’- so re-use
- Simplicity of communication
- Valuable for certain interests- eg winners from privatisation or political parties and others if focus is on austerity
- Institutionalised in binding rules

# Explanatory factors

- Flexibility of idea of 'competition'- so can be used by many interests
- No strong intellectual alternative- 'grand projet'/industrial policy discredited
- Interests- eg European Commission, ECJ, firms, IRAs, national governments
- Institutionalisation via law- Treaties and interpretation

# EU competition policy

- 1 End state 'barriers' to entry
- 2 No state measures that restrict free movement
- 3 State policies subject to EU constraint to prevent 'distortions' to single market
- 4 Prevent firms enjoying 'excessive market power'
- 5 Appropriate regulatory institutions for implementation

# A neo-liberalism that needs explanation

- 1 Breadth of legal texts and scope for alternatives
- 2 Powerful national alternatives- eg grand projet
- 3 Problems and failures –eg
  - insufficient investment
  - price rises
  - lack of effective competition
  - implementation- eg mergers

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# 5 Lines of Explanation

- 1 Nature of NL as very general philosophical orientation
- 2 rhetoric v reality
- 3 NL ideas and discourse have been stronger than competitors
- 4 Interests have promoted neo-liberalism
- 5 Institutionalisation of NL ideas

# 1 Nature of NL- **Generality, Diversity, and Adaptability**

- neo-liberalism is a very general philosophical orientation
- Allows much diversity
- Resilience due to adaptation to circumstances and absorption of other ideas

- not specific doctrines and beliefs that can be scientifically disproved.
- Instead is a set of very general principles to guide understanding, a form of intellectual and policy prism
- Attraction for policy makers of recurrent themes with great flexibility over the choice of instruments and specific policies

## 2 Rhetoric v reality- non-implementation

- Gaps between rhetoric of NL and policies in practice aids resilience of NL
- allows neo-liberal supporters to claim that their policies have never actually been tested in practice
- Protects NL from blame for specific policy failures

- Justifies extension of NL – eg more powerful state action to ensure market competition occurs
- Regular return of NL ideas – never tested in practice

# 3 Strength of NL ideas

- ‘Battle of ideas’
- Seen by policy makers as better developed than rivals- eg more coherent
- Framing of crisis- NL as a frame or ‘referentiel’
- Political discourse that strengthens NL ideas and crowds out alternatives

# 4 Powerful interests

- Ideas as tools used by self-interested actors
- Debates about economic policy captured by powerful interests who develop and promote NL ideas
- Eg firms and big business, but also elected politicians and political parties and senior unelected officials

- Mechanisms:
- -production of ideas and placing on political agenda
- Coalitions behind NL ideas
- Communication and persuasion

# 5 Institutionalisation

- Argument that spread of ideas depends on congruence with institutions or institutionalisation
- NL have become so institutionally embedded that it precludes alternatives
- New organisations that promote NL ideas eg independent central banks, European Commission, regulatory agencies

- New rules that institutionalise NL ideas-  
Eg EU Treaty rules
- Then self-reinforcing processes that strengthen NL ideas- mechanisms of altered interests and rational strategies, path dependent processes or sociological processes (mimetic, normative or coercive)

# Possible pathways out of NL

- Breakdown due to internal conflicts/contradictions
  - Via anomalies or loss of identity in hybridization?
- Unsustainable gaps between rhetoric and reality
  - Impracticable ideas leads to increasing irrelevance?
- Rise of stronger alternatives
  - Latin America? Social democrats? Ext right?
- Powerful interests press for new ideas
  - Especially where ideas not working, e.g., Euro crisis?
- Institutional breakdown or new institutions
  - Instit'l actors themselves shift the rules?