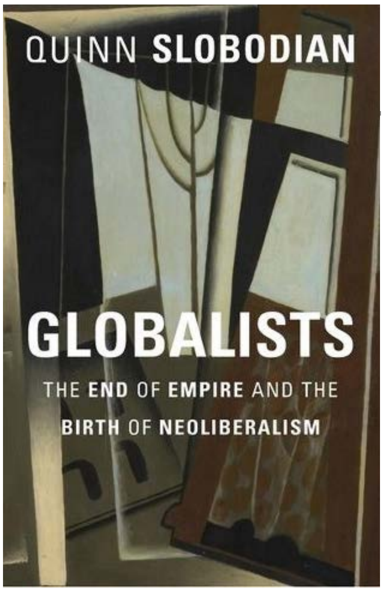

BR bostonreview.net/class-inequality/j-w-mason-market-police

Globalists: The End of Empire and the Birth of Neoliberalism
Quinn Slobodian, Harvard University Press, 2018

J.W. Mason, *Boston Review*, June 01, 2018

In 1907, in the waning days of the Austro-Hungarian empire, Austria saw its first elections held under universal male suffrage. For some this was progress, but others felt threatened by the extension of the franchise and the mass demonstrations that had brought it about.

The conservative economist Ludwig von Mises was among the latter. “Unchallenged,” he wrote, “the Social Democrats assumed the ‘right to the street.’” The elections and protests implied a frightening new kind of politics, in which the state’s authority came not from above but from below. When a later round of mass protests was violently suppressed—with dozens of union members killed—Mises was greatly relieved: “Friday’s putsch has cleansed the atmosphere like a thunderstorm.”

In the early twentieth century, there were many people who saw popular sovereignty as a problem to be solved. In a world where dynastic rule had been swept offstage, formal democracy might be unavoidable; and elections served an important role in channeling the demands that might otherwise be expressed through “the right to the street.” But the idea that the people, acting through their political representatives, were the highest authority and entitled to rewrite law, property rights, and contracts in the public interest—this was unacceptable. One way or another, government by the people had to be reined in.

For the first neoliberals, the urgent question was how to maintain the hierarchy of wealth and power even as democracy spread.

Mises’ writings from a century ago often sound as if they belong in speeches by modern European conservatives such as German Bundestag President Wolfgang Schäuble. The welfare state is unaffordable, Mises says; workers’ excessive wage demands have rendered them unemployable, governments’ uncontrolled spending will be punished by financial markets, and “English and German workers may have to descend to the lowly standard of life of the Hindus and the coolies to compete with them.”

Quinn Slobodian argues that the similarities between Mises then and Schäuble today are not a coincidence. They are products of a coherent body of thought: neoliberalism, or the Geneva school. His book, *Globalists: The End of Empire and the Birth of Neoliberalism* , is a history of the “genealogy of thought that linked the neoliberal world economic imaginary from the 1920s to the 1990s.”

The book puts to rest the idea that “neoliberal” lacks a clear referent. As Slobodian meticulously documents, the term has been used since the 1920s by a distinct group of thinkers and policymakers who are unified both by a shared political vision and a web of personal and professional links.

How much did the Geneva school actually shape political outcomes, as opposed to reflecting them? John Maynard Keynes famously (and a bit self-servingly) claimed that, “Practical men, who believe themselves to be quite exempt from any intellectual influences, are usually the slaves of some defunct economist . . . some academic scribbler of a few years back.” Not everyone will share this view, but by highlighting a series of seven “moments”—three before World War II and four after—Slobodian definitively establishes the existence of neoliberalism as a coherent intellectual project—one that, at the very least, has been well represented in the circles of power.

The story begins with Mises, Friedrich Hayek, and a number of less familiar thinkers who initially gathered in Vienna and shifted, in the 1920s, to various international bodies headquartered in Geneva. The central motivation of their work was the problem of democracy. For them and their business backers, the urgent question was how to maintain the hierarchy of wealth and power even as democracy spread both geographically and into new areas of life.

At first, organized labor was seen as the most threatening representative of the leveling impulse; after World War II it was joined by movements in the South for decolonization and development. In both cases, previously excluded people sought to constitute themselves as political actors and claim control over part of the social product—in defiance of existing property rights. As British economist Lionel Robbins sourly noted, “‘Mines for miners’ and ‘Papua for Papuans’ are analytically similar slogans.”

What distinguished *neo*liberalism was that defending the world economy had to be a proactive project.

If the mine owners were going to hold onto their mines, the political system needed to shift tracks. A passive, hands-off approach to property rights by the state was not enough. As the German-Swiss economist Wilhelm Röpke, one of the book’s central figures, put it, “If we desire a free market, the framework of conditions, rules and institutions must be all the stronger and more inflexible. Laissez-faire yes, but within a framework laid down by a permanent and clear-sighted market police.”

One of Slobodian’s main arguments is that neoliberals were not market ideologues in the sense of believing that private property and free trade were natural human relations, and that the role of the state was simply to get out of the way. This may have been the view of earlier liberals, but “what distinguished . . . the project of *neo*liberalism was that defending the world economy had to be . . . a proactive project.”

A strong state was needed to beat “back the attacks of the re-distributors.” An interesting question not addressed in the book is to what extent this need was really new. Historians of the earlier development of capitalism, such as Sven Beckert in his magnificent *Empire of Cotton* (2014), have emphasized the immense machinery of state violence and coercion that had to be employed to establish the rule of contract and property in the first place.

But Slobodian is right to identify a consistent position from the 1920s down to the present that a sovereign, democratic state cannot be relied on to defend the concentrated power and privilege of private property. If claims on the material world and on our collective labor are ultimately decided on by us all, shouldn’t they be distributed on some basis of equity or efficiency rather than whatever property titles happen to have been inherited from the past? In the mid-twentieth century, much of the world seemed ready to endorse Brecht’s closing lines in *The Caucasian Chalk Circle* (1948): “That which there is shall belong to those who are good for it. . . . The carriages to the good drivers, that they are driven well; and the valley to the waterers, that they shall bear fruit.”

Against this the neoliberals offered a reinvigorated defense of property rights and a prioritization of law and procedure over consciously chosen outcomes. Their guiding principle was, in Tumlir’s words, a lack of “confidence in modern societies’ power of deliberate self-reform and self-regulation.”

It is not wrong to say these arguments served the interests of the wealthy; the Geneva school was closely tied to business and finance, and participants moved easily between academic settings and lobby groups such as the International Chamber of Commerce. Indeed, it was a French banker who coined the term neoliberal in the 1920s, and this connection with the concrete needs of business was one of the neoliberals’ great strengths, intellectually as well as politically.

But the project was also broader than that. One of Slobodian’s great insights is that the neoliberal program was not simply a move in the distributional fight, but rather about establishing a social order in which distribution was not a political question at all. For money and markets to be the central organizing principle of society, they have to appear natural—beyond the reach of politics.

For Hayek (whose views on this point are the centerpiece of one of Slobodian’s “moments”), the great danger to the market order was not the breakdown of social ties but rather conscious efforts to shape them. The danger he feared, in Slobodian’s paraphrase, was “not so much the law of the jungle as the law of the engineers.” Hayek and other neoliberals have consistently opposed the economic claims of organized workers and the decolonizing world of the South, but what they are really against is not redistribution so much as “the destructive belief that global rules could be remade to bend toward social justice.”

Globalism in this story is the creation of property rights that, precisely because they span multiple sovereignties, cannot be touched by one government without inviting conflict with another.

Property and its privileges are only safe in a world where the rule of money is accepted as objective, inevitable, and outside the scope of collective decision-making. The problem is that the concrete demands of statecraft often require governments to control economic outcomes, depriving them their aura of objective fact. When enemy forces are massed on the border or unemployed workers are rioting in the streets, no government that wants to remain in power can accept economic outcomes as facts beyond their control, like the weather.

But once the Pandora's box of conscious management of the economy is opened, governments can use the power they now know they possess for all kinds of other ends. In a democratic state, a planning apparatus developed to mobilize in war or cope with economic crises may easily be redirected to serve a broader agenda.

By the mid-twentieth century, governments—at least in the larger and richer countries—had freed themselves from the financial and economic constraints that once seemed to bind them. In the United States and elsewhere, they could borrow without limit at interest rates of their choosing, allocate credit among private borrowers, control trade and investment across their borders, and tax away concentrations of private income and wealth.

These developments are visible in Slobodian's book only in the distorting mirror of their opponents' fears—but the fears were not misplaced. Neoliberals understood that the managed economies that emerged from World War II were no longer constrained by fear of bondholders or footloose foreign investors. And there was no guarantee that they ever again would be. Those conditions had to be consciously re-created. The goal wasn't so much any particular economic outcome so much as a world in which ordinary people and policymakers experienced economic outcomes, whatever they were, as beyond human control.

As Slobodian's title suggests, the main path toward this goal was an effort to shift power away from the national realm where democratic politics operated. Before World War I, most European polities included significant aristocratic and monarchic elements that could act as a counterweight to democratic claims; but the war had swept them away. The war had also shown the ease with which the state could replace private owners in directing production.

Under these conditions, formal legal protections were a weak reed for private property to rest on. The only force strong enough to restrain government, it seemed clear, was other governments. National politics must be enmeshed and tied down in a web of border-crossing economic relations.

Globalism in this story is not only, or even primarily, an extension of contacts between people, trade, production. Rather, it is the creation of a set of property rights that, precisely because they span multiple sovereignties, cannot be touched by one government without inviting conflict with another. In this sense it is positively desirable for property claims to cross national borders. Foreign investment, regardless of its value or otherwise for financing production, performs a political function that domestic investment cannot.

For Hayek, this concept was embodied in the concept of "xenos rights", the rights granted by ancient Greek cities to foreign residents. Reimagined as a foreign investor, this figure of an outsider—whose claims are secure precisely because of that—has been central to the neoliberal project. Crossing borders, not erasing them, is the point here. In the words of a U.S. economist Slobodian quotes toward the end of his story: "A world without borders is a world without exits. We need the exits."

The European Union offers the fullest realization of the neoliberal political vision. Its incomplete integration—with its confusing mix of powers—is precisely the goal.

Organizing property and production across borders—whether through free trade, protections for foreign investment, currency unions or other devices—does more than limit the power of governments. It also serves, Slobodian writes, "to dissolve the small, discrete collective of mutual identification—the miners or Papuans—in a larger unity." Hayek spent much of his life searching for "a political model that would undermine the 'solidarity of interests' that naturally cohered" among similarly-situated people. Open borders played a critical role here, ensuring that economic interests were never "lastingly identified with the inhabitants of a particular region."

Lionel Robbins similarly hoped that the extension of democracy and national sovereignty into the economic realm would be "dissolved by an arrangement in which the free flow of capital and goods undercut the 'communities of interest' that sustained them." These communities of interest were always reforming, so "the ongoing depoliticization of the economic was a continual legal struggle, one that required continual innovation in the creation of institutions capable of safeguarding the space of competition."

The neoliberals weren't wrong to see human communities constantly coagulating out of the fluid of economic exchange—the "hand" in the factory can easily become a whole human, a person with interests and rights. A strong state is needed to break up these communities as they form. But it can also be a vehicle for them.

As long as popular sovereignty remains the main source of government legitimacy, the neoliberal project must search for alternative principles of rule. Some of the first-generation neoliberals, nostalgic for pre-war Vienna, looked back to the Austro-Hungarian empire as a model of dispersed sovereignty; others admired the British Empire as a state that was able to act vigorously but narrowly to enforce contracts, maintain the value of money, and keep borders open. Many neoliberals also admired colonial empires—Mises singled out the Belgian Congo for particular praise—and strongly opposed decolonization. Robbins, Slobodian writes, saw "decolonization and planning as both formally homologous and structurally reinforcing."

In places where a white minority ruled over a black majority, white supremacy was a natural vehicle for anti-democratic politics. The Swiss businessmen Albert Hunold, an important funder of neoliberal institutions, saw the end of white rule in Rhodesia as a disaster for liberal government comparable to Hitler's rise to power in Germany. It would be wrong to say that racism was necessary to neoliberalism—most members of the Mont Pelerin Society, the central node of postwar neoliberalism, were not apartheid supporters. But there was a natural affinity.

For example, William Hutt, a South African economist who was active in Mont Pelerin, opposed formal apartheid, but he also detested "one-man, one-vote tyranny" and saw white-ruled Rhodesia as "the most promising deliberate attempt the world has ever seen at creating a multi-racial society." His proposal to the South African government to gradually replace black disenfranchisement with income-weighted votes shows how white supremacy functioned as one tool among many for limiting democracy in the name of property rights.

Today, the European Union offers the fullest realization of the neoliberal political vision. There is no sovereign people of Europe; the authority of European institutions rests on a body of law and treaties. The European Union is not a nation, but it is not simply an agreement among nations either. Unlike international agreements, European regulations are directly binding on individuals and not only on the government signing them. In many areas, European regulations and authorities don't merely constrain, but actually replace, their national equivalents. (This is what makes Brexit so difficult.)

Europe's incomplete integration—with its confusing mix of powers delegated to Brussels and powers retained by national governments—is often seen as a design flaw. But to Slobodian's globalists, partial integration is precisely the goal—it means that neither the national nor the international body have the legitimacy and capacity to direct the economy. With no international entanglements, a government is sovereign; with complete integration, sovereignty moves to the higher level. What is wanted is a situation in which some powers but not others are delegated, leaving neither national nor super-national governments able to act outside of circumscribed role.

The argument here parallels that of left critics of Europe such as Wolfgang Streeck, who similarly describes Europe as the fullest realization of Hayek's "catallaxy"—a state without a sovereign that exists only to enforce property rights. But Slobodian offers a richer picture of the links between neoliberal thinkers such as Hayek and the founders of the European Union.

It is the neoliberal paradox: state power is needed to enforce market relations and property rights, but when it rests on democratic politics, it can easily turn into a vehicle for broader economic planning.

As he carefully documents, for many of those who directed the early steps toward integration, "it was the limiting of national sovereignty that was key." For Ernst-Joachim Mestmäcker, who framed Europe's first common competition policy, the goal of integration was to "exclude control of interstate trade as an instrument of national economic policy." He saw the purpose of "customs unions [as] to decrease the 'autonomy' of individual members." Similarly, Slobodian points to West German economics minister (and later Chancellor) Ludwig Erhard, who argued for European integration as "a system of order that exerted what one might call an anonymous coercion on the behavior of nation-states." Anonymity is key: once there is a decision-maker, their decisions are open to challenge and require some source of political legitimacy.

One might even call this the neoliberal paradox. State power is needed to enforce market relations and property rights, but when it rests on democratic politics, it can easily turn into a vehicle for a broader program of economic planning. So the site of power must be anonymized, hidden from politics—as in the opaque jurisdictional mazes of Europe.

From this point of view, the essential thing about the single European currency is not whatever dubious practical advantages come from having prices across the continent measured in the same units. Rather, it is the creation of the European Central Bank as an ostensibly technical decision-maker, more insulated from democratic politics than any national authority could be.

But while neoliberals had a seat at European integration from the start, they didn't occupy the whole table. The political valence of Europe has been contested from the beginning. While some in the Geneva school embraced it as a form of diffusing sovereignty, many others opposed it, since it implied a European community set apart from the rest of the world. It is worth noting that the same divide exists on the left, with opponents of neoliberalism such as Yanis Varoufakis nonetheless supporting integration as building toward a sovereign people of Europe. This is a recurring undercurrent in Slobodian's story: institutions created to insulate power from democratic politics can themselves end up as new spaces for politics.

Nothing quite like the EU exists in the rest of the world. Elsewhere the main vehicle for the neoliberal project is international agreements on trade and investment. Slobodian argues that the framers of the General Agreement on Tariffs and Trade and its successor, the World Trade Organization, drew heavily from the self-conscious neoliberals of the Geneva school. For these thinkers, the most important argument for free movement of goods and especially finance was not their direct material benefits, but the limits they imposed on the autonomy of national governments. Capital mobility became a bedrock principle of international order not out of a charitable desire to bring more foreign investment to poor countries, but rather in the hope that "the ever-present threat of capital flight . . . would be the surest corrective on projects of building domestic welfare states."

In the 1960s and 1970s, the need for international limits seemed especially urgent in the face of widespread adoption in the South of state-led projects for industrialization, and the increasingly vocal demands for a "new international economic order" to consciously close the gap between rich and poor countries. These demands drew support from an important strand of politics in the United States; New Deal liberals promised to "lift Shanghai up and up . . . until it is just like Kansas City," in the words of one Nebraska Senator.

Neoliberals by contrast saw the promise of a more equal world as both threatening to a rational division of labor between an industrial north and an agricultural south and as inviting economic planning on an even larger scale. The evolution from GATT to the WTO was part of a conscious project of rejecting development as the core principle of the global economy, in favor of an order of prices and laws. As Slobodian writes, "for [GATT chief economist Jan] Tumlir, [GATT legal counselor Ernst-Ulrich] Petersmann and other . . . drafters of the WTO, the goal was to scale up the 'European idea' of the neoliberal constitutionalism from the continent to the world economy." As Hayek put it, the functions of international authorities "must above all be to say 'no': to obstacles of movement of goods, capital and people, and thus no to protections for infant industries."

The 1974 meeting of the Mont Pelerin Society in Hong Kong offers a nice synecdoche of the globalist project. Hong Kong bridged the old and new models of limited sovereignty. It was one of the most important remaining formal colonies; at the same time, it was an outstanding model of an economy open to international trade and finance. As one speaker observed, "because of its 'exposed and dependent political and economic situation,' Hong Kong was compelled to maintain an environment conducive to profitable investment.'"

Slobodian shrewdly contrasts this positive assessment of dependency (in both senses) with the arguments made by Latin American economists such as Argentina's Raúl Prebisch, probably the leading theorist of import-substitution industrialization. While Prebisch "theorized 'dependency' as a negative state to be escaped, neoliberals openly prescribed it as a means of subjecting states to what Hayek called . . . 'the discipline of freedom.'" This contrast tells us something important not just about neoliberal imagination, but about the real situation of developing countries.

In the face of powerful advocates for state-led development, postwar neoliberals had to take seriously—as few of their successors do today—the fundamental opposition between market principles and development. Development means, by definition, rejecting your place in the international division of labor and building up economic sectors where you don't currently have comparative advantage. As Alice Amsden puts it in her classic history of Korean industrialization, development means "getting prices wrong."

A recurring undercurrent in Slobodian's story is that institutions created to insulate power from democratic politics can themselves end up as new spaces for politics.

Pick up the *Financial Times* or *The Economist* today and you'll find free trade and capital mobility defended with appeals to the benefits of specialization and the international division of labor. But as *Globalists* makes clear, these anodyne terms have a deeply political significance. They are rejections of development as a goal, in favor of a world where the majority of humanity remain hewers of wood and drawers of water. As Slobodian says, acceptance of the logic of free trade and financial openness—and of the international agreements that embody and enforce them—is testimony to the "long-term defeat of the global South."

Today, the Ricardian vision of trade, in which Portugal forever makes wine while England makes cloth, has become such common sense that it doesn't need to be explicitly defended. But in the post-World War II decades, the program of development had to be explicitly rejected. Röpke, hyperbolically but representatively, believed the idea that poor countries could one day reach the standard of life of rich ones had "played a more important role in the advance of communism . . . than has the whole panoply of Communist tanks, rockets and divisions."

In a direct material sense, the rich countries are the beneficiaries of the international division of labor. But in the neoliberal paradise they too must surrender their sovereignty. Like the countries of the South, they are bound by international agreements. Critics sometimes see this as a surrender to faceless bureaucrats, but (Europe aside) this isn't quite right. Unlike the European Central Bank, international agreements don't directly replace any function of national governments; they don't have their own staff or any tools to enforce themselves. It is better to think of them as compacts between national governments to support each other against the demands of their own peoples. In the words of GATT economist Tumlir, by subordinating themselves to international bodies, states are "salvaging their own sovereignty against internally grasping forces."

Personally, I find Slobodian's account thoroughly convincing. It is also an interesting recentering of what is in some ways a familiar story. The protagonists are almost all drawn from the German-speaking world rather than the US; colonial empires get a starring role in the story of European integration; and the 1990s anti-globalization movement takes on a larger significance. "Seattle," Slobodian says of the protests at the World Trade Organization's Ministerial Conference in 1999, "was an existential crisis for globalism."

The reason Seattle mattered, in Slobodian's account, was not because of any direct effect it had on trade or investment flows. It was because it established the regime of international trade and finance as a site of politics, not simply a set of objective facts or body of law. "The very attempt to depoliticize international economic relations," Slobodian writes, "ended up requiring a highly visible project. . . . This was one of the core problems of the neoliberal fix."

After a series of mass protests at various international meetings (I was at the April 15, 2000, protest in Washington, D.C.; one suspects from Slobodian's account that he was also a participant), Naomi Klein ruefully wondered if the idea was just to follow the trade bureaucrats around like they were the Grateful Dead. Perhaps in retrospect that wasn't such a bad plan. Raising the political salience of these bodies may have been more meaningful than it seemed.

The book is also a case study in success as a public intellectual, which you can learn from however you feel about the neoliberal project itself. One important thing the Geneva school got right—thanks to their ties with the business world—was to stay close to concrete policy problems. Very few of the figures in this book were pure academics; most spent much of their careers in official positions or working for business groups. This kept their vision, however utopian, organically connected with the political situation. As Hayek put it, "he who is only an economist cannot be a good economist."

Neoliberalism is a coherent body of thought that has had profound political influences; but it is not the only one.

One question the book does not really explore is the relationship of Geneva-school economists such as Hayek and Mises to the rest of the profession. While neoliberal policy prescriptions certainly get support from the economics establishment, the specific intellectual tradition Slobodian describes is in many ways quite far from it. Despite the centrality of economic arguments to the neoliberal project, most of its leading figures were trained in law, philosophy or similar fields. While Hayek was an economist, his audience was never mainly other economists—he despised their reliance on math and had no use for the statistical inference that forms the basis of empirical economics.

The Geneva school was also deeply suspicious of the central banks that orthodox macroeconomics elevates to the status of demigods. Hayek regarded Milton Friedman's economics, with its promise that economic cycles could be tamed with judicious central-bank control of the money supply, as "every bit as dangerous as that of Keynes." The idea that the behavior of a modern economy could be summarized in a few indexes, which could be controlled by a public authority, was anathema, even in the service of a basically similar agenda.

The Federalist Papers open by Alexander Hamilton's observation that U.S. independence offers an experiment to decide "whether societies of men are really capable or not of establishing good government from reflection and choice." Slobodian's neoliberals are, in effect, those whose answer is: not.

It is not a coincidence that the same Hamilton who wrote those words in 1787 was also the originator of the infant industry argument, and of programs for state-led industrialization that were pioneered in the United States before being adopted by Germany, Japan, and the late industrializing countries of Asia.

Neoliberalism is a coherent body of thought that has had profound political influences; but it is not the only one. From eighteenth century United States to twenty-first century China, there is another through line, visible only as a negative space in *Globalists*, which links political visions combining national sovereignty, industrialization, and central planning. Slobodian has written the definitive history of neoliberalism as a political project. Someone should write a book about that one.