

NEO-LIBERALISM AS *PENSAMIENTO ÚNICO* –HOW DID IT HAPPEN?

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I. INTRODUCTION

In early 1997, an Argentine politician publicly said: “We will have to learn how to find certainties in other parts of life other than the workplace. We will have to learn to live with temporary and unstable jobs”. The phrase could have gone unnoticed to me among other politician’s speech acts. But I found myself infuriated as I heard it. Because the sentence was uttered by a Peronist governor who had always believed in the quasi-sacredness of labor rights, and who had made a successful (and profitable) career as lawyer of unionized workers in long-term employment. Outraged as I was, however, I realized quite quickly that a Peronist activist and lawyer turned governor assuming the casualization of the labor market (and roughly twenty percent unemployment) as a natural catastrophe was nothing rare for the times. Across the globe, and more forcefully in Latin America, neo-liberalism (with its infamous outcomes) had become an economic, political and cultural mentality that had colonized all sorts of minds and social relations –rendering egalitarianism and social rights, if not irrational at least outmoded, even for some of its most fervent prior defenders.

This process began in 1944, when, in the in the midst of a Keynesian or Marxist-minded economic environment, the Austrian economist Friedrich Von Hayek published *The Road to Serfdom*. Even though apologetic in the Preface, Hayek offered the public a passionate attack against the egalitarian principles of the welfare state and warned about the harm that this made to citizen’s freedom –especially, of course, *economic* freedom and property rights. In 1947 Hayek convoked ideologically akin scholars such as Milton Friedman, Karl Popper, Ludwig Von Mises and Salvador de Madariaga to form the *Mont Pelerin* Society with the mission of laying the ground for a new type of capitalism (Anderson 1999a). They were unafraid to elaborate a radical critique of the egalitarianism and solidarity that inspired both socialism and Keynesian capitalism, even at the expense of being

labeled insane (George 1999). They were persistent in a set of intransigent principles against the good sense of their times (Anderson 1999b, Borón, 2000). From this embryo and its US branch at the University of Chicago, neo-liberals created a huge and extremely well funded international network of foundations, research centers, scholars and writers to elaborate and push their ideas relentlessly (George 1999). Yet until mid 1970s, these ideas remained bounded within academic circles.

How did neo-liberalism emerge from this “ultra-minoritarian” academic ghetto to become hegemonic in the world? How was it possible for a cluster of such peripheral and conservative ideas turn into an epochal common sense? How did neo-liberalism become *pensamiento único*¹ able to colonize both right-wing and self-defined leftist governments in the North and in the South? How and why statements like Thatcher’s infamous *TINA* (“There is No Alternative”) resonated as unquestionable truth?

In this paper I begin to address these questions drawing upon Foucaultian tools of analysis. On the one hand, I am inspired by the work of Arturo Escobar (1984,1992,1995,1998), who, following Foucault, analyzes “development” as a discourse. I suggest we think of neo-liberalism as a discourse and a power-knowledge regime that “colonized reality” –or global institutions, First and Third World national governments, national policy-making processes, academia, research centers, media, think-tanks and of course, the corporate world and financial markets. I propose we think of neo-liberalism as a discourse that produced a regime of representation which is not just “the expression of thought” - because a discourse is “a practice, with conditions, rules and historical transformations” (Escobar 1995: 216). I believe that such an approach enables us to account for exploitation and domination (like a Marxist analysis would do) together with understanding “how certain representations become dominant” and produce “permissible modes of being and thinking while disqualifying and even making others impossible” (Escobar 1995:5). “Liberalizing the labor market” (or, better say,

abolishing labor rights) was *not* the only way to deal with increasing unemployment in early 1990s in Argentina. But when Chicago neo-classical expertise said so, thousands of Peronist leaders were too persuaded to think, say or do otherwise.

On the other hand, I draw upon the notion of “governmentality” or “the art of government”. Foucault (1991) elaborated this notion within a family of concepts to capture the infinite complexities of modern power. The question of the “art of government” in political treatises, Foucault says, exploded in the 16th century, at the crossroads of shattered feudal structures that led to great territorial administrative states, and the religious dissidence of Reformism and Counter-Reformism. The question raised issues of how people should be spiritually led in order to attain salvation. The art of government included and went beyond the problem of the prince’s sovereignty, to pose questions about how to be ruled, by whom, to what end, by what methods. With governmentality, Foucault wants to think of government as a continuous practice that is played out in a web of regulations, and that spans the soul, the self, the household, children, the religious order, and the state. Governmentality thus suggests that government is also constitutive of subjectivity. And that self-government is part and parcel of the problem of government, as Tocqueville knew well (Cruikshank 1996).

My paper has five sections. In the following one, I discuss how neo-liberalism emerged in the midst of the Bretton Woods order and waited in the closet of academia for political opportunities which came in the mid 1970s and early 1980s. In the third section, in a genealogical fashion, I go back to 18th century utilitarian philosophy and 19th century neo-classical economics to reconstruct (and criticize) some of the knowledges that structure the neo-liberal discourse, and that were materialized in organic programs of reform, especially in 1990s Latin America –programs that I discuss in the fourth section. With the lenses of governmentality, in the fifth section of this paper, I elaborate on how neo-liberalism as a neo-Darwinist discourse imagines and regulates two types of subjects –the

¹ This expression is widely used in the media, activist and academic circles in Europe and Latin America referring to neo-liberalism. French refer to *la pensée unique*. In English, the expression is not used. “Unilateral thinking” or “single

“entrepreneurally fit” subject that is sorted out from the “noncompetitive unfit” one. In the conclusion, I summarize the main ideas with the goal of emphasizing what I think are key organizing principles of the neo-liberal discourse.

II. HISTORICAL ORIGINS OF NEO-LIBERALISM: WITHIN THE CLOSET OF ACADEMIA

The Bretton Woods Order and the Keynesian-Fordist social contract

In early June 1944, when the allies’ victory in WWII was almost certain, the already prestigious economist Keynes representing Great Britain and United States negotiator White, together with forty four representatives of other countries, including the Soviet Union, met in Bretton Woods, New Hampshire. The outcome of the conference, that inaugurated the *pax Americana*, would regulate the world economy for more than three decades. During this time, neo-liberalism would remain in the closet of academia.

In the words of Keynes: “Not merely as a feature of the transition but as a permanent arrangement, the plan accords every member government the explicit right to control all capital movements. What used to be heresy is now endorsed as orthodoxy” (Helleiner 1994:164). The Bretton Woods agreement thus sought to abandon 1920s laissez-faire ideology -which was charged as responsible for the 1930s crisis. Unlike today’s politically uncontrollable global financial market, Bretton Woods established capital controls for international financial movements and aspired to create a system of fixed exchange rates. On the one hand, this regulation sought to create a liberal *trade* order. On the other hand, it aspired to protect nations from flights of hot money in order to defend the political autonomy and funding of the welfare state (Helleiner 1994).

thought” could roughly capture this meaning.

“Keynes’s twins” were also born at Bretton Woods. The International Monetary Fund (IMF) was founded with the mission to guarantee currency stability globally, and to prevent a depression like the one of the 1930s. Under the aegis of Keynesianism, and completely opposite to today’s practices, the IMF would pressure national governments to pursue expansionary policies to stimulate aggregate demand (such as increasing expenditures, reducing taxes or lowering interest rates)². The then International Bank for Reconstruction and Development (now World Bank) was created to finance the rebuilding of Europe after its devastation in the war³.

The Bretton Woods order that regulated the so-called Golden Age of capitalist societies, entailed more than Keynesian economics. Henry Ford, besides rationalizing technologies and materializing Taylor’s division of labor⁴, understood well and implemented from the corporate standpoint something essential for the Keynesian edifice -that mass production meant mass consumption, and for this virtuous circle to be possible, a new system of reproduction of labor power, a new politics of labor management and labor control, and even a new aesthetics and psychology were needed (Harvey 1990).

Driven by a planning and controlling desire, Ford’s managers sought to rationalize not only the factory but also the family and the community –work ethics is formed at home, after all. Health, safety, sexual life, childrearing, adolescence, household management, body-regiments –no social domain was left behind the scope of rational control. Fordist regulation not only disciplined workers *qua* workers for the pace and rhythm of the assembly line; but also tamed their desires, shaped their needs and adapted their preferences to the contours of mass consumption (Fraser 2003). Hence Gramsci’s remark

² Nowadays the IMF provides funds *if and only if* countries engage in contractive policies (like cutting deficits, raising taxes or raising interest rates). “Keynes would be rolling over in his grave were he to see what has happened to his child” (Stiglitz 2002: 13).

³ According to Stiglitz (2002) “development” was almost an afterthought. The institution was created for Europe that needed “reconstruction”. After all, most countries of the “developing world” were colonies at that point, so whatever “development” could be achieved was responsibility of their European masters.

⁴ In 1911, in *The Principles of Scientific Management* Taylor argued about and described how labor productivity could be enormously increased by breaking down each labor process into minimal component motions and by organizing fragmented work tasks according to rigorous standards of time and motion study

about Fordism as “the biggest collective effort to date to create, with unprecedented speed, and with a consciousness of purpose unmatched in history, a new type of worker and a new type of man” (quoted in Harvey op.cit.: 126).

All in all, the Keynesian-Fordist social contract achieved high and stable rates of productivity, profit and growth; rising standards of living and prevented another inter-capitalist war. This virtuous economic circle was grounded in important compromises of all big players. Big powerful unions sat at the Fordist bargaining table⁵. While stable profits were ensured, corporate power was domesticated to assure adequate levels of investment for growth. And governments intervened in a variety of new ways –from striving to curb the business cycle through an adequate mix of fiscal and monetary policies, and directing public investment for the sake of full employment; to complementing the social and family wage through expenditures in social security, health care, education, housing and the like (Harvey 1990). Full employment, a level of wages high enough for workers to consume the products of industry, and a redistributive safety net (together with low levels of inflation able to rubricate the working of the system), were maintained by the political compromise of big labor, big capital and government in most of the advanced capitalist world.

In Latin American latitudes

The Keynesian-Fordist social contract spread unevenly and varied not only within advanced capitalist countries, but most dramatically, between First and Third World nations. However, during the post-war period, many Third World countries were able to pursue internally-oriented development models. In terms of Escobar, “[the] Fordist accumulation determined the incorporation of the periphery [to the capitalist core] in novel ways” (1995: 70). After the Great Depression, when commodities imported by core nations were dramatically reduced, it became clear that either Latin American

⁵ Radical working-class social movements and radical forms of labor organizing were defeated in many parts of the advanced capitalist world

countries adapted to depressed international conditions in the best possible way, or they proceeded with the industrialization process through a strategy of import substitution –producing locally what had been hitherto imported. While most of the countries of the region did the former; larger countries like Argentina, Brazil, Colombia and Mexico sought to industrialize (Escobar 1995). Since these models of industrialization relied upon the internal market, they followed Keynesian-akin guidelines– like the famous CEPAL⁶ doctrine; or its radical version of Marxist-minded dependency theory⁷.

Import Substitution Industrialization needed quasi-welfare states to strengthen the domestic market⁸. Even though far away from First world prototypes, Latin American welfare states still pursued redistributive policies that transferred wealth from capital to labor. Among other cases⁹ Argentine Peronism during its ascendant phase (1946-1949) stands out as it granted a ‘revolutionary’ generation of social and economic rights that materialized in benefits like (if not universal, at least widely spread) health-care, family allowances, pension funds; and unprecedented investment in public education, hospitals, housing, vacation facilities and the like (Cortés 1990, Lo Vuolo 1995, Borón 2000). These rights that integrated the working masses into the nascent development model were the result of some version of quasi-Fordist political compromise between big organized labor, the state and fragments of local capital.

⁶ In the 1940s and 1950s, the Economic Commission for Latin American Countries (ECLAC) of United Nations based in Santiago de Chile, especially under its first director, the Argentine Raúl Prebisch, demonstrated the historical deterioration of the terms of trade against the primary goods of the periphery. Consequently, ECLAC recommended “import substitution industrialization” as the solution. See what has been termed CEPAL *Manifesto* (1950).

⁷ Authors like Cardoso, Faletto or Gunder Frank, after engaging the overall vision of CEPAL policies argued that these policies would never redress the reigning imperialism.

⁸ The inward oriented gaze of industrialization was paralleled with an intellectual, artistic and literary ferment that produced marvels like the Mural paintings (Orozco, Rivera, Berni and the like) or the first wave of writings by women -and where “...Latin Americans delved into their own past for newer certainties (*indigenismo*) [and] developed eclectic views inspired by socialism and Marxism (Mariátegui, Haya de la Torre and Jorge Eliécer Gaitán)...” (Escobar op.cit.: 234).

⁹ According to Borón, Peronism stands out when compared to ideologically akin regional governments like Vargas in Brazil (2000: 191)

The political opportunity¹⁰ for neo-liberal ideas to come out of the closet of academia: capitalist crisis and technocratic networks

According to Harvey, the Fordist crisis can be captured with the notion of “rigidity”. Fixed capital investment in mass production became rigid to adapt to a changing demand. Labor allocation and contracts in the labor market became rigid to adapt to the needs of capital. The welfare state commitments to finance entitlements programs were too rigid when rates of productivity and profit began to fall. After 1966, corporate productivity and profitability began to decline and the US began to face fiscal problems. Together with Great Britain, the US began a loose monetary policy of printing money at whatever rate, which obviously accelerated inflation and undermined the dollar as stable international reserve. In this context, corporate capital was no longer willing to invest in growth unless inflation and wage increases were blocked (Cox 1997). Recession (or at least stagnant output) was coupled by high rates of inflation (ie: stagflation). Like every other capitalist regime, the Keynesian-Fordist one faced another recurrent overaccumulation crisis, Harvey (1990) says following Marx.

In the context of the 1973 Arab-Israeli war, the Arabs decided to embargo oil exports and OPEC to increase oil price to skyrocketing levels. These changes pushed all sectors to economize through organizational and technological change (Harvey 1990). But most importantly (and tragically) for the Third World and Latin America, this crisis created a surplus of petro-dollars that were recycled at obscene interest rates in loans to Mexico, and the Argentine and Brazilian dictatorships, and to a much lesser extent, to African nations (Cox 1997). This flow of capital lasted for a few years. On August 18th 1982, Mexico announced the US government, the IMF and global financial investors that it would be unable to pay its external debt. This crisis meant a watershed not only for Mexican (and Latin American) economies but also for Latin American economics and policy-making (Babb 2001).

¹⁰ My idea of political opportunity resonates with Sidney Tarrow’s (1998) notion of Political Opportunity Structures for collective action. But while Tarrow developed it to theorize social movements, I obviously refer to a process from above.

At that point, American economics had become increasingly neo-classical¹¹, and mainstream global economics increasingly Americanized. So-called “Chicago boys”, an elite of neo-classical economists, trained at mainly Chicago but also some other US conservative economics departments, began to occupy key positions at both ends of the bargaining table. As I will later discuss, on the one hand, thousands of neo-classical economists entered the IMF and the World Bank to staff the research departments that guide their work. On the other hand, in Mexico (and also in other debtor countries¹²) these professionals began to occupy top-level governmental positions –especially after Harvard alumni Miguel de la Madrid assumed the presidency in December 1982¹³. For Mexico and debtor countries, these professionals were endowed with symbolic capital to negotiate the debt –they spoke the same language as their counterpart negotiators. Literally, they were all fluent in English. Metaphorically, they all endorsed the principles of neo-classical thinking. Since then, in the context of global financial markets, when “crises of investors confidence”, or IMF negotiations are if not always in process, at least round the corner, US-trained economists become assets for debtor governments¹⁴ (Babb 2001).

¹¹ I cannot elaborate at length here. In a nutshell, during the post war period, despite the Keynesian nature of US administrations, the field of academic economics moved away from a pluralistic panorama that included institutionalism and Keynesianism to the uniform orthodoxy of assumptions, topics, and research techniques generally referred to the neo-classical school. Economics became much more abstract and mathematical drawing heavily on formal modeling and econometrics (statistical analysis of economic data). Professions usually have some inclination towards “abstraction” as a means to achieve higher legitimacy. Thus, economics is inclined to draw a legitimacy boundary by adopting the dialect of formulae and mathematical models. Because formulae and models are indecipherable to outsiders, they do not invite to doubt about their “objectivity” and “scientific” status. This seems to have played a role in the move of US economics towards the neo-classical models of marginal utility. In addition, in the context of the Cold War and McCarthyism, right-wing establishment suspected not only socialist but also Keynesian economists. This pushed economics professionals to take refuge in highly quantitative and abstract idioms. Also, because of the spillover and non-military applications of the Cold War military computer technology, US economists had access to powerful computers earlier than their European counterparts (Babb 2001, Goodwin 1998, Ceruzzi 1998)

¹² Chicago boys staffing economic cabinets have been a constant feature during the 1980s and 1990s. However there were some earlier experiments with the 1973 Chilean and 1976 Argentine dictatorships. In both cases, days before the coup the military had a blueprint of the economic program which had been crafted by neo-classical experts (Rosenzvaig 1997).

¹³ When the crisis emerged in Mexico, a struggle between Cambridge-educated and Yale-trained economists began. The former, also inspired by developmentalism (and dependency theory) insisted on capital controls to stop the wealthy from sending monies out the country, and the nationalization of the banking system. The latter advocated to please the IMF by liberalizing markets, imposing austerity measures on fiscal spending, and reducing foreign borrowing and governmental subsidies. This struggle was settled when de la Madrid assumed the presidency, making conservatives and monetarists win, and opening the door of top policy positions to Chicago boys.

¹⁴ Needless to say, that the symbolic capital of these professionals is valorized in the field of Latin American politics but not in other, for example, OECD countries, that have a more egalitarian relation with (or, are key players of) global financial institutions. In most of Europe, even though mainstream academic economics also became Americanized, top

The Fordist and the debt crises meant that capitalism, both in the North and in the South, was not growing as fast and smoothly as it had done since WWII. A political opportunity opened up for neo-liberal ideas to come out of the closet and rejuvenate the system. Neo-liberalism turned into an organic program of reform, and US-trained neo-classical economists became key carriers of this mentality. Political decisions became technical matters. Neo-liberalism made it to the core of policy-making dressed up in the costume of “objectivity” and hidden behind the veil of “scientific truth”. It thus ran away from public discussion and democratic scrutiny.

Let me now explore some of that which lies behind the “objective and scientific truth”. For this, I need to go back to the 18th century utilitarian understanding of human nature which neo-classical economics inherited and built upon. But while utilitarians (and *classical* economists like Smith and Ricardo) kept an eye on concrete human beings, neo-classical economists appear to have elaborated their theory in a context deprived of human actors, social relations, power struggles and politics. While for social theory (or the conflict tradition rooted in Marx and Weber) scarcity is the source of struggles over material and symbolic resources in society; for neo-classical economists, the principle of scarcity leads to a complex set of harmonizing mechanisms. Neo-classical economics is thus an abstract, de-historicized, and anti-social theory –because it is organized through a logic that goes from an atomistic individual to higher levels of aggregation without problematizing their specific dynamics.

III. ON KNOWLEDGES: THE UTILITARIAN/NEO-CLASSICAL EDIFICE THAT HARBORS NEO-LIBERALISM

What Newton established in physics in the seventeenth century, Hume and utilitarians aspired to imitate in moral philosophy in the eighteenth (Halevy 1972). And the same goes for the neo-

level governmental positions such as Central Banks’ Directors and Finance ministers are still occupied by lawyers or locally trained economists (Babb 2001: 215).

classical school of economics in the nineteenth century. Newton discovered and elaborated on the principle of universal attraction. Hume speculated that being human is about pursuing pleasure and avoiding pain. And neo-classicals determined that the economy is an abstract construction that they termed “market”, and whose forces, under certain circumstances, tend towards equilibrium and efficiency. Newton for the exact sciences, Hume for human nature and neo-classicals for economics, all sought to discover “the smallest possible number of simple laws which, once discovered, will enable all the detail of phenomena to be explained by a synthetic and deductive method” (Halevy 1972: 6). They all believed that determining what remains constant in the world was the main goal of scientific explanation.

Utilitarianism became a theory of action, a moral philosophy and a practical guideline for institutional and political reform. The explanation of what motivates human behavior, what is the good life about, and what should found political institutions, was all organized around a principle analogous of Newton’s universal attraction: *the principle of utility*. This principle unapologetically overlaps the *statu quo* with the desirable order; the “is” with the “ought to be”, claiming that “all men seek [to maximize] pleasure and avoid [or minimize] pain”. And actions thus oriented lead to happiness. According to Hume, the fact that we hate pain “is the ultimate end” that explains our actions -they are “never referred to any other object” (Halevy 1972: 13). Utilitarianism thus assumes a fully cognizant individual who is not only completely aware of her own interests but is also the best judge of how to pursue them. Human beings are universally rationalistic –“perfectly selfish” and “perfectly reasonable”.

Homo oeconomicus

Neo-classical economics inherits utilitarian understanding of human nature and carries it to its isomorphic models of consumption and production. The starting points (from where the theory builds to higher levels of aggregation) are consumers and firms –all rational actors who seek to maximize

utility and profits respectively. Seeking to debunk Ricardo's notion of value, neo-classicals elaborated on the idea of *marginal utility*, where utility refers to the given preferences or desires of a consumer and "marginality" to the outcomes observed in "the margin or border". By definition, the utility or welfare level of a consumer depends on the amount of goods and services that *she* is able to consume.

Now, at least three normative problems already arise. First, to use Bourdieu's words, *homo oeconomicus* represents an "anthropological monster"¹⁵ which besides the moral pettiness is far from an accurate empirical description. Experimental economic research (not moral philosophy) has demonstrated that in too many situations agents do not intervene in the game as neo-classical models predict, and they behave following their own sense of justice or appropriateness (Allais 1953). Second, the theory establishes that the only way we can know about the origin or formation of the preferences of a consumer is, tautologically, through her consumption choice. "How do we know that A prefers x rather than y? Because A *chose to consume* x rather than y". But what if A would have preferred y and chose x out of fear? Or out of an all too human disposition to conform to what is possible? *Neo-classicals have no theoretical tools to address the social construction of preferences*. Following Bourdieu, we can say that "preferences" are a type of *habitus* -dispositions acquired through learning derived from exposure to the regularities of experience that produce reasonable (rather than rational) behavior and lead agents to orient themselves according to pragmatic intuitions¹⁶ (Bourdieu 2001: 22). Neo-classical economists are thus rooted in a "scholastic fallacy"¹⁷. Rather than taking preferences for a heuristic artifice of the scientist, these scholars assume preferences as if they were real thoughts and motivations of economic agents. Third, neo-classical economics erases the relation between the consumption the self and the consumption of *the other* –erasing not only mechanisms of solidarity or empathy -"I am happy as long as my fellow B can also consume x"- but also of imitation and

¹⁵ An individual systematically pursuing what Weber calls instrumental rationality at the expense of value rationality

¹⁶ "Pragmatic" in the double sense that they are not theoretical, and comfortable adaptations to the urgencies of action

competition –“I consume x because B consumes x and I do not want to fall behind”-. The fact that solidarity, empathy, imitation or competition might influence the welfare of a consumer is seen as an “external effect” to the market and to thus to theory.

Overall, economic theory tends to erase the social origin and the non-economic nature of economic practices because it works with a set of “exogenous variables” that are not problematized within its scope but are taken for granted¹⁷. But *neo-classical* economics radicalizes this trend by including a universal notion of human nature that simultaneously becomes a universal principle of explanation of all human action. In the words Gary Becker, a Nobel laureate and courageous neo-classical spokesperson,

“the economic approach is not restricted to material goods and wants or to markets with monetary transactions, and conceptually does not distinguish between major or minor decisions or between “emotional” and other decisions. Indeed [...] the economic approach provides a framework applicable to all human behavior and to persons for all walks of life” (Becker 1981 in Bourdieu 2001: 236).

“Private vices, public virtues”? Or, How is society (and economy) possible?

Now, once *homo oeconomicus* (and the principle of utility) is accepted, the moral and practical problem about how is society (and economy) possible obviously comes to the fore. Because, as utilitarians recognized early on, my own pleasure is not necessarily pleasant for my neighbor, and my own pain is not unavoidably painful for her. Personal interest does not always and easily coalesce with the general interest. Different solutions have been offered. While thinkers like Bentham conceived legislation and a well-regulated application of punishments (embodied in the Panopticon) as an “*artificial* identification of divergent interests” (Halevy 1972), for my purposes it is relevant to look at solutions that envision a “*natural* identification or fusion of interests” –the ones developed by Adam

¹⁷ According to Bourdieu this is “when the scientist locates in the heads of the agents s/he studies [...] the considerations and theoretical constructions that s/he had to elaborate in order to explain their practices” (Bourdieu 2001: 236, my translation)

¹⁸ For example, rather than an occupation located in the grid of the social division of labor and exchange, labor is construed as an activity that is to be exchanged for an income. Market is about impersonal exchanges between strangers rather than domestic-like exchanges based on reciprocity, familiarity and mediated so as to limit the risks inherent to the market. In the

Smith in the 18th century, neo-classical economists like Walras in the 19th century, and Hayek in the 20th century.

Adam Smith first posed the question in 1759 when he published *The Theory of Moral Sentiments* -asking how can human beings, creatures of self-interest, form moral judgments that would bracket their self-interest. Smith claimed that the answer was in our capacity for sympathy. Because we can put ourselves in the position of a third person and an impartial observer we can form a notion of the moral (Hellbroiner 1953) that allows us to interest directly in the happiness of our fellows. It is unclear whether Smith carried this notion to the field of political economy or rather followed Mandeville's famous Fable of the Bees, about "private vices, public virtues". What matters is that Smith believed that by following her own interest, each individual necessarily pursues collective well-being. In *The Wealth of Nations*, Smith famously introduced the notion of the invisible hand:

"By preferring the support of domestic to that of foreign industry, he intends only his own security; and by directing that industry in such a manner as its produce maybe of the greatest values, *he intends only his own gain, and he is in this, as in many other cases, led by an invisible hand to promote an end which was not part of his intention* ... By pursuing his own interest he frequently promotes that of the society more effectually than when he really intends to promote it" (Smith 1776: 477-78, my emphasis).

Either out of moral sympathy or of naked self-interest, human propensity to barter (for Smith a "natural" disposition of human beings¹⁹) and the division of labor result in that, without knowing or even desiring it, individuals further the general interest or develop a *natural fusion of interests*. For this to happen, however, there needs to be a social regulator: competition. Paraphrasing Smith, Hellbroiner (1953: 53) said: "A man who permits his self-interest to run away with him will find that competitors

case of interest loans, to mention one more, economic theory erases the fact that it has been subject of unending judicial ethical debates (Bourdieu 2001: 18).

¹⁹ According to Bourdieu, there is no such "natural" disposition. Drawing upon his studies on Algeria, pre-modern and pre-capitalist economy was grounded on the logic of domestic economy -where rational calculation of exchanges between family members was denied or repressed (it is useful to recall here that etymologically, economy is derived from "oikos", or "the private"). The sphere of commercial exchanges became an autonomous and differentiated sphere very slowly along history. Commercial exchanges became disentangled, disembedded and differentiated from familial and other social exchanges at a very gradual pace. Familial and social exchanges, based on reciprocity, redistribution (as Polanyi argued), "honor" or "good faith" (as Bourdieu reconstructed for pre-colonial Kabyles), provided the model for all types of exchanges, including the strictly economic ones. In order to become a differentiated and objectified universe, a cosmos with its own rules (an "autonomous sphere" in Weber's sense) modern economy needed to invert domestic economy and give in

have slipped in to take his trade away; if he charges too much for his wares or if he refuses to pay as much as everybody else for his workers, he will find himself without buyers in the one case and without employees in the other”. Therefore, the fact that similar players enter the market, in and of itself, monitors that prices remain close to production costs -or, “current prices” gravitate towards “natural prices”. And quantities of goods and incomes of producers will somehow respond to “the wants of society”, Smith said.

More than one hundred years later, neo-classical economists developed this notion further in a much more abstract idiom and mathematical format. There were key discontinuities however between the classical and neo-classical school. Smith’s (and Ricardo’s) concern for growth and distribution gave way to questions about prices, quantities, efficiency, and markets’ trend towards so-called equilibrium. The dynamic analyses and long-term approach that Smith, Ricardo (and Marx) had sought to develop were displaced by a focus on static analysis and the short-run (Escobar 1995).

The key problem that the theory poses ²⁰ is to determine for each market (of each good or service), under conditions of competition, (where no single consumer or producer is able to influence the outcome of the market games), a state of equilibrium where supply and demand meet to establish the quantity to be traded and the price of the good or service. The equilibrium of any market is

to rational calculation for profit as its guiding spirit –an ethical revolution only comparable to the most ardent religious fervor.

²⁰Because of space limits, I cannot discuss at length here the building premises of the isomorphic models of consumption and production. In a nutshell, I can say that regarding consumption, neo-classical theory assumes that the amount of desired goods or services an individual will consume depends (positively) on her income and (negatively) on the price of the goods. Once this equilibrium is established for a single individual consumer, the demand side (of a particular good or service) is determined by adding up all individual behaviors. Decision making for production, firms and supply follows a completely isomorphic model of explanation to consumption, individuals and demand. The criterion for production of a certain good by a firm depends solely on different combinations of resources. Production is thus a relation between quantities of resources and quantities of products. When a particular resource is increased (and other resources remain constant), the quantity produced increases. Marginal productivity thus parallels marginal utility –it is assumed as always positive and decreasing (production always increases when a resource is increased, but at a slower pace each time). The key issue for each firm is to establish the turning point from increasing to decreasing yields, and the optimal point of production to maximize profits. Once this problem is solved as a state of equilibrium for an individual firm, the supply side (for a particular good or service) is determined by adding up all individual firms. While for classical economists the principle of marginal utility was valid only for the resource of land, neo-classicals extend it to all resources and all products. (Monza 1994)

grounded on the principle of scarcity –all that abounds is cheap, and all that is scarce is expensive. Market equilibrium varies following the scarcity principle, because demand and supply are (negatively and positively) elastic to prices –if a price increases so does supply; if a price increases, demand decreases (Monza 1994).

Once the equilibrium of a particular market is established, the equilibrium of the whole system (or sets of markets) can be known with the same logic. Through a series of hundreds of thousands of equations, the French Leon Walras established that *what* is to be produced (the yield of each industry) *how* is to be produced (the quantity of each resource for each industry) and *who* will get what is produced (the quantity of each commodity for every consumer; the relative prices of all commodities; the income of producers and the welfare level of each consumer) are all simultaneously determined in a state of general equilibrium. For Walras this was possible because there is a “concatenation and mutual dependence” of economic acts among all producers and all consumers, a “certain flow of economic life”. The cornerstone principle of neo-classical economics is that under conditions of perfect competition, the market in and of itself will spontaneously get not only to a Walrasian general equilibrium state but also to a “Pareto optimal situation”²¹ (Monza 1994).

In other words, in a highly abstract and mathematical language, Walras with the “general equilibrium model” and Pareto with “Pareto optimal situation” somehow up-dated Adam Smith’s laws of the market and re-created the “invisible hand”. While Schumpeter praised it as “the only work by an economist that will stand comparison with the achievements of theoretical physics” (1954: 827); Joan Robinson referred to it as “the most extravagant claim of Western orthodoxy” (1979: 13). Both the

²¹ At the turn of the 19th century, Vilfredo Pareto, trying to purge the neo-classical theory of its utilitarian heritage in order to emphasize its formal character developed the notion of efficiency and posed the question as follows: How can goods be allocated to consumers (or resources to firms) in such a way that no re-allocation will improve the welfare of a consumer without harming the welfare of another (or increase the level of production of a firm without decreasing the level of any other)? After the theorist, the framework calls this situation a “Pareto improvement” in resource allocation. When no further Pareto improvements are possible, a “Pareto optimal situation” is achieved. Now, Pareto’s question is blind to justice concerns and egalitarian values. In terms of policy decisions sensitive to redistribution, it is quite obvious that it might not be possible to improve the welfare of some without necessarily impairing the welfare of others. Or, improving the welfare

comparison to physics and the extravagancy might speak to the fact that both capital and labor are here seen as “resources” of production disembedded from social relations –and the mechanism that establishes their remuneration (i.e.: wage and profit) is identical. Walrassian general equilibrium has no room for conflict between capital and labor; “Pareto optimal situation” is blind to social justice. The underlying picture of this theorizing is a world of harmony, order and tranquility; a self-regulation and self-optimization economic system –a view that undoubtedly matched quite well the pomposity of the *pax Britannica* (Escobar 1995).

Neo-liberals like Hayek kept the parsimony of utilitarians and the trust in neo-classical economics but shook it from its apparent lethargy to bring back in a clear sense of political struggle and engagement. Hayek’s and neo-liberals’ adversaries were of course centrally planned economies and collectivism. The Soviet Union and Nazi Germany were equals in this camp. However, Hayek’s “innovation” in *The Road to Serfdom* was to widen the opponent camp and equate these regimes to Keynesian capitalist societies and in fact, all mechanisms of social protection. In the short run, in 1944, Hayek’s target was the British Labor Party, which finally won the general elections in 1945 (Anderson 1999a). In the long run however, Hayek’s message for unobstructed competition and against (or for a specific type of) state planning had the following subtext: “In the end both German Nazism and social democracies lead to the same road of lack of freedom -the road of modern serfdom”.

In order to combat its adversaries, neo-liberals’ main goal was to redefine the relation between the state and the market, not only following Smith but also radicalizing the 1920s and 1930s German Freiburg School or “Ordo-liberals”²². After blaming protectionism, Bismarck’s welfare policies and

of the better off, even if not at the expense of the worse-off, still puts justice at stake because it increases the degree of inequality in society –making it a worse society. (Neuburger and Fraser 1993).

²² This group was named after the Journal in which they published, *Ordo*. They shared with the Frankfurt school a radical critique of capitalist rationality. But rather than aspiring to overcome such rationality, the Ordo-liberals sought to redefine it to prevent it from unfolding. For them, the crucial alternative was between liberalism and all other forms of intervention and they saw the Third Reich as the unavoidable outcome of anti-liberal policies.

wartime economic planning and management as responsible for the Third Reich, this group of jurists and economists, sought to construct a renovated legitimacy for a new German state and its intervention, not grounded in any historical mission but in economic growth. Ordo-liberals thus elaborated an institutionalist perspective of the market. There was nothing “natural” in the market, it had to be created and kept alive through the art of government. Social policy did not play a compensatory function but should rather create a social framework able to multiply and expand the entrepreneurial forms of the social body. This theorizing was radicalized by Hayek and his Chicago School followers –rather than seeking to create a state on the basis of the non-state domain of economic growth, Hayek and the US neo-liberals sought to redefine both the state and the whole society as a form of economic domain (Foucault in Lemke 1997).

Hayek’s advocacy for markets and competition was anchored in the defense of “freedom”. Freedom has different components (at least the economic, political and personal) but *economic* freedom should be prioritized since she is “the mother of all types of freedom” (1944: 13). For this mother to give birth to all of her creatures, competition, an organizing principle of the relations between nations, firms and individuals, should function unobstructed. This idea has at least two clear implications. First, a specific type of governmental intervention is needed (of course Hayek knew that the idea of “non-governmental intervention” is fetish rhetoric –the neo-liberal revolution would have been impossible without neo-liberal governmentality and its huge amount of regulations that span the economy, the culture and the individual). For Hayek, the state (and the government) should focus on providing a “carefully thought of legal framework” to guarantee private property and freedom of contract. Planning is welcomed if and only if is “planning *for* and not *against* competition”. Hayek recalled Adam Smith who said that some services, “though they may be in the highest degree advantageous to a great society, are, however, of such a nature, that the profit could never repay the expense to any individual...” (Smith on Hayek op.cit.: 39). Therefore services such as “signposts in roads” or “the smoke and noise of factories” are the unquestioned field for state activity. But most of

other state interventions are toxic –controlling prices, for example, leads to “distortion in information... that then cease to register all the relevant changes in circumstances and ... provide a reliable guide for the individual’s action” (Hayek op.cit.: 37). “Planning for the security of workers” has serious harmful consequences, Hayek says. Because creating privileges for some triggers a race for protection among all groups which finally leads to a preference of striving for security at the expense of freedom. This disregard for freedom might begin in the labor market but later pollutes the whole of society, as Hayek claimed to have been witnessing.

Second. Of course Hayek’s attack on privileges was very selective. Because whether knowing it or not, with his advocacy for a neo-Darwinist world, he elaborated a moral justification of inequalities that became music to the ears of the privileged -or like Bourdieu (1998) would put it “a sociodicy for the dominant groups”²³. In the words of Thatcher “It is our job to glory in inequality and see that talents and abilities are given vent and expression for the benefit of us all” (in George 1999: 4). Privileges are justified because the whole of society eventually benefits from the well-born, best-educated and toughest. Competition nourishes competence –only of a few, but from those few, we are supposed to benefit all.

No wonder Hayek believes that social justice is “a mirage” as he suggests in his second volume of *Law, Legislation and Liberty*. For Hayek, justice, like freedom, is an attribute of the individual not of the collective; and market society is a *kosmos* (a spontaneous order), where “nobody has the responsibility or the power to secure that the isolated actions of many will produce a particular result for a certain person” (Hayek 1976: 33). But for Hayek, social justice is not just a “mirage” that misinterprets the relation between the individual and society. It is an enemy to combat because it hinders the proper development of competition.

When these ideas began to materialize in practices, the dismantling of social protection and competition as an organizing principle, were not just objects of rhetorical eloquence but sources of

incommensurable human pain and deprivation –as the Latin American cases showed us. Let me now turn to discuss neo-liberal practices as embodied in policies and global institutions.

IV. NEO-LIBERALISM IN PRACTICE

According to Hayek and neo-liberals, advanced capitalist societies had stopped growing while simultaneously suffered inflation (i.e.: stagflation) because of the excessive power and insatiable desires of unions pressing for wage increases and state social expenditures. This had stifled profits and had led to inflation processes that had destroyed capitalist economies (Anderson 1999a). The Fordist contract with almost full employment had empowered unions to a point of unending demands that had undermined the bases of economic growth -rates of profit and rates of growth plummeted after 1973 (Harvey 1990: 143). Unruly behavior in the workplace also meant decreasing rates of productivity of labor. The visibility of movements like the 1968/1969 round of student and labor protests in cities ranging from Paris to Mexico City to the Argentine Córdoba, of course played a part in the political and ideological climate that empowered labor *vis a vis* capital.

Economic growth had been asphyxiated, neo-liberals claimed. The time had come to unleash new forces –and these forces were in the market. State intervention ought to focus on breaking the power of unions, taking sides with business (so called “supply-side” economics in the United States, i.e.: supply of capital), and controlling money policy. Stabilization of the value of money (ie: prices) should be top priority of any government. Budget discipline with the reduction of social spending, restoring a ‘natural’ rate of unemployment and privatization of public companies, were key measures to discipline unions and go back to ‘business as usual’ in terms of investment, growth and inflation control.

²³ Bourdieu follows Weber and his idea of religion as “theodicy of the privileged”.

In 1979, Thatcher, a fervent disciple of Hayek, embraced the diagnosis wholeheartedly becoming the pioneer and most radical case of neo-liberal practice in the advanced capitalist world²⁴. A little more hesitantly, or in a more eclectic way, Reagan followed in 1980²⁵. Quite soon most of Western Europe was engaged in a program of neo-liberal reform. Not only right wing regimes, like Kohl in Germany or Schluter in Denmark, but in mid to late 1980s, so called euro-socialists like González in Spain or Mitterand in France were pursuing tight monetary policies and balanced fiscal budgets, at the expense of state's social services and full employment, as top priorities and guidelines for their administrations. After the collapse of the Soviet bloc, Eastern Europe was on the same road of neo-liberal reform –in some cases, with the intransigence of the faith of the converse, policies such as privatizations were carried out much faster and more widely, and inequality and impoverishment tolerated at unseen levels in the Western World (Anderson 1999a).

The abandonment of Bretton Woods capital controls (first by the United States, then England and later the rest of Europe) with the resulting globalization of financial capital played a crucial disciplinary function in neo-liberal governmentality. With the formation of a single and stateless world market for money and credit supply, nation-states lost autonomy in their internal decision-making

²⁴ The Thatcher regime concentrated on money issues (reducing the monetary base, increasing interest rates, abolishing controls on financial flows) and on breaking the power of trade unions –first by crashing strikes and passing anti-union legislation. Later on, the impressive program of privatization that targeted public housing, and basic industries such as steel, electricity, oil, gas and water, was instrumental in breaking union's power (between 1979 and 1994, the number of jobs in the public sector in Britain was reduced from over 7 million to 5 million, a drop of 29%. Virtually all were unionized jobs). Tax cuts benefited the wealthy (during the 1980s, 1% of taxpayers received 29% of all tax reduction). (Anderson 1999a). The results of skyrocketing poverty and unemployment (in pre-Thatcher Britain, about 10% of the population was classified as living below the poverty line, in 1999, 25%) and increasing income inequality, and transfer of wealth from public to few private hands and from labor to capital are well known. In 1984, public companies contributed over 7 million pounds to the treasury. That money now is going to private shareholders (George 1999: 4-5).

²⁵ Reagan followed the orthodoxy by crashing the only important strike (of air traffic controllers) he faced; increasing interest rates, reducing taxes to favor the wealthiest, and cutting social programs. But in terms of budget balance Reagan was unruly and ignored the warnings of the IMF. While developing the arms race to defeat the Soviet Union and supporting nominally anti-communist struggles (Afghanistan, Nicaragua, Grenada, Angola, etc) he pursued a disguised military Keynesianism and the fiscal deficit came close to bankruptcy. Again, class aggrandizement and income gap was huge - during the 1980s, the top 1% of American families increased their average family income by 50%; the bottom 10% reached the nadir: they lost 15% of their already meager income, moving from \$4.113 annually to \$3.504 (Phillips in George 1999: 6). While poverty and unemployment surged, social insurance fell -in 1982 for example, unemployment passed 10% and unemployed receiving any federal benefit dropped to 32%, the lowest level of social insurance since its inception in the New Deal (Harvey 1990: 331). Forty million citizens were left with no medical insurance (Anderson 1999a, George 1999, Harvey 1990).

processes (Harvey 1990). On the one hand, financial capital had now the possibility of exit as it had never had before. Financial capital acquired the prerogative to punish policies that do not fit the neo-liberal *vade mecum* (i.e.: like increasing public expenditure or raising taxes for social services or employment creation) and prize those “conducive to a business-friendly climate” (ie: liberalization, deregulation, privatization) (Cox, 1997). On the other hand, transnational (or Wall Street based) bond-rating agencies became highly influential –by “grading” each governmental bond according to their own criteria, these agencies establish the cost of borrowing money in the global market for each government.

In Latin American latitudes: discipline and punishment through IMF and World Bank lending

The IMF has little or no disciplinary power over the First World, and especially the United States. Reagan’s fiscal deficit went close to bankruptcy, completely ignoring the warnings of the IMF (Harvey 1990). Clinton’s administration disregarded the fears of the Fund about inflation in the context of falling unemployment (Stiglitz 2002: 34). In the Third World, however, especially in Latin America and, to a less extent in Africa and Asia, the power of surveillance, discipline and punishment of the IMF and World Bank cannot be exaggerated. Education, health, pension funds, transport, local finances, “community development”, “women’s leadership” -no domain of social life can escape their disciplinary gaze.

The IMF is a “public” global institution because it is funded by government members but not because it follows any principle of publicity in its decision making processes. Its undemocratic structure of decision making dates back to its inception in 1944 and reflects the distribution of economic power at the end of WWII²⁶ (Stiglitz 2002). In the 1980s, however, the IMF together with the World Bank acquired an overwhelming extra disciplinary capacity. On the one hand, in 1981, a

new President was elected in the World Bank and a change of guard replaced a cohort of development economists with a generation of neo-liberal scholars to direct and staff the research department that guides the thinking and direction of the Bank (Stiglitz 2002). Since then both institutions are endowed with an army of more than 10.000 economists and a few hundred social scientists who conduct all types of research (Borón 1999). The initial division of labor where the IMF was devoted to macroeconomic issues (related to the handling of money²⁷) and the World Bank focused on lending for specific projects (roads, dams and the like) and overseeing structural issues of the economy²⁸ was erased. With the advent of the Structural Adjustment Programs (SAPs), both institutions became closer, more coordinated (Verltmeyer and Petras 1997) and began to work in tandem (Elson 1900) to diagnose, plan, lend and thus impose not only policy decisions but all sorts of worldviews, together.

The Washington Consensus

“Since its inception, the Institute for International Economics has gone beyond the development of policy agendas to make a conscious effort to sell the resulting ideas to the policy community. We have not behaved like the model economist of the traditional literature, who confronts the policymaker with a menu of technically efficient choices, from which the latter’s intuition of the general will permits disinterested selection of the option that maximizes a social welfare function... *Rather, we have decided what made sense according to our conception of the general social interest, and then tried to persuade politician, policymakers, and the body politic that the benefits of that course of action would exceed the costs. Our implicit premise was that good economics could also be good politics*” –Williamson, 1994 (my emphasis)

According to Sousa Santos (2003) neo-liberalism is a “conservative utopia” because it identifies its supreme ethical criterion (the market) in the present day reality, and in order to realize its utopian dimension, simply proposes to radicalize this present. In fact, the lack of economic growth in the 1980s “lost decade” neither shook the confidence in nor prevented the design of a much more

²⁶ The organization reports neither to citizen’s of the member countries who fund it nor to citizens of nations affected by its decisions and actions. It reports to Ministries of Finance and Central Banks of government members, where G-8 countries have *de-facto* power and only the United States has effective veto power.

²⁷ Such as government’s budget deficit, monetary policy, inflation, trade deficit and borrowing from abroad (Stiglitz 2002)

²⁸ Such as allocation of budget, financial institutions, labor market and trade policies (Stiglitz 2002)

organic and forceful program of neo-liberal reform for Latin America²⁹. The so-called Washington Consensus³⁰ materializes *pensamiento único* and its “one-size-fits-all” policies. The repertoire is a few well known “instruments”: fiscal discipline, privatization, de-regulation and liberalization of as many markets (money, goods, services, investment) as possible. The cost of money (interest rates) and exchange rates are to be determined by the market. To nourish competition, the outward-orientation became crucial. It translated into import liberalization, lifting both all protections to national industries and restrictions to foreign direct investment (FDI) as fast as possible. Unbelievably honest, Williamson said “The main motivation for restricting FDI is economic nationalism, which Washington disapproves of, at least when practiced by countries other than the United States” (1990:15).

It is well-known that most of Latin American states, after the import-substitution regime and the bureaucratic-authoritarian stages of the 1960s and 1970s, had become “a dinosaur incapable of feeding itself” -oversized bureaucracies unnecessarily involved in too many matters and pervaded by scandalous mismanagement and corrupt practices. However, the neo-liberal solution, “de-regulation”, only resulted in anemic entities no less able to support democracy, economic growth, decent levels of social equity, and redistributive justice³¹. The perverse and wild wave of privatizations confused the

²⁹ The litany of calls for “new rounds”, “new hope if deepening the path” goes all the way to 2003 when Williamson published *After the Washington Consensus: Restarting Growth and Reform in Latin America*. In this refreshed version, experts diagnose “the first-generation (liberalization and stabilization) reforms that are still lacking” and “the complementary second-generation (institutional) reforms that are needed” to “end [Latin America’s] perpetual series of crises”.

³⁰ Williamson, the Senior Fellow at the Institute for International Economics who coined the word, explained that “Washington” refers to “both the political Washington of Congress and senior members of the administration and the technocratic Washington of the international financial institutions, the economic agencies of the US government, the Federal Reserve Board, and the think tanks” (Williamson 1990: 7)

³¹ For Borón, the incapacity of Latin American states to collect taxes and to reverse a highly regressive tax structure speak of their “anemic nature”. For example, in 1989 the tax pressure (taxes as percentage of GDP) in OECD countries was 37,5%; in Latin America, 17%; in Africa, 15,4%; and in Asia, 14,6%. In addition, while in OECD countries, direct taxes (on capital, profit and luxury assets) represent two thirds of total taxes; in Latin America, they drop to one third. The bulk of state revenues comes from consumption, labor and commerce. Unsurprisingly, poor people pay more taxes than the wealthiest, in terms of percentage of their income. For Argentina, in 1986, while the top 10% paid 27% of their total income in taxes; the bottom 10% paid 29,30% (Borón 1999: 64-6).

badly needed reform of the state-as-bureaucracy with the suicidal annihilation of state-as-legality³² (O'Donnell 1994, Borón 1999).

In fact, much of what neo-liberalism called “state reform” since the early days of 1982, boils down to “fiscal discipline” in order to “honor the services of the debt”. This enabled “Washington” to almost determine public expenditure priorities and rationality –cutting social programs across the board and eliminating subsidies. In Argentina, for example, until the 2002 default, the budget law included a clause saying that any budget item could be reduced, except the service of the external debt (Borón 2000b:167). The debt however only perpetuates itself by increasing at exponential rates. According to Veltmeyer, Petras and Vieux (1997:18) after the region paid 148 billion dollars, the outstanding accumulated debt had increased from 64 billion dollars in 1980 to over 120 billion dollars in 1994. For the case of Argentina, when the country entered the highly praised Brady Plan, it owed 62.000 million dollars. After having paid all agreed upon installments of the Brady Plan, Argentina owed 140.000 million dollars.

Radical disembeddedness

We know since Weber that the separation of “economy” and “society” is a key feature of the modern social condition. As we discussed, however, neo-classical economists radicalize this trend when grounded in grand abstractions and pure mathematical fictions –inclined “to take the things of logic for the logic of things” (Bourdieu 1998) and disregard conflict, struggle, resistance and deprivation. For Williamson, “good” (not idiot) economics was concerned with competition and efficiency that lead to growth. Economic policy is *not* social policy. After a few years of Washington Consensus, when the miracle was not coming, some accepted the idea of “adding” a complement of

³² Looking at parts of Northern Brazil, Perú and Argentina, O'Donnell (1994) argues that states became unable to regulate social life in an effectively and even fashion leading to circuits of private power (often “sultanistic”, or “neo-feudal”) that are inconsistent, if not antagonistic, with the democratic legality that supposedly regulates the national territory.

social reform to economic reform. “Poverty alleviation”, “the social component” could be *added* as complements, but not *alter* the core of economic reform.

In this context, non-governmental organizations (NGOs) play a key role³³. In 1982, the World Bank set up a NGO-Bank committee to foster discussions with the “NGO community”. Since 1988, it systematically integrates NGOs into its work (Veltmeyer and Petras 1997). When the neo-liberal state decreases its capacity to provide social services and social insurance (no matter how meager they might have been before) NGOs play a sort of “substitute” role here³⁴. The World Bank readily admits that these programs, a sort of “social adjustment”, contribute to somehow substitute hitherto state-funded services, while help create “political support” for neo-liberal reform. Therefore, the new ideological linchpin is “citizen’s responsibilities” as opposed to “mere” rights (Schild 1998). In practice, this means that what used to be (at least in principle) universal social rights to health-care, education, housing and social security, to name some, become “targeted programs” for “targeted beneficiaries” (Borón 2000b), as the following figures suggest.

Infamous outcomes, successful stories

“The trajectory of different statistical measures of inequality during the last thirteen years account for a convergence among [Latin American] countries towards patterns of increased inequity in the distribution of income. This trend is seen even in economies that historically had had lower levels of inequality in the region. They have been gradually losing their advances in redistribution.... The high levels of concentration are, to a big extent, due to the high percent of resources in hands of the top 10% of households –feature that distinguishes the Latin American income distribution in the international context” (CEPAL 2004: 41, my translation)

In 1980, 40.5% of Latin American population lived below the poverty line. In 2002, this figure grew to 44.0% (after being 48.3% in 1990; and 43.5% in 1997). In Argentina, the “poster child” of the

³³ While critics of NGOs refer to a process of “downloading government”, defenders strive to show their emancipatory and democratizing potential, as civil society organizations. I cannot make justice to this debate here –whose “resolution” might likely find truth in both sides. Rather, I want to highlight the fact that especially the so-called “development NGOs” play into the anti-state bias of the neo-liberal discourse and its view of “society” as alienated from “economy”.

IMF, in 1990 (before the neo-liberal “surgery without anesthesia” as President Menem used to say) 21.2% of the population lived below the poverty line; in 2002 that figure almost doubled to 41.5% (after being 19.7% in 1999). (CEPAL 2004: 5-9). In 2002, Latin America remained the region, and Brazil the country with highest Gini coefficient³⁵ in the world: 0.64, followed by Argentina: 0.59 (United States scores 0.38) (CEPAL 2004:44). In 1998, in Brazil, average income after taxes of corporate executives was 93 times higher than the national per capita income; 45 times higher in Mexico; 39 in Argentina -in Canada, France and Germany, this figure is 7; in Sweden, 4 (Vilas 1998: 194 in Borón 2000b)

Statistical figures (which could go on for hundreds of pages) are far from capturing the complexity of harm inflicted, deprivation created, and suffering lived experience of millions. Statistical figures are a cold, succinct and mutilated language with which we understand neither processes nor meaning. But they are still a language for narrating the social world. Unfortunately, in this case, statistical figures narrate a story of success. The injustice, obscene inequality, social disintegration and violence that we guess from the figures above were not unintended consequences of neo-liberalism. As we discussed above, inequality for competition was a goal to pursue, social protection an enemy to combat, and social justice a mirage to get rid of through neo-classical enlightenment. Therefore, neo-liberalism might have not fulfilled its promise of stable economic growth or ending the debt in Latin America, but it succeeded in creating a neo-Darwinist world that sorts out the “capable-and-competitive wheat from the incapable-and-noncompetitive chaff...and constructs different life courses for each” (Fraser 2003: 169), as I discuss in the final section.

³⁴ For example, the so called “solidarity investment funds” like the Chilean FOSIS (Fondos de Solidaridad e Inversión Social), which relies heavily in the knowledge and work of NGOs, aims to help the poor and the marginalized access the market by financing small social and economic infrastructure.

³⁵ Measures income inequality among households, ranging from 0.0 as total equality and 1.0 as maximum inequality

V. DUAL TYPE: “THE FIT” AND “THE UNFIT” SUBJECT OF THE NEO-LIBERAL SOCIETY

If Fordist governmentality sought to produce “a new type of worker and a new type of man”, neo-liberal governmentality envisioned and regulated a *dual* type of subject. Fordist governmentality sought to rationalize the factory, the family, the community, leaving no social domain behind the scope of rational control, with the *modus operandi* of individual self-regulation. Because of the massive scale of Fordist production and consumption, the Fordist “promotion of self-regulation” needed to reach out to *all* –it was thus, at least in principle, inclusive and universal. Because Fordist governmentality revolved around self-regulation and self-policing, it promoted individual’s autonomy more than external coercion or repression (Fraser 2003)³⁶.

Neo-liberalism left behind the universal and inclusive aspiration and altered the nature of the self-regulation. The shrink of the welfare state and the transit from socialized to individualized social security led to a much more marketized, decentralized and dispersed governmentality (Fraser 2003). As public schooling gives way to voucher-education, or personalized pension funds replace universal and redistributive-among-ages retirement insurance, social security becomes an individual responsibility, and clients are turned into customers.

Prior areas of expertise about human life and human conduct are penetrated by the calculative regimes of accounting and financial management. Budget discipline, auditing and sound accounting procedures become authoritative criteria for decision-making in areas as diverse as health care and university hiring practices -overruling opinions and knowledges hitherto seen as legitimate (Rose 1996). Rather than government non-intervention, neo-liberalism turned into “government at a distance”, or rather de-statized, marketized government where “a whole array of organizational forms

³⁶ The debate about how oppressive or potentially emancipatory the fordist mode of self-regulation (and Foucaultian discipline) was, goes beyond the limits of my discussion. As I suggest following Fraser, we should not be too quick to disregard a potential progressive thrust in its promotion of autonomy and, at least in principle, its universal thrust. For this discussion see Fraser (1989a).

and technical methods [...] extend the field within which a certain kind of economic freedom might be practiced in the forms of personal autonomy, enterprise and choice” (Barry, Osborne and Rose 1996: 10)

Therefore, the (fit) subject of neo-liberal governmentality is neither what Foucault elaborated as the Victorian subject of individualizing normalization, nor the Fordist subject of collective welfare - the subject of needs that are interpreted with and taken care of by the frame of social rights. The new subject of neo-liberal governmentality is an actively responsible subject obliged to enhance the quality of her life through her own decisions (Fraser 2003). The new subject of neo-liberal governmentality must entrepreneurally fashion her overall personal development through wider and deeper relations to the marketplace (Schild 1998). Social rights and social services in health care, education, and social security increasingly become commodities to be traded, services to be consumed, market choices to be made and personal risks to be undertaken by individual agents. Neo-liberalism exacerbates the market logic of commodification of social relations, welfare state devolution, and enterprise culture (Wacquant 2001) to an extent that makes Marx’s 1848 description about “no other nexus between man and man than naked self-interest, than callous ‘cash payment’ (Marx 1848: 475), unbelievably contemporary.

This highly self-propelled and marketized subject is of course only part of the story –or better say, the part of neo-liberal governmentality that produces the *fit* subject. Recall the “infamous outcomes and successful stories” and the immense deterioration of material conditions of life that we only begin to grasp when we look at socioeconomic indicators. Neo-liberal governmentality also produces the “unfit” subject –the impoverished, the newly deprived that is added to the old poor, the homeless, the recently urban unemployed, the dispossessed peasant, the useless and redundant for the neo-liberal capitalist game, the one who cannot afford individualized risk and marketized social security. And if the “unfit” develops a contentious identity, neo-liberal governmentality regulates her

through criminalization, overt and covert repression, and even militarization –as the Argentine³⁷, Bolivian³⁸, among other Latin American, and US³⁹ cases show. In other words, when dealing with the unfit subject, rather than shrinking, the neo-liberal state augments (and even becomes hypertrophic). The invisible hand of the de-regulated market weds the iron fist of the omnipresent repressive and punitive state (Wacquant 2001).

VI. CONCLUSION

I do believe with Polanyi that since the Industrial Revolution, social history oscillates like a pendulum between two poles: a self-regulating market and state mechanisms of social protection. Today, especially in Latin America, neo-liberalism is not commonsensical anymore. The politician that I quoted in the Introduction might have already made his *mea culpa*. Center left governments⁴⁰ all over the region are, at least trying, to distance themselves from the neo-liberal orthodoxy –in part because of the pressure from social movements activated in the worst neo-liberal days. However, if we are to collectively avoid the all-too-human trend of compulsion to repetition in the next swing of the

³⁷ In Argentina, since the early 1990s, after experiencing the combination of privatization and social state retrenchment, ordinary people (many with no past of political activism or affiliation) began to innovate protest. Unemployed of former public companies, with neither insurance nor hope of new jobs began to blockade roads, take over streets, plazas and governmental buildings. If we look closely at the death toll and injured people, it is clear that open physical violence was a state response rather than a political tool deployed by *piqueteros* (Auyero 2002).

³⁸ In Bolivia, “water war” and “gas war” are not metaphors. When the neo-liberal state, following World Bank “recommendations”, decided to privatize water and gas services (which turned them into almost luxury commodities –with rate increases of 200%), once-again-dispossessed indigenous and white-mestizo populations rebelled. The fact that the popular victory was unprecedented (including the cancellation of the water privatization, the eviction of the giant corporation Bechtel (Schutz 2003); the fall of a neo-liberal President, the call for a binding referendum to deal with privatization and export of gas, and the revision of the Hydrocarbon Law (Mamani Rodriguez 2003) does not erase the overt violence suffered by the people. Figures vary but roughly one hundred seemed to have been murdered by the military and police, and a few hundreds injured (Solón 2004).

³⁹ According to Wacquant (1997,2001,2002), the “hyperghetto” and the “carceral- assistential complex” speak of a shift from the social to the penal management of (black) poverty. The post-Fordist, “de-regulated” and service-intensive US economy, coupled with the transit from an already meager (for First World standards) welfare regime to a welfare-workfare that slashes social aid while it pushes recipients to low wage jobs, and thus buttresses casual labor, makes the black ghetto turn into hyperghetto. The hyperghetto left behind the social and structural integration that the 1950s ghetto enjoyed with its robust fabric of social institutions (black press, churches, lodges, political organizations) and became symbiotic of the prison –a warehouse and ‘great confinement’ of the rejects of market society. In the words of Wacquant: “the handling of the ‘underclass’ question by the prison system at the close of the 20th century is key to fashioning the visage of the post-Keynesian state in the 21st” (2001: 98).

pendulum, we need to understand the political economy of the “truth” that organized much of Latin American collective life during the last quarter of the 20th century.

Following Foucault, in this paper I have analyzed the discourse of neo-liberalism as a power-knowledge regime and a type of governmentality that emerged in the midst of the Bretton Woods order, under the Keynesian-Fordist social contract. Its patient intellectual pioneers, who gathered in the *Mont Pelerin* Society, did not hesitate to elaborate on a set of intransigent principles that ran counter to the egalitarianism and solidarity embedded in both socialism and Keynesianism.

Neo-liberalism is an *anti-egalitarian and anti-redistributive* discourse rooted in utilitarian philosophy and neo-classical economics. Along this tradition, the discourse begins with the atomistic notion of *homo oeconomicus*, a rational utility maximizer, and builds up to higher levels of aggregation without problematizing conflicts and power struggles. While for social theory, scarcity is the source of struggle over material and symbolic resources, for neo-classical economics, the principle of scarcity leads to complex harmonizing mechanisms that organize social life. *Homo oeconomicus* is a de-historicized and universal principle of explanation –which neo-classicals extend from the economy to all of human behavior.

But, I have argued that once the premise of the individual as utility maximizer is accepted, the moral and practical problem of how is society (and economy) possible comes to the fore. While utilitarians like Bentham developed the solution of an *artificial* identification of interests, I have focused on thinkers that underpin the neo-liberal discourse -Smith, Walras and Hayek, who theorized the *natural* identification of interests. Smith envisioned an invisible hand for society to come together; Walras elaborated the general equilibrium theory, and Hayek insisted on economic freedom as the mother of all types of freedom (political, personal). For all of them, a social regulator was needed: competition needed to function unobstructed. Bringing back in the political language that neo-

⁴⁰ I mean Chavez in Venezuela, Lula in Brazil, Kirchner in Argentina, Tabare Vazquez in Uruguay, Lagos in Chile and Evo Morales (not President but certainly most important politician) in Bolivia.

classicals had left behind their mathematical idioms, Hayek insisted that the state needed to focus on a “carefully thought of legal framework” to guarantee private property and freedom of contract. Neo-liberals sought to redefine the relation between the state and the market - aspiring to make not just the state, but the whole of society, a mirror of the economic domain.

Therefore, neo-liberalism *appears to be anti-statist*. But I have sought to point out a web of regulations that were put in place when political opportunities opened up. The so-called Fordist crisis of capitalism and the somehow related Latin American debt crisis enabled the neo-liberal discourse to come out of the closet of academia and embody organic programs of reform. Since the debt crisis and in the context of financial globalization, neo-classical US-trained economists have been occupying key positions at the global level, researching and directing the work of global financial institutions, and at the national level, as top policy-makers. An immense amount of state regulations and norms was generated from those locations to implement the Washington Consensus, and the “Chicago boys” were endowed with the scientific truth to delimit what was doable and thinkable. Reforms of the state-as-bureaucracy were badly needed, but the neo-liberal prescription of “de-regulation” and a wild wave of privatizations, only ended up producing anemic entities unable to support economic growth –let alone, redistributive justice. And perverse privatizations have *asphyxiated much of public life* –in some cases draining public assets and transferring wealth to few private monopolies, and alienating settings where to live civic life and advance public spheres.

I have tried to argue that neo-liberal governmentality goes beyond the state and regulates *a dual type of subject*. With a logic of excessive commodification, hitherto (quasi) universal rights to health care, education, and social security, became commodities to be traded, services to be consumed, market choices to be made and personal risks to be undertaken by individual agents. The “entrepreneurally competitive and fit” subjects are expected to govern themselves by permanently enhancing the quality of their lives through their own decisions and deeper connections to the market. The impoverished, dispossessed, “noncompetitive unfit types” are sometimes targeted as beneficiaries

of belatedly added and restricted social programs, or, especially if they develop contentious identities, criminalized and repressed –like the Argentine, Bolivian and so many other cases, tell. Neo-liberal governmentality combines the invisible hand of the self-regulating market for the fit and self-regulating individual, with the iron fist of the repressive state for the unfit subject. Neo-liberalism might have not succeeded in restoring stable economic growth, or ending the Latin American external debt. However, neo-liberalism succeeded in creating the neo-Darwinist social world it had envisioned.

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