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The Neoliberal State

The role of the state in neoliberal theory is reasonably easy to define. The practice of neoliberalization has, however, evolved in such a way as to depart significantly from the template that theory provides. The somewhat chaotic evolution and uneven geographical development of state institutions, powers, and functions over the last thirty years suggests, furthermore, that the neoliberal state may be an unstable and contradictory political form.

The Neoliberal State in Theory

According to theory, the neoliberal state should favour strong individual private property rights, the rule of law, and the institutions of freely functioning markets and free trade.[1] These are the institutional arrangements considered essential to guarantee individual freedoms. The legal framework is that of freely negotiated contractual obligations between juridical individuals in the marketplace. The sanctity of contracts and the individual right to freedom of action, expression, and choice must be protected. The state must therefore use its monopoly of the means of violence to preserve these freedoms at all costs. By extension, the freedom of businesses and corporations (legally regarded as individuals) to operate within this institutional framework of free markets and free trade is regarded as a fundamental good. Private enterprise and entrepreneurial initiative are seen as the keys to innovation and wealth creation. Intellectual property rights are protected (for example through patents) so as to encourage technological changes. Continuous increases in productivity should then deliver higher living standards to everyone. Under the assumption that 'a rising tide lifts all boats', or of 'trickle down', neoliberal theory

holds that the elimination of poverty (both domestically and worldwide) can best be secured through free markets and free trade.

Neoliberals are particularly assiduous in seeking the privatization of assets. The absence of clear private property rights—as in many developing countries—is seen as one of the greatest of all institutional barriers to economic development and the improvement of human welfare. Enclosure and the assignment of private property rights is considered the best way to protect against the so-called 'tragedy of the commons' (the tendency for individuals to irresponsibly super-exploit common property resources such as land and water). Sectors formerly run or regulated by the state must be turned over to the private sphere and be deregulated (freed from any state interference). Competition—between individuals, between firms, between territorial entities (cities, regions, nations, regional groupings)—is held to be a primary virtue. The ground-rules for market competition must be properly observed, of course. In situations where such rules are not clearly laid out or where property rights are hard to define, the state must use its power to impose or invent market systems (such as trading in pollution rights). Privatization and deregulation combined with competition, it is claimed, eliminate bureaucratic red tape, increase efficiency and productivity, improve quality, and reduce costs, both directly to the consumer through cheaper commodities and services and indirectly through reduction of the tax burden. The neoliberal state should persistently seek out internal reorganizations and new institutional arrangements that improve its competitive position as an entity vis-à-vis other states in the global market.

While personal and individual freedom in the marketplace is guaranteed, each individual is held responsible and accountable for his or her own actions and well-being. This principle extends into the realms of welfare, education, health care, and even pensions (social security has been privatized in Chile and Slovakia, and proposals exist to do the same in the US). Individual success or failure are interpreted in terms of entrepreneurial virtues or personal failings (such as not investing significantly enough in one's own human capital through education) rather than being

attributed to any systemic property (such as the class exclusions usually attributed to capitalism).

The free mobility of capital between sectors, regions, and countries is regarded as crucial. All barriers to that free movement (such as tariffs, punitive taxation arrangements, planning and environmental controls, or other locational impediments) have to be removed, except in those areas crucial to 'the national interest', however that is defined. State sovereignty over commodity and capital movements is willingly surrendered to the global market. International competition is seen as healthy since it improves efficiency and productivity, lowers prices, and thereby controls inflationary tendencies. States should therefore collectively seek and negotiate the reduction of barriers to movement of capital across borders and the opening of markets (for both commodities and capital) to global exchange. Whether or not this applies to labour as a commodity is, however, controversial. To the degree that all states must collaborate to reduce barriers to exchange, so co-ordinating structures such as the group of advanced capitalist nations (the US, Britain, France, Germany, Italy, Canada, and Japan) known as the G7 (now the G8 with the addition of Russia) must arise. International agreements between states guaranteeing the rule of law and freedoms of trade, such as those now incorporated in the World Trade Organization agreements, are critical to the advancement of the neoliberal project on the global stage.

Neoliberal theorists are, however, profoundly suspicious of democracy. Governance by majority rule is seen as a potential threat to individual rights and constitutional liberties. Democracy is viewed as a luxury, only possible under conditions of relative affluence coupled with a strong middle-class presence to guarantee political stability. Neoliberals therefore tend to favour governance by experts and elites. A strong preference exists for government by executive order and by judicial decision rather than democratic and parliamentary decision-making. Neoliberals prefer to insulate key institutions, such as the central bank, from democratic pressures. Given that neoliberal theory centres on the rule of law and a strict interpretation of constitutionality, it follows that conflict and opposition must be mediated through the courts. Solutions and

remedies to any problems have to be sought by individuals through the legal system.

Tensions and Contradictions

There are some shadowy areas as well as points of conflict within the general theory of the neoliberal state. First, there is the problem of how to interpret monopoly power. Competition often results in monopoly or oligopoly, as stronger firms drive out weaker. Most neoliberal theorists consider this unproblematic (it should, they say, maximize efficiency) provided there are no substantial barriers to the entry of competitors (a condition often hard to realize and which the state may therefore have to nurture). The case of so-called 'natural monopolies' is more difficult. It makes no sense to have multiple competing electrical power grids, gas pipelines, water and sewage systems, or rail links between Washington and Boston. State regulation of provision, access, and pricing seems unavoidable in such domains. While partial deregulation may be possible (permitting competing producers to feed electricity into the same grid or run trains on the same tracks, for example) the possibilities for profiteering and abuse, as the California power crisis of 2002 abundantly showed, or for deadly muddle and confusion, as the British rail situation has proven, are very real.

The second major arena of controversy concerns market failure. This arises when individuals and firms avoid paying the full costs attributable to them by shedding their liabilities outside the market (the liabilities are, in technical parlance, 'externalized'). The classic case is that of pollution, where individuals and firms avoid costs by dumping noxious wastes free of charge in the environment. Productive ecosystems may be degraded or destroyed as a result. Exposure to dangerous substances or physical dangers in the workplace may affect human health and even deplete the pool of healthy labourers in the workforce. While neoliberals admit the problem and some concede the case for limited state intervention, others argue for inaction because the cure will almost certainly be worse than the disease. Most would agree, however, that if there are to be interventions these should work through market

mechanisms (via tax impositions or incentives, trading rights of pollutants, and the like). Competitive failures are approached in a similar fashion. Rising transaction costs can be incurred as contractual and subcontractual relations proliferate. The vast apparatus of currency speculation, to take just one example, appears more and more costly at the same time as it becomes more and more fundamental to capturing speculative profits. Other problems arise when, say, all competing hospitals in a region buy the same sophisticated equipment that remains underutilized, thus driving up aggregate costs. The case here for cost containment through state planning, regulation, and forced co-ordination is strong, but again neoliberals are deeply suspicious of such interventions.

All agents acting in the market are generally presumed to have access to the same information. There are presumed to be no asymmetries of power or of information that interfere with the capacity of individuals to make rational economic decisions in their own interests. This condition is rarely, if ever, approximated in practice, and there are significant consequences.[2] Better informed and more powerful players have an advantage that can all too easily be parlayed into procuring even better information and greater relative power. The establishment of intellectual property rights (patents), furthermore, encourages 'rent seeking'. Those who hold the patent rights use their monopoly power to set monopoly prices and to prevent technology transfers except at a very high cost. Asymmetric power relations tend, therefore, to increase rather than diminish over time unless the state steps in to counteract them. The neoliberal presumption of perfect information and a level playing field for competition appears as either innocently utopian or a deliberate obfuscation of processes that will lead to the concentration of wealth and, therefore, the restoration of class power.

The neoliberal theory of technological change relies upon the coercive powers of competition to drive the search for new products, new production methods, and new organizational forms. This drive becomes so deeply embedded in entrepreneurial common sense, however, that it becomes a fetish belief: that there is a technological fix for each and every problem. To the degree that this takes hold not only within corporations but also within the state

apparatus (in the military in particular), it produces powerful independent trends of technological change that can become destabilizing, if not counterproductive. Technological developments can run amok as sectors dedicated solely to technological innovation create new products and new ways of doing things that as yet have no market (new pharmaceutical products are produced, for which new illnesses are then invented). Talented interlopers can, furthermore, mobilize technological innovations to undermine dominant social relations and institutions; they can, through their activities, even reshape common sense to their own pecuniary advantage. There is an inner connection, therefore, between technological dynamism, instability, dissolution of social solidarities, environmental degradation, deindustrialization, rapid shifts in time–space relations, speculative bubbles, and the general tendency towards crisis formation within capitalism.[3]

There are, finally, some fundamental political problems within neoliberalism that need to be addressed. A contradiction arises between a seductive but alienating possessive individualism on the one hand and the desire for a meaningful collective life on the other. While individuals are supposedly free to choose, they are not supposed to choose to construct strong collective institutions (such as trade unions) as opposed to weak voluntary associations (like charitable organizations). They most certainly should not choose to associate to create political parties with the aim of forcing the state to intervene in or eliminate the market. To guard against their greatest fears—fascism, communism, socialism, authoritarian populism, and even majority rule—the neoliberals have to put strong limits on democratic governance, relying instead upon undemocratic and unaccountable institutions (such as the Federal Reserve or the IMF) to make key decisions. This creates the paradox of intense state interventions and government by elites and 'experts' in a world where the state is supposed not to be interventionist. One is reminded of Francis Bacon's utopian tale *New Atlantis* (first published in 1626) where a Council of Wise Elders mandates all key decisions. Faced with social movements that seek collective interventions, therefore, the neoliberal state is itself forced to intervene, sometimes repressively, thus denying the very freedoms it is supposed to uphold. In this situation, however, it can

marshal one secret weapon: international competition and globalization can be used to discipline movements opposed to the neoliberal agenda within individual states. If that fails, then the state must resort to persuasion, propaganda or, when necessary, raw force and police power to suppress opposition to neoliberalism. This was precisely Polanyi's fear: that the liberal (and by extension the neoliberal) utopian project could only ultimately be sustained by resort to authoritarianism. The freedom of the masses would be restricted in favour of the freedoms of the few.

The Neoliberal State in Practice

The general character of the state in the era of neoliberalization is hard to describe for two particular reasons. First, systematic divergences from the template of neoliberal theory quickly become apparent, not all of which can be attributed to the internal contradictions already outlined. Secondly, the evolutionary dynamic of neoliberalization has been such as to force adaptations that have varied greatly from place to place as well as over time. Any attempt to extract some composite picture of a typical neoliberal state from this unstable and volatile historical geography would seem to be a fool's errand. Nevertheless, I think it useful to sketch in some general threads of argument that keep the concept of a distinctively neoliberal state in play.

There are two arenas in particular where the drive to restore class power twists and in some respects even reverses neoliberal theory in its practice. The first of these arises out of the need to create a 'good business or investment climate' for capitalistic endeavours. While there are some conditions, such as political stability or full respect for the law and even-handedness in its application, that might plausibly be considered 'class neutral', there are others that are manifestly biased. The biases arise in particular out of the treatment of labour and the environment as mere commodities. In the event of a conflict, the typical neoliberal state will tend to side with a good business climate as opposed to either the collective rights (and quality of life) of labour or the capacity of the environment to regenerate itself. The second arena of bias arises because, in the event of a conflict, neoliberal states typically favour

the integrity of the financial system and the solvency of financial institutions over the well-being of the population or environmental quality.

These systematic biases are not always easy to discern within the welter of divergent and often wildly disparate state practices. Pragmatic and opportunistic considerations play an important part. President Bush advocates free markets and free trade but imposed steel tariffs in order to bolster his electoral chances (successfully, it turned out) in Ohio. Quotas are arbitrarily placed on foreign imports to assuage domestic discontents. Europeans protect agriculture while insisting upon free trade in everything else for social, political, and even aesthetic reasons. Special interventions of the state favour particular business interests (for example armaments deals), and credits are arbitrarily extended from one state to another in order to gain political access and influence in geopolitically sensitive regions (such as the Middle East). For all these sorts of reasons it would be surprising indeed to find even the most fundamentalist of neoliberal states cleaving to neoliberal orthodoxy all of the time.

In other instances we may reasonably attribute divergences between theory and practice to frictional problems of transition reflecting the different state forms that existed prior to the neoliberal turn. The conditions that prevailed in central and eastern Europe after the collapse of communism were very special, for example. The speed with which privatization occurred under the 'shock therapy' that was visited upon those countries in the 1990s created enormous stresses that reverberate to this day. Social democratic states (such as those in Scandinavia or Britain in the immediate post-war period) had long taken key sectors of the economy such as health care, education, and even housing out of the market on the grounds that access to basic human needs should not be mediated through market forces and access limited by ability to pay. While Margaret Thatcher managed to change all that, the Swedes resisted far longer even in the face of strong attempts by capitalist class interests to take the neoliberal road. Developmental states (such as Singapore and several other Asian countries), for quite different reasons, rely on the public sector and state planning in tight association with domestic and corporate (often

foreign and multinational) capital to promote capital accumulation and economic growth.[4] Developmental states typically pay considerable attention to social as well as physical infrastructures. This means far more egalitarian policies with respect to, for example, access to educational opportunities and health care. State investment in education is viewed, for example, as a crucial prerequisite to gaining competitive advantage in world trade. Developmental states become consistent with neoliberalization to the degree that they facilitate competition between firms, corporations, and territorial entities and accept the rules of free trade and rely on open export markets. But they are actively interventionist in creating the infrastructures for a good business climate. Neoliberalization therefore opens up possibilities for developmental states to enhance their position in international competition by developing new structures of state intervention (such as support for research and development). But, by the same token, neoliberalization creates conditions for class formation, and as that class power strengthens so the tendency arises (for example in contemporary Korea) for that class to seek to liberate itself from reliance upon state power and to reorient state power along neoliberal lines.

As new institutional arrangements come to define the rules of world trade—for example, the opening of capital markets is now a condition of membership of the IMF and the WTO—developmental states find themselves increasingly drawn into the neoliberal fold. One of the main effects of the Asian crisis of 1997–8, for example, was to bring developmental states more in line with standard neoliberal practices. And as we saw in the British case, it is hard to maintain a neoliberal posture externally (for example to facilitate the operations of finance capital) without accepting a modicum of neoliberalization on the inside (South Korea has struggled with exactly this sort of stress in recent times). But developmental states are by no means convinced that the neoliberal path is the right one, particularly since those states (like Taiwan and China) that had not freed up their capital markets suffered far less in the financial crisis of 1997–8 than those that had.[5]

Contemporary practices with respect to finance capital and financial institutions are perhaps the most difficult of all to recon-

cile with neoliberal orthodoxy. Neoliberal states typically facilitate the diffusion of influence of financial institutions through deregulation, but then they also all too often guarantee the integrity and solvency of financial institutions at no matter what cost. This commitment in part derives (legitimately in some versions of neoliberal theory) from reliance upon monetarism as the basis of state policy—the integrity and soundness of money is a central pinion of that policy. But this paradoxically means that the neoliberal state cannot tolerate any massive financial defaults even when it is the financial institutions that have made the bad decisions. The state has to step in and replace 'bad' money with its own supposedly 'good' money—which explains the pressure on central bankers to maintain confidence in the soundness of state money. State power has often been used to bail out companies or avert financial failures, such as the US savings and loans crisis of 1987–8, which cost US taxpayers an estimated $150 billion, or the collapse of the hedge fund Long Term Capital Management in 1997–8, which cost $3.5 billion.

Internationally, the core neoliberal states gave the IMF and the World Bank full authority in 1982 to negotiate debt relief, which meant in effect to protect the world's main financial institutions from the threat of default. The IMF in effect covers, to the best of its ability, exposures to risk and uncertainty in international financial markets. This practice is hard to justify according to neoliberal theory, since investors should in principle be responsible for their own mistakes. More fundamentalist-minded neoliberals therefore believe that the IMF should be abolished. This option was seriously considered during the early years of the Reagan administration, and Congressional Republicans raised it again in 1998. James Baker, Reagan's Secretary of the Treasury, breathed new life into the institution when he found himself faced with the potential bankruptcy of Mexico and serious losses for the main New York City investment banks that held Mexican debt in 1982. He used the IMF to impose structural adjustment on Mexico and protect the New York bankers from default. This practice of prioritizing the needs of the banks and financial institutions while diminishing the standard of living of the debtor country had already been pioneered during the New York City debt crisis. In the international

context this meant extracting surpluses from impoverished Third World populations in order to pay off the international bankers. 'What a peculiar world', Stiglitz quizzically remarks, 'in which the poor countries are in effect subsidizing the richest.' Even Chile—the exemplar of 'pure' neoliberal practices after 1975—got hit in this way in 1982–3, with the result that gross domestic product fell by nearly 14 per cent and unemployment shot up to 20 per cent in one year. The inference that 'pure' neoliberalization does not work failed to be registered theoretically, although the pragmatic adaptations that followed in Chile (as well as in Britain after 1983) opened up a field of compromises that widened the gap even further between theory and practice.[6]

The extraction of tribute via financial mechanisms is an old imperial practice. It has proven very helpful to the restoration of class power, particularly in the world's main financial centres, and it does not always need a structural adjustment crisis to work. When entrepreneurs in developing countries borrow money from abroad, for example, the requirement that their own state should have sufficient foreign exchange reserves to cover their borrowings translates into the state having to invest in, say, US Treasury bonds. The difference between the interest rate on the money borrowed (for example 12 per cent) and the money deposited as collateral in US Treasuries in Washington (for example 4 per cent) yields a strong net financial flow to the imperial centre at the expense of the developing country.

This tendency on the part of the core states like the US to protect financial interests and to stand by as they suck in surpluses from elsewhere both promotes and reflects the consolidation of upper-class power within those states around processes of financialization. But the habit of intervening in the marketplace and bailing out financial institutions when they get into trouble cannot be reconciled with neoliberal theory. Reckless investments should be punished by losses to the lender, but the state makes lenders largely immune to losses. Borrowers have to pay up instead, no matter what the social cost. Neoliberal theory should warn 'Lender, beware', but the practice is 'Borrower, beware'.

There are limits to the capacity to squeeze out surpluses from developing countries' economies. Strapped by austerity measures

that lock them into chronic economic stagnation, the prospect of their repaying debts has frequently receded into some distant future. Under these conditions, some measured losses may appear an attractive option. This happened under the Brady Plan of 1989.[7] Financial institutions agreed to write down 35 per cent of their outstanding debt as a loss in exchange for discounted bonds (backed by the IMF and the US Treasury), guaranteeing repayment of the rest (in other words creditors were guaranteed repayment of debts at the rate of 65 cents on the dollar). By 1994 some eighteen countries (including Mexico, Brazil, Argentina, Venezuela, and Uruguay) had agreed to deals that forgave them some $60 billion in debt. The hope, of course, was that this debt relief would spark an economic recovery that would permit the rest of the debt to be paid off in a timely way. The trouble was that the IMF also saw to it that all the countries that took advantage of this modicum of debt forgiveness (which many regarded as minimal in relation to what the banks could afford) were also required to swallow the poison pill of neoliberal institutional reforms. The peso crisis in Mexico in 1995, the Brazilian crisis of 1998, and the total collapse of the Argentine economy in 2001 were predictable results.

This brings us, finally, to the problematic issue of the neoliberal state's approach to labour markets. Internally, the neoliberal state is necessarily hostile to all forms of social solidarity that put restraints on capital accumulation. Independent trade unions or other social movements (such as the municipal socialism of the Greater London Council type), which acquired considerable power under embedded liberalism, have therefore to be disciplined, if not destroyed, and this in the name of the supposedly sacrosanct individual liberty of the isolated labourer. 'Flexibility' becomes the watchword with respect to labour markets. It is hard to argue that increased flexibility is all bad, particularly in the face of highly restrictive and sclerotic union practices. There are, therefore, reformists of a left persuasion who argue strongly for 'flexible specialization' as a way forward.[8] While some individual labourers may undoubtedly benefit from this, the asymmetries of information and of power that arise, coupled with the lack of easy and free mobility of labour (particularly across state borders), put labour at

a disadvantage. Flexible specialization can be seized on by capital as a handy way to procure more flexible means of accumulation. The two terms—flexible specialization and flexible accumulation—have quite different connotations.[9] The general outcome is lower wages, increasing job insecurity, and in many instances loss of benefits and of job protections. Such trends are readily discernible in all states that have taken the neoliberal road. Given the violent assault on all forms of labour organization and labour rights and heavy reliance upon massive but largely disorganized labour reserves in countries such as China, Indonesia, India, Mexico, and Bangladesh, it would seem that labour control and maintenance of a high rate of labour exploitation have been central to neoliberalization all along. The restoration or formation of class power occurs, as always, at the expense of labour.

It is precisely in such a context of diminished personal resources derived from the job market that the neoliberal determination to transfer all responsibility for well-being back to the individual has doubly deleterious effects. As the state withdraws from welfare provision and diminishes its role in arenas such as health care, public education, and social services, which were once so fundamental to embedded liberalism, it leaves larger and larger segments of the population exposed to impoverishment.[10] The social safety net is reduced to a bare minimum in favour of a system that emphasizes personal responsibility. Personal failure is generally attributed to personal failings, and the victim is all too often blamed.

Behind these major shifts in social policy lie important structural changes in the nature of governance. Given the neoliberal suspicion of democracy, a way has to be found to integrate state decision-making into the dynamics of capital accumulation and the networks of class power that are in the process of restoration, or, as in China and Russia, in formation. Neoliberalization has entailed, for example, increasing reliance on public–private partnerships (this was one of the strong ideas pushed by Margaret Thatcher as she set up 'quasi-governmental institutions' such as urban development corporations to pursue economic development). Businesses and corporations not only collaborate intimately with state actors but even acquire a strong role in writing legislation,

determining public policies, and setting regulatory frameworks (which are mainly advantageous to themselves). Patterns of negotiation arise that incorporate business and sometimes professional interests into governance through close and sometimes secretive consultation. The most blatant example of this was the persistent refusal of Vice-President Cheney to release the names of the consultative group that formulated the Bush administration's energy policy document of 2002; it almost certainly included Kenneth Lay, the head of Enron—a company accused of profiteering by deliberately fostering an energy crisis in California and which then collapsed in the midst of a huge accounting scandal. The shift from government (state power on its own) to governance (a broader configuration of state and key elements in civil society) has therefore been marked under neoliberalism.[11] In this respect the practices of the neoliberal and developmental state broadly converge.

The state typically produces legislation and regulatory frameworks that advantage corporations, and in some instances specific interests such as energy, pharmaceuticals, agribusiness, etc. In many of the instances of public–private partnerships, particularly at the municipal level, the state assumes much of the risk while the private sector takes most of the profits. If necessary, furthermore, the neoliberal state will resort to coercive legislation and policing tactics (anti-picketing rules, for example) to disperse or repress collective forms of opposition to corporate power. Forms of surveillance and policing multiply: in the US, incarceration became a key state strategy to deal with problems arising among discarded workers and marginalized populations. The coercive arm of the state is augmented to protect corporate interests and, if necessary, to repress dissent. None of this seems consistent with neoliberal theory. The neoliberal fear that special-interest groups would pervert and subvert the state is nowhere better realized than in Washington, where armies of corporate lobbyists (many of whom have taken advantage of the 'revolving door' between state employment and far more lucrative employment by the corporations) effectively dictate legislation to match their special interests. While some states continue to respect the traditional independence of the Civil Service, this condition has everywhere been under threat in the course of neoliberalization. The boundary between the state and

corporate power has become more and more porous. What remains of representative democracy is overwhelmed, if not totally though legally corrupted by money power.

Since access to the judiciary is nominally egalitarian but in practice extremely expensive (be it an individual suing over negligent practices or a country suing the US for violation of WTO rules—a procedure that can cost up to a million dollars, a sum equivalent to the annual budget of some small, impoverished countries), the outcomes are often strongly biased towards those with money power. Class bias in decision-making within the judiciary is, in any case, pervasive if not assured.[12] It should not be surprising that the primary collective means of action under neoliberalism are then defined and articulated through non-elected (and in many instances elite-led) advocacy groups for various kinds of rights. In some instances, such as consumer protections, civil rights, or the rights of handicapped persons, substantive gains have been achieved by such means. Non-governmental and grassroots organizations (NGOs and GROs) have also grown and proliferated remarkably under neoliberalism, giving rise to the belief that opposition mobilized outside the state apparatus and within some separate entity called 'civil society' is the powerhouse of oppositional politics and social transformation.[13] The period in which the neoliberal state has become hegemonic has also been the period in which the concept of civil society—often cast as an entity in opposition to state power—has become central to the formulation of oppositional politics. The Gramscian idea of the state as a unity of political and civil society gives way to the idea of civil society as a centre of opposition, if not an alternative, to the state.

From this account we can clearly see that neoliberalism does not make the state or particular institutions of the state (such as the courts and police functions) irrelevant, as some commentators on both the right and the left have argued.[14] There has, however, been a radical reconfiguration of state institutions and practices (particularly with respect to the balance between coercion and consent, between the powers of capital and of popular movements, and between executive and judicial power, on the one hand, and powers of representative democracy on the other).

But all is not well with the neoliberal state, and it is for this

reason that it appears to be either a transitional or an unstable political form. At the heart of the problem lies a burgeoning disparity between the declared public aims of neoliberalism—the well-being of all—and its actual consequences—the restoration of class power. But beyond this there lies a whole series of more specific contradictions that need to be highlighted.

1. On the one hand the neoliberal state is expected to take a back seat and simply set the stage for market functions, but on the other it is supposed to be activist in creating a good business climate and to behave as a competitive entity in global politics. In its latter role it has to work as a collective corporation, and this poses the problem of how to ensure citizen loyalty. Nationalism is an obvious answer, but this is profoundly antagonistic to the neoliberal agenda. This was Margaret Thatcher's dilemma, for it was only through playing the nationalism card in the Falklands/Malvinas war and, even more significantly, in the campaign against economic integration with Europe, that she could win re-election and promote further neoliberal reforms internally. Again and again, be it within the European Union, in Mercosur (where Brazilian and Argentine nationalisms inhibit integration), in NAFTA, or in ASEAN, the nationalism required for the state to function effectively as a corporate and competitive entity in the world market gets in the way of market freedoms more generally.
2. Authoritarianism in market enforcement sits uneasily with ideals of individual freedoms. The more neoliberalism veers towards the former, the harder it becomes to maintain its legitimacy with respect to the latter and the more it has to reveal its anti-democratic colours. This contradiction is paralleled by a growing lack of symmetry in the power relation between corporations and individuals such as you and me. If 'corporate power steals your personal freedom' then the promise of neoliberalism comes to nothing.[15] This applies to individuals in the workplace as well as in the living space. It is one thing to maintain, for example, that my health-care status is my personal choice and responsibility, but quite another when the only way I can satisfy my needs in the market is through paying exorbitant

premiums to inefficient, gargantuan, highly bureaucratized but also highly profitable insurance companies. When these companies even have the power to define new categories of illness to match new drugs coming on the market then something is clearly wrong.[16] Under such circumstances, maintaining legitimacy and consent, as we saw in Chapter 2, becomes an even more difficult balancing act that can easily topple over when things start to go wrong.

3. While it may be crucial to preserve the integrity of the financial system, the irresponsible and self-aggrandizing individualism of operators within it produces speculative volatility, financial scandals, and chronic instability. The Wall Street and accounting scandals of recent years have undermined confidence and posed regulatory authorities with serious problems of how and when to intervene, internationally as well as nationally. International free trade requires some global rules of the game, and that calls forth the need for some kind of global governance (for example by the WTO). Deregulation of the financial system facilitates behaviours that call for re-regulation if crisis is to be avoided.[17]
4. While the virtues of competition are placed up front, the reality is the increasing consolidation of oligopolistic, monopoly, and transnational power within a few centralized multinational corporations: the world of soft-drinks competition is reduced to Coca Cola versus Pepsi, the energy industry is reduced to five huge transnational corporations, and a few media magnates control most of the flow of news, much of which then becomes pure propaganda.
5. At the popular level, the drive towards market freedoms and the commodification of everything can all too easily run amok and produce social incoherence. The destruction of forms of social solidarity and even, as Thatcher suggested, of the very idea of society itself, leaves a gaping hole in the social order. It then becomes peculiarly difficult to combat anomie and control the resultant anti-social behaviours such as criminality, pornography, or the virtual enslavement of others. The reduction of 'freedom' to 'freedom of enterprise' unleashes all those 'negative freedoms' that Polanyi saw as inextricably tied in with the

positive freedoms. The inevitable response is to reconstruct social solidarities, albeit along different lines—hence the revival of interest in religion and morality, in new forms of associationism (around questions of rights and citizenship, for example) and even the revival of older political forms (fascism, nationalism, localism, and the like). Neoliberalism in its pure form has always threatened to conjure up its own nemesis in varieties of authoritarian populism and nationalism. As Schwab and Smadja, organizers of the once purely celebratory neoliberal annual jamboree at Davos, warned as early as 1996:

> Economic globalization has entered a new phase. A mounting backlash against its effects, especially in the industrial democracies, is threatening a disruptive impact on economic activity and social stability in many countries. The mood in these democracies is one of helplessness and anxiety, which helps explain the rise of a new brand of populist politicians. This can easily turn into revolt.[18]

The Neoconservative Answer

If the neoliberal state is inherently unstable, then what might replace it? In the US there are signs of a distinctively neoconservative answer to this question. Reflecting on the recent history of China, Wang also suggests that, theoretically,

> such discursive narratives as 'neo-Authoritarianism', 'neoconservatism', 'classical liberalism', market extremism, national modernization . . . all had close relationships of one sort or another with the constitution of neoliberalism. The successive displacement of these terms for one another (or even the contradictions among them) demonstrate the shifts in the structure of power in both contemporary China and the contemporary world at large.[19]

Whether or not this portends a more general reconfiguration of governance structures worldwide remains to be seen. It is, however, interesting to note how neoliberalization in authoritarian states such as China and Singapore seems to be converging with the increasing authoritarianism evident in neoliberal states such as the US and Britain. Consider, then, how the neoconservative