The Theoretical Foundations of Neoliberalism

A Foucauldian approach to F. A. Hayek's connection of neoliberalism to classical liberalism

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Thesis MA in Philosophical Perspectives on Politics
& the Economy
Leiden University
2019

Word Count: 18, 674

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INTRODUCTION

The notion of neoliberalism is a controversial topic of discourse whether in an academic cycle or on the political and economic stage. The current research's endeavour is to examine neoliberalism's theoretical foundation; its starting point and methods of development.

Specifically, F.A. Hayek, a founding figure of neoliberal thought, argues that neoliberalism is an attempt at a revival of classical liberal thought. Individual freedom and its role in free market capitalism are at its epicentre. I will argue whether the connection between neoliberalism and classical liberalism is well-founded and justifiable. If this is not the case, I will further examine Hayek's rationale or purpose in making his claim.

In order to accomplish a thorough inquiry into the connection of neoliberalism with classical liberal thought, it is paramount to define the historical context along with the multitude of definitions and approaches to the notion of neoliberalism. Following an attempt at a definition in chapter one, I will then focus on F. A. Hayek and the Mont Pelerin Society. This is significant because of the timing of its appearance and foundation in the immediate post war years and the growing influence the Austrian philosopher will have throughout the western academic and political world for the remaining twentieth century. Through Hayek's work, the initial aim of the neoliberals is revealed: the urgency of a liberal revival in accordance to classical liberal and namely British liberal thought. Hayek's argument is based on the dominance of continental liberalism and the political implications that follow, mainly referring to welfare policies, collectivism to communism and as far as Nazism.

To delve deeper into their attempt at establishing the connection of a neoliberal outlook with classical liberalism, I will dedicate the second chapter to the core concepts on which Hayek bases his analysis. The freedom of the individual and specifically the freedom understood as non-coercion by any arbitrary power is the main referral point for the Austrian philosopher. The market order holds a place of equal importance within his discourse, as it is freedom of movement within the market that Hayek focuses on. The coercion caused by the arbitrary power of the state is the reasoning behind the development of Hayek's thought process and leads him to also analyse the legal framework that should be followed, namely the Rule of Law; the general rules and regulations of the state. As it will be presented, the above are

developed in opposition to the other major pole of liberalism, continental liberalism. Hayek goes as far as to coin the first as 'true' and the second as 'false' liberalism.

By this point in my research, I will have hopefully established the necessary ground work regarding Hayek's attempt in linking neoliberalism with classical liberalism and his reasoning behind the connection, especially when referring to the core concepts of his discourse. What remains is to examine whether or not the connection is thoroughly founded or more precisely, if it follows through with its initial rationale: to set liberalism back on the right track. In order to support my argumentation, I will employ on a Foucauldian analysis of liberal governmentality. Michel Foucault's lectures on the Birth of Biopolitics given in 1979 examine the spatiotemporal period the current research focuses on, while in true Foucauldian style offers an in depth presentation of basic aspects useful or even necessary to reinforce my argument. Foucauldian governmentality is the underlining theme in the lectures, but from these, along with explicit mentions of the Hayekian discourse, a justified interpretation is offered on whether or not the connection of classical and neoliberal thought follows through. Therefore, the third chapter of my research I will present the significant content of the Birth of Biopolitics in relation to the research question by tracking the French philosopher's thoughts on liberalism to neoliberalism. A further focus on the core concepts mentioned in chapter two will be given under a Foucauldian light, while this presentation will also help examine the Hayekian rationale.

The results drawn from Foucault's evaluation vis-à-vis the foundation and the link between classical and neoliberal thought, offer a significant argument to my attempt at deconstructing Hayek's rationale. The focus neoliberals give to the economic aspect of liberalism, the economization of the non-economic (Foucault, 2008: 242), is the reason they drift away from a more rounded understanding and application of classical liberalism within the attempt of its revival. Therefore, I will conclude by arguing that the Hayekian rationale centred almost solely on the economic reveals an unavoidable rupture of the social and the political body.

The repercussions and results of this split can be fully understood in our contemporary understanding of the depoliticized individual, the subject and actor of the late neoliberal era we live in today. By referring to the birth of neoliberalism and the route of its development based on the appealing notion of freedom established as such in the age of classical liberalism, I hope I will be able to urge the reader to critically reflect upon fundamental philosophical concepts, not detached or vaguely examined, but fully engulfed and understood within our political, economic and social surroundings.

PART I

I

Defining the Neoliberal Framework

The purpose of this introductory chapter is to examine and outline the foundations of my research, in order to develop my argument on a more solid ground. The terms 'neoliberalism' and 'freedom' are open to alternative and even opposing interpretations depending on each thinker's point of view, theoretical background and school of thought. For this reason, a description of the context of the core concepts that found in the main body of the thesis, follows. Primarily, the necessity of this chapter will be highlighted by the complexity of defining the main theme of my research: neoliberalism, as a term. Next, the use of the specific philosophical background provided by F.A. Hayek will be supported with a historical contextualisation, focusing on the importance of the Mont Pelerin Society in relation to the development of neoliberalism. Finally, having analysed the philosophical and historical foundations, I will establish the connection between neoliberalism and classical liberalism, as presented mainly by Hayek. The underlying theme of the notion of freedom, which will serve as the interconnection between the abovementioned theories, will also be examined under the same circumstances, solely within the Hayekian context, due to the immensity of its philosophical content. On a closing note, the aim of this chapter is to outline the ground work for concepts that will reoccur further on in the research and not to offer a dense analysis.

i) How to define Neoliberalism

Arriving at a concise definition for neoliberalism is a complex matter: there is no simplified answer to the question what is neoliberalism? I would go as far as to argue that there is no single definition to do it justice. A plethora of conflicting opinions, theories and factors must be taken into account before attempting to offer a comprehensive and thorough definition of the term. With this in mind, I will refer to the major factors that complicate the definition. Simultaneously, I will clarify how I intend to use and develop 'neoliberalism' for the purposes of this research. As the theoretical foundations of neoliberal thought will be our focal point, I will initiate the examination of the term by glancing into its later, practical application, in order to work backwards in time to examine its theoretical roots.

First and foremost, it is important to note that neoliberalism as a term is used mostly by its opponents, referring to the current political and economic system of a global impact, as it developed from the late 1970s until today. Our contemporary times can be characterized as an era of late neoliberalism. These critical voices, mainly from the Marxist spectrum, acknowledge neoliberalism as a later phase in the capitalistic development and therefore claim that it focuses on reinforcing capital accumulation for the economic elite (Harvey, 2005: 19). The rationale of neoliberalism, as a practice and a theory, focuses on the economic aspect and behaviour of society and independent actors. More vividly, 'neoliberalism transmogrifies every human domain and endeavour, along with humans themselves, according to a specific image of the economic. All conduct is economic […] even when those spheres are not directly monetarized' (Brown, 2015, p.10). Brown, along the lines of

Foucault, redirects us to a contemporary understanding of the *homo oeconomicus,* the economic human, which becomes the subject of its own interest; its own economic, individualist gain and promotion (Foucault, 2008: 226). With immediate references to classical liberal thought and, specifically, the British tradition, the homo oeconomicus will become intrinsically bound with neoliberal understanding. The opposers of neoliberalism refer to a large variety of policies, such as the role of international institutions (IMF, World Bank et al.) and austerity measures inflicted onto the global South, to name only a couple of aspects of neoliberal practices in recent years. These practices are known to be harshly technocratic, and to promote an economic programme that disregards the immense strains on society and especially its lower classes: financial achievements become more important human prosperity.

Applied neoliberalism is referred to as the '*neoliberalization'* process and 'we must pay careful attention to the tension between the theory of neoliberalism and the actual pragmatics of neoliberalization' (Harvey, 2005: 21). This significant disambiguation is very important for the further development of our research, as we are able to see the enormity of attempting a definition which encompasses the theoretical rather than the practical aspects of neoliberalism.

To clarify the basic differentiation that is necessary for us to proceed and before excluding the neoliberalization process from our further analysis, a final reference should be mentioned vis-à-vis neoliberalism's positivist and technocratic rationale. Primarily, it is understood as 'a normative order of reason developed over three decades' (Brown, 2015: 10), which chronologically is assigned to the immediate post war years and spatially to the Western world and specifically Europe, UK and USA. The term 'neoliberalism' initially appeared in the 1930s in multiple contexts, initially as part of a general and ongoing conversation concerning the modernisation of liberal thought and was gradually established as the 'main designation of a new intellectual/political movement' (Plehwe, 2009: 12). The pro-collectivist liberal ethos was regarded as the prevailing thought in liberalism and seen as a threat to the principles of traditional liberalism (Turner, 2008: 4). This ethos is the main enemy for neoliberal thinkers, as will be mentioned further on. Collectivism and state interventionist theories, in relation to the political and economic global scene, are also directly affiliated with Keynesian policies and welfare politics following the years of the Great Depression. On the contrary, the core, the 'central values of civilization', for the founding figures of neoliberal is the fundamental importance of human dignity and individual freedom. Thus the two poles of the argument for liberalism surface: a conflict between the collectivist theories and the need to revive and renew it, sparking the conversation regarding the future of liberalism in the immediate post war years.

In summarizing an attempt at a concise definition, I support David Harvey's approach that illustrates abovementioned key points and offers some further guidelines:

> *'Neoliberalism is in the first instance a theory of political economic practices that proposes that human well-being can best be advanced by liberating individual entrepreneurial freedoms and skills within an institutional framework characterized*

by strong private property rights, free markets and free trade. The role of the state is to create and preserve an institutional framework appropriate to such practices.'[p.2]

Immediately we can observe the importance of freedom at the centre of neoliberal thought and which surpasses the spatiotemporal examination of its origins or its later application. Freedom is displayed as individual freedom of each subject separately, but also as an ability to move freely within the market, in the form of entrepreneurial development. Private-property rights, market order and the state economy are all concepts built on the notion of freedom and are understood anew, in a process, or even a necessity, to reinvent liberalism (Turner, 2008: 4-6). 'Old' liberal ideas are thus expressed as the 'true' liberal values (ibid.) and this is where our main focus is located.

Prior to examining the genesis of neoliberal theory, an important clarification is necessary. If the term neoliberalism was coined by its opponents, how do its supporters refer to it? The answer has been schematically given above. In particular, the founding figures of neoliberal thought depict themselves as 'liberals' and – more importantly – as 'true liberals'. This is to distinguish themselves from those who support 'false' continental liberal thought, collectivism or welfare liberalism. They continue to use the term 'liberalism' as the term under which they develop and express their theory, faithful to their fundamental commitment to individual freedom, while the prefix 'neo' has also been linked to their adherence to neoclassical economists and their free market principles that emerged in the late 19th century (Harvey, 2005: 20). This often is ground for confusion, or blunt misuse, of the term 'liberal' in contemporary politics, especially when used in an American or in a European context, but alas, delving into this discussion would take us far off track.

It is therefore evident, by pinpointing conflicting perspectives and alternative approaches, that defining neoliberalism simply or objectively can be a challenging task. To circumscribe the limits set for this research and in order to adequately communicate the fine lines between personal opinions, philosophical theories and political claims, the most precise appellation that I can offer to reflect the spatiotemporal period which we will be examining is 'protoneoliberalism'. I choose to devise the term 'protoneoliberalism' in order to contrast it with the use of the 'late era of neoliberalism', used by thinkers such as Harvey amongst others, that refers to the neoliberalization period. Also, with this term, I am able to refer to neoliberalism at its theoretical debut, as a substantial philosophical notion; not ab ovo, detached from its historical and philosophical continuation, but as the initial explicit formulation that will lead to a stand-alone school of thought. Therefore, protoneoliberalism in the context of this thesis will be used as it was in its first instances: as an attempt to develop a revisited formulation of liberal thought.

To conclude, the term neoliberalism carries a variety of meanings and definitions, depending on spatiotemporal factors and opposing theories and thinkers. As the focal point of my research will revolve around the relation of individual freedom within the free market and its classical liberal influence, the term neoliberalism will be used first and foremost to distinguish it from classical liberalism and not in the pejorative sense it is used by contemporary critics. With this technical clarification, and keeping the abovementioned

analysis in mind, we can proceed with a shared common level of understanding onto a thorough examination of key aspects of the content of neoliberal thought.

ii) The Mont Pelerin Society & F. A. Hayek:

Due to the diversity of characteristics that engulf neoliberalism, depending on the philosopher, economist or even their nationality, it is important to present the path the current research will follow and why. While 'protoneoliberalism' refers to the earlier stages of the theory's development, divisions and alternative approaches within it are already evident.

The most significant variation is that of Ordoliberalism. Named after the publication of the journal 'Ordo', this variation of neoliberalism was developed in post war Germany and also affected the liberal approach in France (Foucault, 2008: 103). The reasons for the alternate development of neoliberal thought refer mostly to political reasons connected to the impacts of Nazism and how the German state chose to recover in terms of governmental policies. Ordoliberal thinkers, who influence theses policies, are part of the pre war discussion regarding the state of liberal thought and the importance of its revival. For this reason, it is important to clarify the historical spatiotemporal background the current research will follow.

The choice to focus on F.A. Hayek, who is part of the American, not the Ordoliberal School, is based upon the larger influence neoliberalism had in the Western World; both theoretically in the Austrian's contemporary time and during the neoliberalization period at the end of the twentieth century. The distinction between the neoliberalization process century and the initial neoliberal theories of the mid twentieth century has been clarified and, as mentioned, should be treated with caution. However, to avoid a lengthy discussion of what neoliberalism was originally conceived as and how it was later applied, we shall focus on the first stages of the development of neoliberal theory, as introduced during the Great Depression at the Walter Lippmann Colloquium and developed more fully in the immediate post war years at Mont Pelerin. Ultimately, the period the research wishes to focus on refers to the birth of the idea of a liberal revival and will not be concern with the detailed variations of neoliberal applications, whether in Germany or in the USA.

The Great Depression in the 1930s caused doubts and fears about the continuous economic and political instability. Focusing on Europe, rather than the USA in the pre-war years, the conversation around the nature of liberalism started to arise, mainly in comparison with, or even contradiction, to socialist regimes and Keynesian theory. The publication of Walter Lippmann's 'An Inquiry into the Principles of The Good Society' in 1937, sparked the conversation about the need for revitalising liberal thought, which led to the Walter Lippmann Colloquium in Paris in 1938, organised by Louis Rougier (Foucault, 2008: 161). Lippmann's central message argued for the 'superiority of the market economy over state intervention' and this set the tone of the conference discourse, which referred to the 'pitifully weak state of liberalism' and the 'danger of collectivism' (Plewhe, 2009: 14). The participants in the Walter Lippmann Colloquium varied. There were philosophers, economists and historians from the entire western world, with the Austrian and German

intellectual thinkers at centre stage, along with French, Swiss, British and Americans. An important observation is that fifteen of these participants went on, nine years later, to be founding members of the Mont Pelerin Society, which included some of the most prominent names of early neoliberal thought (Friedrich August von Hayek, Ludwig von Mises, Michael Polanyi, Wilhelm Röpke, Alexander Rüstow et al.) (ibid.15). Although the conference was fruitful regarding the conversation around the future of liberalism, and some practical moves were initiated, such as the publication of journals, the time for neoliberalism to surface had not yet arrived.

The outbreak of World War II not only halted the growing conversation about the future of liberalism, but it also gave it a different dynamic. Specifically, Michel Foucault dedicates a large amount of his second lecture of the Birth of Biopolitics to set the 'experience of Nazism at the very heart of their reflections' regarding a liberal revival (Foucault, 2008: 106). For those involved in the discussion about the nature of liberalism, the threat was located predominately in collectivism, due to the inferior or restricting position individual freedom holds in it. As a result, socialist and communist regimes gained the status of the chief enemy. Of course, this develops parallel to the politics of the Cold War that ignited even before the end of the World War. Liberal discourse, which we must understand here as protoneoliberal discourse, associates, and even equates, the atrocities performed under Nazism with the collective planning of the USSR, as both being manifestations of totalitarianism. Without following the intriguing path of examining theoretical fallacies in such a line of thinking, a final reference to Foucault's opinion on the matter of Nazism will have to suffice. He points out that the liberals view Nazism as a truth, not the product an extreme state of crisis (ibid. 110). Specifically, they support that Nazism is a revelation of a necessary system, an unavoidable outcome, of the combination of the four elements that have retrospectively restricted the development of liberal policies in Germany. These elements are a protected economy, state socialism, economic planning and finally, Keynesian interventionism (ibid, 108-110). By adopting one of the elements, the other three are inescapable, thus superficially associating and infusing theories and policies objectively antithetical[1]. Leaving the conversation regarding the equation of Nazism with collectivism, communism or even welfare politics aside, I reassume the examination of the immediate post war years, when the discussion on the state and future of liberalism was solidified.

Friedrich Hayek, the Austrian political philosopher and economist, was one of the leading forces behind organising a second gathering of intellectuals and academics to revisit the topic discussed at the Walter Lippmann Colloquium. He assembled them in a 'sense of crisis, to discuss the intellectual revival of liberalism' (Turner, 2008: 71) at the village of Mont Pelerin, near Lake Geneva in Switzerland, from the 1st until the 10th of April, 1947 (Plewhe, 2009: 21). Hayek's aim was to unite alternative, but above all, liberal, voices in an 'attempt to promote liberal values throughout the world'.

[1] p. 110, M. Foucault, Birth of Biopolitics, 2008: 'The neo-liberals say that these elements which German economic and political history successively brought onto the scene of governmental action are economically linked to each other and if you adopt one of them you will not escape the other three'.

The significance of the Mont Pelerin Society (MPS) is that it set the foundation for neoliberal theory to be discussed, examined and developed. It presented neoliberalism to the world: initially a closed, restricted world of academics and intellectuals, who went on to occupy positions in think-tanks, universities and institutions – thus exporting their beliefs and views on the political and economic order. Their founding Statement of Aims[2] provides us with an outline of their collective thinking. It offers a general philosophical and normative presentation of core neoliberal values, revolving around the significance of economic freedom and individualism, the rule of law and order and international trade (Plewhe, 2009: 22-24). The future expansion and endeavours of the MPS, still in existence today, will not interest us further, as I mention it primarily as it was the first of many similar societies and institutions that became the force behind the advancement of neoliberal thought. We shall turn our focus to one of the founding figures, and long-serving president of the MPS, F. A. Hayek.

Hayek's opening address at the MPS's first conference immediately presents not only the principle themes of the Society's inquiries regarding the revival of liberalism, but also the core points of the Austrian's own academic interests and beliefs. Hayek acknowledges the 'great intellectual task' presented to the Pelerins: to revive liberal ideals, while 'purging traditional liberal theory of certain accidental accretions which have become attached to it in the course of time' (Hayek, 1967: 152). He also proposes the primary order of business the

[2] "Statement of Aims: A group of economists, historians, philosophers, and other students of public affairs from Europe and the United States met at Mont Pelerin, Switzerland, from April 1st to 10th, 1947, to discuss the crisis of our times. This group, being desirous of perpetuating its existence for promoting further intercourse and for inviting the collaboration of other like-minded persons, has agreed upon the following statement of aims*:*
The central values of civilization are in danger. Over large stretches of the Earth's surface the essential conditions of human dignity and freedom have already disappeared. In others they are under constant menace from the development of current tendencies of policy. The position of the individual and the voluntary group are progressively undermined by extensions of arbitrary power. Even that most precious possession of Western Man, freedom of thought and expression, is threatened by the spread of creeds which, claiming the privilege of tolerance when in the position of a minority, seek only to establish a position of power in which they can suppress and obliterate all views but their own.
The group holds that these developments have been fostered by the growth of a view of history which denies all absolute moral standards and by the growth of theories which question the desirability of the rule of law. It holds further that they have been fostered by a decline of belief in private property and the competitive market; for without the diffused power and initiative associated with these institutions it is difficult to imagine a society in which freedom may be effectively preserved.
Believing that what is essentially an ideological movement must be met by intellectual argument and the reassertion of valid ideals, the group, having made a preliminary exploration of the ground, is of the opinion that further study is desirable inter alia in regard to the following matters:

1. The analysis and exploration of the nature of the present crisis so as to bring home to others its essential moral and economic origins.
2. The redefinition of the functions of the state so as to distinguish more clearly between the totalitarian and the liberal order.
3. Methods of re-establishing the rule of law and of assuring its development in such manner that individuals and groups are not in a position to encroach upon the freedom of others and private rights are not allowed to become a basis of predatory power.
4. The possibility of establishing minimum standards by means not inimical to initiative and functioning of the market.
5. Methods of combating the misuse of history for the furtherance of creeds hostile to liberty.
6. The problem of the creation of an international order conducive to the safeguarding of peace and liberty and permitting the establishment of harmonious international economic relations.

The group does not aspire to conduct propaganda. It seeks to establish no meticulous and hampering orthodoxy. It aligns itself with no particular party. Its object is solely, by facilitating the exchange of views among minds inspired by certain ideals and broad conceptions held in common, to contribute to the preservation and improvement of the free society. *https://www.montpelerin.org/statement-of-aims/)*

conference should undertake, by examining the relationship between what is called 'free enterprise' and 'a really competitive order' to be able to 'arrive at an agreement about what kind of programme of economic policy […] we should wish to see generally accepted' (ibid.). The need to safeguard a 'free society' is emphasized, while he also describes the participants as 'good liberals', to distinguish them from those who adopt an aggressive rationalism that represents 'false', collective liberalism (ibid.154). The rule of law and the paramount significance of individual freedom and achievements are finally also included in his opening speech, which can be read as an outline of his neoliberal agenda. The vast amount of written work Hayek would go on to publish, alongside the influence and popularity he gains after his Nobel Prize win in 1974, especially in the Anglo-American political scene, is based on the ideals cited in his MPS opening speech. A full analysis of his published work that spans over half a century and expands into different disciplines (philosophy, economy, law et al) would exceed the limits of this research paper. Therefore, only an examination of a select number of texts pertinent to our key questions and inquiries will be undertaken. The notion of liberal revival and rebirth in connection with classical liberalism, and simultaneously how it is differentiated from 'false' liberalism will occupy a significant volume of my further presentation.

Before establishing the importance of the connection between neoliberalism and classical liberalism, focusing especially on the concept of individual freedom, a closing note regarding the MPS and F.A. Hayek: their goal was to alter the common understanding of these concepts mentioned, within a liberal tradition that had, as they saw it, gone astray. In their eyes, this would be an improvement or even a mission to save the world. For F. A. Hayek, 'the battle of [liberal] ideas […] would take a generation […] to be won' (Harvey, 2005: 21), while 'we must raise and train an army of fighters for freedom' (Turner, 2008: 70). Their dedication to such a cause might seem a noble task, but the corporate and institutional support for neoliberalism should keep us cautious. From the first meeting of the MPS, that was almost fully funded by Credit Swiss[3], all the way through the neoliberalization process in the late 1970s, the economic enrichment within the 'free' or limitless international market overtook the appealing and seductive ideals of individual freedom, democratic equality under the rule of law, and human dignity. When examining the basis of neoliberal thought, I firmly believe that the economic motive should inform our thinking, looking beyond the boundaries of the current research into a broader and deeper understanding of neoliberal mentality. Antonio Gramsci assists me in this notion by summarizing it concisely as 'common sense', the sense held in common, unlike the 'good sense' as a result of a critical engagement and understanding (1971: 321-43). Freedom as a concept is, through Gramscian common sense, put on a pedestal as of one of the most appealing values society should live by and thus becomes 'a button that elites can press to open the door for the masses to justify almost anything' (Harvey, 2005: 39).

[3] "The Schweizerische Kreditanstalt (today known as Credit Swiss) paid 93 percent of the total conference costs—18,062.08 Swiss francs" (Plewhe, 2009)

iii) Connecting Neoliberalism with Classical Liberalism:

> '*The state in which a man is not subject to coercion by the arbitrary will of another or others is often distinguished as 'individual' or 'personal' freedom and […] it is in this sense we are using the word freedom.'*
>
> *F. A. Hayek, Constitution of Liberty (1960), p. 58*

Non-coercion by the arbitrary will of others serves as the starting point in understanding the Hayekian notion of freedom, along with its 'loan' from late 18th and 19th century liberalism. While we might be able to refer to the works of T. H. Green and Isaiah Berlin and characterise Hayekian freedom as negative freedom, as F.A. Hayek himself has mentioned in the Constitution of Liberty[4] and elsewhere, I will follow Hayek's own trail of discourse. In order to fully comprehend the connection, or even make an attempt at seeing the continuity between, liberalism and neoliberalism, we must begin with the British liberal tradition of 'classical' and 'true' liberalism. The influence of the Scottish thinkers was paramount for the neoliberals. Smith's free-market economy, in particular, as found in the Wealth of Nations, was adopted fully by Hayek and fellow Austrians as the founding principle of neoliberal ideology, while they also acknowledged Smith as the founder of modern liberalism (Turner, 2008: 23).

Smith's theory of the free market and, subsequently his theories regarding the self-regulating market order all the way to the over-exposed theory of the invisible hand, became interwoven with the economic aspect of neoliberal thought and served as the key connection with liberalism. Freedom of exchange was seen as facilitating the advancement of the individual just as much as the maximisation of social benefits (ibid.). Furthermore, the Smithian 'night-watchman state' of a minimally invasive government was a highly appealing idea for neoliberals, as the coercion by others included state intervention or its obstruction of the individual's ability to act within the market. For coercion by the government to be kept at minimum, generally applied laws should be enacted, following the notion of the rule of law or, as found in the Austrian/ German tradition, the Rechtsstaat (Hayek, 1978: 127-128). The 'invisible hand' also played into neoliberal thought and specifically into Hayek's development of the 'self-generating spontaneous order', which was contrasted with state design and a planned economy, which, once again, would coerce or direct the individual's actions. The significance of the distinction between the public and private sphere, as a topic

[4][pp. 69-70] "6. It is often objected that our concept of liberty is merely negative. This is true in the sense that peace is also a negative concept or that security or quiet or the absence of any particular impediment or evil is negative. It is to this class of concepts that liberty belongs: it describes the absence of a particular obstacle—coercion by other men. It becomes positive only through what we make of it. It does not assure us of any particular opportunities, but leaves it to us to decide what use we shall make of the circumstances in which we find ourselves"
Including note 29 [p.69]: "The distinction between "positive" and "negative" liberty has been popularized by Thomas Hill Green, "Lecture on 'Liberal Legislation and Freedom of Contract,'" [1880] in *The Works of T. H. Green*, Richard Lewis Nettleship, ed. (3 vols.; London: Longmans, Green, and Co., 1888), vol. 3, *Miscellanies and Memoir*, pp. 365–86. The idea which is there connected mainly with "inner freedom" has since been put to many uses. Cf. Sir Isaiah Berlin, *Two Concepts of Liberty: An Inaugural Lecture Delivered Before the University of Oxford on 31 October 1958* (Oxford: Clarendon Press, 1958) [...]"

of philosophical and political debate for centuries, could not be excluded from the neoliberal discourse. The private sphere of the individual is, therefore, assured, as there are 'some set of circumstances in his environment with which others cannot interfere' (Hayek, 1960: 61), thus again equating the absence of coercion with freedom.

Placing neoliberal freedom alongside the basic principles 'on loan' from liberalism, which will be fully developed in the next chapter, what remains to be answered is why was this particular liberal tradition chosen? Hayek goes so far as to call it 'true' and 'good' liberalism, by referring to the 'classical' British tradition, and contrasting it with Continental liberalism.

The main distinction traced back to the 18th century can be attributed to two countries and major philosophical influencers: the United Kingdom and France: 'the first of these knew liberty; the second did not' as Hayek boldly stated in the Constitution of Liberty (1960: 108). He goes on to associate the latter with 'speculative and rationalistic' theories of liberty that aimed 'at a construction of a utopia, which has often been tried but never successfully' (ibid.) in reference, evidently, to the French Revolution. The emphasis continental thinkers gave to Reason, rational thought, the idea that humans and society as a whole can base their thoughts and action on logic and pure reason left Hayek unconvinced. With Descartes in mind, Hayek found that the rationalist or constructivist view led to a 'deliberate reconstruction of the whole society in accordance to the principles of reason' with a particular appeal to those of a 'strong anti-clerical, anti-religious and generally anti-traditionalist attitude' (Hayek, 1978: 126). Apart from a severely conservative viewpoint, which Hayek later tried to contradict, the implications of 'Reason with a capital R' surpass the limits of human reason. For F.A. Hayek, the individual cannot process all the possible information and knowledge available in order to make decisions based on pure rationality and logic. This firm sense of deliberation, located in continental thought, is 'crucial to understand the intellectual process that led Hayek to the political and philosophical argument against social planning' (Farrant, 2011: 2). To reason is to plan: planning sets out a predetermined outline of actions as a result of reasoning. This, seen as government planning, brings us back to the arbitrary power of the state over the individual.

British liberalism, on the other hand, developed under an empiricist, anti-contractarian theme, with the individual at its core. Hayek's main references from the 18th century were J. Locke, B. Mandeville, D. Hume, who is credited with the introduction of the notion of 'rule of law' and, of course, Adam Smith. The ability of the individual to be protected by the law so to be able to act without coercion was at the epicentre of the 'older British tradition' and was also the 'chief value' in the development of the Hayekian thought (Hayek, 1978: 119). The concept that most impacted Hayek's conscious and instrumental choice of British liberalism, however, is located in the theory of the Smithian 'invisible hand' that self-regulates the spontaneous market order without directing it. Once again, the lack of planning, on a governmental level, is the key opposition Hayek voices against rationalist continental liberalism. Human reason is 'limited and imperfect': an individual cannot possibly have a full grasp of every piece of knowledge and therefore the individual's actions are left up to the 'self-generating spontaneous order' (Hayek, 1948: 8-9).

While aware of the risks of not doing these complex ideas and concepts justice, especially as they have taken up so much space in our collective philosophical past, this brief presentation will highlight the main differences between British and Continental liberalism in the late 18th and early 19th century. At the same time, Hayek's choice about which side to support will be also clarified. The rationale behind F.A. Hayek's choice, however, opens up an intriguing or even questionable path. Hayek himself attributes the contamination of the classical British liberalism with continental constructivist ideas from the mid-19th century, when the Liberal Party in Great Britain was established as a leading political influence. The intellectual background for this 'fusion' is derived from 'Benthamite' philosophers and, later, John Stuart Mill. Mill, as a utilitarian and closer to the continental liberal tradition, developed a 'general sympathetic attitude towards socialist aspirations in some of his […] works prepared the gradual transition of a large part of the liberal intellectuals to a moderate socialism', according to Hayek (1978: 130). Mill's writings on the 'social state', the distribution of wealth and welfare policies, regardless of their liberal heritage and whether or not they impacted the British political or even socialist scene as much as Hayek suggests, open up a new path for liberalism: welfare liberal politics. In the eyes of the Pelerins, these are seen as collectivism and thus a threat to 'true' liberalism. Welfare politics are equated to totalitarian regimes that coerce the individual and deprive individuals of their freedom. This path is what led classical liberalism to its 'pitiful' state as mentioned above – a state from which Pelerins see it as their duty to revive. It must be noted however, that the evolution of liberalism in the specific British context Hayek chooses to critique, led to the formation of welfare liberalism, as seen in early twentieth century Britain. It is therefore impossible not to notice the dedication, or even guided deliberation, F. A. Hayek and neoliberals show in setting liberalism back on its 'rightful', 'true' path. Prior to further examination and interpretation of Hayek's work that may provide an insight to the Hayekian rationale we are obliged to examine the key concepts that reoccur in Hayek's attempt to reinstate the 'classical' tradition as the dominant one.

II

Core Concepts

In order to fully comprehend Hayek's rationale behind the connection of classical liberalism with neoliberalism, we must break down the major concepts 'on loan' from the classical liberal tradition and the way they are developed in the Austrian's discourse. As presented in the previous chapter, freedom, for Hayek, is the absence of coercion by the arbitrary powers of others. This coercion must be absent for each individual within society and must encompass the role the state or government has in limiting the individual's ability to move and act unfettered within the market order. In sum, individualism, market order and the rule of law are the basic principles that, not only underpin neoliberal thought from its starting point, but also form the link with classical liberalism that the protoneoliberal thinkers sought. Heavily laden with a British, rather than a continental heritage, based on theories of Smith, Hume and eighteenth century philosophers, Hayek develops these core concepts according to his own insight and as such they shall be explored in the current chapter. Initially, I will devote an important part of following chapter to the role of the individual, as neoliberal thought sets the actor at its epicentre. Using Hayekian individualism we will be able to elaborate on the distinction between British and Continental thought. A distinction Hayek himself firmly maintained throughout his lifelong work and is the basis of the neoliberal desire for the revival and rebirth of classical liberalism in opposition to the collectivist turn liberalism had thus far taken. With the significance of the individual in mind, we will be able to examine the two remaining links with classical British liberal philosophy: the role of the free market, and the rule of law. Hayek's approach to the market order focuses mainly on the Smithian theme of the self-regulating market order, and once again, has the aforementioned distinction between British and Continental thought at its centre.

Keeping in mind that the concept of lack of coercion is synonymous with individual freedom, we find it reoccurs even more prominently when Hayek explores the role of the state channelled through the rule of law, as found in the British tradition or Rechtstaat, in the German and Austrian tradition. For Hayek and neoliberal thinkers, the notion and functions of a minimal state derives from the requirement for rule of law which will safeguard the individual's freedom to move and choose within society, but does not control or plan for them. These three interconnected principles – individualism, market order and rule of law – are the key to solving the puzzle of the Hayekian rationale in linking neoliberal thought with classical liberalism. I will introduce each in turn, before moving on to a Foucauldian interpretation in the next chapter.

i. Individualism:

Hayek's focus on the individual is located in the plethora of published work that spans over forty years, reaffirming his beliefs regarding the significance of individual freedom. For this research, I will refer to two key articles written by Hayek in 1946 and 1973 which are respectively titled 'Individualism: True and False' and 'Liberalism'. These two texts

highlight the notion supported above regarding the importance of individualism and its connection with classical liberalism. The two texts also set guidelines for the other two core concepts of the market order and the rule of law. I will argue that through these articles, Hayek attempts to establish liberalism by equating it to individualism, both when referring to 18th and 19th century liberalism, as well as 20th century neoliberalism.

Initially, in 'Individualism: True and False,' Hayek aims to distinguish individualism from socialism. More specifically, the two reasons he chooses to focus on individualism are because it has 'always been known by that term, whatever else it may also have meant in different times' and to differentiate it from socialism that was 'deliberately coined to express its opposition to individualism' (Hayek, 1948: 3). At this point he also expresses the purpose of his article: to develop a system that actually 'forms an alternative to socialism' (ibid.) The threat for Hayek and his contemporaries, which has been previously examined, is visible from the first page of his article: society is 'rapidly moving from a society of free individuals toward one of a completely collectivist character' (ibid: 1).

Hayek turns to the liberal tradition to justify his bold claims and moves on to dividing, comparing and contrasting the two major liberal traditions of the eighteenth and nineteenth century, while simultaneously defining them as 'true' and 'false'- both epithets with a value laden character. In short, the 'true' individualism is attributed to the British liberal tradition, which is represented by J. Locke, B. Mandeville, D. Hume, A. Ferguson, A. Smith and Ed. Burke in the 18th century and Lord Acton and Al. De Tocqueville from the 19th century. The 'false', on the other hand, is linked with French and Continental liberal thought, mostly derived from R. Descartes, J.J. Rousseau, the Encyclopaedists and physiocrats. It is already clear that the distinction between the two types of individualism is identical to the division of liberalism into two types mentioned in chapter I. The distinction derives from the same source, the role of human reason, and concludes with the same threat of collectivism. Specifically, '*this rationalistic individualism always tends to develop into the opposite of individualism; namely socialism or collectivism. It is because only the first kind of individualism is consistent that I claim for it the name of true individualism while the second kind must probably be regarded as a source of a modern socialism as important as the properly collectivist theories* (ibid. :4).

As human reason is at the heart of the distinction between what is true and what is false, I will mention the key points in order to better comprehend Hayek's reasoning. In 'pseudo-individualism', 'Reason with a capital R' is always fully and equally available to all human beings, while for Hayek, individual reason is 'very limited and imperfect'. Therefore, an exaggerated reliance on individual reason is at hand while at the same time, a 'contempt' for whatever is not consciously designed by reason is found (ibid.: 8). In 'true individualism', the 'acute consciousness of the limitations of the individual mind', an appreciation that it has achieved what it has, 'in spite the fact that [the individual] is only partly guided by reason', induces an 'attitude of humility' (ibid.). Finally, in 'true individualism' Hayek maintains that if the individual is 'set free', in the terms of non- coercion that we have already covered, 'men will often achieve more than individual human reason could design or foresee' (ibid.: 11). This is contrasted with 'design theories [that] necessarily lead to the conclusion that

social processes can be made to serve human ends only if they are subjected to the control of individual human reason and thus lead directly to socialism' (ibid.: 10), in terms of a guided and presupposed plan. And it is this concluding point where the essence of Hayek's argument is locates: relying on human reason, of an absolute and rounded nature, is 'an abuse of reason' (Montes, 2011: 16) due to the immensity of information an individual is unable to acquire. To claim to know everything leaves individuals little leeway for spontaneity and non-coerced behaviour, especially as implemented in a social collective such as an organized state or nation.

If we delve in deeper into 'Individualism: True and False', we may find many more bold and intriguing claims by Hayek. However, in order to further our insight about his ideas on spontaneous order and the rule of law, I shall proceed with a brief overview of the other main text dealing with individualism versus collectivism. Published thirty years later, it is titled 'Liberalism' (1978). The chronological gap accentuates the continuity in the ideas Hayek focused on throughout his academic life, but also leaves room to imply a 'sense of disappointment' in his narrative, as his lifelong project of a revived liberalism had yet to be materialised (Montes, 2011: 22). Offering an alternative interpretation to Hayek's devotion to the topic, it may also be noted that by 1978 the philosopher's platform and influence had significantly grown, especially after his Nobel Prize win in 1974, and therefore his ideas would resonate better or wider than they did in 1948.

As in 'Individualism: True and False' (1948), in 'Liberalism' (1978) Hayek offers a historical and a systematic analysis of the two main liberal traditions, and makes the same distinction between the superiority and significance of British liberalism over the French and continental one. It is through the examination of this text that I am able to argue the claim initially made in the current chapter regarding Hayek's equation of liberalism with individualism. Once again, British liberal thought, 'much older than the name 'liberalism' [itself]' (Hayek, 1978: 119), is presented as the only one that 'developed a definite political doctrine' (ibid.:121). Hayek is referring to the English Whigs in mid 19th century Britain. The 'constructivist' view of Continental liberalism, again linked with 'Reason' and Descartes, focuses on the 'deliberate reconstruction of the whole society in accordance with principles of reason' (ibid.:120) and it is due to this demand of 'self-determination' that Hayek argues why continental liberal thought is 'almost identified […] with the movement of democracy' (ibid.: 121) on a historical and political level.

The article, after presenting a historical timeline of liberal notions from ancient Greece through to Rome and up to the Renaissance, moves its focus to the Scottish liberal tradition once again, with reference to D. Hume and A. Smith amongst those mentioned in 'Individualism: True and False'. Furthermore, in 'Liberalism' Hayek is able to extend his previous timeframe and discuss the interim and post-war years, as he wasn't able to do in his 1948 article. Hayek goes insofar as to examine the post-war German economy that was moving, as he viewed it, towards the dangerous area of a collective economy within the market order. He also had the chance to analyze interim and post-war years in the rest of the Western world. In both articles, regardless of their publication date, the collectivist threat, equated with socialist planned societies, is the main issue.

In the second, systematic part of the article, Hayek revisits the liberal conception of freedom, basing it on the British tradition and directly linking it with the role of the individual under the rule of law; 'law as a safeguard of freedom', seen as the general rules for individual conduct (ibid.: 134). The closing sections address highly interesting notions regarding the equality of individuals, and liberalism and democracy and, although these issues are beyond the scope of this research, they will be highlighted further on in order to assist in the interpretation that follows.

Returning to the role the individual plays in the Hayekian understanding of freedom, the significant influence of the British and more specifically the Scottish philosophers is centre stage. Most importantly, Hayek's own referral to Smith and the two main misconceptions regarding individualism assist us in better comprehending his thought process. Initially, 'the belief that individualism encourages human selfishness' must be understood in its rather more positive eighteenth century context of 'self love' and 'selfish interests', and not misconceived as 'egotism' as it is understood in a contemporary context (Hayek, 1948: 14). This reinforces the concept of the individual guided by its own interests acting within the marker order for the prosperity of the whole, as shall be examined in the next segment. Contemporary readings of self-interest, not in the sense of egotism but also distinct from eighteenth century capitalism, also include the element of competitiveness of one against another, as individuals, entrepreneurs or businesses. The phenomenon of acute competitiveness predominates in the era of late neoliberalism and therefore will not take up much of our analysis, but will be referred to in the final chapter under a Foucauldian discourse.

The second misconception, which may also serve to connect the classical British tradition with Hayek's take on liberalism, is the antirationalist presumption that 'each man knows his interests best' (ibid: 15). The 'unlimited variety of human gifts and skills and the consequent ignorance of any individual' are directly contrasted with the Continental liberal thought which gives primacy to the significance of human 'Reason with a capital R'. In challenging what he sees as a misconception, Hayek opens up an intriguing window regarding his opinions on equality: 'This argument does not assume that all men are equal in their natural endowments and capacities, but only that no man is qualified to pass final judgments on capacities which another possesses or is to be allowed to exercise' (ibid.). Understanding that Hayekian freedom means the absence of coercion exercised by other individuals, we are thus able to interpret his proposition that 'not all men are equal.' He is referring to the importance of not equating or presupposing the elements of each individual's character, skill and ability. In combination with the concept of competitiveness, equality in Hayek must also be shifted to the final chapter.

ii. Market Order:

With the individual established as the central actor of Hayek's social theory, he moves on to analyze its role within the market order. In neoliberal thinking, 'markets are sacrosanct to the functioning of the economy' (Turner, 2008: 115) and the economy is the basis of the social order (see chapter 1). More specifically, as it can be traced through Hayek's own work, the markets are perceived as being a 'part of a natural spontaneous order of civilised values and

cooperation which sustain capitalism and freedom' (Turner, 2008: 115). Notions such as competition, efficiency and productivity are central in understanding the rationale behind economic actions of individuals in neoliberalism and are those that spark the controversies in the critique of the market economy and its embedded mentality. Staying focused on F.A. Hayek's approach to the free market order, it is undeniable that this is where the major influence of classical liberalism lies. More specifically, Adam Smith's theory of the invisible hand does not merely influence Hayek's 'spontaneous order of the market', but acts as its basic foundation.

The theories, published work and opinions that derived from Adam Smith's 'invisible hand' are beyond the scope and the abilities of this research and therefore it shall restrain itself to acknowledging the significance it plays in modern political economy. The most important passage regarding the invisible hand from the Wealth of Nations is in chapter II, 'Of Restraints upon Importation from Foreign Countries of such Goods as Can Be Produced at Home,' of Book IV, 'Of Systems of Political Economy' (Montes, 2011: 26). It reads:

> *'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 may be of the greatest value, 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 no part of his intention. Nor is it always the worse for the society that it was no part of it. By pursuing his own interest he frequently promotes that of the society more effectually than when he really intends to promote it'*
> *(WN, IV, ii, 9:456)*

Breaking down the above, 'no part of his intention' is the initial crucial point in understanding Smith's theory. The unplanned action not rationally constructed and thought through, is the one that will be able to promote the well-being or improvement of society as a whole. The individual acts in its own interest, which provides motivation, while simultaneously within the spontaneity that accompanies its actions, cooperation and assistance to the whole may appear. It is within this theme that we can locate Hayek's spontaneous order, focusing on the individual acting unintentionally towards the promotion for the better good of society. For Smith, this pursuit of individual self-interest results in the collective prosperity of society and is not capable of being achieved effectively if planned by an external agent (Turner, 2008: 27).

The essence of British liberalism, manifest in Smith's philosophy, falls under the same points discussed in the two previously mentioned articles by F.A. Hayek. Especially, in 'Liberalism' (1978), Hayek praises Smith by referring to the Wealth of Nations for its importance in the 'development of modern liberalism' (Hayek, 1978: 125). Hayek goes so far to directly cite the passage regarding the 'self-generating order which formed itself spontaneously, if the individuals [are] restrained by the rules of law' (ibid: 124). In a similar spirit, thirty years prior to 'Liberalism', in 'Individualism: True and False' (1948), he refers to Smith directly when describing the market as 'the first instance where the actor contribute[s] to 'ends which were no part of his process'' (Hayek, 1948: 15). Apart from the significant role the Smithian invisible hand plays in his theory of the market order, developed in the abovementioned key texts, Hayek also refers to other thinkers of the time, who guide him to the antirationalistic,

opposed-to-planning political economic thought he is seeking. Adam Ferguson is quoted directly: 'nations stumble upon establishments which indeed are the result of *human action, but not of human design'* (Hayek, 1948:7, emphasis added) and this is a theme that Hayek fully incorporated into his efforts in reviving liberalism.

To sum up the concept of Hayekian spontaneous market order, the main observation that is made cannot overlook the initial goal of protoneoliberal thinkers: to overcome the threat of collective social planning within liberalism. Adopting the British liberal thought of the individual actor pursuing its own interest, which could contribute as much as possible to the whole society (Montes, 2011: 18), Hayek dismisses any constructivist element of central planning of the economy. As Michael Freeden notes, 'Hayek's method was ostensibly to limit the deliberate design and decontesting the concepts to those […] necessary to protect the ideas that proved adaptable and efficient in the course of history' (2006: 300). With this, Freeden refers to the development of ideas in a contemporary manner that can validate their continuity throughout the course of the liberal tradition.

Prior to examining the third and final principle of the rule of law, one last remark in order to point out the connecting link between economy and politics, in terms of governance. The spontaneous order of the self-regulating market that Hayek supports so vigorously is in need of the equivalent political and social field in order to develop. In its vagueness, the individual following its own interests, with the possibility of those interests to fall under the benefits of the whole society, leaves little room for rules. It is under these 'general rules of conduct' that the concept of the rule of law resides or subsists.

iii. Rule of Law:

> *'Our submission to general principles is necessary because we cannot be guided in our practical action by full knowledge and evaluation of consciousness. So long as men are not omniscient, the only way in which freedom can be given to the individual is by such general rules to delimit the sphere in which the decision is his'*
>
> *F.A. Hayek (1948: 19)*

Drawn from 'Individualism: True and False', the quotation above clearly shows Hayek's position regarding his social theory. The importance of the individual to act unfettered within the market is paramount, but 'rules [should] serve as signposts to the individual in making their own plans' (ibid.: 20). If we take a closer look at the initial quote, we are able to notice the major theses of Hayekian freedom within a few lines. Embracing the antirationalist tradition of the individual not being omniscient and able to fully and consciously evaluate its actions, he refers us back to the classical British tradition as his basic influence. At this point, we are introduced to the 'general rules', the 'signposts' that assist the individual in making their own decisions without coercing them or planning and designing for them.

Hayek's view on the role of the state and government is consistent throughout his published work; his two volumes on 'Law, Legislation and Liberty' in 1973 and 1976 delve more deeply into technical details of the topic. In our pre-selected articles, we find a definition of the state as 'the embodiment of deliberately organized and consciously directed power' that 'ought to be only *a small part* of a much richer organism which we call society […] and that the [state] ought to provide merely a *framework* within which *free (and therefore not consciously directed)* collaboration of men has the maximum of scope' (Hayek, 1948: 22, emphasis added). This description of the role of the state can be viewed as a concise definition of the neoliberal state that calls for lesser and minimal government, with the management of sectors such as education or healthcare carried out by the private sector. If one looks at the manifesto of the average republican politician in the USA, you would not be surprised to read something almost identical.

This concept, of generally applicable laws that minimize governmental coercion and safeguard individual freedom, is again heavily indebted to classical British liberal thought. Indeed, Hayek directly refers to David Hume as the pioneer of the liberal theory of law, who 'also provided an interpretation that would gradually emerge as the Rule of Law' in his 'History of England' (1754-1761) (Hayek, 1978: 124). Adam Smith, however, remains the main influencer in Hayek's referral to classical liberal thought. The self-regulating market order, spontaneously reproduced, is connected intrinsically with the security of a mutual adjustment of rules and regulations offered by these general principles. As Hayek himself notes in relation to the eighteenth century philosophers: 'their conception of law and their theory of the market mechanism are closely connected' (ibid.: 136). Hayek goes insofar as to develop and analyze the notion of the separation of powers in relation to the 'rules of just conduct' expanding the discussion to include the concept of justice, and distributive justice at that. Either with reference to classical liberal tradition or Hayek's own contemporary thinkers, this is a vastly interesting topic; it is mentioned in passing but will be excluded, not due to irrelevance, but due to doing the topic an injustice by not fully developing it.

As established by this point, Hayek chose to develop a revived version of liberalism based on the British rather than the continental tradition. This is not the case, however, when he approaches the rule of law. His Austrian background that heavily influenced his early work attracts him to the equivalent development of the rule of law in the German and Austrian tradition, better known as Rechtstaat. This term has its philosophical roots in Immanuel Kant's views on the Prussian-German transformation of the monarchical state into a constitutional one, where the constitutional state is the 'fundamental distinction between morality and legality' (Turner, 2008: 26). In the British theoretical tradition, individuals' autonomy is restricted only by individual conscience, and the legal order is based on a coalition of wills of private individuals that forms a moral basis for rightful legislation (Turner, 2008: 28). For Hayek, the separation of executive and legislative functions is the main reason for supporting the theory of the Rechtstaat, while the 'curtailment of state power through law and constitutional order' is what makes it the 'ideal sate form for many neoliberals' (ibid.). Philosophers, such as W. Von Humboldt, pushed the neoliberal ideal of

the Rechtstaat as far as proposing 'limiting state activity to what is absolutely necessary' (ibid. 29). In combining Humboldt's notion with the fact that Hayek himself identifies Humboldt with the British liberal thinkers of the nineteenth century rather than the German, we can observe the influence of the Austrian- German Rechtstaat within the later neoliberal field. Nevertheless, it is observed as distinct from classical eighteenth century concept of the rule of law. Furthermore, as Turner importantly observes, the role of the state and the freedom of the individual in the German tradition were later on merged with the idea of the nation and the nation state, which goes down a very different path, not only historically, but also in relation to our research and the development of the ordoliberal thought in comparison with neoliberalism.

Finally, Michel Foucault offers an interesting insight into the Rechtstaat as being the liberal state opposing to the despotism of an ordained ruler and later on against the police state (Polizeistaat) (Foucault, 2008: 168). The main analysis of the former is found in 'The Birth of Biopolitics' and focuses on the development of the legal state or state of law and/or justice. While the basis may be heavily influenced by the abovementioned Rechtstaat, the French philosopher does not fail to mention the British Rule of Law and to refer to Hayek's understanding of the legal state. According to Foucault, Hayek defends his theory of the legal state as a typical economic process developed opposed to central economic planning (ibid.: 172) and thus brings the examination of the core concepts of the Hayekian approach full circle.

In conclusion, the underlining rationale in Hayek's theoretical development has been presented, along with the major influences from classical liberalism. In order to comprehend the rationale and the solidity of the connection between classical liberalism and neoliberalism, a Foucauldian examination of the above will follow.

PART II

III

A Foucauldian approach to the Core Concepts of Neoliberalism

i. Why Foucault and 'The Birth of Biopolitics'?

Prior to undertaking a Foucauldian analysis of Hayek's attempt of a liberal revival, I find it important to note why I chose Michel Foucault and his lectures on the 'Birth of Biopolitics'. Initially, Michel Foucault's academic discourse seems to venture into a variety of fields such as philosophy, psychology and politics, but it also has the right to be seen as a stand-alone theoretical school. Specifically for the purposes of the current thesis, the most significant aspect I can attribute to Foucault is the simple fact that he alone is discussing neoliberalism in 1979. Margaret Thatcher was only elected as United Kingdom's Prime Minister one month after the end of Foucault's lectures and hers was the first democratically elected government to later implement neoliberal policies. The repercussions of the Chilean coup d'état in 1973 had yet to be acknowledged as an initial experiment of neoliberalization. That being so, the main area one would come across a conversation referring to neoliberalism or a liberal revival would be in a think tank or an academic environment, but in none was the discussion being carried out in the critical scope Foucault offers us.

Foucault therefore initiates a conversation based on the period we are examining, the pre- and immediate post-war years. He discusses the foundations of the liberal reformation and assists the development of my argument. On this point however, it should be noted that through no fault of his own, Foucault is did not fully grasp the neoliberal impact, the neoliberalization process, as mentioned by Harvey in the first chapter of this research. The knowledge we have acquired in the era of late neoliberalism is what drives the question of how neoliberalism was conceived and prompts us to look into Hayek's work as a starting point. With the assistance of Foucault's meticulous lectures, we are offered a foundation from which to examine the connection of classical liberalism with protoneoliberalism and with what purposes the latter was set up as such.

Referring specifically to the lectures on the 'Birth of Biopolitics', it is impossible to look past Foucault's own remarks on the content of the lectures: 'the year's entire course ended up being devoted entirely to what should have been an introduction' (Foucault, 2008: 317). He continues to justify the above by referring to 'biopolitics' as an 'attempt, starting from the eighteenth century, to rationalize the problems posed to the governmental practice by phenomena characteristic of a set of living beings forming a population' (ibid). However, the problems 'inseparable from the framework of political rationality' lead Foucault to focus on said political rationality: liberalism. Specifically, he 'tried to analyze "liberalism" not as a theory or an ideology […], but as a practice […] a way of doing things' directed towards

objectives and regulating itself by 'continuous reflection' throughout the centuries of its existence and practice (ibid: 318). We are therefore presented with twelve lectures regarding the art of *liberal governmentality*; 'an expression originally formulated by […] Michel Foucault combining the terms *government* and *rationality*' (Huff, 2013: 1).

Keeping in mind that the published work is based on transcripts of the actual lectures at College de France given in 1978-1979, technical issues occur. A prime example is the abovementioned: Foucault started his lectures with the topic of biopolitics in mind and ended up discussing liberalism. Also while reading the lectures we notice a lack of arithmetical consistency when listing a number of facts or stages in a thought process. Finally, he makes a note to revisit a topic in a future lecture and never does. If someone is acquainted with the Foucauldian discourse, the above comes as no surprise.

Returning to the content of the lectures and their relevance to the current research, Foucault offers distant or, perhaps even an objective, overview of the historical course liberalism undergoes. For what interest us, he focuses on the post war liberalism and the attempt at its revival, analyzing at length both Ordoliberalism and American neoliberalism. It is important to refer to the first chapter at this point, in order to point out that Foucault, by giving these lectures in France, refers to Ordoliberalism more than American neoliberalism[5], even though he is explicit about their distinctions and areas of development. However, since this research is focused on the initial formation of neoliberal thought (as defined in chapter 1), the variations in these two paths of neoliberalism do not affect my argument, as the philosopher traces the liberal roots and underlines the controversies developed between classical liberalism and 'neo-liberalism'[6].

In my understanding of the lectures, he attempts to offer a rationale behind each aspect of development: historical, political, economic and even methodological. He highlights the strengths, weaknesses and leaps in the theoretical and applied process. The 'art of liberal governmentality' is the basis of his examination and by the last chapter he reaches an answer, a proposition or simply an opinion, on necessary parameters of a liberal society. The 'civil society', as an 'art of government of the homo oeconomicus' (Foucault, 2008: 296) is not an integral part of our research and will therefore be excluded. However, the thought process followed up to the twelfth lecture, contains an immense amount of interesting and enlightening referral points.

Primarily, I will offer a historical and methodological overview of the differences between the liberal schools of thought, as well as alterations in the revival of liberalism by 20th century thinkers, with a focus on Hayek. More importantly, for the purposes of examining the

[5] Foucault tackles the differentiations in the development of Ordoliberalism and American neoliberalism more in an historical or political approach, rather than their theoretical foundation. In his own words, '*the two phenomena are not completely overlapping and cannot be superimposed on each other, although there is, of course, a whole system of exchanges and supports between them'*(ibid. 193).

[6] An important note: Foucault uses a hyphened version of neoliberalism. For the purposes of the current research, I will not be using a hyphen when referring to Foucault's neoliberalism, unless I am quoting directly from the text. The content, per Foucault's approach, falls in line with the use I intend, as analysed in the first chapter.

Hayekian connection of neoliberal with classical liberal thought, I will focus on the core concepts analysed in chapter 2: liberalism, with the individual at its centre; the market order; and the rule of law. Through Foucault's approach we can observe the different dynamics referring to the historical standing points, theoretical approaches and political and economic circumstances.

Following this point in my research, I will have arrived at an understanding of the role the homo oeconomicus plays in whether or not neoliberalism can be comprehended as a renewed version of classical liberalism, engulfing the role of the state, the understanding of the market order and the role of the individuals as enterprises. It is at the end of a Foucauldian examination of Hayek's neoliberal construction that we can attempt to discuss, or even dispute, his rationale and purposes of a connection with classical liberalism.

ii. Liberal Governmentality in the 'Birth of Biopolitics': From classical to 'neo'

By the second lecture, Foucault's initial aim to discuss 'biopolitics' has turned into an examination of rationality as the art of government, the self-limitation of governmental reason, thus equating the 'question of the frugality of the government' with the 'question of liberalism' itself (Foucault, 2008: 20, 29). The modern form of the governmental self-limitation is located in the eighteenth century and it is from this point the philosopher begins his narration. For brevity, the philosopher discusses classical liberal governmentality as opposed to the reason d'état which we have identified as continental liberal thought. Focusing on the development of classical liberalism, which is our objective, Foucault relates it to an economic variant of liberalism, 'through the game of competition' and an 'unlimited economic development' (ibid. 54). The economic foundation of the modern form of government and state may be concisely summed up as such: *'a complex interplay between individual and collective interests, between social utility and economic profit, between the equilibrium of the market and the regime of public authorities, between basic rights and the independence of the governed' (ibid. 44).*

Apart from the economic pragmatics that we will be able to delve into in detail when referring to the market order, the key concept in liberalism is none other than freedom itself: freedom as a relation between the governors and the governed. However, Foucault offers a definition of freedom in economic terms with the following reasoning: *'the new governmental reason needs freedom therefore the new governmental art consumes freedom'*, which means that, by definition, freedom is also '*produced'* and '*organized'* (ibid. 63). The role of the government therefore is to supply and to produce the conditions necessary for the governed to be free. Managing these conditions creates the problem of limiting, controlling and even coercing, in order to produce and organise freedom[7]. Liberalism, according to

[7] P. 64: 'Liberalism as I understand it, the liberalism we can describe as the art of government formed in the eighteenth century, entails at its heart a problematic/ destructive relationship [with] freedom. Liberalism must produce freedom, but this very act entails the establishments of limitations, controls, forms of coercion, and obligations relying on threats, etcetera'

Foucault, isn't a blind acceptance of freedom, but is constantly in need of manufacturing it, along with its limitations and constraints. At this point, the philosopher briefly explores the connection between the necessity of the processes of control and the notion of security, going so far as to state that 'there is no liberalism without a culture of danger' (ibid. 67), thus linking the governmental practices that limit freedom, in terms of coercion, to the surveillance the state undertakes. In relation to this, the Benthamite Panopticon is mentioned, a major influence on Foucault when referring to other main themes in other topics of his discourse, such as terror and security. For our own purposes, the cycle of producing, organizing and consuming freedom in 18th century liberalism, under an umbrella of governmental security, leads us to the 'crises of liberalism' at the end of the third lecture.

While developing ideas on additional control and intervention linked to introducing additional freedom, Foucault initiates the conversation about state intervention and economic interventionism. Interventionism is denounced as a threat to freedom, but is simultaneously present and necessary. Through this necessity of interventionism, the 'crisis of governmentality' arises. Foucault names the procedures that intend to produce freedom, but potentially risk producing the exact opposite, as 'liberogenic': they are created in a liberal context but don't end up as such (ibid. 69). The mechanisms developed in the mid-1930s and after the Second World War in order to secure states against communism, socialism and Nazism are mentioned by Foucault as an example of liberogenic procedures, thus arriving at the 'crisis of liberalism' that interests the current research. Foucault specifically refers to the 'present crisis of liberalism' when describing his contemporary time of the late 1970s, as attempts at 'a number of re-evaluations, re-appraisals, and new projects in the art of government which were formulated in immediately before and after the war in Germany, and which are presently being formulated in America' (ibid.).

In the closing remarks of his third lecture, that can also serve as an introduction to the next part of my analysis, Foucault concludes that the crises of liberalism, as monitored from the birth of liberalism in the 18th century until his contemporary times, are interconnected with the 'crises of capitalism'. He claims that the 'problem of the [nineteen] thirties [….] is indeed the proof to this, surpassing the political sphere of liberalism and entering the sphere of capitalist economy' (ibid. 70). Finally, the lecture ends where our research began. The Foucauldian *'dispositif',* the general apparatus of governmentality in crisis, 'installed in the eighteenth century', will be retrospectively examined by looking closely at the 'past thirty years' (i.e. 1940s-1970s) in order to 'clarify the way in which [it] is currently experienced, lived, practiced and formulated' (ibid.).

Lectures four through to eleven are devoted to our topic of the new form of liberal governmentality. Within these lectures we find a plethora of aspects that assist us in the analysis of the connection between classical and neoliberal thought. I shall proceed with an examination of the core concepts developed in the second chapter as presented by Foucault, but simultaneously in relation to the aforementioned Hayekian approach.

Foucault approaches the methodological and historical examination of the neoliberal formation based on a series of facts and parameters revolving around the historicity of

liberalism in crisis. As mentioned above, he links that crises with those of capitalism and as such is offering us an economic and political viewpoint, while at the same time pointing out the different, but parallel development of the notions of *le capitalisme* and *le capital* (Foucault, 2008: 165). The former follows a Marxist analysis of 'the logic of capitalism' and the latter as a 'pure economic theory' within economic institutional capitalism (ibid.). When considering the historicity of institutional capitalism, Foucault continues by posing the question of how the ordoliberals would demonstrate whether capitalism 'could survive if a new form was invented for it'. Based on the two poles aforementioned, the logic of capitalism and the pure economic theory of the capital, Foucault presents a 'rough answer' based on the theory of competition. He dedicates the rest of the seventh lecture to this theory by referring to the market order as well as the rule of law. These are points I shall return to in full detail shortly.

By putting forth the notion of inventing a new form of capitalism (and hence liberalism based on Foucauldian reasoning) the goal ordoliberals and neoliberals set becomes clearer: a sense of necessity and of a continuation, an instrumental adaptation of current aspects of a politico-economic system developed in their favour. I will avoid further analysis of capitalism's nature to evolve and reform as it would take a classic Marxist or a more radical turn and I will remain on track by presenting some final remarks Foucault made in his sixth lecture on which he outlines the liberal revival. Specifically, he poses the question 'so, what is neoliberalism?' (ibdi.131). The answer, in true Foucauldian style, in none other than the following: 'Neo-liberalism is not Adam Smith; neo-liberalism is not market society; neo-liberalism is not the Gulag on the insidious scale of capitalism' (ibid.). To offer some insight to such an adamant dismissal, Foucault has previously presented the viewpoints one can have when examining neoliberalism. From an economic point of view 'neo-liberalism is no more than the reactivation of old, second-hand economic theories' […]. [F]rom a sociological point of view it is just a way of establishing strictly market relations in a society' and finally, 'from a political point of view, neo-liberalism is no more than a cover of a generalised administrative intervention by the state which is all the more profound for being insidious and hidden beneath the appearances of a neo-liberalism' (ibid. 130). And it is the political sphere where Foucault attributes the 'problem of neo-liberalism' and how the overall exercise of political power can be modelled on the principles of a market economy by taking its formal principles and projecting them on to a new, general art of government (ibid. 131).

With this necessarily compressed and roughly set out description of neoliberalism as discussed by Foucault, we are able to locate the underlining problem of the theoretical construction of neoliberalism. Having had an initial glimpse into the structure or methodology of this construction, we have now reached the point of delving into the content, the three core concepts of individualism, market order and the rule of law. The referral points will be the Hayekian analysis presented in chapter 2 and will be embedded and examined based on the Birth of Biopolitics.

IV

Core Concepts in the Birth of Biopolitics

i. Individualism:

By this point in my research the economic basis of neoliberalism's outlook upon its connecting with classical liberalism has been established. Foucault assists me in my claim by referring to the process of liberal revival as an 'economization of the entire social field' (Foucault, 2008: 242). Following the philosopher's analysis and in order to gradually offer an answer to my research question, we are now able to refer to the core concepts previously examined.

Primarily, the role of the individual in neoliberalism, as projected by Hayek, draws its main themes from classical liberalism. The freedom of the individual, its right not to be coerced into acting by any arbitrary power and specifically no sovereign or state power, has been examined at length. Particularly, in the Birth of Biopolitics, Foucault examines the neoliberal actor as the *homo oeconomicus*, the economic person. The homo oeconomicus is based on the foundation of classical liberal market economy where the individual takes on the role of the 'partner of exchange' (ibid. 225); the individual is theoretically in charge of what he produces or consumes or purchases, as he moves freely and uncoerced within the market economy. A 'return to the homo oeconomicus' is what neoliberalism is after (ibid.).

However, it is of the utmost importance to note the 'problems of both the theory and method' that revolve around the economic person, as presented by Foucault himself. Specifically, he identifies as a problem the validity of the applicability of the homo oeconomicus into a generalized grid of domains that are not 'directly or immediately economic' (Foucault, 2008: 268). In a caustic comment, the philosopher also says: 'to tell the truth, there is no theory of the homo oeconomicus or even a history of its mention. You practically have to wait for what are called the neo-classical economist, Walras and Pareto, to see more or less clear emergence of what is understood by homo oeconomicus' (ibid. 271).

Therefore, the question arises of why I choose to analyse the neoliberal individual based on a notion with 'no theory' or validity. Following the Foucauldian approach to the matter, along with a generalised conversation regarding the homo oeconomicus in the late 19th and 20th century by thinkers like Max Weber, I believe that the neoliberal commitment to the theory of the homo oeconomicus as the central actor of the neoliberal state, supports my argument against the Hayekian neoliberal construction.

Accordingly, the neoliberal homo oeconomicus, as developed in Foucault, 'is an entrepreneur, an entrepreneur of himself […], for his own capital […] his own producer and [….] his own source of earnings' (ibid. 226). The economic model of supply and demand and of investment-costs-profit so as to make it a model of social relations and of existence itself; to make *a form of relationship of the individual with himself, time, those around him'* (ibid. 242, emphasis added). Foucault continues by referring to the 'reconstruction' of 'warm,

moral and cultural values which are presented as antithetical to the 'cold' mechanism of competition'. It is within this social schema that the individual is alienated from his social environment (work, family etc). Keeping the first and second chapter of the current research in mind, the detachment of the individual from a collective understanding of societal relationships can be contrasted with the Hayekian and overall neoliberal aversion to a collective mentality.

Apart from being an entrepreneur, the neoliberal individual is further regarded, by Foucault and neoliberals themselves, as an *enterprise.* An enterprise that is not comprehended simply as an institution, as in the Hayekian theory that each individual, whoever they are, wherever they come from, has the same economic opportunities within the market order, but enterprises as 'a way of behaving in the economic field' (ibid.175). The generalization of the 'enterprise-form' within the social body 'means taking the social fabric and arranging things so that it can be broken down, *subdivided and reduced, not according to the gain of the individuals, but according to the gain of enterprises'* (ibid. 241, emphasis added). Finally, vis-à-vis the individual entrepreneur, the enterprise-form the neoliberal subject subdividing the relationships with his work, family, his understanding of private property, education or retirement 'makes him into a sort of permanent and multiple enterprise (ibid.).

In short, we can observe the detachment of the individual from a common, collective understanding. For Hayek, each individual is an actor, a component in the market order to choose, not to be coerced nor to have a plan set out by a state plan. Foucault deepens the effects of the earlier Hayekian approach and offers an insight to the consequences of the alteration of the understanding of an individual as an enterprise. The vast competition of enterprises within the market doesn't set up one individual against another, but an enterprise against another enterprise; one more powerful, with more capital, more funds etc. This, of course, is how the capitalist economy works. Furthermore, we can observe that this rationale assists in transforming the consciousness of the neoliberal homo oeconomicus, which ends up comprehending its own existence with an economic approach; applying 'an economic analysis to the non-economic' (Foucault, 2008: 241)[8].

ii. Market Order

Throughout the lectures Foucault refers to the economy as a game. If the homines oeconomici are the players, it is time we turn to a consideration of the game field, the market. While examining Hayek's take on the importance of the matter, it was established that he supported the economy as the basis of the social order. The market is 'part of a natural

[8] An endnote on p. 262 is included at this point in the tenth lecture, which offers a thorough insight into the rationale behind the division of the individual within the social fabric. In order to maintain my thought process without generalizing, I wish to mention it here to be considered and to trouble a pensive reader. It is an extract from F. Bilger's 'La pensée économique libérale' (p. 186) and it refers to the 'de-proletarianization' of society: 'By making all individuals capitalists, by establishing a popular capitalism, the social flaws of capitalism are eliminated and this independently of the fact of an expanding 'salariat' in the economy. Someone earning a salary who is also a capitalist is no longer a proletarian'.

spontaneous order of civilised values and cooperation which sustain capitalism and freedom' (Turner, 2008: 115). However, by this point in the research and as previously mentioned in relation to the homo oeconomicus, Foucault assists me in examining the 'inversion of the social to the economic' (Foucault, 2008: 240). The tenth and eleventh lectures of the Birth of Biopolitics are dedicated to the role of the market economy in the neoliberal understanding. On this note, the tenth lecture is titled 'The Market Economy and The Non- Market Relationships', continuing the Foucauldian investigation of an acute economization of the non-economic field. Within these lectures and in parts throughout the others also, Foucault presents the theoretical mechanisms in detail, especially when referring to classical liberalism and the connection to neoliberal practices. For brevity, I will focus on the theory of the invisible hand by Adam Smith and how it is perceived and used by the neoliberals, and carry out a Foucauldian critique, rather than present the full content of the lecture.

The centre point in establishing the connection of classical liberalism with neoliberalism when referring to the market order, is the nature *laissez-faire* holds within the two. For classical liberalism, the space the market order develops is based and even founded upon laissez-faire, the idea to let actors do, to move freely and choose, following the line of non coercive freedom. *Laissez-faire* is understood as 'every man must follow his own interest' (ibid. 281). Simultaneously, this understanding acknowledges Adam Smith as the founding figure of the political economy and it is within Smith's theory of the 'invisible hand' that both Foucault and the neoliberals base their arguments regarding the market economy.

Specifically, Foucault poses the question of why 'the hand' must be 'invisible'. The answer given is the absolute necessity of the transparency in the economic world noting how important it is for the actor to be 'blind' towards the totality of mechanisms within the economy. The notion of invisibility is indispensable for economic liberalism, as demonstrated by Smith: 'the common interest requires that each knows how to interpret his own interest and is able to pursue it without obstruction (ibid. 280), while 'everyone must be uncertain with regard to the collective outcome if this positive collective outcome is to be expected' (ibid. 279).

In relation to my research question, it is observed when referring to Adam Smith through Foucault's interpretation that the basis of political economy in classical liberalism is also in line with neoliberal thinkers such as F.A. Hayek. Hayek's theory and its contrast with continental, 'false' liberalism based on Reason, as discussed in chapter 2 is also mentioned and developed by Foucault while referring to the physiocrats take on the mechanisms of the market economy. Furthermore and more interestingly, the idea of human imperfectness and the limitations of human knowledge are also examined by the French philosopher (ibid. 282).

Therefore, if the theoretical foundation of the Smithian output on the economy is compatible with the Hayekian aspects of the market order, does this suffice to establish a link between classical liberalism and neoliberalism? A glimpse to what could have been a rounded answer to the aforementioned question, as well as the research question itself, is offered by Foucault in the sixth lecture and refers to the 'number of transformations' neoliberals' made to classical liberalism. It is important to note at this point that, for reasons mentioned in the

introduction of the current chapter, Foucault may have intended to list more than one alteration but fails to do so in the course of his lecture. Nonetheless, the singular transformation the philosopher presents refers to 'dissociating the market economy from the political principle of laissez-faire', and the 'uncoupling' was achieved 'when the neo-liberals put forward a theory of pure competition' (ibid. 131). Competition here is distinguished from the 'primitive and natural[ly] given', but instead is defined as 'a structure with formal properties […] of the competitive structure that could assure economic regulation through the price mechanism' (ibid.). The aim of the neoliberals therefore, according to Foucault's reasoning, was the creation of a 'concrete and real space' for competition to function, disassociating the market economy from laissez faire. '*Neo-liberalism should not therefore be identified with laissez-faire, but rather with permanent vigilance, activity and intervention'* (ibid. 132).

Further modifications of classical liberal theory - especially linked with the market order - are examined when Foucault refers to the role of the state and government; the general rules of conduct or as this research examines it, the notion of the Rule of law or Rechtstaat. Prior to a thorough examination of the final core concept of protoneoliberalism, I would like to offer some closing remarks in relation to the second chapter, as well as the neoliberal outlook on the mechanisms of the market order.

The concepts of competition and equality, discussed in the context of F. A. Hayek's approach to classical liberalism and neoliberalism in chapter 2, are also referred to in the Birth of Biopolitics. A brief mention will follow in order to round up and solidify my argument, referring mostly to Hayek's rationale and purposes, of linking neoliberal theory to classical liberalism, rather than the connection itself.

The 'shift from exchange to competition in the principle of the market' is at the centre of the transformation from classical to neoliberal thought (Foucault, 2008: 118). The above can be understood within the conversation regarding the application of a laissez-faire approach to the market. When the ordo and neoliberals leave laissez faire behind, as mentioned above, it is due to 'naïve naturalism', per Foucault (ibid.). The ordoliberals do not conceive of competition as a natural, pre-existing, primitive feature. For them 'competition is an essence; […] an *eidos;* […] a principle of formalization', while Foucault categorically concludes that for ordoliberals, competition is 'a formal game between inequalities; it is not a natural game between individuals and behaviours' (ibid.). With no inclination to delve into the vast theoretical complexities of the above, I will only refer to interesting questions the Foucauldian approach poses. Competition in this form of a basic principle of the economic behaviour of the actor is linked with monopolies, and the inequalities this creates. Delving into way monopolies develop and thrive within the capitalist economy is beyond our academic field of interest and the parameters of the current research. However, I cannot refrain from posing the following (rhetorical) question: According to Foucault, 'the paradox of monopoly for liberal economics' is that in order to assure a free operation within the market order, intervention must occur; this is a theoretical conflict within classical laissez-fair liberal economy. The paradox accepts the idea that monopoly is part of the logic of competition. Therefore, if competition, as a pure and vital theory within the transformation

from classical to neoliberal occurs (as established above), how can one expect one individual- or enterprise in our case- to be able to compete within a market order of other individuals/enterprises with more power, capital or dexterity of movement? Isn't this a violation of an individual's right to freedom of movement and a coercion of its overall freedom?

The plethora of questions rising could not be satisfyingly answered from this point onwards without deviating from the main research question. An honourable mention alone must suffice before moving on to the concluding part of the analysis regarding the core concepts of my research; at this point, as understood in the Birth of Biopolitics.

iii. Rule of Law

The Rule of Law in the Birth of Biopolitics is examined as the 'rules of the [economic] game' (Foucault, 2008: 173). Foucault introduces the Rule of Law in his seventh lecture while referring to the neoliberals' attempt at inventing a new form of capitalism, as mentioned in the introduction to this chapter. The question posed by Foucault touches on how the 'economic constitution' the ordoliberals have to formulate to achieve an 'institutional innovation' is applied within the market economy (ibid. 167-168). The answer given on the lecture is the 'Rechtstaat', the 'rule of law', the 'l'état de droit', following a 'line of legal theory, the theory of state law' (ibid).

Initially presenting the Rule of Law in the classical sense of its development, Foucault mentions it as the alternative to despotism and the Polizeistaat (ibid. 169). The definitions he offers analyses the legal framework that is necessary for controlling the coercive character a sovereign may enjoy. The administrative measures and the public laws are paramount to the freedom of the individual to choose and move within the market order, while from the mid-eighteenth century onwards, the above is solidified through the institution of the state vis-à-vis citizens (ibid. 170). *'The Rule of Law is not just a state that acts in accordance with the law and within the framework of the law. It is a state in which there is a system of laws, but it also means a system of juridical arbitration between individuals and public authorities'* (ibid).

Consequently, the general principles of the Rule of law lead us to the major distinction between classical and continental liberalism that was examined in chapter one: state intervention and planning. In accordance with the Foucauldian rationale at this point, how can the formal economic legislation be introduced as the general, stable and firm principles without intervening or regulating the market order? Foucault presents the answer through F. A. Hayek himself as 'the opposite of planning' (ibid. 172). Based on a number of Hayek's works, but mainly 'The Constitution of Liberty', Foucault supports the classical liberal theme of 'a law in the economic order remain[ing] strictly formal. It must tell people what they must and must not do' (ibid.). The rules must be fixed and created a priori, while they must bind the public authorities, as well as the individual citizens. Most importantly though, the state must be blind to all economic processes and must not be expected to know anything

concerning the economy. The latter, of course, refers to the omniscient approach of continental liberal thought that sets rationality and reason and its centre; if the public authorities are the universal subject of knowledge in relation to the economy, they are also able to dictate and plan (ibid. 173). Following this line of thought, the philosopher notes that 'the general form taken by the institutional framework in the renewed capitalism should be a game of enterprises regulated internally by a juridical- institutional framework guaranteed by the state. It is a rule of the economic game and not a purposeful economic-social control' (ibid). Finally, in the concluding page of the seventh lecture, Foucault sums up his initial thoughts of the new art of government on the horizon with the following: 'To the ordoliberals the present chance of liberalism is defined by a combination of law, an institutional field defined by the strictly formal character of interventions by the public authorities, and the unfolding of an economy whose processes are regulated by pure competition' (ibid. 179). Without offering any further comment, I can only refer the reader to remarks made previously regarding the problematic implications of the theory of pure competition (see p.31).

The second most interesting and significant point I would like to consider as this research draws to a conclusion, is the notion of the 'economic sovereign' that Foucault puts forwards in his final lectures. I chose to include the 'economic sovereign' with the examination of the Rule of Law, due to the parallel reading of the liberal governmentality in Foucault. The underlining theme of viewing the economy as a game continues, with the players and the rules of the game mentioned above. I return to the concept of the homo oeconomicus as the main actor of the revisited liberalism neoliberals employ.

'*Economic rationality is not only surrounded by, but founded on the unknowability of the totality of the [economic] process. Homo oeconomicus is the one island of rationality possible within the economic process whose uncontrollable nature does not challenge, but instead founds the rationality of the atomistic behaviour of homo oeconomicus. Thus the economic world is naturally opaque and naturally non-totalizable'* […] '*Liberalism acquired its modern shape precisely with the formulation of the essential incompatibility of between the non-totalizable multiplicity of the economic subjects of interest and the totalizing unity of the juridical sovereign'* (Foucault, 2008: 282).

With these quotations from the eleventh lecture of the Birth of Biopolitics, the discussion is directed to the political versus the economic within liberalism. More specifically, Foucault relies upon an analysis of the 'eighteenth century juridical-political world', namely classical liberalism, and the 'economic-juridical world' as 'heterogeneous and incompatible worlds' (ibid.). The incompatibility of 'homo juridicus' and 'homo oeconomicus' is based on the de facto impossibility of the existence of an economic sovereign. Drawing from the overall examination of the Foucauldian approach, the absence of an economic sovereign derives from the inability for omniscient overview of the mechanisms of the market order. It is simultaneously linked to the general principles of economic legislation that restrains the public administrative authority. The problem of the impossibility of the existence of an economic sovereign is mentioned in 'all the returns and revivals of nineteenth and twentieth century liberal and neoliberal thought' (ibid. 283). Foucault further employs the Smithian

view on political economy, understood as economic liberalism, in order to exemplify the complications that occur when discussing the absence of an economic sovereign.

'If we call Adam Smith's theory and liberal theory the start of political economy- economic science never claimed that it had to be the line of conduct, the complete programming of what could be called governmental rationality. Political economy is indeed a science, a type of knowledge (savoir), a mode of knowledge (connaissance) which those who govern must take into account. But economic science cannot be the science of government and economics cannot be the internal principle, law, rule of conduct or rationality of government. Economics is a science lateral to the art of governing. One must govern with economics, one must govern alongside economics, one must govern by listening to economists, but economics must not be and there is no question that it can be the governmental rationality itself' (ibid. 286).

Reading the above in connection to F.A. Hayek's understanding of the neoliberal state, but also neoliberal theory overall, we can draw an important conclusion. While Hayek intends to link classical liberalism with neoliberalism, the heavy focus and weight given to economics as a basic governmental rationale, as described above by Foucault is the exact point that takes classical liberalism and neoliberalism down separate paths. Even if Hayek bases his viewpoint on classical Smithian political economy, as a rationale, the economic aspect as established by this point in my research is the one that stands out. The repercussions and results of economics as a governmental rationality can be found in neoliberal policies applied in favour of an economic growth or gain, rather than social or political benefits for the members of society. It is not significant enough if the pensioner can survive the month, if the checks and balances of the state budget are in order.

With these final notes, the way and method Hayek and protoneoliberal thinkers attempted to connect classical liberalism and neoliberalism have been extensively analysed. Also, the Hayekian rationale behind this link has also been examined. The accentuation of the economic aspect of liberalism is at the epicentre of his rationale with the implications of such a focus being referred to with the assistance of Michel Foucault. And with the above, I am able to draw the research's conclusions in the final part of my thesis.

CONCLUSIONS

At the end of my research's development and in relation to the primary question regarding the connection of classical and neoliberal thought, we can reach the following conclusions. With reference to chapter one, it is clear why founding figures of neoliberal thought, including F.A. Hayek, felt the necessity to build their theoretical foundation on classical liberalism. The elusive concept of individual freedom, intrinsically bound with classical liberal thought, is the neoliberals' main basis for opposing liberal traditions, namely continental liberalism. The historical and political factors, as examined, set out the framework for the necessity of the construction of uncoerced freedom. The rhetoric that Hayek employs is, however, what I believe to be the most significant in order to understand the 'liberalism' he and his affiliates support. The liberal tradition in the contemporary time of the Pelerins is closer to a collective, welfare liberal tradition; Hayek has to counter this with a solid and 'true' alternative. By dedicating extensive periods of his academic life and work to the project, Hayek created the two poles of 'true' and 'false' liberalism, with the classical British tradition being the former and the one that must be followed in order to avoid totalitarianism and annihilation of freedom.

With a sense of urgency due to global political circumstances, the safest or steadiest path Hayek decides to take is to point out this exact sense of urgency with resurgence into the classical; to the starting point; to the eighteenth century theoretical roots of liberalism. Hayek focuses on core concepts of liberalism that he finds timeless or even adaptable. The individual is set at the epicentre, as the main actor who must be uncoerced by arbitrary state authority to move and choose freely within the market order. Basing his argument on the 'sanctified' words and theories of liberal founding figures such as Smith and Ferguson, Hayek hopes that his theories will be unchallenged. The objective of this research was to contest this aforementioned revival. Foucault assists me in challenging Hayek's motion, 'for we should not be under any illusion that today's neo-liberalism is, as is too often said, the resurgence or recurrence of old forms of liberal economics which were formulated in the eighteenth and nineteenth centuries and are now being reactivated by capitalism for a variety of reasons to do with its impotence and crises as well as with some more or less local and determinate political objectives' (Foucault, 2008: 117).

Following the examination in the Birth of Biopolitics, the main problematic found in the protoneoliberal attempt at a liberal revival is the focus on the economization of the non-economic, as discussed in chapters 3 and 4. Classical liberalism as a whole and Smithian political economy specifically, encompasses a rounded and thorough theory of governmentality, as posed in a Foucauldian manner. It ensures the social, political and economic fields of the new independent actor who obtains rights and liberties against a sovereign, as understood when entering modernity. Neoliberalism, on the other hand, refers

to [classical] liberalism's 'economic variant' (Brown, 2005: 39). The homo oeconomicus is the main entrepreneurial actor with an economic understanding of every sphere of the social spectrum. The role of the state is 'enfolded and animated by market rationality', leading the state itself to 'think and behave like a market actor, across all of its functions, including the law' (ibid. 42).

Furthermore, and in relation to the closing remarks of the previous chapter, the detachment of the economic aspect of liberalism in order to exemplify and legitimize the constant and even absolute focus on economic growth, negates other core aspects of a liberal governmentality. Economics cannot be a governmental rationality in itself, as projected by Foucault, as it lacks the *savoir* and *connosaince* of political economy. Therefore, 'erasing the discrepancy between the economic and the moral behaviour' is achieved 'by configuring morality entirely as a matter of rational deliberation about costs, benefits and consequences' (ibid.). This leads to a *de-politicized* actor, who is replaced by 'a group of individual entrepreneurs and consumers' (ibid. 43).

In short, if a single-word answer could be offered to whether or not Hayek's attempt to connect classical liberalism to neoliberalism is well-founded, it would have to be negative. The negative response goes beyond the obvious or even superficial connections of adopting a Smithian approach to the spontaneous self-regulated market; or the instrumental choice of setting the individual freedom at the centre of neoliberal rationale. These connections are evident and offer the link the neoliberals need to solidify what they perceive as a noble cause in obscuring political freedom and setting liberalism back on the right, 'true' path. Delving in deeper, I agree with Foucault who views the attempt of a liberal revival as the 'formation of a contemporary political consciousness' (Foucault, 2008: 76). And by 'political consciousness', I suggest that this is to be understood as the lack of one. Freedom, as mentioned frequently, is a value-laden and complex concept that invites the individual to be conveniently engulfed by freedom. Relying on Wendy Brown's argument, I contend that 'the neoliberal subjects are controlled *through* their freedom'; freedom as an instrument, an eluding mechanism that is moralized by neoliberalism's objectives (Brown, 44, emphasis added). The passivity and political complacency are an immediate consequence of the above.

Prior to my closing remarks and suggestion for further research, I would like to offer an opinion on Hayek's rationale and purposes in establishing his neoliberal ideas on classical liberalism, by referring to the initial chapter in order to bring my thesis full-circle. Attention was brought to the distinction between neoliberalism and neoliberalization, the theoretical foundation and the applied policies. It is during the neoliberalization process of what I called the late neoliberal era that the 'financialization of everything' is observed (Harvey, 2005: 33). However, following an in- depth examination of the theoretical genesis of neoliberalism, an identical conclusion was drawn by Foucault; 'the economization of the non-economic'. Therefore, by looking into the theoretical foundations of neoliberalism and from a position of historical knowledge or privilege, we could argue that it would have developed as it indeed did, throughout the late twentieth and twenty-first centuries. However, after a meticulous examination of the Hayekian construction, I will go as far as to claim that Hayek's analysis and his decision to develop neoliberalism vis-à-vis classical liberalism, was based more on an

ideological stance rather than a theoretical choice or a philosophical opinion. The basis of my claim can be traced back to Foucault for one last time: 'a form of liberalism does not have to be true or false' (Foucault, 2008: 93). The moral and value-laden weight Hayek puts upon constructing the link, the continuity, the absolute need for a liberal revival, all centred on the yearning notion of freedom, allows us to doubt and from there onwards, challenge the purposes of such a construction. Questions and queries born from doubting the motives of the neoliberal construction are mostly related to choices made in the Austrian's professional and academic life. Answers to these queries would require a more political examination of the neoliberal construction and are in need of a detailed historical perspective and evaluation rather than an analysis of his theoretical work. Hayek's popularity and influence, from LSE in London to the USA in the University of Chicago, are a few aspects worth mentioning.

Leaving the historical and political events aside, I wish to conclude with the significance of and necessity for further research. In the attempt to narrow down to the moment of neoliberal birth and regardless of whether or not the path was set out in advance or if it evolved in practice, a new political consciousness was indeed created: a de-politicised individual who measures growth, wellness, productivity and effectiveness in economic terms. It is through the breakdown of the collective, prioritizing one individual over another that has altered or even distorted notions such as freedom and other core values of our understanding. The de-politicization of the individual and consequently of the collective political body offers neoliberalism the ability to survey and control *through* freedom itself and thus creates conditions than cannot in any case be characterised as 'free'. Through the eyes of the most well- known phrase used vis-à-vis neoliberalism, that of 'there is no alternative', I wish to urge a thoughtful reader to critically doubt the 'only option offered' and to seek courageously for the alternative.

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