Lecture 5: 7 February 1979

I) Post-war German neoliberalism: how can economic freedom found & limit the state?
   A) A different question from liberalism vs the police state of 18th C absolutism
   B) Biographies of leading German figures: Eucken, Böhm, et al.
      1) They had been dealing with this issue since the 1930s
      2) Closeness of Freiburg School (Ordoliberals) and Frankfurt School (Critical Theory)
         a) Both start with problematic laid out by Max Weber, displacing Marx
            i) Marx: contradictory logic of capitalism
            ii) Weber: irrational rationality of capitalist society
         b) Two different directions
            i) Frankfurt School: find new social rationality to nullify economic irrationality
            ii) Freiburg School: find new economic rationality to nullify social irrationality
   3) Nazism as the "field of adversity" for neo-liberals
      a) Define an objective: found legitimacy of state via economic freedom
      b) Define "field of adversity" = "whole set of obstacles and enemies" to this project
      c) Redistribution of technical resources available to them

II) Field of adversity for the neo-liberals
   A) Historical sequence of adversaries (actually forms a network rather than sequence)
      1) Theoretical objections in 1840s (List): national econ policy and liberalism are incompatible
         a) Liberalism is suited to a maritime nation (e.g., England)
         b) Germany needs protectionism
      2) Bismarckian state socialism
      3) WWI state planning of wartime economy
      4) Keynesian interventionism
      5) Nazis then contributed a "strict coalescence of these elements"
   B) Theoretical coup de force of German neo-liberals
      1) The truth of Nazism / Nazism as truth, as "economic-political invariant"
         a) Nazism is not a "monstrosity" putting together incommensurate elements
         b) Nazism is instead truth of system, revealing necessary connection of elements
            i) Any way you enter on this path, you end up with Nazism
            ii) "Economic-political invariant":
               (a) Not constitution of state
               (b) But any kind of econ intervention
      2) Nazism as result of "unlimited growth of state power"
         a) This is odd, as Nazism can be seen as "withering away of state"
            i) State is only instrument of the people, the Volk
ii) State is disqualified from w/in
   (a) No longer principle of administrative hierarchy
   (b) But loyalty and obedience to the Führer

iii) The party dominated the state
   b) Neo-liberals responded that the state is merely being re-organized
      i) It's just that the 19th C bourgeois state is being destroyed
      ii) To make way for the Nazi super-state

3) Nazi critique of society produced by bourgeois capitalism (destroys close folk society)
   a) Nazis seem to critique atomized, mass, consumer, spectacle society
   b) But all they really do is intensify these trends
      i) The reason is that these trends are not the fault of capitalism
      ii) But of interfering with the market, which Nazism does to an extreme

III) Failure of nerve of liberalism, limiting market instead of setting conditions for its freedom
A) Economic intervention = application to society of natural science rationality
B) State phobia
   1) Such a global critique lets you Social Security and Gulag in same critique
   2) Key for neoliberals: attribute to state ills supposedly coming from market
      a) [JP: here we have the key to market theology: it can never fail, it can only be failed]
      b) We have to demand even more from the market
         i) In 18th C, market was supposed to be external limit of state
         ii) Now, neoliberals say market should be internal regulating principle of state
         iii) IOW, a reversal
            (a) No longer the market under supervision by state
            (b) But a state under supervision by market
C) Neo-liberal transformations: principle of market changes from exchange to competition
   1) 18th C: market as space for free exchange
      a) All state should do is to ensure respect for freedom of the exchangers
      b) Although state could intervene to ensure private property rights in production
   2) Neoliberals: competition is the key: inequality, not equivalence: price mechanism
      a) Neo-classical econ
         i) State should laissez-faire
         ii) But can intervene to prevent monopoly
      b) Neo-liberals: laissez-faire is only a "naive naturalism"
         i) Bcs competition is not a given of nature, but a "principle of formalization"
         ii) "Formal game btw inequalities, not a natural game btw individuals and behaviors"
   3) Competition is a formal structure
      a) It is never attained, but can only be an objective
      b) Econ – history relation
         i) So econ theory is analysis of competition as formal mechanism
         ii) But we can only analyze real effects of any one economy by studying history
            (a) Thus by historical study we can see which conditions allow for competition
            (b) Or in fact render competitive effects impossible
      c) Free market can only be produced by an active governmentality

Lecture 6: 14 February 1979

I) Critique of simple repetition as model of historical analysis
   A) Neoliberalism is not just a renewal of past forms
      1) Reactivation of classical liberalism
      2) Extension of market society (abstract labor, exchange, etc.)
      3) Growth of state
B) Rather, we have to see the uniqueness of neoliberalism
   1) Not to limit state by econ, but to found state on free market principles
   2) Transformations:
      a) No longer laissez-faire: competition is not given, but a formal structure
         i) Rigorous in its theoretical essence
         ii) But fragile in its historical reality
   II) Lippmann Colloquium confirms uniqueness of neoliberalism as concern w/ style of govt action.
   A) Monopoly
      1) Classical: monopoly is semi-natural / semi-necessary consequence of competition
      2) Neoliberals: monopoly is not part of economic / historical logic of competition
         a) Historical: Monopoly is archaic phenomenon due to state intervention
         b) Juridical:
            i) Law of joint-stock companies, patent rights, etc
            ii) Political: link btw national economy / protectionism / monopoly
      c) Economic: increase in fixed capital does support trend to concentration / monopoly
         i) Not inevitable: monopoly threshold only passed due to market interference
         ii) Even if it occurs, monopoly is instable and can be fixed by competition
      d) Monopoly disturbs prices
         i) But a company can't really charge monopoly prices w/o attracting competitors
         ii) So it has to charge something close to the competitive price
      3) So conclusion of neo-liberals is to prevent external / non-market causes of monopoly
   B) Conformable economic action
      1) Regulatory actions (Kantian echo: providing a focal point for ongoing process)
         a) Target of interventions
            i) You must never act on mechanisms of market
            ii) But only on three tendencies that are conditions of market competition
               (a) Reduction of costs
               (b) Reduction of profit
               (c) Localized tendency to increase profit
                  1. Price reductions
                  2. Improvement in production
         b) Consequences:
            i) Objectives of regulation = price stability as control of inflation
            ii) Instruments: control of credit conditions through central bank interest rates
      2) Organizing actions: intervention on more fundamental conditions ("framework")
         a) Population
         b) Technology
         c) Legal framework
         d) Natural environment
   C) Social policy
      1) Contrast with social policy of welfare economy
         a) Counterweight to unrestrained economic processes producing inequality
         b) Instruments:
            i) Socialization of elements of consumption (e.g., health care)
            ii) Income transfer
            iii) Stronger growth should be rewarded w/ stronger social policy
      2) German ordoliberals reject all of these
         a) We cannot interfere w/ production of inequality (thus no income transfer)
         b) Cannot allow socialization of consumption: need for privatization
            i) Society can no longer insure risks
            ii) Each individual must self-insure against risks
c) Economic growth itself must be the only social policy

III) Society itself (or "social environment") as target of neoliberal governmentality

A) What is neoliberal relation of market and society?
   1) It is not what Marxists critique
      a) Normalized mass consumption "market society"
      b) That is, society of exchange of commodities (incl. labor power)
   2) Rather it is society of competition / "enterprise society"
      a) "social ethic of enterprise" in Weber, Sombart, Schumpeter
         i) Everyone should have access to private property
         ii) Reduction of urban sprawl
            (a) Private homes
            (b) Small farms
            (c) Craft industries and small business
         iii) Decentralization / despecialization = organic reconstruction
            (a) Natural communities
            (b) Families
            (c) Neighborhoods
         iv) Control of effects of large-scale production
            b) A "politics of life," a Vitalpolitik: social fabric w/ basic unit as enterprise

B) Convergence of old critiques of mass society and current neoliberal social policy
   1) We no longer aim at society oriente
ded to uniform commodities (Fordist black Model T)
   2) But to a society that multiplies and differentiates enterprises (flexible production)

C) Multiplication of instances for judicial disputes (litigious society)

Lecture 7: 21 February 1979

I) Recap of last week: social policy of the German neoliberals
   A) Active government aiming at conditions of market
      1) Not intervening in the market or compensating for market effects (inequality)
      2) But fighting anti-competitive mechanisms
         a) Socialized medicine
         b) Income transfer
   B) Forming society on model of enterprise

II) This week: the problem of law
   A) Louis Rougier at the Lippmann Colloquium
      1) Liberalism (= market) not simply a natural mechanism as 18th C believed
      2) But also result of active government judicial framework
         a) But we can't suppose the current system is best
         b) Need to constantly adapt legal framework
            i) Scientific discovery [= intellectual property]
            ii) Changes in corporate structure [= outsourcing]
            iii) Changes in structure of society [= new markets; "real subsumption"]
            iv) Requirements of contemporary consciousness [= media; advertising, etc]
   B) Neoliberals would reply that 18th C market was just as artificial as contemporary

III) What is neoliberal about Rougier's text?
   A) Juridical is not part of superstructure; not a mere expression of economic; it forms economic
      1) Theoretical meaning: there is an "economic-juridical order"
         a) Like Weber, at level of "relations of production" rather than "forces of production"
         b) Economic is regulated from the start; it can't get ahead of or lag behind law
      2) Historical meaning:
a) Reject Marx's revolution as independent economic changes forcing superstructural changes from below
b) History of capitalism is from the start an economic-institutional history

3) Political stake: survival of capitalism
   a) For Marxists:
      i) Economic logic of capital accumulation is determinant
      ii) There is only one Capitalism
      iii) So that end of Capitalism is foretold in its current crisis
   b) For neoliberals
      i) The "capital" process
         (a) Is only a theoretical entity
         (b) That exists in a particular historical economic-institutional reality
      ii) Thus today we have only one form of capitalism ("historical singularity")
         (a) This singularity can give rise to economic-institutional "transformations"
         (b) So we have a "field of possibilities"
      iii) Neoliberals want to show how capitalism can survive w/ different institutions
         (a) Show how competitive market logic was non-contradictory
         (b) Show how current ills of capitalism
            1. Were historical-institutional [in fact, due to state intervention]
            2. And could be overcome w/ better institutions

4) Summary: neoliberal intertwining of two problems
   a) Logic / theory of competition
   b) Weberian problem of economic-institutional history

B) "Legal interventionism"
   1) Situation:
      a) The neoliberals had to invent a new capitalism
      b) Laws cannot interfere w/ market mechanisms
      c) Rather, laws have to make sure that market mechanism are the only game in town
         i) Principle of economic regulation
         ii) And thus principle of social regulation
   2) Solution: application to the economy of the "rule of law"
      a) Early 19th C German conception of Rechtsstaat is opposed to
         i) Despotism as subordination to will of sovereign
         ii) "Administrative continuum" of police state (no difference btw law and regulation)
      b) Rule of law is instead
         i) Public authority must take the form of law (not will of sovereign)
         ii) Laws as acts of sovereign must differ from particular decisions of public officers
      c) So, w/ rule of law any citizen must have real judicial recourse against public authorities
   3) So the neoliberals want to make sure any economic legislation is formal / universal
      a) Proximate targets:
         i) Hitlerian intervention
         ii) New Deal / English post-war planning
      b) Hayek's formula: rule of law is opposite of planning
         i) Plans
            (a) Aim at a particular goal (e.g., full employment, income transfer)
            (b) Can be corrected / modified
            (c) Public authorities make decisions
            (d) Public authorities can become economic agents (public works spending)
            (e) Presuppose that public authorities are subjects of economic knowledge
         ii) Rule of law
            (a) Completely formal w/o any aims or goals
(b) Must be a priori w/o any chance of being changes
(c) Must be a framework w/in which private individuals make decisions
(d) Must bind the state as much as private individuals
(e) Rules out possibility of a subject of economic knowledge

4) "Law and order"
   a) Thus the economy must be a "game" for both state and individuals
   b) Rule of law is only the framework, the rules of the game
   c) That allows "economic order" to emerge as both effect and principle of its own regulation

C) Growth of "judicial demand": "surfaces of friction" increase among multiple economic actors

IV) Conclusion: comparison of neoliberals with Schumpeter
   A) Schumpeter agrees w/ neoliberals that there is no internal contradictory logic of capital
   B) Differences btw Schumpeter and neoliberals
      1) Schumpeter's "pessimism"
         a) Historical / concrete capitalism always has monopoly tendencies
            i) Not due to economic logic of competition
            ii) But due to social consequences of competition
               (a) Tendency to centralization
               (b) Tendency to become connected to administrative / state decision-making
         b) These social consequences lead to a transition to socialism brought about by capitalism
            i) Again, not due to an economic irrationality
            ii) But due to social consequences of competitive markets
         c) The political price of this transition to socialism is high, but not impossible to pay; IOW, we can avoid totalitarian socialism
      2) Ordoliberal reply
         a) The political price is unacceptable
            i) No way to avoid complete loss of freedom once you accept planning
            ii) Because planning always involves errors which call for more control
         b) We can avoid this by intervening to prevent the centralizing tendencies Schumpeter notes
            i) Precisely because we can intervene at the social level
            ii) And not touch the economic level (which Schumpeter agrees is not the problem)
         c) That is, we can avoid Schumpeter's problem by "law and order" (see above)

Lecture 8: 7 March 1979

I) Introduction
   A) Methodological reflection on "micropowers" qua governmentality as conduct of conduct
      1) Target:
         a) F first developed analysis of micropowers in looking at treatment of mad, prisoners, etc.
         b) Now he uses it to analyze economic policy as management of whole social body
      2) Conclusion: analysis of micropowers
         a) Not a question of scale or of a specific target
         b) But the adoption of a "point of view"
   B) "Critical morality" and "state phobia"
      1) Two common and interlocking themes
         a) State possesses a power of expansion that always threatens civil society
         b) Kinship btw different forms of the state
            i) Administrative state
            ii) Welfare state
            iii) Bureaucratic state
            iv) Fascist state
            v) Totalitarian state
2) F's criticism of these themes as "inflationary"
   a) Encourages the acceleration of interchangeability of analyses
      i) E.g., we can move from analysis of social security to analysis of concentration camps
      ii) Thus the requirement for a "specificity of analysis" is diluted
   b) Allows a "general disqualification by the worst" (= slippery slope)
      i) E.g., denouncing "slide to fascism" in severe punishment of vandals (cf. Guliani's "zero tolerance" campaign)
      ii) This hides the need to analyze our own practices on their own terms
   c) "Elision of actuality" in denouncing fantasy of "paranoiac and devouring state"
   d) Does not carry out self-analysis / self-criticism
      i) Doesn't look for real source of state phobia
      ii) I.e., doesn't see historical situation of 1930-45 neo-liberals, who were fighting
          a) Keynesian interventionism / critiques of liberalism
          b) New Deal (US) / Popular Front (France) state control systems
          c) Nazi economics and politics
          d) Soviet Union

3) F's demonstration that current (leftist) state phobia has echoes / roots in neo-liberal thought
   a) Röpke: 1943: Beveridge Plan (Britain) = destruction of middle class by state
   b) Hayek: 1943: Beveridge Plan puts us on path to Nazism

C) F's alternate viewpoint
   1) Welfare state ≠ / doesn't have same origin as Nazi, fascist, Stalinist state
   2) Totalitarian state is in fact a withering away of state in favor of the party
      a) It is not the police state pushed to its limit
      b) In fact it is a non-state governmentality, a governmentality of the party
   3) Twentieth century state is reduction of state / raison d'Etat
      a) Growth of party governmentalities
      b) Liberal governmentality
   4) Conclusion: contemporary (1979) analyses based on state phobia
      a) Are not new but old-fashioned neo-liberal ideas
      b) Are mistaken if they attribute a fascist growth tendency to state
         i) Fascism (as party governmentality) is exogenous to state
         ii) Fascism is reduction of state, not its growth

II) To study diffusion of German neoliberalism in France, we must first distinguish it from US
   A) France as site of "diffusion" of German model
      1) France has a strong state-centered, interventionist, administrative governmentality
      2) Occurs in midst of economic crisis
      3) Agents of implementing the German model are state administrators in midst of a crisis
   B) US
      1) Has own neoliberal tradition, though w/ complex interrelation w/ Germans (via Hayek)
      2) Political aspect of US economic aspect (questioning of New Deal)
      3) Agents are not government administrators, but political opposition movement

III) Focusing on France: Giscard's policies
   A) Economic Context
      1) Shift in policy objectives
         a) From Keynesian full employment, etc
         b) To neoliberal price stability (anti-inflationary / monetarism)
      2) Diagnosis of the crisis
         a) Not Keynesian underconsumption
         b) But as problem w/ investment choices
      3) Oil crisis
         a) Not the formation of OPEC as cartel of sellers / producers
b) But decline in market / geopolitical power of cartel of buyers / consumers
4) Liberal solution was integration of French economy in European / world economy
   a) Just another swing in French history btw dirigiste and liberal orientation?
   b) No, it's really the question of a different regime, neo-liberalism
B) Social policy
   1) Historical remarks
      a) Two problems
         i) Full employment as economic / social priority
         ii) Avoiding devaluation (inflation) due to economic growth
      b) Model was "war" as national solidarity leading to "social security coverage of risks"
   2) Solution: collective consumption / permanent redistribution of income ("welfare state")

JP: there's a big political affect question here about collective vs individual risk. Ewald has good stuff on 19th century insurance. Cf Melinda Cooper discussion in Life as Surplus on new catastrophic risk model (Ulrich Beck): calculable vs incalculable damages (e.g. ecological / nuclear catastrophes require pre-emption rather than recompensation.) See also Randy Martin, Financialization of Daily Life of the "somaticization of risk" as when personal finance types tell you to take on only the amount of risk that allows you to sleep at night!

3) Three answers as to the economic effects of social security / welfare state
   a) We like the results / we need to counteract the market the liberals have set up
   b) There have been no effects on the economy
   c) There are bad effects on the economy
      i) Raise in cost of labor
      ii) Net redistribution to the wealthy (due to cap on taxable income)
4) Giscard's response (accepting third analysis)
   a) We should have two separate systems: economic tax and a social tax
   b) We can do this if we conceive economy as a game and state as setting rules of game
      i) State can supply a safety net as a sort of "inverted social contract"
         a) In social contract
            1. You must will participation
            2. And if you will it, you're part of contract until you cut yourself out
         b) In economic game
            1. You don't will participation
            2. State ensures that you're never excluded from this non-willed game
C) The idea of the "negative tax"
   1) Basic idea:
      a) Social benefits should never be collective consumption (health care / income, etc)
      b) So we will guarantee a minimum income if you fall below a threshold
         i) Solves problem of wealthy benefitting most from (e.g.) national health care
         ii) Assistance threshold has to be calculated so as not to remove "incentive" to work
   2) Characteristics
      a) Aims only at effects of poverty (removal from game) not causes of poverty
         i) This can be phrased in terms of "basic needs"
         ii) So we can be done with the whole distinction btw "worthy" and "unworthy" poor
      b) Will not involve a redistribution of income
         i) Doesn't aim at relative poverty (doesn't seek to close gap btw richest / poorest)
         ii) But only aims at "absolute" poverty
            a) Of course this is relative to each society
            b) Accepts the existence of poor people (instead of aiming at their elevation)
      c) Above absolute poverty threshold requiring assistance
i) Everyone is an enterprise
ii) "Floating population" around the threshold subject to precarious labor conditions

D) Summary
1) Renunciation of Keynesian goal of full employment
2) Neoliberal aim is now integration of all of society in a market economy
3) New "reserve army of unemployed" / downward pressure on wages [NB: not F's terms]
   a) Precarious / "floating" population around threshold
   b) Not same as 19th C production of proletarians via destruction of peasantry
   c) Now system works via subjectivity, not brute force / coercion by fear of starvation
      i) You don't have to work in order to survive; you only work if it's in your interest
      ii) This is a liberal system
         (a) ≠ Bureaucratic system (social workers establishing causes of poverty)
         (b) ≠ Disciplinary system (prisons / poor houses / work houses)
4) Radicalization of German ordoliberal thought